

**Periodic  
Update –  
Financial &  
Regulatory  
Incentives  
for Housing  
6/9/26**



*Presentation assembled for City of Millwood with information provided by WA State Department of Commerce, MRSC, Angi.com, City of Spokane Valley, City of Spokane, Spokane County, & Puget Sound Regional Council (PSRC)*

# Growth Management Act (GMA) Requirements

- Per the GMA Housing Goal, the City is required to “plan for and accommodate housing affordable to all economic segments of the population of this state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock.”
- **Implement comprehensive plan and adequate provisions for all economic segments in the development regulations with the periodic update.**
  - RCW 36.70A.130(1)(a) and (5) (a), RCW 36.70A.070(2)(d) and recent case law (Futurewise, Kian Bradley, and Trevor Reed v. City of Mercer Island, 2025, p. 41).

## After the Mercer Island case decision by the Growth Management Hearings Board, Commerce has recommended that housing elements:

- Identify sufficient land capacity for all housing
  - ✓ *Millwood has done this through the LCA and HAPT*
- Identify barriers to affordable housing and list local actions needed to address these barriers, “adequate provisions”
  - ✓ *Millwood has done this under Comprehensive Plan Section 6.6 Barriers to Housing Development*
- Provide an analysis of the number of housing units that need subsidies or incentives and the funds required for these units
  - ✓ *Millwood has done this under Comprehensive Plan Section 6.5 Projected Housing Needs*
- Identify potential funding sources for housing needs
  - ✓ *Millwood has done this under Comprehensive Plan Section 6.6 Barriers to Housing Development*

# Additionally, Commerce recommends that the development regulations adopted with the periodic update:

## ➤ **Make zoning changes to ensure capacity for all housing needs and reduce regulatory barriers**

- ❑ *Millwood is currently working on this as introduced in the December 9th Joint Meeting*
- ❑ *The Planning Commission began MMC section review in February with an anticipated public hearing / recommendation in August*

## ➤ **Make regulatory changes to address listed housing barriers**

- ❑ **In addition to the development regulation amendments, after the Mercer Island case, Millwood must address all housing barriers, including financial**

- ***Comprehensive Plan Section 6.5 Projected Housing Needs:***

***“The City of Millwood utilized the “methodology for estimating affordable housing funding gap contained in the Commerce HB 1220 Housing Book 2. The methodology was utilized to roughly estimate the gap in funding associated with capital costs for new affordable housing development. Results are described below.”***

### **City of Millwood Estimated Affordable Housing Funding Gap**

1. Total annual affordable housing units needed: Per Table 6-11 above, 60 units are needed in the 0-50% AMI brackets. For a twenty (20) year planning period, this would result in an average of 3 new units needed per year to meet Millwood’s allocated need.
2. Average annual units produced: Millwood has not had any recent affordable housing production.
3. Gap in annual affordable housing production: The total gap in average annual production in Millwood is 3 units (total annual affordable housing units needed minus average annual units produced).
4. Gap in funding: Based on 3 units and a Spokane County average cost per unit of \$217,419 (in 2022 \$ per Book 2 Exhibit 25), the rough estimated funding gap is \$652,257 per year (excluding money paid by tenants/occupants).

**The 60 dwelling units (or an average of 3 units annually) can be any form of affordable housing in the 0-50% AMI bracket that is provided by the private sector.**

- ✓ **The City doesn't need to purchase or construct anything but it does have to plan for and accommodate, which Millwood has done.**
- **The \$652,257 is the funding gap per year (excluding money paid by tenants/ occupants)**

**Comprehensive Plan Section 6.6 has the following language that was adopted:**

As suggested in the updated *Countywide Planning Policies for Spokane County*, the City of Millwood will not only look at updating development regulations to reduce barriers, but Millwood will also be considering the establishment of regulatory or financial incentives to support extremely low, very low, low, and moderate-income housing options or encouraging participation in existing programs such as:

- A sales and use tax deferral program that could apply to commercial buildings which incorporate affordable housing (RCW 82.59),
- A Multi-Family Tax Exemption Program (RCW 84.14),
- Advertisement of the Commercial Property Assessed Clean Energy + Resiliency (C-PACER) program as an innovative financing tool for more efficient, resilient commercial and multi-family properties that can benefit incorporated and unincorporated areas in Spokane County,
- Millwood is eligible to participate in the New Markets Tax Credit Benefits (NMTC) Program that incentivizes community development and economic growth by using tax credits that attract private investment to distressed communities,
- Becoming a Washington Main Street Community through the Washington Main Street Program for encouraging residential and commercial mixed use in Millwood's downtown through the Main Street Tax Credit Incentive Program which provides a Business & Occupation (B&O) or Public Utility tax (PUT) credit for private contributions given to eligible downtown organizations which once a business's donation is approved, they are eligible for a tax credit worth 75% of the contribution to the designated Washington Main Street Community, and
- Working with the community to develop pre-approved designs for a range of housing types that can be permitted expeditiously.

Some of the suggestions included above are contained in Table 6-13 under Section 6.8 below, which the City of Millwood will utilize to assist with implementation updates in order to reduce barriers to housing development.

# Compliance Options for City of Millwood

In addition to the development regulation amendments, after the Mercer Island case, Millwood must address all housing barriers, including financial:

## 1. Under the Goals and Policies in the Comprehensive Plan, the following Implementation Actions can or are being utilized.

Number	Action	Policy	
7 ✓	Collaborate with housing agencies to locate and develop affordable housing options, identify partnerships with fiscally responsible agencies to manage and implement the development of housing utilizing public funds.	1, 2, 3, 4, 6, 12, 36, 39, 42	<ul style="list-style-type: none"> <li>Spokane Housing Authority (SHA), SNAP, Spokane Housing Ventures, etc.</li> <li>HCDAC – Shaun Culler is Millwood Representative</li> </ul>
23	Evaluate and modify, if necessary, the city’s development code fee structure.	3, 36	<ul style="list-style-type: none"> <li>Exemptions, waivers, or a reductions of charges normally assessed to residential development in exchange for the construction of affordable housing – <i>Discount on planning fees or reduced/deferred sewer and water connection fees as set forth by resolution of the city council.</i></li> </ul>
<p><b><i>Need clear eligibility criteria, such as a threshold level of affordability (e.g., less than 50% of the Median Family Income), a minimum number or percentage of units that must be affordable, and the time period within which these units must remain at the set affordability level (“fairness” waiver provision has been proposed in the modifications to MMC 14.16.070)</i></b></p>			
36 ✓	Facilitate opportunities for property owners to connect with housing providers and non-profit organizations to create and preserve affordable housing.	6, 10, 12, 36, 42	<ul style="list-style-type: none"> <li>See #7 + Spokane Regional Land Bank &amp; Habitat for Humanity, First Story, etc. <b><i>(add page w/ resources to City website?)</i></b></li> </ul>

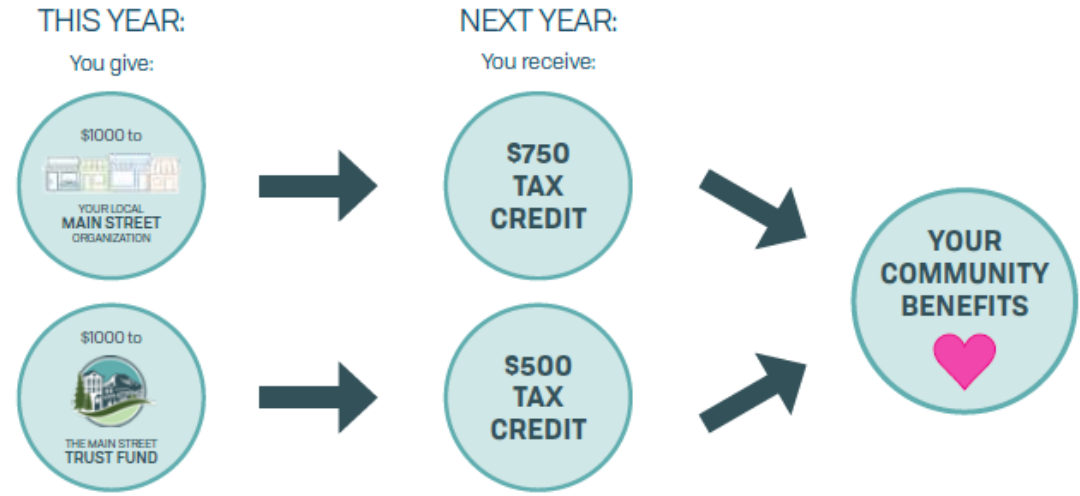
## 2. WA Main Street Community Designation

**Comprehensive Plan Policy P.01 - “Coordinate business, City and community efforts, and investment to enhance Millwood’s central business district.”**

- ✓ *Currently in process (Millwood Community Association received Affiliate Designation Status in 2025)*
- *Millwood Community Association is working towards the full WA Main Street Community designation (Board has been established)*
  - Benefit – Participation in the Main Street Tax Credit Incentive Program (encourage residential and commercial mixed use in Millwood’s downtown)
    - Provides a Business & Occupation (B&O) or Public Utility tax (PUT) credit for private contributions given to eligible downtown organizations
    - Once a business’s donation is approved, they are eligible for a tax credit worth 75% of the contribution to the designated Washington Main Street Community

### The Basic Facts

- ◇ To participate, the downtown organization must be a designated Washington Main Street Community.
- ◇ Eligible Washington Main Street Communities can receive donations totaling up to \$133,333.33 per year.
- ◇ The program for the entire state is capped at \$2.5 million and is first-come, first-served.
- ◇ Businesses can donate up to \$250,000 annually.
- ◇ Donating to the Washington Main Street Trust Fund helps support revitalizing downtowns across the state. It builds the capacity of the State Coordinating Program to provide services to existing and future downtown organizations.



### How Do Businesses Get the Tax Credit?

- ◇ Businesses must be registered to file their state excise tax electronically.
- ◇ A donation request must be filled out and submitted online. There are step-by-step instructions on the Washington Main Street website ([preservewa.org/mainstreet](http://preservewa.org/mainstreet)).
- ◇ A business is approved (instantaneously) and will be able to choose an organization to donate to and the donation amount. The business will also see how much credit the organization has left.
- ◇ A business will receive a confirmation letter from the Department of Revenue within 45 days.
- ◇ The business writes a check for the donation amount to their selected Main Street organization prior to November 15. The donation can be spread out over the calendar year, but early pledges are recommended to guarantee the donation is eligible.
- ◇ The business must take the tax credit the following year the donation is made. The tax credit cannot be carried forward. There will not be a refund for any credit above and beyond a business's tax liability.

### 3. Accessory Dwelling Unit (ADU) Incentives

- ✓ Low income and/or Senior citizens may benefit from property tax exemptions for their homes and an ADU (RCW 84.36.383)

Senior citizens occupying their primary residence can claim this exemption once taxes have been imposed. This can be used for a person who sells, transfers or is displaced from their residence under certain circumstances. Tax Year 2025+

- ✓ ADUs may also qualify for a 3-year tax exemption via a form filed with the Spokane County Assessor -

<https://dor.wa.gov/sites/default/files/2022-02/64-0009.pdf>

“Any physical improvement to single-family dwellings upon real property, including constructing an accessory dwelling unit, whether attached to or within the single-family dwelling or as a detached unit on the same real property, shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement to the extent that the improvement represents thirty percent or less of the value of the original structure.”

- The homeowner must file a claim for the exemption with the Assessor before the improvements are completed. (NOTE: The homeowner may not claim this exemption more than once in a five-year period on the same dwelling.)
- When the improvements are completed, the homeowner must submit a written notice of completion to the Assessor.

ADU Type	Average Cost Range	ADU Size (Sq. Ft.)	Average Cost Range
Basement conversion	\$60,000-\$150,000	400	\$60,000-\$120,000
Garage conversion	\$60,000-\$150,000	600	\$90,000-\$180,000
Attached new construction	\$100,000-\$216,000	750	\$112,500-\$225,000
Above-garage construction	\$128,000-\$225,000	1,000	\$150,000-\$300,000
Detached new construction	\$110,000-\$285,000	1,200	\$180,000-\$360,000

Average \$150 - \$300 per sq. ft. + utility connections (approx. \$3,600 materials & labor in \$4,000 water deposit)

Pre-Fabricated Units Save Approx. 20%

# Pre-Approved ADU Program / Pre-Approved Building Plans

- ❑ Provide pre-reviewed and approved Detached ADU plans that are compatible with neighborhood character and meet local market demands:
  - Site plan review through City of Millwood (*could also provide a fee waiver as discussed in Option #1*)
  - Building permit application review through City of Spokane Valley Building Dept (site dependent portion + permit processing)
  - Standard construction inspections

## Estimated Cost to City:

- Up to \$50,000 for designs (*open submission / design competition or city commissioned designs*)
- Initial building permit review fees for each plan (*approx. \$1,500 more or less, depending on ADU value*)
- Staff time for program setup

## Benefit to Applicants:

- ❖ Saving Approx. 10% of ADU cost for design (*approx. \$11K - \$28K, maintaining up to 5% for site specific design*)
  - *pre-fabricated units would likely already save this*
- ❖ Approx. \$500 savings on building plan review
- ❖ Faster permit review and processing time

- [City of Renton, WA - Permit-ready ADU plans](#)
- [City of Leavenworth, WA \(RFP\)](#)
- [City of Leavenworth - Pre-Approved Housing Plans](#)
- [City of Kirkland, WA - Preapproved detached ADU plans](#)
- [PSRC Toolbox Link w/ Implementation Steps](#)
- [Kitsap County – Pre-Approved ADU](#)
- [City of Port Orchard \(part of County program\)](#)
- [City of Lacey, WA - ADU Floor plans](#)

## 4. Commercial Property Assessed Clean Energy + Resiliency (C-PACER) program

- ✓ **Advertisement** of the Commercial Property Assessed Clean Energy + Resiliency (C-PACER) program as an innovative financing tool for more efficient, resilient commercial and multi-family properties (5+ dwelling units) that can benefit incorporated and unincorporated areas in Spokane County.
  - C-PACER does not use any government funds, it is a loan agreement between a private lender and the property owner, like a mortgage or home improvement loan.
  - The county records the loan as a lien on the property, which means that if the property owner sells the building, the assessment stays with the building (unless the payoff is part of the sale agreement).
  - Examples of projects that can be financed using C-PACER include:
    - Energy and water efficiency
    - Electrification improvement (eliminates fossil fuel combustion)
    - Renewable energy, Electric vehicle charging, and/ or Energy storage
    - Seismic hardening
    - Fire detection and suppression
    - Flood readiness and/or Stormwater management
  - **Benefits of C-PACER Financing**
    - Property owners can save money by lowering utility bills and energy costs
    - Increases Marketability: Projects may enhance building comfort and aesthetics, attracting tenants and buyers
    - Longer loan payback terms can make PACE-funded projects cash-positive sooner than traditional loans
    - No Impact to Debt-to-Equity Ratio: Does not impede the owner's ability to borrow additional funds
    - PACE loans rarely require cash up front, making them more accessible to property owners than other loans
    - Overcomes Split Incentive: Debt service can flow through to tenants some lease structures
    - Lower interest rates on PACE financing makes loans more affordable
    - Seismic and Fire Retrofits: Distributes expense over long term
    - Creates local jobs and spurs economic activity through the funding of new efficiency and resiliency projects
    - Clean Building Act (HB1257): Facilitates compliance by operationalizing large capital investments required to achieve the targets.

## 5. New Markets Tax Credit Benefits (NMTC) Program

### ✓ Advertisement of the [New Markets Tax Credit Benefits \(NMTC\) Program](#)

- Millwood is [eligible](#) to participate in the NMTC Program that incentivizes community development and economic growth by using tax credits that attract private investment to distressed communities.
  - NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called [Community Development Entities \(CDEs\)](#).
  - The banks (investors) receive a 39% tax credit for investments into the CDEs, who use these proceeds to finance new and expanding businesses and community health, medical, educational, and other projects.
    - The credit totals 39% of the original investment amount and is claimed over a period of seven years.
  - [Future cycle of allocations will include a focus on Affordable Housing \(2026+\) and non-metro communities.](#)
  - <https://static.spokanecity.org/documents/economicdevelopment/incentives/nmtc/nmtc-forum-presentation.pdf>

## 6. Sales & Use Tax Deferral for Commercial Buildings w/ Affordable Housing

- ❑ **A sales and use tax deferral program that could apply to commercial buildings which incorporate affordable housing ([RCW 82.59](#)).**
  - **City council may authorize a sales and use tax deferral for an investment project within the city if the city council finds that there are significant areas of underutilized commercial property and a lack of affordable housing in areas proximate to the land (*must be zoned for residential or mixed uses*)**
    - Must adopt a resolution of intention to create a sales and use tax deferral program.
    - The resolution must state the time and place of a hearing to consider the creation of the tax deferral program.
      - City must give notice of a hearing by publication of the notice once each week for two consecutive weeks, not less than seven days, nor more than 30 days before the date of the hearing in a paper having a general circulation in the city. The notice must state the time, date, place, and purpose of the hearing.
    - Resolution must provide information pertaining to:
      - (a) The application process;
      - (b) The approval process;
      - (c) The appeals process for applications denied approval; and
      - (d) Additional requirements, conditions, and obligations that must be followed post approval of an application.
    - Following the hearing, the city may authorize creation of the program.
  - **Primarily for multifamily housing units and the applicant commits to renting or selling at least 10 percent of the units as affordable housing to low-income households.**
    - In a mixed-use project, only the ground floor of a building may be used for commercial purposes with the remainder dedicated to multifamily housing units
    - "Multifamily housing" means a building or a group of buildings having four or more dwelling units not designed or used as transient accommodations and not including hotels and motels. Multifamily units may result from rehabilitation or conversion of vacant, underutilized, or substandard buildings to multifamily housing.
  - **If a conditional recipient maintains the property for qualifying purposes for at least 10 years, deferred sales and use taxes need not be repaid.**

## 7. Multi-Family Tax Exemption (MFTE) Program

**MFTE (Multifamily Housing Tax Exemption) programs are property tax waiver programs enacted by cities and counties to support local housing goals under RCW 84.14.**

- Local governments can give tax exemptions for new construction, conversion, and rehabilitation of multifamily residential improvements with at least four units.
- Under these exemptions, a property owner does not have to pay property taxes on the residential improvements for a given number of years:

- The property owner still pays tax on the land and on non-residential improvements like the commercial portion of a mixed-use building.

- City would need to meet the resolution, hearing, and program requirements of RCW 84.14.040 (only for Millwood CBD) & due to small population, Millwood would need to meet RCW 84.14.010(3)(d) which may not be an option and has a 2031 expiration**

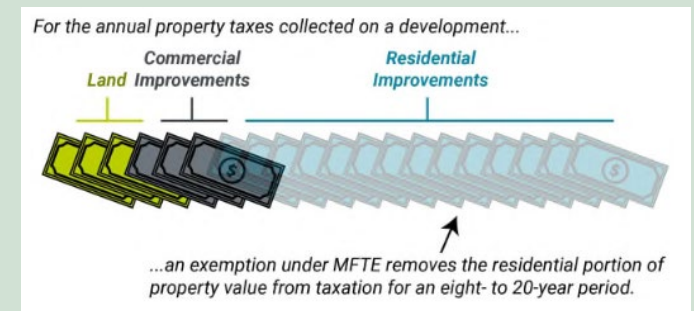
- Commerce will provide assistance with MFTE program adoption

### Advantages

- City can give financial incentives to meet housing goals without the need for direct funding. This can support affordable housing but can also incentivize market-rate housing in a way that complies with state constitutional requirements.
- Requirements in state law can be flexible and let cities tailor programs to meet policies. Some programs consider on-site improvements, building requirements, or mandates for services.
- MFTEs are commonly used by developers across Washington, who are often familiar with how they operate and how to use them with projects.

### Considerations

- Can result in either a loss of tax revenue to the community, or a tax shift where other property owners will pay more in taxes.
- MFTE programs require staff time to conduct regular monitoring, oversight, and reporting.
- Regular updates can be necessary to make sure the program provides a sufficient incentive to maximize public benefits.



# **Draft Millwood Development Regulations modifications in the periodic update:**

- **Make zoning changes to ensure capacity for all housing needs and reduce regulatory barriers**
  - ✓ **Table of Permitted Uses updates for housing uses (17.06.010 – Table 17.1)**
    - **Added 7 new Middle Housing uses plus Co-Living Housing and Senior Independent Housing**
    - **Refined Residential / Commercial Mixed Use to allow for 3 types dependent on location (vertical mixed use developments, horizontal mixed use developments, and live-work buildings)**
  - ✓ **MMC Chapter 17.08 - 17.18 Residential (UR-1, UR-2, and UR-3)**
    - **Removed requirement for frontage on a public street and reduced front lot line widths to allow for infill development that may utilize a private driveway / access and utility easement for the rear of the lot**
    - **Removed minimum lot size requirement and referenced consistency with adopted Bulk Density Standards in Millwood Comprehensive and utilization of lot width/depth, setbacks, and maximum building/lot coverage to define lot sizes**
    - **Updated ADU standards to be consistent with WA State Law which will allow for a significant increase in ADUs**
    - **Updated parking requirements to be consistent with WA State Law**
    - **Added provisions for new housing in existing buildings (per RCW 35A.21.440)**
    - **Added provisions for an increased density bonus for affordable housing located on property owned by a religious organization (per RCW 36.70A.545)**
    - **Added provisions for retrofits of existing buildings for residential housing and accommodation for passive house requirements (per RCW 36.70A.810 & 812)**
    - **Added provisions for conversion of single-family homes to middle housing**

✓ **MMC Title 16 Subdivisions**

- Increased short plats from 4 lots to 9 lots
- Added provisions for Unit Lot Subdivisions (ULS) to short plat and subdivision regulations
- Added provisions for Administrative Lot Splits (ALS)
- Clarified and streamlined regulations

✓ **MMC Title 14 Land Use and Chapter 17.44**

- The sections have been streamlined to reflect local project review requirements in state law and updated for consistency as well as current best practices

✓ **Process Improvement Measures (3 process improvement measures exempts Millwood from fee refunds for not meeting project permit deadlines):**

1. **RCW 36.70B.160(1)(c) & (d) – c. Entering into an interlocal agreement with another jurisdiction to share permitting staff and resources & d. Maintaining and budgeting for on-call permitting assistance for when permit volumes or staffing levels change rapidly.**
  - Interlocal Agreement w/ City of Spokane Valley 2023
  - Professional Services Agreement w/ Upward 7 Consulting 2023
2. **RCW 36.70B.160(1)(a) - Expediting review for project permit applications projects that are consistent with adopted development regulations or that include dwelling units that are affordable to low-income or moderate-income households.**
  - **Draft MMC 14.12.025(A)(4) - Type I for Site Plan Review\***

**\*Review will be expedited on project permit applications for projects that are consistent with adopted development regulations (including the adopted city bulk density standards contained in the city comprehensive plan) or that include dwelling units that are affordable to low-income or moderate-income households (RCW 46.70B.160)**

✓ **Process Improvement Measures (3 process improvement measures exempts Millwood from fee refunds for not meeting project permit deadlines):**

**3. RCW 36.70B.160(1)(j) - Meeting with the applicant to attempt to resolve outstanding issues during the review process. The meeting must be scheduled within 14 days of a second request for corrections during permit review. If the meeting cannot resolve the issues and a local government proceeds with a third request for additional information or corrections, the local government must approve or deny the application upon receiving the additional information or corrections.**

- **Draft MMC 14.12.090(D)**

**D. The city can offer to meet with an applicant to attempt to resolve outstanding issues during the review process based on review of the entire application. The meeting must be scheduled within 14 days of a second request for corrections during permit review. If the meeting cannot resolve the issues and the city proceeds with a third request for additional information or corrections based on the entire application, the city must approve or deny the application upon receiving the additional information or corrections; alternatively, if denial is anticipated, the city can offer a voluntary process for the applicant to waive the timeline obligation to continue the revision-and-review process.**

## Need direction on which financial options the City of Millwood would like to move forward:

- **Option #1a:** Continue participation in HCDAC & coordination w/ affordable housing providers
- **Option #1b:** Conduct additional research on planning fee discounts and/or reduced sewer and water connections fees for affordable housing *(need to determine if the city can financially sustain this option)*
- **Option #2:** Continue support for obtaining a WA Main Street Community Designation with Millwood Community Association - opportunity for Business & Occupation (B&O) or Public Utility tax (PUT) credits
- **Option #3a:** Advertise the availability of ADU tax exemptions
- **Option #3b:** Conduct additional research on the creation of a Pre-Approved ADU Program in 2027, if needed
- **Option #4:** Advertisement of the Spokane County Commercial Property Assessed Clean Energy + Resiliency (C-PACER) program
- **Option #5:** Advertisement of the New Markets Tax Credit Benefits (NMTC) Program
- **Option #6:** Explore adoption of a Sales & Use Tax Deferral for Commercial Buildings w/ Affordable Housing *(need to determine if the city can financially sustain this option)*
- ~~**Option #7:** Explore Millwood's capability of adopting a Multi-Family Tax Exemption (MFTE) Program *(need to determine if the city can qualify & financially sustain this option)*~~

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Update 2026  
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Incentives

Questions?

