

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Multi-family Housing Limited Property Tax Exemption Agreement with Ridgecrest Equities, LLC
<b>DEPARTMENT:</b>	CMO
<b>PRESENTED BY:</b>	John Norris, Management Analyst

**PROBLEM/ISSUE STATEMENT:** On November 25, 2002, the City Council adopted Ordinance No. 310, which established a property tax exemption program as an incentive to multi-family housing development. Ordinance No. 310 has been amended three times by Ordinance Nos. 479, 496, and most recently Ordinance No. 520. The Property Tax Exemption Program allows eligible projects to exempt property taxes on multi-family residential improvements for a period of either eight or twelve years.

On July 9, 2008, the City received an application for the Property Tax Exemption (PTE) Program from Ridgecrest Equities, LLC to construct 286 units of rental housing at 16325 5<sup>th</sup> Avenue NE in the Ridgecrest Commercial District. The project, Ridgecrest Equities, is consistent with the Planned Area 2 Zone, and meets all criteria and guidelines as set forth in the PTE Program. As the application also states that 20% of the units will be rented as affordable housing, the project is eligible to receive the twelve year tax exemption. Based on this evaluation, the project was certified as eligible to receive the tax exemption by City staff. As per the PTE ordinance, a contract between an applicant and the City regarding the terms and conditions of the project must be presented to the City Council with a recommendation that the City Council authorize the City Manager to sign the contract if a PTE application is certified as eligible.

Attached is the Ridgecrest Equities PTE application and development contract agreement between the applicant and the City to construct the project in accordance with the guidelines in the City's PTE Ordinance, Planned Area 2 development regulations, and other appropriate City regulations.

**RECOMMENDATION**

Staff recommends that Council authorize the City Manager to execute the attached Multi-family Housing Limited Property Tax Exemption Agreement with Ridgecrest Equities, LLC for the Ridgecrest Equities project located in the Ridgecrest Commercial District.

Approved By:

City Manager 

City Attorney 

**ALTERNATIVES ANALYZED:**

On July 9, 2008, the City received an application for the Property Tax Exemption Program from Ridgecrest Equities, LLC to construct 286 units of rental housing at 16325 5<sup>th</sup> Avenue NE in the Ridgecrest Commercial District. The alternatives that have been analyzed for this proposed Council action are to approve or disapprove the Ridgecrest Equities, LLC application for a conditional certificate of tax exemption.

Ordinance No. 310, as amended, sets forth criteria and guidelines by which the City must evaluate a project for tax exempt status. This criterion includes:

- Location - Is the project in the Ridgecrest Commercial District?
- Remaining Tax Exempt Units - Are the project's residential units within the remaining number of tax exempt units in the Ridgecrest Commercial District?
- Size – Does the project provide for a minimum of 50% of the space for permanent residential housing?
- Proposed Completion Date – Will the project be scheduled to be completed within three years from the date of approval of the application?
- Compliance with Guidelines and Standards – Will the project comply with the Comprehensive Plan, building and zoning codes, including parking requirements, and any other applicable regulations in effect at the time the application is approved?
- 12-year Tax Exemption Affordability Component – Will 20% of the units be rented as affordable housing?

As the application for the Ridgecrest Equities project meets all of these criteria, it was certified as eligible to receive a conditional certificate of tax exemption by City staff. Once a project is approved by staff, "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." Since this project meets the necessary requirements and has been certified as eligible, approval of a conditional certificate of tax exemption is the only feasible alternative.

**FINANCIAL IMPACT:**

The Ridgecrest Equities project will be exempt from all "ad valorem property taxation" of the value of the residential new construction of the project for twelve years. The exemption affects the property tax levies for all taxing jurisdictions, including the State, County, School District, Port of Seattle and other special districts. Depending on the type of tax levy however, there are differing results for property tax revenue loss incurred by local jurisdictions. The primary taxing districts that are directly affected by the property tax exemption program are the regular property tax levies of the City of Shoreline, Shoreline Fire District, and King County Library District.

Under the PTE program, the Ridgecrest Equities property tax exemption will take effect starting January 1<sup>st</sup> of the calendar year following the year in which the final certificate of tax exemption is issued. The exemption does not apply to retail square footage, other

commercial space or land, or utility or other fees. The only portion of a project that would qualify for an exemption is the newly constructed or improved residential housing units.

The projected cost of the new residential construction for the Ridgecrest Equities project is roughly \$57,200,000. Based on the City's 2008 regular property tax rate of \$1.02 per \$1,000 of assessed property value, the amount of the property tax collected annually by the City on these improvements would be approximately \$58,344. Applying the annual 1% property tax collection growth rate, and assuming that the tax levy rate is not reset to a higher rate by voter approval, the impact to the City would equate to \$739,948 over the project's twelve year exemption period. However, this estimate will be adjusted after the project is completed and the King County Assessor's Office makes a final determination of the tax value of the project.

As well, there may be additional costs for services that may be incurred by the City as a result of the Ridgecrest Equities development. These costs would be in the form of increased demand for services as a result of new development and increased population. As the property tax revenue to pay for the services would not be collected during the tax exemption period, this cost would have to be paid for from other sources. However, it was previously anticipated that for a twelve year tax exemption period, the City would be able absorb these service costs and would not necessarily need to rely on the corresponding property tax revenue generated from the new development to pay for them. As well, actual service costs generated by additional population are difficult to assess. There is not a direct one-to-one relationship between additional population and increased need for services. For these reasons, additional services costs are not being calculated here as a quantifiable financial impact.

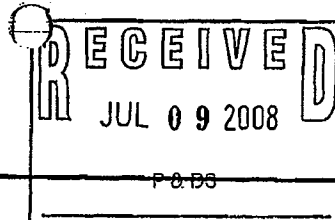
**RECOMMENDATION:**

Staff recommends that Council authorize the City Manager to execute the attached Multi-family Housing Limited Property Tax Exemption Agreement with Ridgecrest Equities, LLC for the Ridgecrest Equities project located in the Ridgecrest Commercial District. Once this contract is fully executed, the City Manager shall issue a Conditional Certificate of Acceptance of Tax Exemption for the Ridgecrest Equities project.

**ATTACHMENTS:**

**Attachment A** – Ridgecrest Equities Property Tax Exemption Application

**Attachment B** – Ridgecrest Equities Multifamily Housing Limited Property Tax Exemption Agreement



**APPLICANT INFORMATION**

Name of Applicant: Ridgecrest Equities LLC Date: \_\_\_\_\_  
Business Name of Applicant: Ridgecrest Equities LLC  
Mailing Address: 13930 92nd Street SE, Suite A  
Snohomish, WA 98290  
Phone: 360.963.3324 Fax: \_\_\_\_\_ Email: jim@lshine.biz

**PROJECT INFORMATION**

**Property Description**

Name of Project: Ridgecrest Equities  
Street Address of Project: 16325 5th Ave NE, Shoreline, WA

County Assessor's Parcel Account #: 7301300185

Abbreviated Legal Description: Tract A + Lots 23, 24, 25, 26, and 27  
in Block 2 of Ridge Crest Park Addition,  
Div. No. 2

Designated PTE Project Area: Ridgecrest

Term of Exemption Applying For: ☐ Eight Years ☒ Twelve Years

Interest in Property: ☐ Fee simple: ☐ Contractor purchaser: ☐ Other (describe) \_\_\_\_\_

**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.*

Intended Project Construction Timeline: \_\_\_\_\_

Estimated construction start date is  
mid 2009, with projected completion  
date Fall 2009

**PROJECT INFORMATION (Cont.)**

**Number and Type of Units**

Number of Units: New: 286 Rehabilitated: \_\_\_\_\_

Are the total number of units more than the number of units for which you are requesting tax exemption:

[ ] YES [X] NO

Number of Type of Units Expected: Studio 86 One Bedroom 143 Two Bedroom 57 Other \_\_\_\_\_

If applying for a twelve year tax exemption, number and percentage of affordable units: 57 - 20%

**Description of Building Use**

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

\* See SMC 20.20.046

Describe building use and square feet intended for each use: Bldg A = 45,725 sq ft commercial;

Bldg B = 44,600 sq ft res, 2288 sq ft comm; Bldg C = 54,980 sq ft res, 5407 comm;

Bldg D = 98,708 sq ft res, 46,725 comm; Bldg E = 41,114 res.

Identify square feet of commercial space: 64,000 depending on configuration

**Cost of Construction**

Projected cost of new construction/rehabilitation: 61,750,402.

Source of cost estimate: past experience

Expected date to start project: 6/09

Expected date to complete project: 6/11

**NARRATIVE STATEMENT**

Provide a brief statement describing the project and setting forth the grounds for qualifications for tax exemptions (attach another sheet if necessary):

A 5 building mixed use project with  
structured parking providing at least 20%  
of the units as 'affordable', rented at 90%  
or less of the median family income.

*(please attach another page if necessary)*

**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<sup>st</sup> of the year immediately following the calendar year of issuance of the Final Certificate of Tax Exemption eligibility. JP (initial)

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

I understand 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. JP (initial)

I am aware of the potential tax liability involved when the property ceases to be eligible for the tax exemption incentive. JP (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 7<sup>th</sup> day of July, 2008

JP  
Applicant signature

***To Be Complete by City Staff:***

Application Number: \_\_\_\_\_ City Clerk Filing No.: \_\_\_\_\_

Date Conditional Application Received: \_\_\_\_\_

Date of Staff Review: \_\_\_\_\_

Comments: \_\_\_\_\_

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## **MULTI-FAMILY HOUSING LIMITED PROPERTY TAX EXEMPTION AGREEMENT**

THIS AGREEMENT is entered into this 27<sup>th</sup> day of October, 2008, by and between RIDGECREST EQUITIES, LLC (hereinafter referred to as the "Applicant"), and the CITY OF SHORELINE (hereinafter referred to as the "City").

WITNESSETH:

WHEREAS the City has an interest in stimulating new construction or rehabilitation of multi-family housing in Residential Target Areas in order to reduce development pressure on single-family residential neighborhoods, increase and improve housing opportunities, provide affordable housing opportunities, and encourage development densities supportive of transit use; and

WHEREAS the City has, pursuant to the authority granted to it by RCW 84.14, designated 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) as a Residential Target Area for the provision of a limited property tax exemption for new multi-family residential housing; and

WHEREAS the City has, through Ordinance Nos. 310, 479, 496, and 520 enacted a program whereby property owners may qualify for a Final Certificate of Tax Exemption which certifies to the King County Assessor that the owner is eligible to receive a limited property tax exemption; and

WHEREAS the Applicant is interested in receiving a limited property tax exemption for constructing 286 units of new multi-family residential housing located at 16325 5<sup>th</sup> Avenue NE in the Ridgecrest Planned Area 2(a), and generally referred to as the "Ridgecrest Equities" (the "Project"); and

WHEREAS the Applicant submitted to the City a complete application for Property Tax Exemption as provided for under Ordinance No. 520; and

WHEREAS the Project proposes renting at least twenty percent (20%) of the residential units as affordable housing units as defined by Chapter 84.14 RCW to households making at or below 90% of the area median family income, adjusted for family size; and

WHEREAS the City has certified as eligible the Applicant's application for Conditional Certificate of Tax Exemption; and

WHEREAS the City has determined that the improvements will, if completed as proposed, satisfy the requirements for a Final Certificate of Tax Exemption.

NOW, THEREFORE, the City and the Applicant do mutually agree as follows:

1. The City agrees to issue the Applicant a Conditional Certificate of Tax Exemption once this Agreement is fully executed, which shall exempt the Project from ad valorem property taxation for twelve (12) successive years beginning January 1<sup>st</sup> of the year immediately following the calendar year after issuance of the Final Certificate of Tax Exemption based on the Project's renting of at least twenty percent (20%) of the residential units as affordable housing units as defined by Chapter 84.14 RCW to households making at or below 90% of the area median family income, adjusted for family size.
2. The Applicant agrees to construct the Project in compliance with all applicable land use regulations and as approved and permitted by the City. In no event shall such construction provide less than fifty percent (50%) of the space for permanent residential occupancy as required by Ordinance No. 520.
3. The Applicant agrees to prepare a parking management plan to be approved by City of Shoreline Planning and Development Services staff to ensure efficient and economic use of parking as required by Chapter 20.91 of the Shoreline Municipal Code.
4. The Applicant agrees to complete construction of the agreed upon improvements within three years from the date the City issues the Conditional Certificate of Tax Exemption, or within any extension thereof granted by the City.
5. The Applicant agrees, upon completion of the improvements and upon issuance by the City of a temporary or permanent certificate of occupancy, to file with the City Manager a request for Final Certificate of Tax Exemption with the following information:
  - (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) a statement that the work was completed within the required three-year period or any authorized extension; and
  - (d) a statement that the project meets affordable housing requirements by renting at least twenty percent (20%) of the residential units as affordable housing units as defined by Chapter 84.14 RCW to households making at or below 90% of the area median family income, adjusted for family size.
6. The City agrees, conditioned on the Applicant's successful completion of the improvements in accordance with the terms of this Agreement and on the Applicant's filing of the materials described in Paragraph four (4) above, to file a Final Certificate of Tax Exemption with the King County Assessor within 40 days of application.



7. The Applicant agrees, within 30 days following the first anniversary of the City's filing of the Final Certificate of Tax Exemption and each year thereafter for a period of twelve (12) years, to file a notarized declaration with the City Manager indicating the following:
  - (a) a statement of occupancy and vacancy of the newly constructed property during the twelve months ending with the anniversary date;
  - (b) a certification by the owner that the property has not changed use since the date of the certificate approved by the City and that property is in compliance with affordable housing requirements by renting at least twenty percent (20%) of the residential units as affordable housing units as defined by Chapter 84.14 RCW to households making at or below 90% of the area median family income, adjusted for family size;
  - (c) a description of any subsequent changes or improvements constructed after issuance of the Final Certificate of Tax Exemption;
  - (d) the monthly rent amount of each unit produced; and
  - (e) the income of each renter household at the time of initial occupancy for each of the units receiving a tax exemption.
8. The Applicant agrees, 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 twelve (12) years, to provide a written report to the City Manager containing information sufficient to complete the City's report to the Washington State Department of Community, Trade and Economic Development as described in Section 9.D. of Ordinance No. 520.
9. If the Applicant converts any of the new multi-family residential housing units constructed under this Agreement into another use, the Applicant shall notify the King County Assessor and the City Manager within 60 days of such change in use.
10. The Applicant agrees to notify the City promptly of any transfer of the Applicant's ownership interest in the Project or in the improvements made to the Project under this Agreement.
11. The City reserves the right to cancel the Final Certificate of Tax Exemption should the Applicant, its successors and assigns, fail to comply with any of the terms and conditions of this Agreement or for any reason that the Project no longer qualifies for the tax exemption.
12. No modifications of this Agreement shall be made unless mutually agreed upon by the parties in writing.
13. In the event that any term or clause of this Agreement conflicts with applicable law, such conflict shall not affect other terms of this Agreement which can be given effect without the conflicting term or clause, and to this end, the terms of this Agreement are declared to be severable.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF SHORELINE

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

APPLICANT

By \_\_\_\_\_  
Name: JAMES R. POTTER  
Its: MANAGER

Approved:

By \_\_\_\_\_  
City Manager  
Robert L. Olander

Attest:

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

Approved as to form:

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

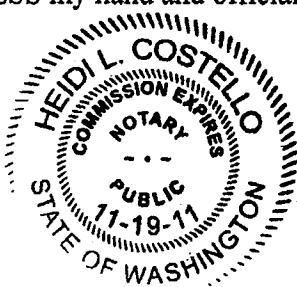
STATE OF WASHINGTON)

) ss.

KING COUNTY )

On this 10<sup>th</sup> day of October, 2008, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared James Potter, to me known to be the Manager of Ridgecrest, who executed the foregoing instrument and acknowledged to me that the said instrument was signed as his/her free and voluntary act and deed, for the uses and purposes therein mentioned.

WITNESS my hand and official seal this 10<sup>th</sup> day of October, 2008.



\_\_\_\_\_  
(Print Name) Heidi L. Costello  
Notary Public, Residing at Snohomish, WA  
My appointment expires: November 19, 2011