

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

<b>AGENDA TITLE:</b>	Authorizing the City Manager to Execute a Property Tax Exemption Contract with North City Family Apartments
<b>DEPARTMENT:</b>	Economic Development
<b>PRESENTED BY:</b>	Dan Eernisse, Economic Development Manager
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Discussion

**PROBLEM/ISSUE STATEMENT**

On January 27 a completed application and payment of fees was received for property tax exemption (PTE) for the North City Family Apartments. The project meets the affordability standards for a 12-year property tax exemption. The applicant states that the proposed 165-unit apartment project will be located at 1229 NE 175<sup>th</sup>, and that expected completion of the project is planned for June 2013.

On September 22, 2008, Council passed Ordinance No. 520 offering property tax exemptions for new residential projects. The North City Family Apartments project is within the North City area, which is one of three areas designated for both 8-year and 12-year property tax exemption for compliant new residential projects. The 500-unit cap for this area has not been exhausted. In the North City Business District target area, the at least 20% of the units must be rented as affordable housing units to households making at or below 70% of the area median family income adjusted for family size for studio and one bedroom units and at or below 80% of the area median family income adjusted for family size for two or more bedroom units.

On January 31<sup>st</sup> the application was found to comply with all of the requirements set forth in Ordinance No. 520 (see Attachment A) to qualify for a Conditional Certificate of Property Exemption with the exception of executing the required contract.

Once the application is approved, the next step is to present a contract signed by the applicant regarding the terms and conditions of the project to the City Council with a recommendation that the City Council authorize the City Manager to sign the contract. The attached signed contract (Attachment B) insures on-going compliance with Ordinance No. 520 and guarantees the appropriate period of property tax exemption for the applicant.

Staff recommends that Council authorize the City Manager to execute the contract for the property tax exemption for the North City Family Apartments.

### **RESOURCE/FINANCIAL IMPACT**

The project will generate one-time permit fees of over \$80,000. Once occupied, the project's residents will contribute on-going revenue through sales tax and utility fees. Shoreline's average annual per capita expenditures for sales and utility taxes is currently \$110/year and \$120 respectively. Given the affordability requirement of the project, it is likely that its residents will spend less than average. If the project's residents spend 60% of the average, the project will generate nearly \$50,000 per year in on-going revenues to support municipal services.

During the 12-year tax exemption there will be no property tax revenue or property tax levy increases as a result of the value of multifamily improvements. The City will delay collecting property taxes on improvements until the project's tax exemption period ends. The building value estimated from the building permit application is \$26 million. Based on the City's current property tax levy of \$1.60 per \$1,000 assessed valuation, the City will waive \$41,600 in property taxes annually, or approximately \$252 per unit. This does not create an additional tax burden for other tax payers as the new construction value of the buildings will not be added to the City's tax rolls until the exemption period expires in twelve years. The School District will not be affected by the PTE program as its levy amount is fixed.

### **RECOMMENDATION**

The project achieves Vision 2029 goals such as diverse and affordable housing (FG 12), specific high density areas (FG 14), and a business friendly environment (FG 15). In addition, the project builds on the investment made in the North City neighborhood by past Council action. Therefore, Staff recommends that Council authorize the City Manager execute a property tax exemption contract with North City Family Apartments.

### **ATTACHMENTS**

Attachment A – Findings of PTE Compliance issued by the Permits Services Manager  
Attachment B- Signed Property Tax Exemption Contract

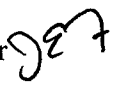
Approved By:            City Manager - *JU*            City Attorney - *IS*



## Memorandum

**DATE:** January 31, 2012

**TO:** Julie Underwood, City Manager

**FROM:** Jeff Forry, Permit Services Manager 

**RE:** North City Family Apartments Tax Exemption Application  
1228 NE 175<sup>th</sup> Street  
Tracking Number - 301789

**CC:** Dan Ernissee, Economic Development Manager  
Brian Lee, Associate Planner

An application for a tax exemption for the referenced property and project has been submitted by North City Apartments, LLC for consideration by the City Manager pursuant to Ordinance 520. As required by 84.14 RCW, Ordinance 520 includes criteria that must be met to qualify for the issuance of a Conditional Certificate. We have reviewed the application against the criteria and find the procedural requirements have been met and recommend continued processing of the application. The criteria are as follows:

1. Location.

The proposal is located at 228 NE 175<sup>th</sup> Street. This site is within the North City Business District (NCBD). The NCBD has been identified as a residential target area as defined in 84.14 RCW.

2. Limits on Tax Exempt Units.

Ordinance 520 establishes a maximum of 500 tax exempt units in the NCBD. The exemption request proposes 165 new apartment units. Arabella I Apartments, completed in 2007, qualified 88 units for tax exemption. In 2010 Arabella II requested and received a Conditional Certificate for 109 units. The current request is for 165 units. If granted the tax exemption request will reduce the number of available tax exempt units to 138. The request is for a twelve year exemption.

## 3. Size.

100% of the proposal units would be permanent residential occupancy.

## 4. Proposed Completion Date.

The application indicates an expected completion date in June of 2013. The timeframe is within the requisite three year limit.

## 5. Compliance with Guidelines and Standards.

The proposal generally conforms to the provisions of the NCBD in that the use is permitted under the adopted sub-area plan. A comprehensive review of the proposal will be performed in conjunction with the submittal of a complete application for development as defined in chapter 20 SMC. To qualify for a twelve year tax exemption the project must rent or sell at least 20% of the residential units as affordable housing units as defined in Ordinance 520. To receive a twelve year exemption the project must demonstrate affordability prior to the issuance of the Final Certificate.

*Application Criteria – Ordinance 520*

1. Completed application form and payment of fees✓
2. Brief written description ✓
3. Site plan and floor plan; ✓
4. Owner's statement on potential tax liability; and ✓

*Application — Requirements. RCW 84.14.030*

An owner of property making application under this chapter must meet the following requirements:

- ✓ (1) The new or rehabilitated multiple-unit housing must be located in a residential targeted area as designated by the city;
- ✓ (2) The multiple-unit housing must meet guidelines as adopted by the governing authority that may include height, density, public benefit features, number and size of proposed development, parking, income limits for occupancy, limits on rents or sale prices, and other adopted requirements indicated necessary by the city. The required amenities should be relative to the size of the project and tax benefit to be obtained;
- ✓ (3) The new, converted, or rehabilitated multiple-unit housing must provide for a minimum of fifty percent of the space for permanent residential occupancy. In the case of existing occupied multifamily development, the multifamily housing must also provide for a minimum of four additional multifamily units. Existing multifamily vacant housing that has been vacant for twelve months or more does not have to provide additional multifamily units;
- ✓ (4) New construction multifamily housing and rehabilitation improvements must be completed within three years from the date of approval of the application;

✓ (5) Property proposed to be rehabilitated must fail to comply with one or more standards of the applicable state or local building or housing codes on or after July 23, 1995. If the property proposed to be rehabilitated is not vacant, an applicant shall provide each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate; and

(6) The applicant must enter into a contract with the city approved by the governing authority, or an administrative official or commission authorized by the governing authority, under which the applicant has agreed to the implementation of the development on terms and conditions satisfactory to the governing authority.

#### **RCW 84.14.060**

#### **Approval — Required findings.**

(1) The duly authorized administrative official or committee of the city may approve the application if it finds that:

(a) A minimum of four new units are being constructed or in the case of occupied rehabilitation or conversion a minimum of four additional multifamily units are being developed;

(b) If applicable, the proposed multiunit housing project meets the affordable housing requirements as described in RCW 84.14.020;

(c) The proposed project is or will be, at the time of completion, in conformance with all local plans and regulations that apply at the time the application is approved;

(d) The owner has complied with all standards and guidelines adopted by the city under this chapter; and

(e) The site is located in a residential targeted area of an urban center that has been designated by the governing authority in accordance with procedures and guidelines indicated in RCW 84.14.040.

(2) An application may not be approved after July 1, 2007, if any part of the proposed project site is within a campus facilities master plan.

## GENERAL PROPERTY TAX EXEMPTION APPLICATION STEPS – ORDINANCE 520

Task	Entity	Completion Date
1. Application submittal	Proponent	1/25/12
2. Application review	P &CD	1/31/12
3. Council Authorization to contract	CM	
4. Contract with proponent	CM	
5. Prepare Conditional Certificate	Economic Dev. Manager	
6. Development application	Proponent	
7. Permit review and issuance	P &CD	
8. Conditional Certificate extension?	CM	
9. Complete development	Proponent	
10. Inspection and occupancy approval	P &CD	
11. Request for Final PTE Certificate	Proponent	
12. Process Final PTE request	Economic Dev. Manager	
13. Verify affordability criteria	Economic Dev. Manager	
14. Issue Final PTE Certificate	CM	
15.		

## MULTI-FAMILY HOUSING LIMITED PROPERTY TAX EXEMPTION AGREEMENT

THIS AGREEMENT is entered into this 14<sup>th</sup> day of March, 2012, by and between NORTH CITY FAMILY APARTMENTS, 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 North City Business District 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 165 units of new multi-family residential housing located at 1229 North 175<sup>th</sup> Street in the North City Business District, and generally referred to as NORTH CITY APARTMENTS, 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 to households making at or below 70% of the area median family income adjusted for family size for one bedroom units, and at or below 80% of the area median family income adjusted for family size for two and three bedroom units; and

WHEREAS on the 31<sup>st</sup> day of January, 2012, the City determined that the Applicant met all procedural requirements to qualify for a Conditional Certificate of Property Tax Exemption with the exception of entering into this Agreement; 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 Acceptance 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 of issuance of the Final Certificate of Tax Exemption.
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. In order to qualify for the property tax exemption, the Applicant agrees to complete construction of the agreed upon improvements within three years from the date the City issues the Conditional Certificate of Acceptance of Tax Exemption, or within any extension thereof granted by the City.
4. 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 to households making at or below 70% of the area median family income adjusted for family size for one bedroom units, and at or below 80% of the area median family income adjusted for family size for two and three bedroom units.
5. 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 4 above, to file a Final Certificate of Tax Exemption with the King County Assessor within 40 days of application.
6. 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 to households making at or below 70% of the area median family income adjusted for family size for one bedroom units, and at or below 80% of the area median family income adjusted for family size for two and three bedroom units;

- (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.

7. 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. 479.
8. 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.
9. 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.
10. 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.
11. No modifications of this Agreement shall be made unless mutually agreed upon by the parties in writing.
12. 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

Attest:

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

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

Approved:

APPLICANT NORTH CITY FAMILY APARTMENTS, LLC

By \_\_\_\_\_  
City Manager  
Julie Underwood

By [Signature]  
Name: Scott Morris  
Its: Authorized Representative

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

On this 14<sup>th</sup> day of March, 2012, before me, the undersigned Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Scott Moneis, to me known to be an authorized representative of North City Family Apartments, LLC, 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.

A circular notary seal for Jessica A. Thompson, a Notary Public in the State of Washington. The seal features a central graphic of a notary pen. The text "JESSICA A. THOMPSON" is arched across the top, "NOTARY PUBLIC" is in the center, and "STATE OF WASHINGTON" is arched across the bottom. The commission expiration date "Commission Expires AUGUST 27, 2012" is written along the inner border.

Jessica A Thompson  
(Print Name) Jessica A Thompson  
Notary Public, Residing at Spokane, WA  
My appointment expires: 08/27/2017