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ORDINANCE NO. 479

AN ORDINANCE AMENDING THE PROPERTY TAX EXEMPTION PROGRAM FOR CONSISTENCY WITH STATE LAW AND ADMINISTRATIVE CHANGES

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

WHEREAS, on July 22, 2007 Chapter 84.14 RCW changed for new applications to (1) increase the property tax exemption timeframe for affordable housing from ten years to twelve years and decrease the exemption for market rate housing from ten years to eight years; and (2) require annual reporting to the Washington State Department of Community, Trade, and Economic Development;

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

Section 1. Amendment. Sections 1-10 of Ordinance 310 are amended to read as follows:

Findings

A. The North City Business District, is an urban center of the City of Shoreline as defined under RCW 84.14.010 (16). ~~(10).~~

B. The North City Business District lacks 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, 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.

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 limited ~~10-year~~ exemption from ad valorem property taxation for multifamily housing in the residential targeted area is intended to:

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1. Encourage increased residential 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,
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.

Designation of Residential Targeted Areas

The North City Business District, as defined in the Shoreline Municipal Code Chapter 20.90.020, is designated as a residential target areas as defined in chapter 84.14 RCW and the boundaries of the target area are coterminous with the North City Business District.

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 targeted area as designated in section 3.
   2. Limits on Tax Exempt Units. The project's residential units must be within the first 250 tax exempt units of new or rehabilitated multifamily housing applied for and approved within the North City Business District residential targeted area.
   3. Size. The project must provide for a minimum of fifty percent of the space for permanent residential occupancy. ~~include at least 20 units of multi-family housing within a residential structure or as part of a mixed-use development.~~ At least ~~20~~ four additional residential ~~multi-family~~ 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 ~~20 units of new, converted or rehabilitated multi-family housing~~ 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.

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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 Chapter 20.90 of the Shoreline Municipal Code.
   a. Consistent with SMC 20.90.020(B)(1), projects located on 15th Avenue N.E. and within the property tax exemption program target area must have pedestrian-oriented business uses at the street level fronting on 15th 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 15th Avenue N.E., and all other requirements of Main Street 1 properties shall apply.

B. Exemption - Duration. ~~The value of improvements qualifying under this chapter for a Multiple Family Tax Exemption~~ Projects qualifying under this chapter for a Multiple Family Tax Exemption that rent or sell at least twenty percent of the residential units as affordable housing units as defined by Chapter 84.14 RCW will be exempt from ad valorem property taxation for ~~ten~~ twelve successive years beginning January 1 of the year immediately following the calendar year after issuance of the Final Certificate of Tax Exemption. 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.

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 ~~to~~ 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.

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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 ~~applicant shall contain such information as the Director may deem necessary or useful, and~~ shall include:

~~1. A North City Business District Planned Action Development Submittal Checklist and a Building Permit Submittal Checklist For Planned Action in North City;~~

~~2.~~ 1. A brief written description of the project setting forth the grounds for the exemption;

~~3.~~ 2. A site plan, including the floor plan of units;

~~4.~~ 3. A statement from the owner acknowledging the potential tax liability when the project ceases to be eligible under this ordinance; and

~~5.~~ 4. Verification by oath or affirmation of the information submitted.

Application Review and Issuance of Conditional Certificate

A. Certification. Once a development project application is deemed complete ~~according to SMC 20.90.025~~, 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. Approval. If 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.

C. 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. 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 ~~$121.00~~ processing fee equal to the current hourly rate for processing land use permits. An extension may be granted if the City Manager determines that:

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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. 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 day of the denial. 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.

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; ~~and~~
C. If applicable, a statement that the project meets the affordable housing requirements as described in RCW 84.14.020; and
D. A statement that the work was completed within the required three-year period or any authorized extension.

Within 30 days of receipt of all materials required for a Final Certificate, the City Manager shall determine whether the improvements satisfy the requirements of this ordinance.

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, the City shall, within 40 days of application, file a Final Certificate of Tax Exemption with the King County Assessor.

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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. <u>If applicable, a statement that the project meets the affordable housing requirements as described in RCW 84.14.020;</u>
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.

~~The applicant may file an appeal to the Hearing Examiner under City of Shoreline Rules of Procedure for Administrative Hearings. An aggrieved party may appeal the decision to Superior Court under RCW 34.05.510 through 34.05.598~~

Annual Compliance Review

<u>A.</u> <u>Annual Declaration.</u> Within 30 days after the first anniversary of the date of filing of the Final Certificate of Tax Exemption and each year thereafter, for a period of <u>12 years for affordable housing projects and 8 years for market rate housing projects,</u> ~~10 years,~~ the property owner shall file a notarized declaration with the City Manager indicating the following:

~~A.~~ <u>1.</u> A statement of oc cupancy and vacancy of the rehabilitated or newly constructed property during the twelve months ending with the anniversary date;

~~B.~~ <u>2.</u> A certific ation by the owner that the property has not changed use <u>and, if applicable, that the property has been in compliance with the affordable housing requirements as described in RCW 84.14.020</u> since the date of the certificate approved by the City; ~~and~~

~~C.~~ <u>3.</u> A description of an y subsequent changes or improvements constructed after issuance of the certificate of tax exemption;~~.~~

<u>4.</u> <u>The total monthly rent or total sale amount of each unit produced; and</u>

<u>5.</u> <u>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.</u>

~~City staff may also conduct on-site verification of the declaration. Failure to submit the annual declaration may result in the tax exemption being canceled.~~

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 a period of 12 years for affordable housing projects and 8 years for market rate housing projects, the property owner shall provide staff with a written report with the following information sufficient to complete the City's report to the department of community, trade and economic development described in Section D below.

C. Audits. City staff may ~~also~~ 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 department of community, trade and economic development indicating the following for each approved 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,
    i. Development cost average per unit including all costs
    ii. Development cost average per unit, excluding land and parking
    iii. Development cost average per structured parking stall
    iv. Land Cost
    v. Other Costs
    vi. Net Rentable Square Footage
    vii. 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 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 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.

Cancellation of Tax Exemption

A. Cancellation. If at any time during the ~~ten year~~ exemption period, the City Manager determines the owner has not compiled 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

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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, 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 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. ~~An aggrieved party may appeal the decision to Superior Court under RCW 34.05.510 through 34.05.598~~

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 MARCH 3, 2008

Mayor Cindy Ryu

ATTEST:

Scott Passey
City Clerk

APPROVED AS TO FORM:

Ian Sievers
City Attorney

Publication Date: March 6, 2008
Effective Date: March 11, 2008

EXHIBIT A

APPLICATION FOR TAX EXEMPTION ON MULTIPLE FAMILY UNITS WITHIN A DESIGNATED RESIDENTIAL TARGET AREA: COVER SHEET

This Application for Tax Exemption must be accompanied by a fee deposit of $____. The breakdown for this deposit is as follows:

1) $_____ for the City's application processing. ($____ is three times the current $____ hourly rate for processing land use permits.)
2) $_____ for the King County Assessors fee for administering the Multiple Family Tax Exemption program.

Please return the Application for Tax Exemption on Multiple Family Units within a Designated Residential Target Area along with the deposit payable to the City of Shoreline to the Planning and Development Services Department, 17544 Midvale Avenue North, Shoreline, WA 98133.

EXHIBIT A

CITY OF SHORELINE

APPLICATION FOR TAX EXEMPTION ON MULTIPLE FAMILY UNITS WITHIN A DESIGNATED RESIDENTIAL TARGET AREA

(Pursuant to Chapter 84.14 RCW and City of Shoreline Ordinance No. 479)

Application fee required

TO BE FILLED IN BY CITY STAFF:

APPLICATION NUMBER: ____________________ **CITY CLERK FILING NO:** ____________

DATE APPLICATION RECEIVED: ____________

DATE OF STAFF REVIEW: ____________ **APPROVED: YES** ____ **NO** ______

Comments:

TO BE FILLED IN BY APPLICANT:

NAME OF APPLICANT: ____________________

BUSINESS NAME OF APPLICANT: ____________________

MAILING ADDRESS: ____________________

PHONE: ____________ **FAX:** ____________ **EMAIL:** ____________

NAME OF PROJECT: ____________________

STREET ADDRESS OF PROJECT: ____________________

____

DESIGNATED PTE TARGET AREA: ____________________

INTENDED PROJECT CONSTRUCTION TIMELINE: ____________________

PROGRAM REQUIREMENTS

Project must meet the following criteria for special valuation on multi-family property:

1. Be located within the residential target area designated for the tax incentive by the City.
2. Be within the designated number of tax exempt units of new or rehabilitated multiple family units having been approved within the approved PTE target area.
3. Be a multiple family or mixed-use project which provides 4 or more additional dwelling units.
4. Be completed within three years from the date of approval of the application, unless extended for good cause by the City.
5. Be designed to comply with all building codes, zoning and other applicable regulations.

Once application is approved, then:

1. The applicant and the City execute a contract to be approved by the City Council under which the Applicant agrees to implementation of the development on terms and conditions satisfactory to the City Council.
2. Once contract is executed, the City will issue a Conditional Certificate of Acceptance of Tax Exemption, based on the information provided by the Applicant. The Conditional Certificate will be effective for not more than three (3) years, but may be extended for an additional 24 months if special circumstances warrant extension. The City will issue, at the Applicant's request, a Final Certificate of Tax Exemption upon completion of the project and satisfactory fulfillment of all contract terms.

Note: Assessor may require owners to submit pertinent data regarding the use of classified land.

PROJECT INFORMATION

Property Description

Interest in Property: [ ] Fee simple: [ ] Contractor Purchaser: [ ] Other (describe) ____________

County Assessor's Parcel Account #: ____

Street Address: ____

Abbreviated Legal Description: ____

____

Term of Exemption

Term of Exemption Applied For: Eight Years: ___ Twelve Years: ___

Type of Construction:

New Construction: [ ] YES [ ] NO Rehabilitation of Existing Units: [ ] YES [ ] NO

If rehabilitated/demolished, Applicant must secure from the City verification of property noncompliance with applicable building codes.

Number and Type of Units:

Number of Units*: New______________________ Rehabilitated ________________________

(*Note: Be sure to specify if the total number of units is more than the number of units for which you are requesting tax exemption.)*

Number of Type of Units Expected: Studio: ___ One Bedroom: ____ Two Bedroom: ____ Other: ____

Number or Percentage of Affordable Units:________

Description of Building Use

Required Preliminary Plans attached: *Site Plan**: [ ] YES [ ] NO *Floor Plan:* [ ] YES [ ] NO

** See SMC 20.20.046*

Describe building use and square feet intended for each use: ____________________________________

____

Identify square feet of commercial space: __________________

Cost of construction

Projected cost of new construction/rehabilitation: __________________

Source of cost estimate: ____

Expected date to start project: ________________ Expected date to complete project: __________

NARRATIVE STATEMENT

Provide a brief statement describing the project and setting forth the grounds for qualifications for tax exemptions (continued):

____

____

____

____

____

____

____

____

AFFIRMATION

I understand that the value of new housing construction, conversion, and rehabilitation improvements qualifying under this chapter is exempt from ad valorem property taxation for eight (8) successive years for market rate multi-family housing and twelve (12) successive years for qualified affordable housing multi-family projects beginning January 1 of the year immediately following the calendar year of issuance of the certificate of tax exemption eligibility. ___________ *(initial)*

I understand that by December 15 each year and/or within 30 days after the first anniversary of the date of filing of the Final Certificate of Tax Exemption and each year thereafter, I will be required to file a report with the City that provides detailed information concerning rental rates, occupancy, and tenant incomes during the year. ______________ *(initial)*

I understand that at the conclusion of the exemption period, the new or rehabilitated housing cost shall be considered as new construction for the purposes of chapter 84.55 RCW. ________ *(initial)*

I am aware of the potential tax liability involved when the property ceases to be eligible for the incentive. ___________ *(initial)*

I affirm that the submitted information is true and correct, subject to penalty of perjury under the laws of the State of Washington.

Signed this ___ day of ____________________, 20___.

____
Applicant signature