

# ORIGINAL

## ORDINANCE NO. 520

### AN ORDINANCE AMENDING THE PROPERTY TAX EXEMPTION PROGRAM TO INCREASE THE LIMIT ON THE NUMBER OF TAX EXEMPT UNITS IN THE NORTH CITY TARGET AREA AND ADJUST THE AFFORDABILITY REQUIREMENT FOR PROJECTS SEEKING TO UTILIZE THE 8-YEAR AND 12-YEAR PROPERTY TAX EXEMPTIONS

WHEREAS, on November 25, 2002, the City Council adopted a Property Tax Exemption Program for the North City Business District; and

WHEREAS, on March 3, 2008, the City Council amended the Property Tax Exemption Program to comply with State mandates that increased the property tax exemption timeframe for affordable housing from ten years to twelve years and decreased the exemption for market rate housing from ten years to eight years; and

WHEREAS, on March 31, 2008, the City Council amended the Property Tax Exemption Program again to expand the Shoreline Property Tax Exemption Program to the Ridgecrest target area (portions of Planned Area 2 (PA2) and R-18 and R-24 zoning districts adjacent to PA2); and

WHEREAS, demand for development utilizing the Property Tax Exemption Program in the North City Business District target area has exceeded the initial limit of the number of tax exempt units that was originally created; and

WHEREAS, there is a desire to make the affordable tax exempt units in the North City Business District target area more affordable to eligible sections of the population; and

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

**Section 1. Amendment.** Sections 1-10 of Ordinance 310 as amended by Ordinance No. 479 and Ordinance No. 496 are further amended to read as follows:

Section 1. *Findings*

- A. The North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) are urban centers of the City of Shoreline as defined under RCW 84.14.010 (16).

- B. The North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) lack sufficient available, desirable and convenient residential housing, including affordable housing, to meet the needs of the public, and current and future residents of the City of Shoreline would be likely to live in the North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) if additional desirable, convenient, attractive and livable places were available.
- C. Provision of additional housing opportunities, including affordable housing, will assist in promoting further economic development and growth management goals by bringing new residents to utilize urban services and encourage additional residential and mixed use opportunities.

Section 2. *Purpose*

- A. It is the purpose of this ordinance to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for revitalization of the North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d). The limited exemption from ad valorem property taxation for multifamily housing in the residential targeted area is intended to:
  - 1. Encourage increased residential opportunities, including affordable housing opportunities, within the residential targeted area;
  - 2. Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for revitalization of the North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d);
  - 3. Assist in directing future population growth to the residential targeted area, thereby reducing development pressure on single-family residential neighborhoods; and
  - 4. Achieve development densities that stimulate a healthy economic base and are more conducive to transit use in the designated residential targeted areas.

Section 3. *Designation of Residential Targeted Areas*

The North City Business District, as defined in the Shoreline Municipal Code Chapter 20.90.020, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), as defined in Shoreline Municipal Code Chapter 20.91, and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) are designated as residential target areas as defined in chapter

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84.14 RCW and the boundaries of the target area are coterminous with the North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d).

## Section 4. *Standards and Guidelines*

- A. **Project Eligibility.** A proposed project must meet the following requirements for consideration for a property tax exemption:
1. **Location.** The project must be located within the North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), or residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) targeted areas as designated in Section 3.
  2. **Limits on Tax Exempt Units.** The project's residential units must be within the first ~~500~~ 250 tax exempt units of new or rehabilitated multi-family housing applied for and approved within the North City Business District residential targeted area or within the first 350 tax exempt units in the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d).
  3. **Size.** The project must provide for a minimum of fifty percent of the space for permanent residential occupancy. At least four additional residential units must be added to existing occupied multi-family housing. Existing multi-family housing that has been vacant for 12 months does not have to provide additional units so long as the project provides at least fifty percent of the space for permanent residential occupancy and rehabilitated units failed to comply with one or more standards of the applicable state or local building or housing codes. Transient housing units (rental of less than one month) are not eligible for exemption.
  4. **Proposed Completion Date.** New construction multi-family housing and rehabilitation improvements must be scheduled to be completed within three years from the date of approval of the application.
  5. **Compliance with Guidelines and Standards.** The project must be designed to comply with the City's comprehensive plan, building, and zoning codes and any other applicable regulations in effect at the time the application is approved including Chapters 20.90 and 20.91 of the Shoreline Municipal Code.
    - a. Consistent with SMC 20.90.020(B)(1), projects located on 15<sup>th</sup> Avenue N.E. and within the property tax exemption program target area must have pedestrian-oriented business uses at the street level fronting on 15<sup>th</sup> Avenue N.E. The minimum depth of street level pedestrian-oriented business uses shall be 20 feet from the frontage line of the structure on 15<sup>th</sup> Avenue N.E., and all other requirements of Main Street 1 properties shall apply.

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- B. Exemption - Duration.
1. Twelve Year Tax Exemption: Projects qualifying under this chapter for a Multiple Family Tax Exemption that rent or sell at least twenty percent (20%) of the residential units as affordable housing units as defined by Chapter 84.14 RCW will be exempt from ad valorem property taxation for twelve successive years beginning January 1 of the year immediately following the calendar year after issuance of the Final Certificate of Tax Exemption; provided, however, that for the North City Business District target area, the household income may in no case exceed 70% of the area median family income adjusted for family size for studio and one bedroom units, and may in no case exceed 80% of the area median family income adjusted for family size for two or more bedroom units, and for the Ridgecrest target area, the household income may in no case exceed 90% of the area median family income adjusted for family size, regardless of bedroom count in the unit.
  2. Eight Year Tax Exemption: Projects qualifying under this chapter for a Multiple Family Tax Exemption that rent or sell at least ten percent (10%) of the residential units as affordable housing units as defined by Chapter 84.14 RCW will be exempt from ad valorem property taxation for eight successive years beginning January 1 of the year immediately following the calendar year after issuance of the Final Certificate of Tax Exemption; provided, however, that for the North City Business District target area, the household income may in no case exceed 70% of the area median family income adjusted for family size for studio and one bedroom units, and may in no case exceed 80% of the area median family income adjusted for family size for two or more bedroom units, and for the Ridgecrest target area, the household income may in no case exceed 90% of the median family income adjusted for family size, regardless of bedroom count in the unit. ~~Projects qualifying under this chapter for a Multiple Family Tax Exemption for market rate housing will be exempt from ad valorem property taxation for eight successive years beginning January 1 of the year immediately following the calendar year after issuance of the Final Certificate of Tax Exemption.~~
- C. Limits on Exemption. The exemption does not apply to the value of land or nonhousing-related improvement, nor does the exemption apply to increases in assessed valuation of land and non-qualifying improvements. In the case of rehabilitation of existing buildings, the exemption does not include the value of improvements constructed prior to submission of the completed application required under this chapter.
- D. Contract. 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 development on terms and conditions satisfactory to the Council.

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## Section 5. *Application Procedures*

- A. A property owner who wishes to propose a project for a tax exemption shall file an application for Multiple Family Tax Exemption with the Department of Planning and Development Services in substantially the same form as the application set forth in Exhibit A, along with a minimum fee deposit of three times the current hourly rate for processing land use permits, ~~together with the current King County Assessors fee for administering the Multiple Family Tax Exemption program.~~ Total City fees will be calculated using the adopted hourly rates for land use permits in effect during processing.
- B. In the case of rehabilitation or demolition, the owner shall secure verification of property noncompliance with applicable building and housing codes prior to demolition.
- C. The application shall include:
  - 1. A brief written description of the project setting forth the grounds for the exemption;
  - 2. A site plan, including the floor plan of units;
  - 3. A statement from the owner acknowledging the potential tax liability when the project ceases to be eligible under this ordinance; and
  - 4. Verification by oath or affirmation of the information submitted.

## Section 6. *Application Review and Issuance of Conditional Certificate*

- ~~A. Certification. Once a development project application is deemed complete, the City Manager or designee may certify as eligible an application which is determined to comply with the requirements of this ordinance and enter findings consistent with RCW 84.14.060. A decision to approve or deny certification of an application shall be made within 90 days of receipt of a complete application. If denied the applicant may appeal the denial to the City Council within thirty days by filing an Appeal Statement and the current appeal filing fee with the City Clerk. The appeal before the Council will be based upon the record before the City Manager or designee with the burden of proof on the applicant to show there was no substantial evidence to support the official's decision. The Council's decision on appeal shall be final.~~
- B. A. Approval of Application. Once a development project application is deemed complete, the City Manager or designee may approve an application which is determined to comply with the requirements of this ordinance and enter findings consistent with RCW 84.14.060. If approved certified as eligible, the application together with a contract between the applicant and the City regarding the terms and conditions of the project, signed by the applicant, shall be presented to the City Council with a recommendation that the City Council authorize the City Manager to sign the contract. A decision to approve or deny an application and contract shall be made within 90 days of receipt of a complete application.

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- C. B. Issuance and Time Limit. Once the contract is fully executed, the City Manager 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.
- D. C. Extension of Conditional Certificate. The Conditional Certificate may be extended by the City Manager for a period not to exceed 24 months. The applicant must submit a written request stating the grounds for the extension, accompanied by a processing fee equal to the current hourly rate for processing land use permits. An extension may be granted if the City Manager determines that:
  - 1. The anticipated failure to complete construction or rehabilitation within the required time period is due to circumstances beyond the control of the 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 Conditions of the original contract between the applicant and the City will be satisfied upon completion of the project.
- E. D. Denial of Application. If the application for tax exemption is denied, the City Manager shall state in writing the reasons for denial and shall send notice to the applicant at the applicant's last known address within ten days of the denial. An applicant may appeal the denial to the City Council within thirty days after receipt of the denial by filing an Appeal Statement and the current appeal filing fee with the City Clerk. The appeal before the Council will be based upon the record before the City Manager or designee with the burden of proof on the applicant to show there was no substantial evidence to support the official's decision. The Council's decision on appeal shall be final. An applicant may appeal a denial to the Hearing Examiner under the Rules of Procedure for Administrative Hearings within 30 days of receipt of the denial.

## Section 7. *Application for Final Certificate*

Upon completion of the improvements provided in the contract between the applicant and the City the applicant may request a Final Certificate of Tax Exemption. The applicant must file with the City Manager such information as the City Manager may deem necessary or useful to evaluate eligibility for the Final Certificate and shall include:

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

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The application shall be submitted together with the current King County Assessors fee for administering the Multiple Family Tax Exemption program. Within 30 days of receipt of all materials required for a Final Certificate of Tax Exemption, the City Manager shall determine whether the improvements satisfy the requirements of this ordinance.

## Section 8. *Issuance of Final Certificate*

- A. Approval. If the City Manager determines that the project has been completed in accordance with the contract between the applicant and the City and has been completed within the authorized time period or within an authorized extension of this time limit, the City shall, within 40 days of application, file a Final Certificate of Tax Exemption with the King County Assessor.
- B. Denial and Appeal. The City Manager shall notify the applicant in writing that a Final Certificate will not be filed if the City Manager determines that:
  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;
  3. ~~If applicable, a statement that the project meets the~~ The affordable housing requirements as described in RCW 84.14.020 and this ordinance were not met;
  4. The owner's property is otherwise not qualified under this ordinance; or
  5. The owner and the City Manager cannot come to an agreement on the allocation of the value of improvements allocated to the exempt portion of the rehabilitation improvements, new construction and multi-use new construction.

## Section 9. *Annual Compliance Review*

- A. Annual Declaration. Within 30 days after the first anniversary of the date of filing of the Final Certificate of Tax Exemption and each year thereafter for ~~the applicable exemption period a period of 12 years for affordable housing projects and 8 years for market rate housing projects,~~ the property owner shall file a notarized declaration with the City Manager indicating the following:
  1. A statement of occupancy and vacancy of the rehabilitated or newly constructed property during the twelve months ending with the anniversary date;
  2. A certification by the owner that the property has not changed use and, if applicable, that the property has been in compliance with the affordable housing requirements as described in RCW 84.14.020 and this ordinance since the date of the certificate approved by the City;

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3. A description of any subsequent changes or improvements constructed after issuance of the certificate of tax exemption;
  4. The total monthly rent or total sale amount of each unit produced; and
  5. The income of each renter household at the time of initial occupancy and the income of each initial purchaser if owner-occupied units at the time of purchase for each of the units receiving a tax exemption.
- B. Additional Reporting Requirement: By December 15 of each year, beginning with the first year in which the Final Certificate of Tax Exemption is filed and each year thereafter for the applicable exemption period ~~a period of 12 years for affordable housing projects and 8 years for market rate housing projects~~, the property owner shall provide the City Manager staff with a written report containing ~~with the following~~ information sufficient to complete the City's report to the Washington State Department of Community, Trade and Economic Development described in Section D below.
- C. Audits. City staff may conduct audits or on-site verification of the declaration and information provided by the property owner. Failure to submit the annual declaration and annual reports may result in the tax exemption being canceled.
- D. By December 31 of each year, the City shall file a report to the Washington State Department of Community, Trade and Economic Development indicating the following for each approved tax exempt PTE project:
1. The number of tax exemption certificates granted;
  2. The total number and type of units produced or to be produced;
  3. The number and type of units produced or to be produced meeting affordable housing requirements;
  4. The actual development cost of each unit produced, specifically:
    - a. Development cost average per unit including all costs
    - b. Development cost average per unit, excluding land and parking
    - c. Development cost average per structured parking stall
    - d. Land Cost
    - e. Other Costs
    - f. Net Rentable Square Footage
    - g. Gross Square Footage, including common spaces, surface parking and garage;
  5. The total monthly rent or total sale amount of each unit produced;
  6. The income and family size of each renter household at the time of initial occupancy and the income and family size of each initial purchaser if owner-occupied units at the time of purchase for each of the units receiving a tax exemption, and the size/number of bedrooms of the units and a summary of these figures for the city; and
  7. The value of the tax exemption for each project receiving a tax exemption and the total value of tax exemptions granted.




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## Section 10. *Cancellation of Tax Exemption*

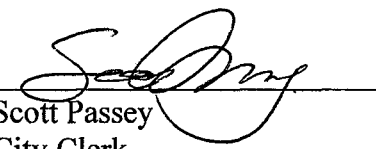
- A. **Cancellation.** If at any time during the exemption period, the City Manager determines the owner has not complied with the terms of the contract or with the requirements of this ordinance, or that the property no longer complies with the terms of the contract or with the requirements of this ordinance, or for any reason no longer qualifies for the tax exemption, the tax exemption shall be canceled and additional taxes, interest and penalties may be imposed pursuant to RCW 84.14.110 as amended. This cancellation may occur in conjunction with the annual review or at any other time when noncompliance has been determined. If the owner intends to convert the multi-family housing to another use, or, if applicable, if the owner intends to discontinue compliance with the affordable housing requirements as described in RCW 84.14.020 and this ordinance, the owner must notify the City Manager and the King County Assessor within 60 days of the change in use or intended discontinuance. Upon such change in use, the tax exemption shall be cancelled and additional taxes, interest and penalties may be imposed pursuant to state law.
- B. **Notice and Appeal.** Upon determining that a tax exemption is to be canceled, the City Manager shall notify the property owner by certified mail return receipt requested. The property owner may appeal the determination to the Hearing Examiner under City of Shoreline Rules of Procedure for Administrative Appeal within thirty days after receipt of the determination.

**Section 2. Effective Date.** A summary of this ordinance consisting of the title shall be published in the official newspaper and the ordinance shall take effect five days after publication.

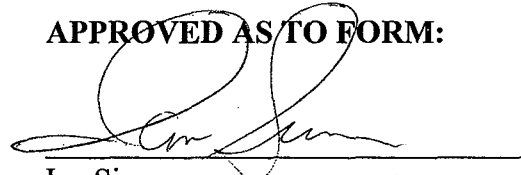
**ADOPTED BY THE CITY COUNCIL ON SEPTEMBER 22, 2008.**

  
\_\_\_\_\_  
Mayor Cindy Ryu

**ATTEST:**

  
\_\_\_\_\_  
Scott Passey  
City Clerk

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
Ian Sievers  
City Attorney

Publication Date: September 25, 2008  
Effective Date: September 30, 2008