

ORDINANCE NO. 944

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, AMENDING CHAPTER 3.27 PROPERTY TAX EXEMPTION OF THE SHORELINE MUNICIPAL CODE TO PROVIDE FOR A TWELVE YEAR EXTENSION PERIOD, ESTABLISH A TWENTY YEAR PROGRAM, EXPAND RESIDENTIAL TARGETED AREAS FOR THE 185TH STREET LIGHT RAIL STATION SUBAREA, AND ELIMINATE THE SUNSET OF THE PROGRAM WITHIN THE LIGHT RAIL STATION SUBAREAS.

WHEREAS, in 2002, the City of Shoreline established a Multi-Family Property Tax Exemption (PTE) program as authorized by RCW Chapter 84.14 and is codified in Shoreline Municipal Code (SMC) Chapter 3.27; and

WHEREAS, since that time, SMC Chapter 3.27 has been amended to expand the PTE program to other residential targeted areas, to establish eligibility criteria, to define the duration of the program, and to ensure all previous actions were codified in SMC Chapter 3.27; and

WHEREAS, with the adoption of Ordinance No. 776 on April 10, 2017, the City Council designated Phase 1 of the 145th and 185th Light Rail Station Subareas as residential targeted areas eligible for the PTE program but established a “sunset” period of December 31, 2021 for the use of the PTE in these areas; and

WHEREAS, the purpose of the December 31, 2021 sunset was to provide for a short-term incentive to spur lot assemblages and the development of large multi-family projects in the areas closer to the Light Rail Stations; however given the real estate market, COVID-19, and Sound Transit’s construction schedule, development has not occurred as anticipated; and

WHEREAS, with the adoption of Ordinance No. 706, the City Council established three (3) phases for the 185th Light Rail Station Subarea; and

WHEREAS, with Ordinance No. 776, the City Council designated only Phase 1 of the Light Rail Stations Subareas as residential targeted areas eligible for the PTE; and

WHEREAS, at its November 30, 2020 and April 5, 2021 regular meetings, the City Council discussed the phasing of the Light Rail Station Subareas and an extension of the PTE for the Subareas beyond that set in Ordinance No. 776 and it was determined that expansion within the 185th Street Station Subarea was appropriate; and

WHEREAS, in 2021, the Washington State Legislature adopted Engrossed Second Substitute Senate Bill 5287 (ESSSB 5287), amending RCW Chapter 84.14 to further incentivize affordable housing in urban areas; and

WHEREAS, amendments approved by the Legislature available to the City are the ability to extend a property tax exemption for an additional 12 years after completion of the first

exemption term and to establish a 20-year property tax exemption when the Multi-Family housing is within one (1) mile of high capacity transit, both subject to certain criteria; and

WHEREAS, the City Council discussed the PTE program at its September 13, 2021 regular meeting and has considered the entire public record, public and stakeholder comments, written and oral; and

WHEREAS, the City Council has determined that the amendments to SMC Chapter 3.27 are in the best interests of the City of Shoreline and the need to provide affordable housing to its residents;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Amendment – SMC Chapter 3.27 Property Tax Exemption. SMC Chapter 3.27 is amended as set forth in Exhibit A to this Ordinance.

Section 2. Conversion of 12-year Property Tax Exemption Applications to 20-year Property Tax Exemption. Any project for which an application for a conditional certificate is pending for a 12-year property tax exemption by the effective date of this Ordinance, may convert that application for review under the 20-year property tax exemption established by this Ordinance. The applicant shall file a written request with the Department of Planning and Community Development requesting conversion and provide necessary documentation supporting the project's eligibility for the 20-year exemption. The applicant shall not be required to pay the applicable application fee as set forth in the Planning and Community Development Fee Schedule, Section I(4), for this conversion.

Section 3. Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this Ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

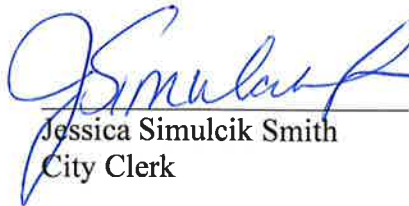
Section 4. Severability. Should any section, subsection, paragraph, sentence, clause, or phrase of this Ordinance or its application to any person or situation be declared unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of this Ordinance or its application to any person or situation.

Section 5. Publication and Effective Date. A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five (5) days after publication.


PASSED BY THE CITY COUNCIL ON OCTOBER 4, 2021


Mayor Will Hall

ATTEST:


Jessica Simulcik Smith
City Clerk

APPROVED AS TO FORM:


Julie K Ainsworth-Taylor
Assistant City Attorney
on behalf of Margaret King, City Attorney

Date of Publication: October 7, 2021
Effective Date: October 12, 2021

Chapter 3.27
PROPERTY TAX EXEMPTION

ORIGINAL

Section 3.27.010 is amended to read as follows:

3.27.010 Purpose

The purpose of this chapter providing for an exemption from ad valorem property taxation for multifamily housing in the residential targeted areas is to:

- A. Encourage increased residential opportunities within the residential targeted area;
- B. Stimulate new construction or rehabilitation or conversion of existing vacant, ~~and underutilized, or substandard buildings~~ to multi-family housing for revitalization of the designated targeted areas;
- C. Assist in directing future population growth to the residential targeted area, thereby reducing development pressure on single-family residential neighborhoods; and
- D. Achieve development densities that stimulate a healthy economic base and are more conducive to transit use in the designated residential targeted area.

SECTION 3.27.020 IS AMENDED TO READ AS FOLLOWS:

3.27.020 Definitions.

A. “Affordable housing” means residential housing that is rented or sold to a person or household whose annual household income does not exceed 70 percent of the median household income adjusted for family size for King County, determined annually by the U.S.

Department of Housing and Urban Development, for studio and one bedroom units and not exceeding 80 percent of the area median household income adjusted for family size for two bedroom or larger units.

B. “Department” means the city of Shoreline department of community and economic development.

C. “High-capacity transit” means public transit providing a substantially higher level of passenger capacity and operates with at least 15-minute scheduled frequency during the hours of 6 am to 8 pm each weekday.

€D. “Household annual income” means the aggregate annual income of all persons over 18 years of age residing in the same household.

ƒE. “Multifamily housing” means a building or ~~project~~ a group of buildings having four or more dwelling units designed for permanent residential occupancy.

€F. “Owner” or “property owner” means the property owner of record.

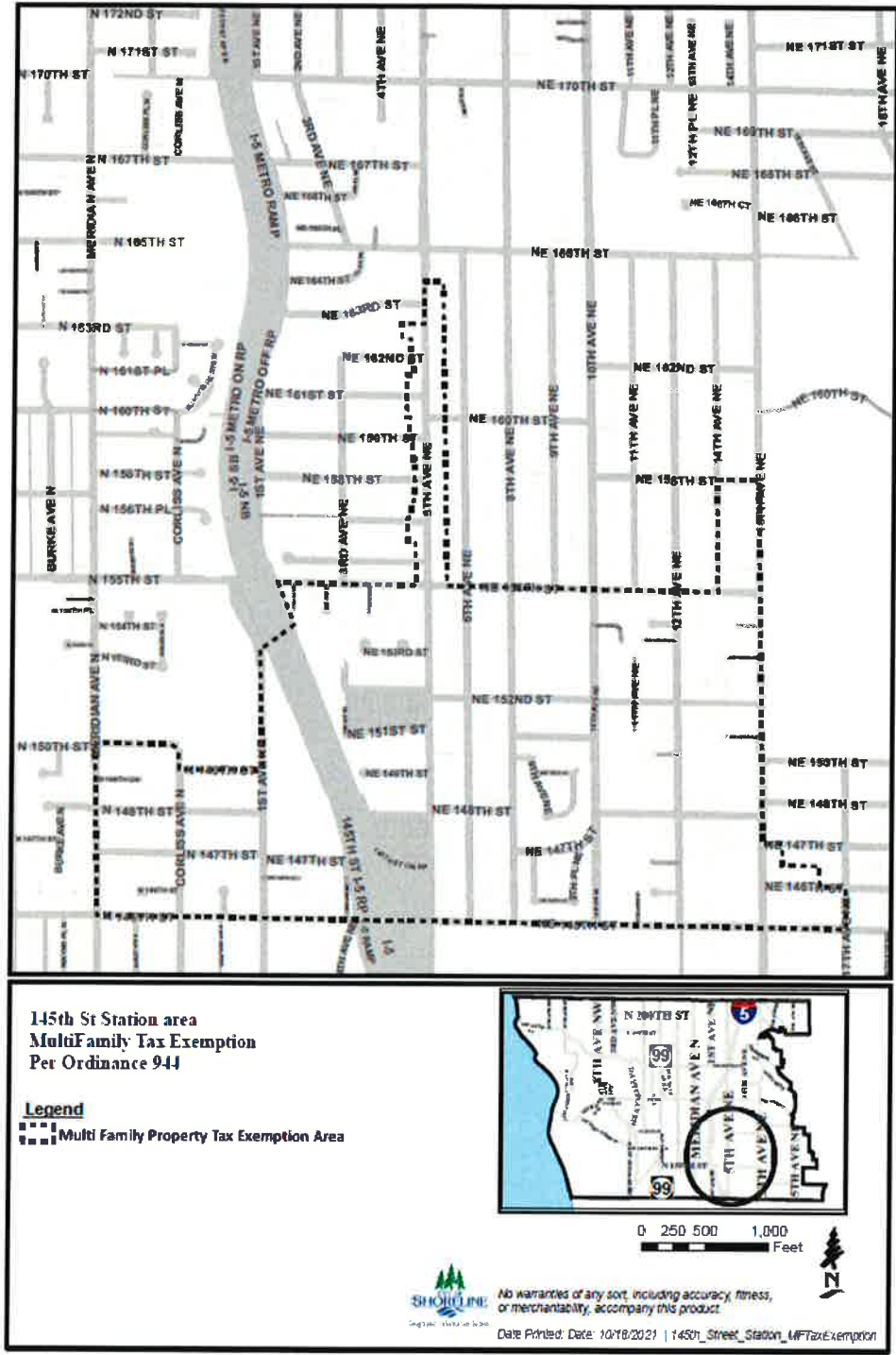
FG. “Permanent residential occupancy” means multifamily housing that provides either rental or owner-occupancy for a period of at least one month, excluding hotels, motels, or other types of temporary housing that predominately offer rental accommodation on a daily or weekly basis.

SECTION 3.27.030 IS AMENDED AS FOLLOWS:

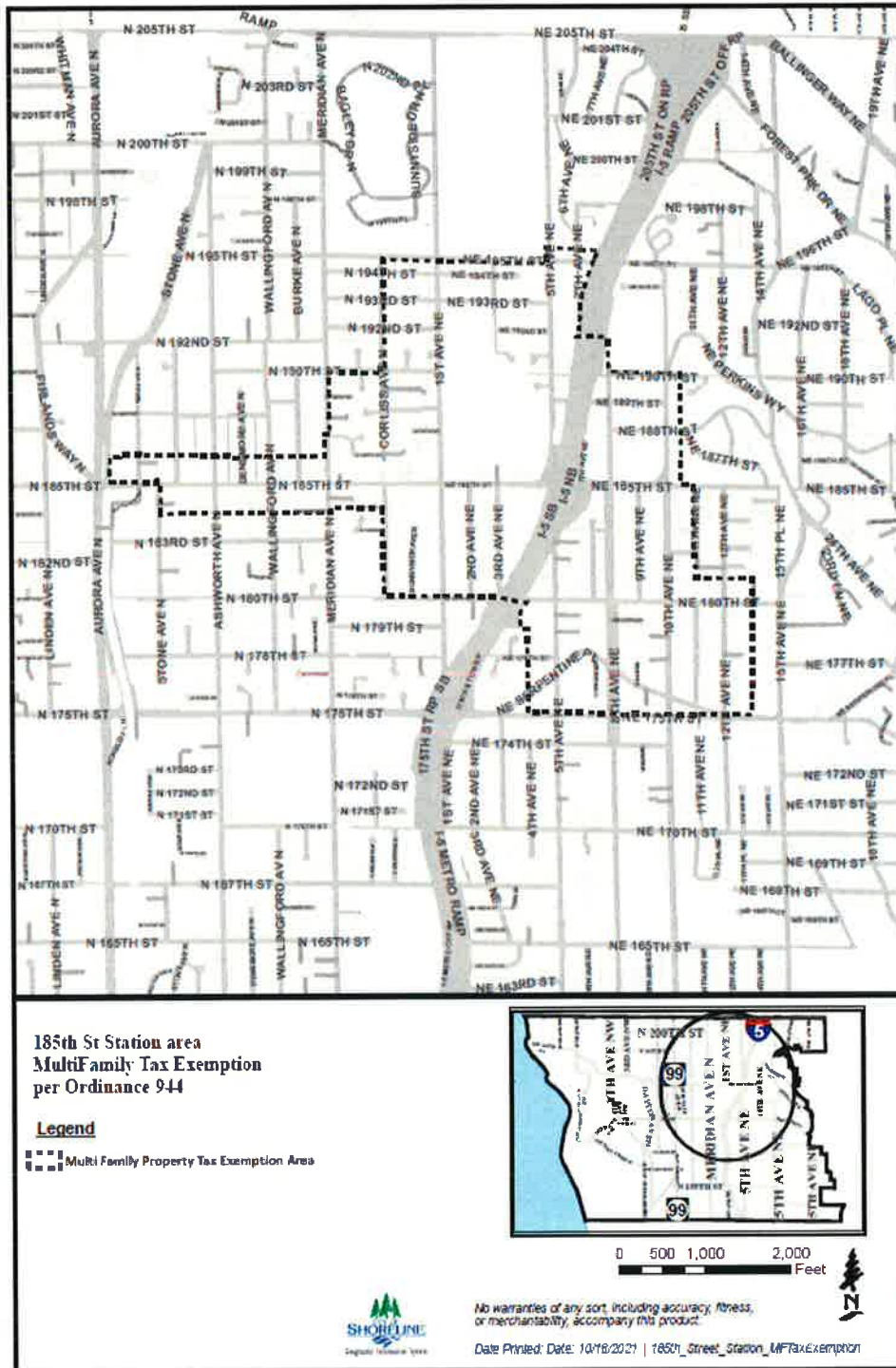
3.27.030 Designation of residential targeted areas.

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Attachment H - 145th Street Station Subarea is deleted in its entirety and replaced with a new Attachment H as shown below:



Attachment I - 185th Street Station Subarea is deleted in its entirety and replaced with a new Attachment I as shown below:



SECTION 3.27.040 IS AMENDED TO READ AS FOLLOWS:**3.27.040 Eligibility standards and guidelines.**

A. Eligibility Requirements. To be eligible for exemption from property tax under this chapter, the property must satisfy all of the following requirements:

1. The project must be located within one of the residential targeted areas designated in SMC 3.27.030;
2. The project must be multifamily housing consisting of at least four dwelling units within a residential structure or as part of a mixed used development, in which at least 50 percent of the space must provide for permanent residential occupancy;
3. The project must be designed to comply with the city's comprehensive plan, applicable development regulations, and applicable building and housing code requirements;
4. At least 20 percent of the housing units must be affordable housing as defined in SMC 3.27.020, except for housing units within the 145th Street Station Subarea and the 185th Street Station Subarea which must meet the median income requirements of the 20 percent affordability option as set forth in SMC 20.40.235;
5. For the rehabilitation of existing occupied multifamily projects, at least four additional residential units must be added except when the project has been vacant for 12 consecutive months or more;
6. The project must be scheduled for completion within three years from the date of issuance of the conditional certificate;
7. Property proposed to be rehabilitated must fail to comply with one or more standards of the applicable state or local building or housing codes. If the property proposed to be rehabilitated is not vacant, an applicant must provide each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate;
8. The mix and configuration of housing units used to meet the requirement for affordable units under this chapter shall be substantially proportional to the mix and configuration of the total housing units in the project; and
9. The applicant must enter into a contract with the city, approved by the city council, under which the applicant has agreed to the implementation of the project on terms and conditions satisfactory to the city. ~~The contract must be approved by the city council.~~

B. Duration of Tax Exemption. The following property tax exemptions are available for qualified properties in designated residential targeted areas:

1. Twelve-year tax exemption: ~~The value of new housing construction and rehabilitation improvements qualifying under this chapter shall be exempt from ad valorem property taxation.~~ If the property otherwise qualifies for the exemption under this chapter and meets the conditions in subsection A of this section, an exemption for 12 successive years beginning January 1st of the year immediately following the calendar year ~~after~~of issuance of the final certificate of tax exemption; or

2. Twenty-year tax exemption: If the property otherwise qualifies for the exemption under this chapter, meets the conditions in subsection A of this section, and the conditions set forth below, an exemption for 20 successive years beginning January 1st of the year immediately following the calendar year of issuance of the final certificate of tax exemption:

- a. The property is located within one mile of high-capacity transit of at least 15-minute scheduled frequency measured in a straight line from the property line at which access from the property to a public street is provided to the nearest existing or planned high-capacity transit stop or station; and
- b. The Owner must record a covenant or deed restriction acceptable to the city ensuring continued rental of units for at least 99 years and sets forth criteria to maintain public benefit if the property is converted to a use other than permanent affordable low-income housing.

C. Extension of tax exemption. The Owner of property that received a tax exemption pursuant to subsection B(1) of this section, may apply for an extension for an additional 12 successive years. No extension will be granted for property that received a 20-year tax exemption pursuant to subsection B(2) of this section.

- 1. Only one (1) extension may be granted.
- 2. Failure to timely apply for an extension shall be deemed a waiver of the extension.
- 3. For the property to qualify for an extension:
 - a. The property must have qualified for, satisfied the conditions of, and utilized the twelve-year exemption sought to be extended;
 - b. The Owner must timely apply for the extension on forms provided by the City within 18 months of expiration of the original exemption;
 - c. The property must meet the requirements of this chapter for the property to qualify for an exemption under subsection A as applicable at the time of the extension application, and
 - d. The property must continue to rent or sell at least 20 percent of the multifamily housing units as affordable housing units for low-income households for the extension period.
- 4. If an extension is granted by the City, at the end of both the tenth and eleventh years of a twelve-year extension, the applicant or the property owner at that time, must provide tenants of affordable units with notification of the applicant’s or property owner’s intent to provide the tenant with relocation assistance in an amount equal to one (1) month as provided in RCW 84.14.020, as amended.

€ D. Limitation on Tax Exemption Value.

1. The exemption provided for in this chapter does not include the value of land or nonhousing-related improvements not qualifying under this chapter.
2. 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 for conditional certificate required by this chapter.
3. The exemption does not apply to increases in the assessed value made by the county assessor on nonqualifying portions of the building and value of land.

D-E. Residential Targeted Areas – Specific Requirements.

1. Units within the 145th and 185th Street Station Subareas must meet the median income requirements of the 20 percent affordability option as set forth in SMC 20.40.235.
- ~~2. The designation of residential targeted areas with the 145th and 185th Street Station Subareas shall automatically expire on December 31, 2021. Complete applications for exemption filed prior to this date will be considered vested under this chapter.~~