

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

<b>AGENDA TITLE:</b>	Discussion of Ordinance No. 694 - Property Tax Exemption Program
<b>DEPARTMENT:</b>	City Manager's Office
<b>PRESENTED BY:</b>	Dan Eernisse, Economic Development Manager
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing <input checked="" type="checkbox"/> Discussion

**PROBLEM/ISSUE STATEMENT:**

On September 15, 2014, staff proposed an amendment to Shoreline Municipal Code (SMC) Chapter 3.27. SMC 3.27 sets forth the requirements for participating in the City's Property Tax Exemption (PTE) Program, and the proposed amendment was intended to ensure that all areas within the City that had been designated as targeted areas available for use under the City's PTE program were shown in SMC 3.27 as well as to correct an issue with the duration of the adopted five-year market-rate PTE incentive.

At that time, the City Council pointed out the uncodified areas had specific income, duration, and capacity requirements that differed from the codified areas. Thus, staff was directed to return to Council with an ordinance that fully reflected the past enactments. In addition to Council's direction, staff's subsequent analysis of the PTE Program revealed more inconsistencies with the various PTE Program code sections.

Therefore, in addition to clarifying the areas where the PTE program is offered and bringing the five year program into compliance with state code, proposed Ordinance No. 694 now proposes to clean up additional problems with the City's PTE code sections.

Tonight, we will be discussing six issues regarding SMC 3.27. They are:

- 1) Uncodified Areas. The catalyst for this discussion was that the North City and Ridgecrest Target Areas were never codified and need to be added to the Code.
- 2) Sunset Clause. SMC 3.27.040(D) states that the City shall not accept an application for this incentive program after December 31, 2016 unless the City Council evaluates and extends the program. Given the current state of subarea planning related to the light rail stations, staff believes it is prudent for the City Council to consider the life of this program at this time.
- 3) Application Process. The application process set forth in SMC 3.27 to receive the exemption is stated differently in the various PTE code sections. Some of the differences are contradictory, while others are simply unnecessarily confusing and time consuming.
- 4) Program Duration. The City's stated duration of five years for the market-rate PTE program in SMC 3.27.030(B) is not expressly provided for in RCW 84.14, the state statute authorizing the PTE Program, and therefore additional

amendment/policy consideration is needed. If the Council desires to continue a market rate program, then its duration must be eight (8) years.

- 5) Affordable Housing. The need to make a change to the duration of the PTE program (sub-point 4 above) will logically lead Council to a policy discussion on whether to use the PTE Program simply to encourage multifamily housing, or more broadly also as an incentive to create affordable housing.
- 6) Program Characteristics. Policy direction is sought on the various characteristics that the City Council would like to retain or impose for the City's PTE Program.

What began as relatively minor technical and administrative code corrections has resulted in a robust proposal of a more streamlined, comprehensive PTE Program. Discussion and direction by Council of the policy implications of proposed Ordinance No. 694 (Attachment A) will help to clarify all of the targeted areas available for use under the City's PTE program, determine whether a sunset clause in the current code should be altered or eliminated, clean up multiple inconsistencies, streamline the application process, achieve consistency with RCW 84.14 requirements for program duration, and establish a city-wide PTE Program with provisions that reflect Council's policy direction.

Because of the volume of changes needed, in addition to repealing the previously uncodified ordinances, staff is recommending a repeal of SMC 3.27 and replacement with a new chapter SMC 3.27.

**RESOURCE/FINANCIAL IMPACT:**

The PTE program provides an exemption to the owner for the *ad valorem* property tax of the value of new or rehabilitated multiple unit housing for the duration of the exemption period. When a PTE project is built, the value of the building improvements are not added to the City's assessed value until after the exemption period ends; therefore, while no tax burden is shifted to other tax payers, the City defers the property tax revenues of the project. In addition, staff time is required to process applications, file annual reports to the State and King County, and to monitor compliance with affordable housing requirements.

**RECOMMENDATION**

No action is required at this time, as this item is for discussion purposes only. However, staff recommends Council adopt proposed Ordinance No. 694 when this item is brought back to the Council for adoption on February 9, 2015.

Approved By:            City Manager **DT**    City Attorney **JA-T**

## **BACKGROUND**

In November 2002, the City Council passed Ordinance No. 310. This ordinance established a 10-year exemption from real property taxation for multi-family housing within the North City Business District, as defined in SMC 20.90.020. This ordinance was not codified.

Furthermore, in March 2008, the Council passed Ordinance No. 479, which superseded Ordinance No. 310. This ordinance established a unit limit of 250 units that would be eligible to receive PTE, and established two levels of tax exemption duration – 12 years if 20% of the housing units were affordable and eight (8) years if the housing units were market rate. This ordinance was also not codified.

Also in March 2008, the Council passed Ordinance No. 496. This ordinance expanded the PTE program to three portions of the Ridgecrest Commercial Planned Area (CPA) and to residential areas designated R-18 and R-28 adjacent to those portions of the Ridgecrest CPA. This ordinance maintained the unit limit of 250 units for North City but allowed for 350 units in Ridgecrest. This ordinance also established two levels of duration – 12 years if 20% of the units were affordable and eight (8) years if the units were market rate – and set a household income level for the Ridgecrest area at 90% of median family income. This ordinance was also not codified.

In September 2008, the Council passed Ordinance No. 520. This ordinance removed the availability of the PTE for market rate development, allowing for 12 years if 20% of the units were affordable and eight (8) years if 10% were affordable. The supporting documentation for this ordinance provides no legal support for the 8 year/12 year duration and the 10-20% affordability requirement; it merely states that this would mandate all exempt projects to provide affordable housing. This ordinance also increased the unit limit for North City to 500 units while maintaining Ridgecrest's 350 units. Lastly, this ordinance established household incomes for North City - 70% of median for studio and 1 bedroom units and 80% of median for 2 or more bedroom units. Ridgecrest's income level was maintained. This ordinance was also not codified.

In December 2011, the City Council passed Ordinance No. 624. The intent of this ordinance was to expand the PTE program to five (5) additional areas within the City. These areas are:

- 1) The Aurora Avenue North Corridor, including a portion of Westminster Way North;
- 2) The Ballinger Way NE commercial area;
- 3) The Hillwood commercial area;
- 4) The Richmond Beach commercial area; and
- 5) The commercial area associated with the intersection of NE 145<sup>th</sup> Street with Bothell Way NE and 15<sup>th</sup> Avenue NE.

This ordinance was codified as SMC 3.27 and established a duration for the PTE at five (5) years, asserting that the state law allowed for flexibility, and made no reference to either affordable or market rate units. Ordinance No. 624 did not repeal any of the prior enactments.

When adopting Ordinance No. 624, it is clear that the City Council considered expanding the previously designated target area of the PTE Program during several of its regular meetings. The staff reports for the September 26, 2011, November 28, 2011, and December 12, 2011 meetings state that the intent of Ordinance No. 624 was to expand the PTE program beyond what had been currently offered in North City and Ridgecrest. The staff reports for these meetings are available at the following links:

**September 26, 2011 Staff Report:**

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/Council/Staffreports/2011/Staffreport092611-9c.pdf>

**November 28, 2011 Staff Report:**

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/Council/Staffreports/2011/Staffreport112811-8d.pdf>

**December 12, 2011 Staff Report:**

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/Council/Staffreports/2011/Staffreport121211-8a.pdf>

During these meetings, the City Council thoroughly deliberated which areas of the City the PTE program should be extended into but, at no time, was the elimination of the North City and Ridgecrest Target Areas considered. In fact, at the November 28 meeting, Economic Development Director Eernisse specifically recommended retaining North City and Ridgecrest. The minutes of these meetings are also available below:

**September 26, 2011 Meeting Minutes:**

[http://shoreline.granicus.com/DocumentViewer.php?file=shoreline\\_2cbe6bd4f5bff1e34e23de3f670dc434.htm&view=1](http://shoreline.granicus.com/DocumentViewer.php?file=shoreline_2cbe6bd4f5bff1e34e23de3f670dc434.htm&view=1)

**November 28, 2011 Meeting Minutes:**

[http://shoreline.granicus.com/DocumentViewer.php?file=shoreline\\_50cb93081ea36bffdb98f8bd32e288fc.htm&view=1](http://shoreline.granicus.com/DocumentViewer.php?file=shoreline_50cb93081ea36bffdb98f8bd32e288fc.htm&view=1)

**December 12, 2011 Meeting Minutes:**

[http://shoreline.granicus.com/DocumentViewer.php?file=shoreline\\_e9dad1cc01573d367710a78ec6aed52.htm&view=1](http://shoreline.granicus.com/DocumentViewer.php?file=shoreline_e9dad1cc01573d367710a78ec6aed52.htm&view=1)

Lastly, in July 2013, the City Council passed Ordinance No. 664. This ordinance amended SMC 3.27 to specify that the Aurora Community Renewal Area (CRA) could receive a 12 year exemption if 20% affordable housing was provided. This ordinance retained the five (5) year PTE duration for all areas. In addition, this ordinance established a 500 unit limitation within the Aurora CRA and set household income levels at the same levels as North City.

Discussion regarding the PTE program was presented to the Council at its September 15, 2014 meeting. It was at this meeting that previously enacted terms unique to the North City, Ridgecrest, and Aurora CRA areas were discussed. The staff report and minutes for this meeting are linked below.

**September 15, 2014 Staff Report:**

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2014/staffreport091514-9a.pdf>

**September 15, 2014 Meeting Minutes:**

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/Council/Minutes/2014/091514.htm>

**DISCUSSION**

As was noted earlier, this staff report discusses six issues regarding SMC 3.27. The following section of this report provides detail about these issues.

**1. Uncodified Areas**

As noted above, starting in 2002, a total of four ordinances (Ordinance Nos. 310, 479, 496, and 520) were passed establishing the North City Business District and various areas in and adjacent to the Ridgecrest Commercial Planned Area as target areas for the PTE. These ordinances also established the duration for the exemption, limitation on units numbers, and limitation on household income levels. The last enacted ordinance, Ordinance No. 520, established the following for the North City and Ridgecrest areas:

- Duration: 12 year exemption if 20% of units were affordable  
8 year exemption if 10% of units were affordable  
No exemption available for market rate units
- Unit Limitation: North City – 500 units  
Ridgecrest – 350 units
- Household Income: North City – 70% of median for studio/1 bedroom; 80% of median for 2 or more bedrooms  
Ridgecrest – 90% of median regardless of bedrooms

In 2011, the City adopted Ordinance No. 624 which, for the first time, codified the PTE Program as Chapter 3.27 of the SMC. This enactment designates five areas as targeted for the exemption – Aurora Corridor/Westminster (Attachment B), Ballinger (Attachment C), Hillwood (Attachment D), Richmond Beach (Attachment E), and the Southeast Neighborhoods (Attachment F). However, despite staff reports and council minutes to the contrary, the North City Business District (Attachment G) and the Ridgecrest Commercial Planned Area (Attachment H) were not included within SMC 3.27.020, the section of the Code that designates targeted areas, possibly because staff believed they were already codified. Subsequently, the City adopted Ordinance No. 664 establishing affordability requirements for qualifying projects within the Aurora Square CRA.

Currently, unless a developer is expressly aware of the prior enactments, review of SMC 3.27 would result in the conclusion that the exemption is applicable to only those areas listed in SMC 3.27.020 and having to look farther for limitations in the Aurora

Square CRA. Thus, the first purpose of this proposed ordinance is to codify those targeted areas that were omitted from SMC 3.27 in 2011 but which have remained available for property tax exemption. Proposed Ordinance No. 694 corrects this by codifying the North City and Ridgecrest areas as eligible for PTE.

As stated above, the omission of North City and Ridgecrest target areas provides confusion for property owners and developers, as looking solely at the SMC would not reveal the applicability of the PTE within North City and Ridgecrest. This proposed amendment is intended to reflect the previous intent to retain the North City Business District and certain areas in/adjacent to the Ridgecrest Commercial Area in this program. The amendment would codify these areas within SMC 3.27 so that all developers and/or property owners are fully aware of the development incentives available to them. Exhibits attached to the Ordinance would clearly delineate the areas of the City targeted for the PTE Program and will be incorporated into the SMC 3.27 (Attachments B-H).

## **2. Sunset Clause**

SMC 3.27.040(D) states that the City shall not accept an application for the PTE incentive program after December 31, 2016 unless the City Council evaluates and extends the program. The current direction of sub-area station planning in Shoreline envisions multifamily development to add density around the stations. Furthermore, Council concluded that multifamily development is key to achieving sustainability. Since, the PTE Program provides a very valuable incentive for multifamily builders, staff recommends that proposed Ordinance No. 694 eliminate the sunset clause all together. Should Council decide to change the PTE Program in the future, the Council could re-enact the Sunset Clause or some variation of it with a new ordinance.

## **3. Application Process**

In recent months staff has received a number of applications for PTE. It became apparent as staff processed these applications that the application process that is described in SMC 3.27 contains a number of inconsistencies (see Attachment I). Therefore, staff recommends that proposed Ordinance No. 694 be amended so that it provides for a more streamlined and consistent process with a single set of requirements, timelines, expirations, and deadlines for all Target Areas. An example of this is that proposed Ordinance No. 694 requires that the PTE agreement between the applicant and City be recorded by the applicant, an important step not being taken in our current process.

As well, state law grants the City Manager the authority to approve or deny both the conditional and final PTE certificates and determine, once an exemption is in effect, if the exemption may need to be cancelled. Applicants do have the ability to appeal these decisions however. While all appeals for the non-issuance of the conditional PTE certificate must be heard by the City Council pursuant to RCW 84.14, appeals for non-issuance of the final PTE certificate or cancellation of tax exemption may be delegated to a Hearing Examiner or other administrative official.

Currently, proposed Ordinance No. 694 has all appeals (conditional certificate, final certificate and tax exemption cancellation) being heard by the City Council. However, the Council may elect to delegate appeals of final PTE certificates and cancellations of

tax exemption to the Hearing Examiner. If the Council is interested in making this change, proposed Ordinance No. 694 would need to be amended.

#### 4. Program Duration

RCW 84.14.020 establishes two duration periods for PTE:

- RCW 84.14.020(1)(a)(ii)(A) states that the value is exempt for eight (8) successive years, without any other conditional language, and
- RCW 84.14.020(1)(a)(ii)(B) states that the value is exempt for 12 successive years if the applicant commits to renting or selling at least twenty percent (20%) of the multifamily housing units as affordable housing to low/moderate income households and the property owner satisfies that commitment and any additional affordability and income eligibility conditions adopted by the City.

In prior years, the City Attorney's Office determined that RCW 84.14 did not set a minimum duration for PTE and, therefore, the City could elect a different duration period. Based on this determination the City selected a five (5) year duration for market rate projects. Upon reexamination of the statute however, staff believes that a modification in duration is needed. While RCW 84.14.020 does allow the City to establish affordability and income eligibility conditions that differ from the RCW, RCW 84.14.020 is clear in that it provides for only two time periods – 8 years and 12 years – with no flexibility in these time periods. This interpretation is also supported by the Washington State Department of Revenue and the King County Assessor. As well, no other jurisdiction is currently providing any other PTE duration period other than the ones set forth in RCW 84.14.

Staff also notes that while RCW 84.14.020 sets 12 years as the exemption duration if 20% of the units are affordable, for the North City and Ridgecrest Commercial areas, the City allows for an eight (8) year exemption if 10% of the units are affordable, with no exemption for market rate units in these Target Areas. This structure was adopted in 2008 with Ordinance No. 520. The reason for a 10%/eight year requirement at that time was to create a mandate that an affordability component would be included in all projects receiving a tax exemption from the City.

With the adoption of Ordinance No. 624, this requirement became limited to North City and Ridgecrest, as the other target areas permit market rate exemptions. However, unlike the duration period, RCW 84.14.030 permits the City to adopt application requirements and RCW 84.14.030(2) states that the guidelines adopted by the City may include requirements for income limits for occupancy, public benefit features, and other requirements indicated by the City. Thus, this provision of RCW 84.14 does allow the City flexibility. However, since other areas of the City receiving the 8 year exemption are not mandated to set aside 10% of their units as affordable, the City must indicate the necessity for this requirement within the North City and Ridgecrest areas if it continues to be utilized.

Since adoption, two multifamily projects have or are receiving tax abatement utilizing the PTE incentive.

- The **88-unit North City Landing Apartments (Arabella)** was built relying on the 10-year market-rate PTE offered at that time (RCW 84.14 was amended in 2007

to delete a 10-year program). The first year of exemption was 2004, so the project exhausted its exemption in 2014 and the value of the building was added to the City's assessed value in 2015.

- The **165-unit North City Family Apartments (Polaris)** was built relying on the 12-year affordable housing PTE. The first year of tax abatement will be 2015. Interestingly, because 100% of its units are affordable at 60% of the King County median income, Polaris qualified for a tax exemption that includes the land value for the 2015 tax year; therefore, the PTE exemption is redundant. Should Polaris not qualify for this special exemption in any of the next 11 years of the PTE program, the PTE incentive will be used.

In conversations with the multifamily development community, it is clear that the PTE incentive is perceived as an extremely valuable incentive in the City of Shoreline. The developers repeatedly contend that without the PTE incentive, it would be difficult or impossible to receive necessary financing given the rent levels and construction costs in Shoreline. Other projects that have applied for or indicated intent to apply for the PTE Program incentive are as follows:

- The **5-unit Shoreline Ridge** project recently learned of the PTE Program and applied for tax abatement under North City's 12-year affordable PTE Program. Its application was received during construction near receipt of the project's Certificate of Occupancy. The Shoreline Ridge project clearly was built without needing the PTE incentive but will receive it, based on our Code. This application led staff to include an addition in Code that application for a PTE Certificate must be received at the time of the project's initial building permit.
- The **129-unit Shoreline Star Apartments (Malmo)** on N 152nd Street was built relying on the 5-year market-rate PTE. It is expected that Malmo will begin its tax abatement period in 2016.
- The **169-unit Centerpoint Apartments** on Midvale Avenue N recently applied for 5-years of tax abatement under the current market-rate program offered in Town Center (Aurora Corridor).
- On January 13, 2013, the **109-unit Arabella II** project in North City received an extension to its certificate guaranteeing PTE, giving the applicant an additional two years to complete their project. Together, Arabella, Arabella II, Polaris, and Shoreline Ridge consume 367 units of the 500-unit cap in North City.
- During recent pre-application discussions, the applicant team for the **80-unit Micro-Suite project** on the former Taboo Video site stated that they intend to apply for 5 years of tax abatement under the market-rate program offered within Town Center (Aurora Corridor).
- During recent discussions, the Dargey development team, which has proposed a **324-unit building on the former Denny's property**, stated that they intend to apply for 12-years of tax abatement under the affordable PTE program offered within the Aurora Square CRA (Aurora Corridor).
- During recent discussions, the development team that proposed a **160-unit building on the Super China Buffet property** stated that they are interested in applying for 12-years of tax abatement under the affordable PTE program offered within the Aurora Square CRA (Aurora Corridor), which -- along with the Dargey development -- will virtually exhaust the 500-unit cap.



In regards to economic development, it is particularly disappointing that the statute authorizing the PTE Program (RCW 84.14) does not allow for shorter time periods for its PTE programs. The City's brief experience offering the 5-year market-rate program has proven that it appears to be a sufficient incentive to stimulate investment and the development community appreciates the simplicity of the market-rate program. In fact, when the two developers of Centerpointe and Malmo who applied for a 5-year market rate PTE conditional certificate were told that the duration of the City's program needs to change, they both stated that they would prefer an 8-year market rate program over a 12-year program that required affordable housing. However given that both of these applicants have already applied for a 5-year conditional certificate, staff recommends that the City honor these applications at their currently-requested duration.

## **5. Affordable Housing**

Given tonight's earlier discussion on affordable housing and the emphasis that the Council places on providing a range of housing options, staff has drafted proposed Ordinance No. 694 with only a 12 year affordable PTE Program incentive. Council direction is sought this evening to affirm this approach or to also establish an 8-year market rate program. Since affordable housing is addressed under another agenda item, this staff report will focus only on its economic development impact, specifically answering the questions of how a 12 year affordable housing program will affect development and be perceived by developers in the Puget Sound marketplace.

The PTE Program uses a different method than other subsidies and incentives that encourage affordable housing. Some affordable housing incentives are able to require more aggressive affordability levels than the PTE Program because the return on investment is not coming solely from the project itself. For example, North City's Polaris project offers 100% of its units to those who earn no more than 60% of the King County median income. It is able to accomplish this because of a federal tax rule that allows non-profit entities -- like Polaris -- which can offer its investors a tax-credit commensurate with their investment in the project.

Other philanthropic housing projects, such as the proposed Ronald Commons project or the Ballinger's Vision House Jacob's Well project, received grants and gifts from corporations, government agencies, and individuals who value the mission of the project. These organizations provide the most aggressively affordable housing because the generous investors consider the good work of the organization an adequate return on their investment.

The PTE Program, though, harnesses market forces to create a program that can -- as long as demand for housing persists -- perpetually produce affordable housing using the inertia of the project itself. The PTE Program does not require special financing, subsidies, or fund-raising; instead, it simply offers a tax reduction on the new taxes being created with new construction to offset the loss of income from providing affordable housing, allowing investors to reap an acceptable rate of return on their investment. However, should the affordable housing requirements become too costly, it may prove to be difficult -- if not impossible -- for investors to realize an adequate return, and as a result the PTE affordable housing program will grind to a halt. In order to keep the market forces moving, the State's requirements for affordability only apply to a small percentage of the units in a qualifying project (20%), and a relatively low level of

affordability (80% of the county's median income). Going beyond these minimum requirements threatens the development equation.

The PTE affordable housing program has been used most successfully by the City of Seattle, which sets the standard by offering the region's most well-known PTE Program. Seattle's program is also the most used, with 94 buildings currently receiving tax exemption. Seattle only offers one option: a 12 year PTE Program with affordable housing requirement virtually identical to the one that Shoreline offers in North City and in Aurora Square. Developers are familiar with the Seattle program, bankers know how to calculate its value to the project, and management companies are trained in screening residents, adjusting rents, and annual reporting.

If Shoreline adopts a program similar to Seattle's as is proposed in Ordinance No. 694, it will be applauded by developers as a program "as good as" that offered in Seattle. An 8-year market rate program may be perceived slightly more favorably, but it would not accomplish the goal of creating affordable housing and the difference is so slight that it may not stimulate any additional development. Should the Council be interested in also providing for an 8-year program that requires affordable housing, the City's program would be considered inferior to Seattle's program. Therefore, staff is recommending that the standard PTE Program be a 12 year affordable housing program similar to what Shoreline has been offering in the North City and Aurora Square Target Areas.

## **6. Program Characteristics**

The prior uncodified PTE ordinances established various characteristics – limitations on units, limitations on income, and duration of exemption – for certain PTE Target Areas. For example, only North City, Ridgecrest, and the Aurora CRA currently have limitations on the number of units available for the PTE Program, as well as income limitations, which do not match. While it is an option for the Council to maintain these variations in program characteristics, staff recommends a consistent, uniform program applicable to all PTE Target Areas.

Thus, based on the recommendations made to staff by the Housing Development Consortium, informed by the City of Seattle's PTE Program, and according to Shoreline's own experience with the North City and Aurora Square areas, staff recommends that the standard PTE Program in Shoreline have the following characteristics:

- be 12 years in duration;
- require 20% of the units be affordable;
- define affordability as 70% of the King County median income for studio and one-bedroom units, and 80% of the King County median income for two-bedroom or larger units.
- have no limitations or sunset clauses in the program other than a 500-unit cap of the PTE Program in the Aurora Square CRA, due to the fact that non-residential use is an important long-term component of renewal in Aurora Square.

Proposed Ordinance No. 694, if adopted, would enact these uniform program characteristics.

## **COUNCIL GOALS ADDRESSED**

The 2011 staff reports listed Council Goals 1 and 3 as being addressed by this issue. At that time, Goal 1 sought to implement the Community Vision by partnering with businesses and Goal 3 sought to improve economic development opportunities in Shoreline.

Today, the Council continues to seek ways to promote economic development. Council Goal 1 of the Council's 2014-2016 Goals states: Strengthen Shoreline's economic base. Action steps related to this goal include implementing marketing strategies to promote Shoreline as a progressive and desirable community for new residents, investors, and businesses and to enhance the attractiveness of Shoreline as a place for private investment.

In addition to these goals, the continued provision of the PTE program to all eligible areas of the City is consistent with the City's Comprehensive Plan, Element 5 - Economic Development, which seeks to encourage, enhance, and promote economic vitality within the community.

## **RESOURCE/FINANCIAL IMPACT**

The PTE program provides an exemption to the owner for the *ad valorem* property tax of the value of new or rehabilitated multiple unit housing for the duration of the exemption period. When a PTE project is built, the value of the building improvements are not added to the City's assessed value until after the exemption period ends; therefore, while no tax burden is shifted to other tax payers, the City defers the property tax revenues of the project. In addition, staff time is required to process applications, file annual reports to the State and King County, and to monitor compliance with affordable housing requirements.

## **RECOMMENDATION**

No action is required at this time, as this item is for discussion purposes only. However, staff recommends Council adopt proposed Ordinance No. 694 when this item is brought back to the Council for adoption on February 9, 2015.

## **ATTACHMENTS**

- Attachment A: Proposed Ordinance No. 694
- Exhibit A: Proposed SMC Chapter 3.27, Property Tax Exemption
- Attachment B: Residential Target Area Map - Aurora Avenue North Corridor, including a portion of Westminster Way N
- Attachment C: Residential Target Area Map - Ballinger Way NE Commercial Area
- Attachment D: Residential Target Area Map - Hillwood Commercial Area
- Attachment E: Residential Target Area Map - Richmond Beach Commercial Area
- Attachment F: Residential Target Area Map - Southeast Neighborhoods Commercial Area
- Attachment G: Residential Target Area Map - North City Business District
- Attachment H: Residential Target Area Map - Ridgecrest Commercial Area
- Attachment I: Application Process Matrix

**ORDINANCE NO. 694**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON  
ESTABLISHING A NEW PROPERTY TAX EXEMPTION PROGRAM  
FOR THE CITY OF SHORELINE BY REPEALING UNCODIFIED  
SHORELINE ORDINANCE**

**AND REPEALING SHORELINE MUNICIPAL CODE CHAPTER 3.27 IN  
ITS ENTIRETY AND ENACTING A NEW CHAPTER 3.27.**

WHEREAS, the City of Shoreline is a non-charter optional municipal code city as provided in Title 35A RCW, incorporated under the laws of the state of Washington (hereinafter referred to as “City”); and

WHEREAS, Chapter 84.14 of the Revised Code of Washington provides for exemptions from ad valorem property tax valuation for qualifying multi-family housing located in designated target areas within urban centers; and

WHEREAS, Chapter 84.14 authorizes the City to designate target areas and to adopt necessary procedures to implement RCW 84.14; and

WHEREAS, with the adoption of Ordinance Numbers 310, 479, 496, and 520 the City has provided for a Property Tax Exemption Program within areas of the City, specifically denoting North City Business District and certain areas of and/ or adjacent to the Ridgecrest Commercial Area as designated residential target areas; these ordinances were not codified; and

WHEREAS, with the adoption of Ordinance 624, the City codifying a Property Tax Exemption Program by establishing a new chapter of the Shoreline Municipal Code (SMC) Chapter 3.27 and designating five (5) residential target areas, these areas did not include Ridgecrest or North City, the areas addressed by the prior ordinances; and

WHEREAS, with the adoption of Ordinance 664, the City Council amended SMC 3.27 to further refine the Property Tax Exemption Program in regards to the Aurora Community Renewal Area; and

WHEREAS, the previously enacted, uncodified ordinances were not repealed when SMC Chapter 3.27 was adopted or amended; and

WHEREAS, after further consideration of the Property Tax Exemption Program offered by the City, including duration and limitations, and the requirements of Chapter 84.14; and

WHEREAS, the City Council desires to continue the Property Tax Exemption Program within the previously designated residential target areas and to honor those applications previously submitted; and

WHEREAS, the City Council has determined that to ensure all property subject to the Property Tax Exemption Program and any specific provisions applicable to a property is clearly delineated in the SMC and consistent with state law for the benefit of present and future property owners previously enactments must be repealed and a new, unified chapter of the Shoreline Municipal Code be adopted; therefore,

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

**Section 1. Repeal.** Ordinance No. 310 is repealed in its entirety.

**Section 2. Repeal.** Ordinance No. 479 is repealed in its entirety.

**Section 3. Repeal.** Ordinance No. 496 is repealed in its entirety.

**Section 4. Repeal.** Ordinance No. 520 is repealed in its entirety.

**Section 5. Repeal, New Chapter.** Shoreline Municipal Code, Chapter 3.27 *Property Tax Exemption* is repealed in its entirety and a new Chapter 3.27 *Property Tax Exemption* is adopted as set forth in Exhibit A attached hereto.

**Section 6. Severability.** If any section, sentence, clause, or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause, or phrase of this ordinance.

**Section 7. 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 days after publication.

**PASSED BY THE CITY COUNCIL ON FEBRUARY 9, 2015.**

\_\_\_\_\_  
Mayor Shari Winstead

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Jessica Simulcik-Smith  
City Clerk

\_\_\_\_\_  
Margaret Smith  
City Attorney

Date of Publication: , 2015  
Effective Date: , 2015

## **Chapter 3.27**

### **Property Tax Exemption**

Sections:

3.27.010	Purpose
3.27.020	Definitions
3.27.030	Designation of residential targeted areas
3.27.040	Eligibility standards and guidelines
3.27.050	Application procedures for conditional certificate
3.27.060	Application review and issuance of conditional certificate
3.27.070	Application procedures for final certificate
3.27.080	Application review and issuance of final certificate
3.27.090	Annual compliance review
3.27.100	Cancellation of tax exemption

#### **Section 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 of existing vacant and underutilized buildings 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 Definitions**

- A. “Affordable housing” means residential housing that is rented or sold to a person or household whose annual household income does not exceed seventy percent (70%) of the area median household income adjusted for family size for studio and one bedroom units and not exceeding eighty percent (80%) 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. “Household annual income” means the aggregate annual income of all persons over eighteen years of age residing in the same household.
- D. “Multifamily housing” means a building or project having four or more dwelling units designed for permanent residential occupancy.
- E. “Owner” or “Property Owner” means the property owner of record.
- F. “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 Designation of residential targeted areas**

- A. The following areas, as shown in Attachments A through F, are designated as residential targeted areas:
  - A. Aurora Avenue North Corridor, including a portion of Westminster Way N;
  - B. Ballinger Way NE commercial area;
  - C. Hillwood commercial area;
  - D. Richmond Beach commercial area;
  - E. Southeast Neighborhood commercial area;
  - F. North City Business District; and
  - G. Ridgecrest commercial area.

**NOTE – The maps included as Exhibits to Ordinance 694 are to be included in the codified version of the SMC.**

- B. If a part of any legal lot is within a residential targeted area, then the entire lot shall be deemed to lie within such residential targeted area.
- C. Additional residential targeted areas may be designated if the city council determines that an area meets the criteria set forth in RCW 84.14.040(1), as amended.

**Section 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 3.27.020.
  - 2. The project must be multifamily housing consisting of at least four (4) dwelling units within a residential structure or as part of a mixed used development, in which at least fifty percent (50%) 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 twenty percent (20%) of the housing units must be affordable housing as defined in SMC 3.27.020.
  - 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 twelve (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; and
  - 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.



9. The applicant must enter into a contract with the city 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 value of new housing construction and rehabilitation improvements qualifying under this chapter shall be exempt from ad valorem property taxation for twelve (12) successive years beginning January 1 of the year immediately following the calendar year after issuance of the final certificate of tax exemption.

**C. 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. Residential Targeted Areas – Specific Requirements**

1. No more than 500 total units will be approved under this chapter for areas of the Aurora Square CRA within the Aurora Avenue North Corridor.
2. Units will be allocated based on the date the project's application for a conditional certificate is considered complete.

**Section 3.27.050 Application procedures for conditional certificate.**

- A. A property owner who wishes to propose a project for a tax exemption shall file an application with the department of planning and community development upon a form provided by that department.
- B. The application for exemption must be filed prior to issuance of the project's first building permit.

C. The application shall include:

1. Information setting forth the grounds for the exemption;
2. A description of the project and a site plan, including the floor plan of units;
3. A statement that the applicant is aware of the potential tax liability when the project ceases to be eligible under this chapter;
4. Information describing how the applicant shall comply with the affordability requirements of this chapter;
5. In the case of rehabilitation or where demolition or new construction is required, verification from the Department of the property's noncompliance with applicable building and housing codes; and
6. Verification by oath or affirmation of the information submitted by the applicant.

D. Fees. At the time of application under this section, the applicant shall pay a minimum fee deposit of three (3) times the current hourly rate for processing land use permits as provided in SMC 3.01 Fee Schedule. Total city fees will be calculated using the adopted hourly rates for land use permits in effect during processing of the tax exemption and any excess will be refunded to the applicant upon approval or denial of the application.

**Section 3.27.060 Application review and issuance of conditional certificate.**

A. Conditional Certificate.

1. The city manager may approve or deny an application for tax exemption.
2. The city manager may only approve the application if the requirements of RCW 84.14.060 and this chapter have been met.
3. A decision to approve or deny certification of an application shall be made within ninety (90) days of receipt of a complete application for tax exemption.
  - a. If approved, the applicant must enter into a contract with the city setting forth the terms and conditions of the project and eligibility for exemption under this chapter.
  - b. This contract is subject to approval by the city council.

- c. The applicant shall record, at the applicant's expense, the contract with the county assessor within ten (10) days of execution and provide the city with the recording number.
4. Once the city council has approved the contract and it is fully executed, the city manager will issue the property owner a conditional certificate of acceptance of tax exemption.
  - a. The certificate must contain a statement by the city manager that the property has complied with the required findings indicated in RCW 84.14.060.
  - b. The conditional certificate expires three years from the date of issuance unless an extension is granted as provided for in this section.
5. If denied, the city manager must state in writing the reasons for denial and send notice to the applicant at the applicant's last known address within ten (10) days of the denial by U.S. mail, return receipt requested.
6. The applicant may appeal the denial to the city council within thirty (30) days of the date of issuance of the denial by filing an appeal statement with the city clerk and paying any applicable fee. The appeal before the city council will be based upon the record made before the city manager or designee with the burden of proof on the applicant to show there was no substantial evidence to support the city manager's decision. The city council's decision on appeal shall be final.

B. Extension of Conditional Certificate. The conditional certificate may be extended by the city manager for a period not to exceed 24 consecutive months. The applicant must submit a written request stating the grounds for the extension, accompanied by a non-refundable processing fee equal to two times the current hourly rate for processing land use permits as provided in SMC 3.01 Fee Schedule. 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 applicant;
2. The applicant 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.

The applicant may appeal a denial of the extension to the city council within thirty (30) days of the issuance date of the denial by filing an appeal statement with the city clerk and paying any applicable fee. The city council's decision on appeal shall be final.

**Section 3.27.070 Application procedures for final certificate**

A. Application. 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:

1. A statement of expenditures made with respect to each multifamily housing unit and the total expenditures made with respect to the entire property;
2. A description of the completed work and a statement that the improvements qualify for the exemption;
3. A statement that the work was completed within the required three (3) year period or any authorized extension; and
4. A statement that the project meets affordable housing requirements of this chapter.

B. Fees. At the time of application under this section, the applicant must submit a check made payable to the county assessor in an amount equal to the assessor's fee for administering the tax exemption program in effect at the time of final application.

**Section 3.27.080 Application review and issuance of final certificate**

A. Within 30 days of receipt of all materials required for an application for final certificate, the city manager shall determine whether a final certificate should be issued. The city manager's determination shall be based on whether the improvements and the affordability of units satisfy the requirements of this chapter, the requirements and findings of RCW 84.14.060, and are consistent with the approved contract.

B. Approval. If the city manager determines that the project qualifies for the exemption, the city manager shall issue to the property owner a final certificate of tax exemption and file the final

certificate with the county assessor within ten (10) days of the expiration of the thirty (30) day period provided in this section.

C. Denial. The city manager shall notify the applicant in writing within ten (10) days of the expiration of the thirty (30) day period provided in this section that the final certificate will not be issued if it is determined that:

1. The improvements were not completed within three years of issuance of the conditional certificate, or any authorized extension of the time limit;
2. The improvements were not completed in accordance with the contract between the applicant and the city;
3. The owner's property is otherwise not qualified under this chapter;
4. If applicable, the affordable housing requirements of this chapter have not been met; or
4. 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.

D. Appeal. The applicant may appeal the denial of the final certificate to the city council within thirty (30) days of the issuance date of the denial by filing an appeal statement with the city clerk and paying any applicable fee. The city council's decision on appeal shall be final.

**Section 3.27.090 Annual compliance review.**

A. Annual Report – Property Owner. Thirty (30) days after the anniversary of the date of the final certificate of tax exemption and each year for the tax exemption period, the property owner shall file an annual report with the city manager indicating the following:

1. A statement of occupancy and vacancy of the rehabilitated or newly constructed property during the 12 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 affordable housing requirements for the property, since the date of the final certificate approved by the city;

3. A description of any subsequent changes or improvements constructed after issuance of the final certificate of tax exemption.

B. Additional Reporting Requirement. By December 15th of each year, beginning with the first year in which the final certificate of tax exemption is issued and each year thereafter for the tax exemption period, the property owner shall provide city staff with a written report that contains information sufficient to complete the city's report to the Department of Commerce described in subsection D of this section.

C. Audits. City staff may conduct audits or on-site verification of any statements of information provided by the property owner. Failure to submit the Annual Report and/or the additional written report may result in cancellation of the tax exemption.

D. Annual Report – City. By December 31st of each year, the city shall file a report to the Department of Commerce which must include the following:

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 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.

**Section 3.27.100 Cancellation of tax exemption.**

A. Cancellation – Upon City Determination.

1. If at any time during the exemption period, the city manager determines the property owner has not complied with or the project no longer complies with the terms and requirements of this chapter or the contract required by SMC 3.27.040(A)(9), 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.
2. Cancellation may occur in conjunction with the annual review or at any other time when noncompliance has been determined.
3. Upon a determination that a tax exemption is to be cancelled for a reason stated in this section, the city manager shall notify in writing the property owner as shown by the tax rolls by U.S. mail, return receipt requested, of the determination to cancel exemption.
4. If the cancellation determination has not been appealed as provided in this section, upon issuance a the notice of cancellation determination, the city manager shall send written notification to the county tax assessor of the cancellation within thirty (30) days so that additional taxes, interest, and penalties may be imposed pursuant to RCW 84.14.110.

B. Cancellation – Conversion of use by Property Owner

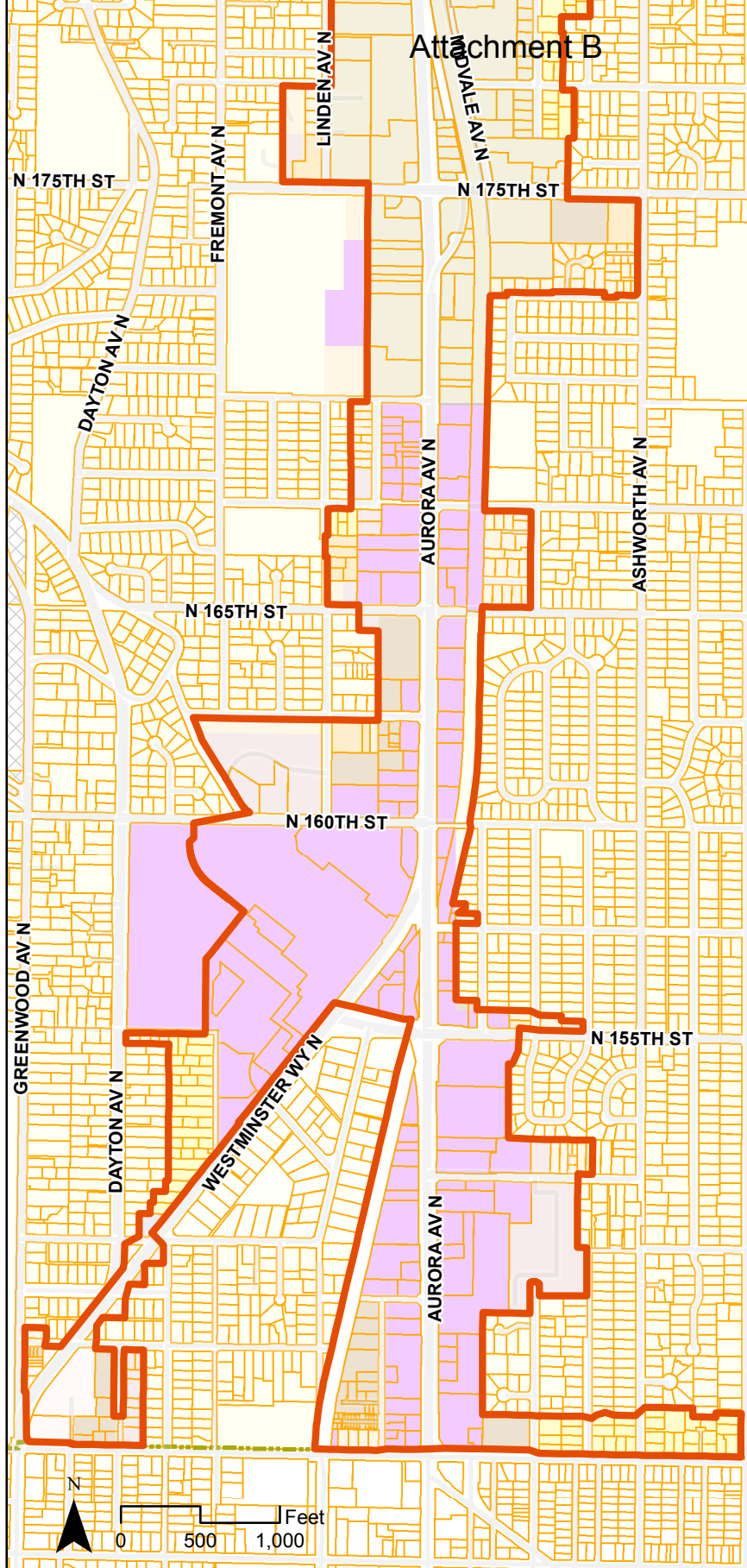
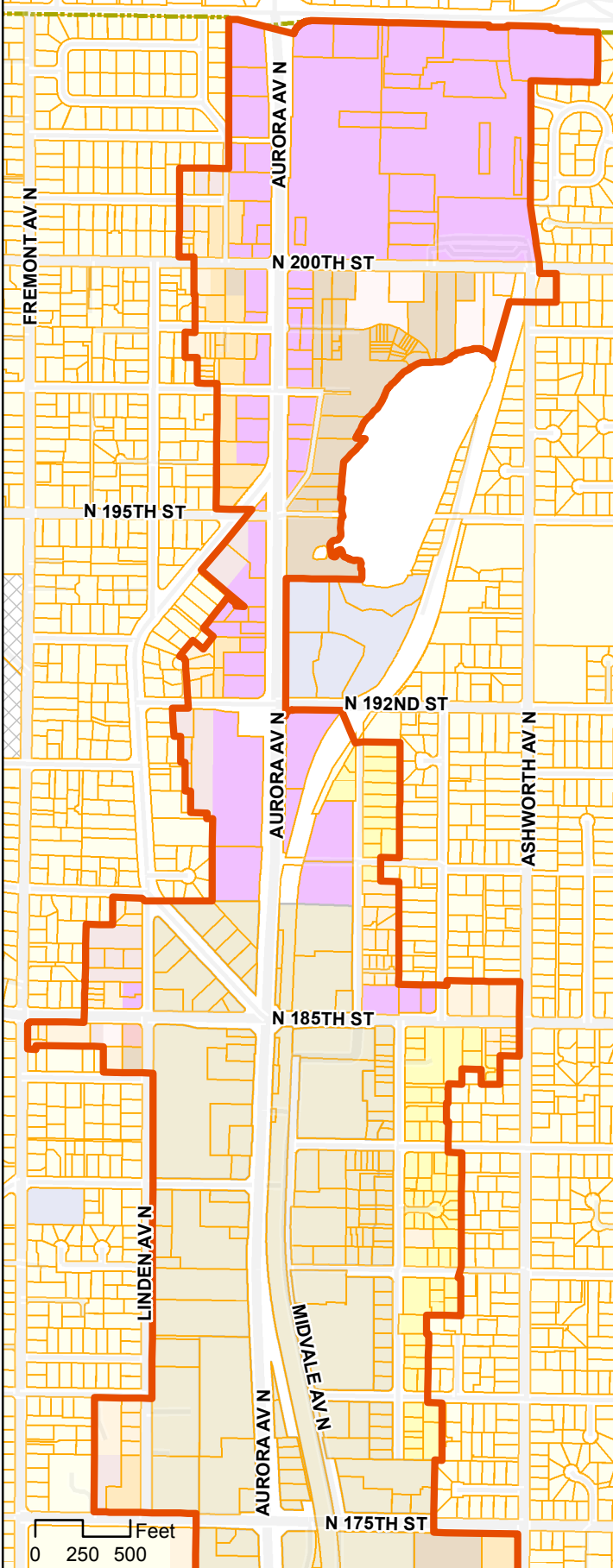
1. If the property owner intends to convert the multifamily housing to another use or to discontinue compliance with the affordable housing requires described in RCW 84.14.020, the owner must notify, in writing, the city manager and the county assessor within sixty (60) days of the change in use or intended discontinuance. Upon such change

in use or intended discontinuance, the tax exemption shall be cancelled and additional taxes, interest, and penalties imposed pursuant to RCW 84.14.110.

C. Appeal.

1. The property owner may appeal the cancellation determination to the city council by filing an appeal with the city clerk within thirty days of the issuance date of the notice of cancellation and paying any applicable fee.
2. The appeal must specify the factual and legal basis on which the determination of cancellation is alleged to be erroneous.
3. At the hearing, all affected parties must be heard and all competent evidence received.
4. The city council must affirm, modify, or repeal the decision of cancellation based on the evidence presented.
5. An aggrieved party may appeal the city council's decision to the superior court under RCW 34.05.510 through 34.05.598.





Multifamily Property Tax Exemption Area  
**Aurora Ave N Corridor**

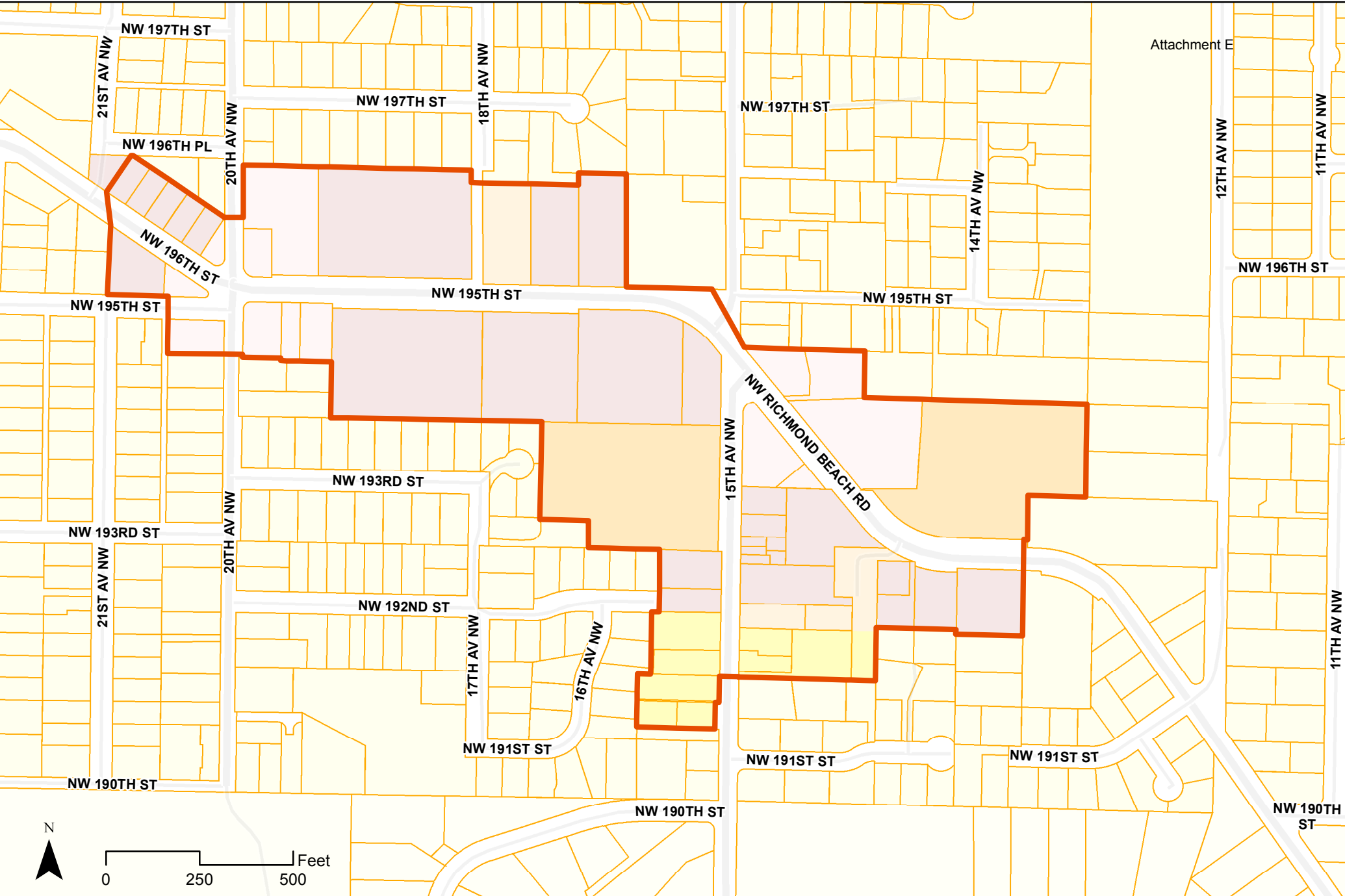
-  Multifamily Property Tax Exemption Area
-  City Limit



8b-25





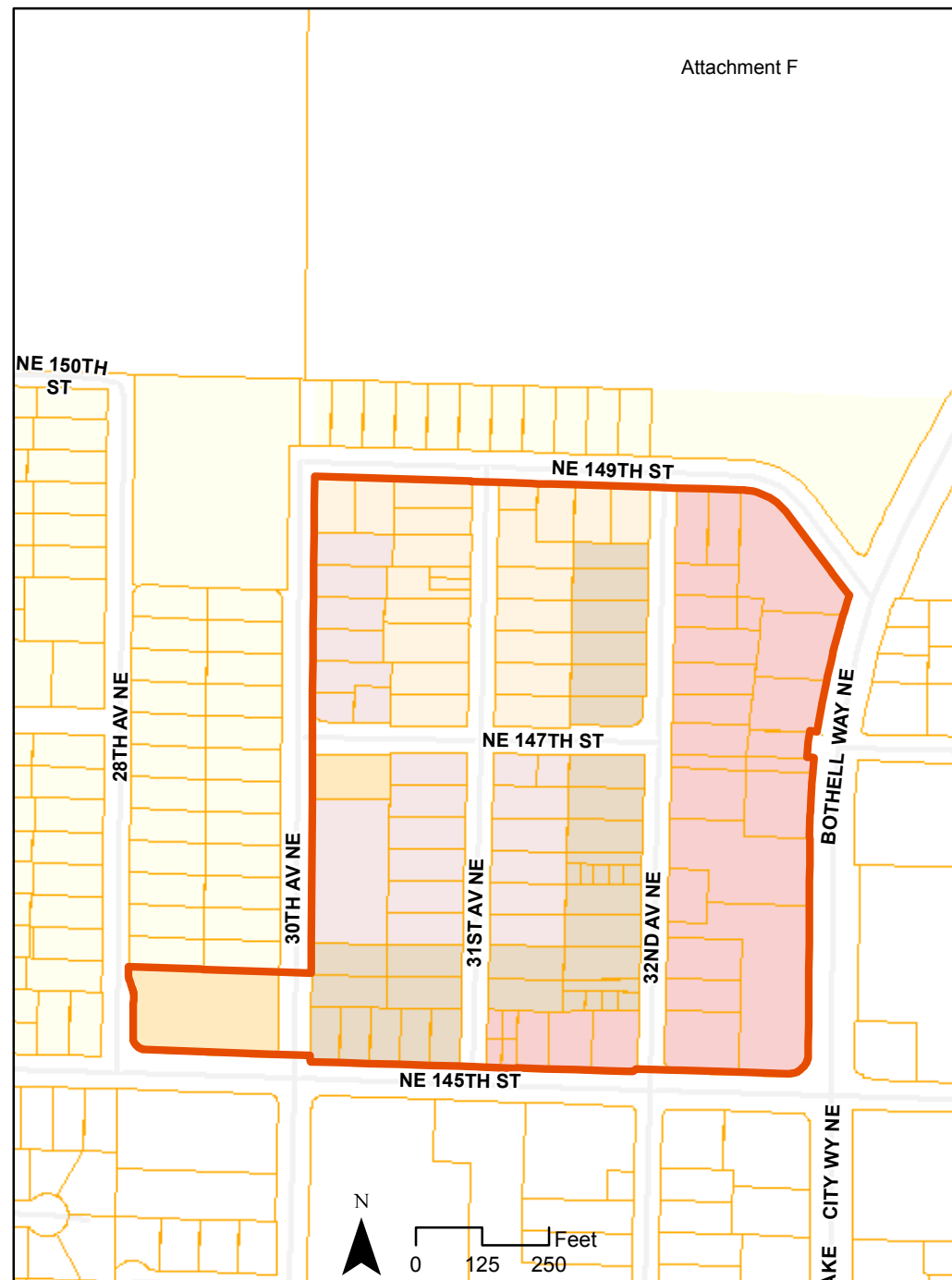
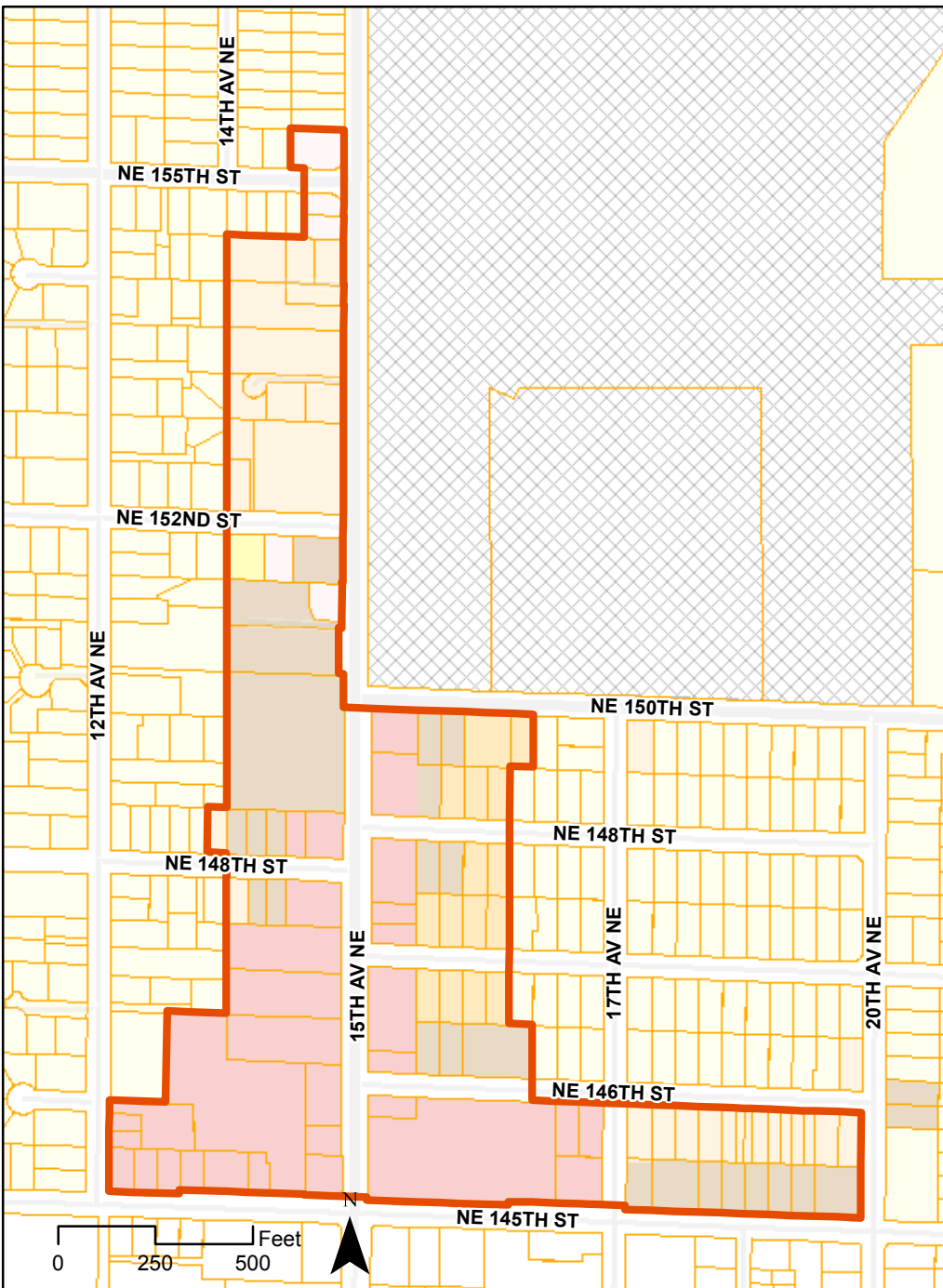


Multifamily Property Tax  
Exemption Area  
**Richmond Beach Commercial Area**

8b-28

 Multifamily  
Property Tax  
Exemption Area



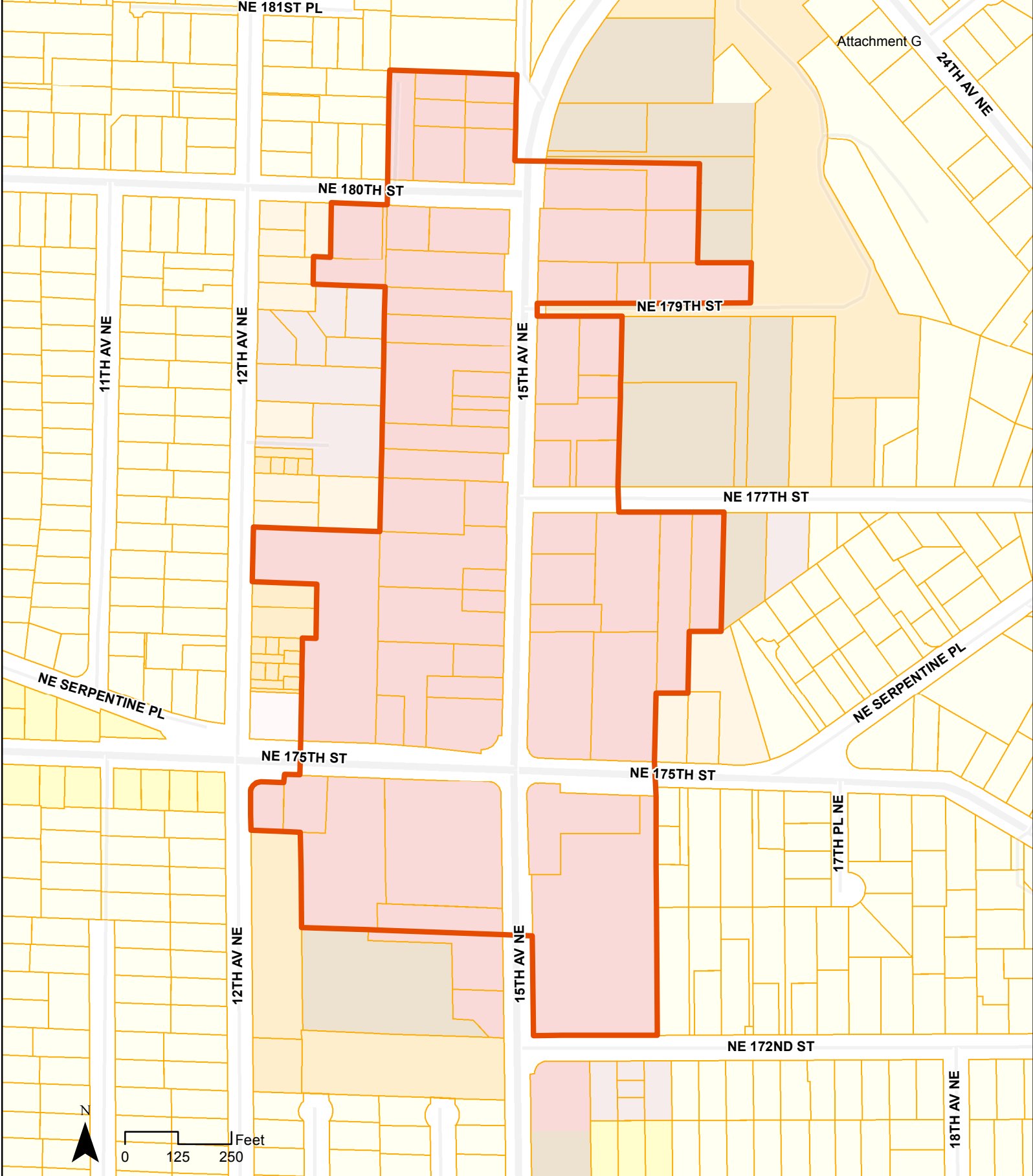


Multifamily Property Tax Exemption Area  
**Southeast Neighborhoods  
Commercial Area**

8b-29

 Multifamily  
Property Tax  
Exemption Area



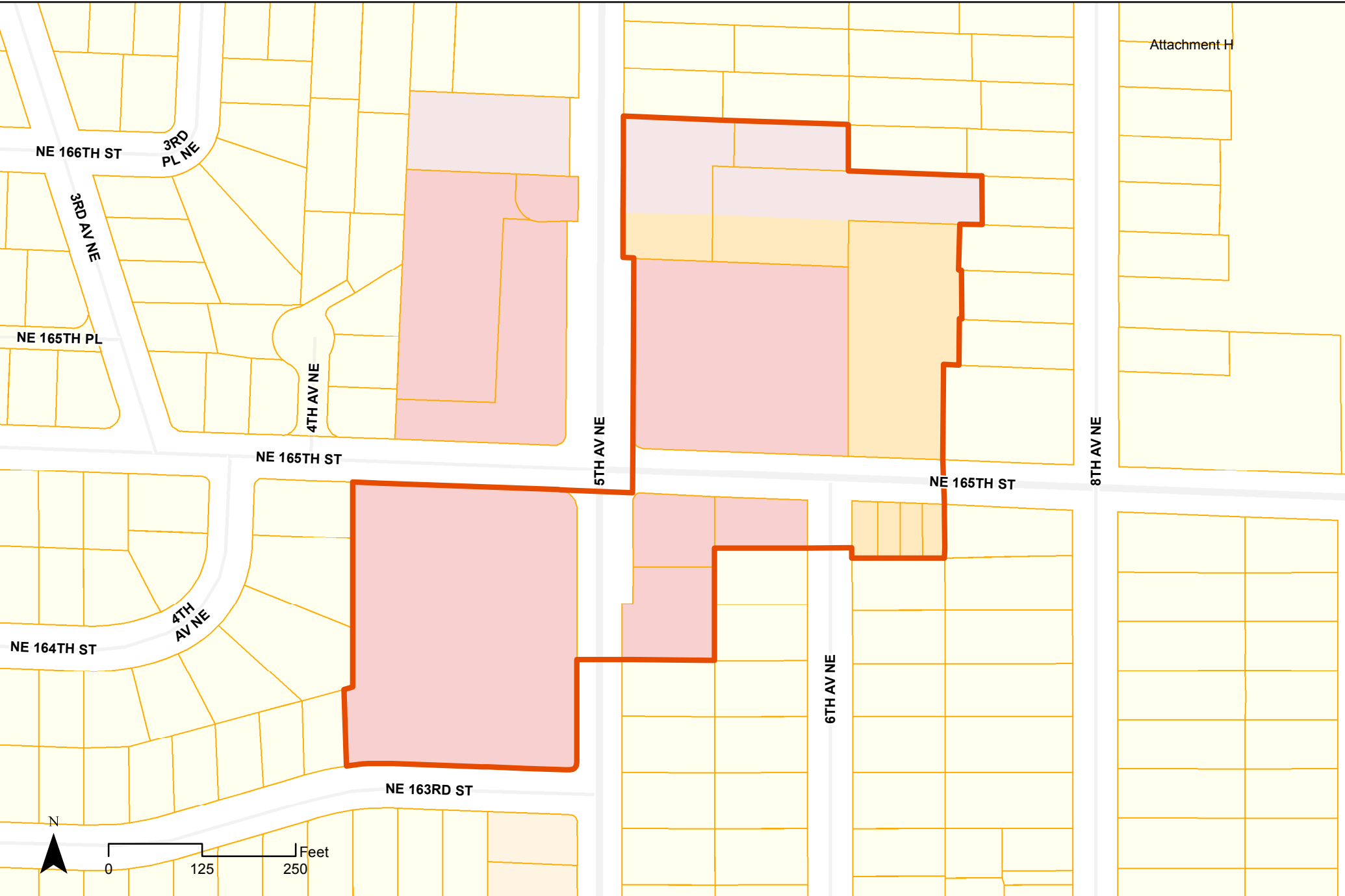


Multifamily Property Tax  
Exemption Area

**North City Business District** 00-30

 Multifamily  
Property Tax  
Exemption Area





Multifamily Property Tax  
Exemption Area  
**Ridgecrest Commercial Area** 8b-31

 Multifamily  
Property Tax  
Exemption Area



## GENERAL PROPERTY TAX EXEMPTION APPLICATION STEPS – SMC 3.27.040 to 3.27.090

Task	Responsible Party	Existing SMC	Deadline	Amendment to SMC	Non-Codified Ordinances
1. PTE Application w/ fees submitted to P&CD Fees: Min. Deposit of 3x currently hourly rate for land use permits <i>and</i> KC Assessor's fee for administering PTE Program	Property Owner/Applicant	3.27.040		Move the payment of KC Assessor fee to final certificate application.	Ord. 520 (North City) says 3x hourly but specifically deleted require KC fee
2. Conditional Certificate - Development Project Application must be deemed complete before PTE Application may be certified	Econ. Development Manager	3.27.050(A)		ISSUE: No deadline for filing the PTE Application in current SMC. Should it be in conjunction with project application or some time period prior to issuance of project permit(s)?  →deadline for filing is before 1 <sup>st</sup> building permit issued.  Ensure application requirements match the RCW.	
3. Decision to Approve or Deny Conditional Certification <i>Approved</i> - CM enters findings consistent w/ RCW 84.14.060 <i>Denied</i> - CM enters written reasons and sends notice to applicant; appeal to Hearing Examiner	City Manager	3.27.050(A) 3.27.050(E)	90 days of receipt of a complete application  Notice of denial w/in 10 days of denial  Appeal to Hearing Examiner or City Council w/in 30 days of receipt of denial	ISSUE: Deadline for decision is based on a "complete application" but is it for the complete development permit application or the PTE Application →draft for complete PTE application.  RCW 84.14.070(1) says city must issue decision w/in 90 days after receipt of the application – this would mean the PTE application →Draft so that 90 days w/in	Note: Ord. 520 (North City) expressly deleted HE appeal



				<p>receipt of complete tax exempt application</p> <p>ISSUE: SMC 3.27.050(A) says appeal of denial is to City Council; SMC 3.27.050(E) says appeal of denial is the Hearing Examiner</p> <p>RCW 84.14.070(4) states the appeal is to the “governing authority”. RCW 84.14.010(5) defines the governing authority as the local legislative body →Appeal must be to city council within 30 days</p>	
4. <i>If approved</i> , contract between applicant and city is executed by applicant and CM	City Manager (subject to City Council Authorization)	SMC 3.27.050(B)		Draft so that Contract must be recorded by applicant/property owner w/in 10 days	
5. Once contract executed, prepare Conditional Certificate	City Manager/Econ Development			Draft code to ensure contract is executed <i>before</i> conditional cert issue.	
6. Issuance of Conditional Certificate - <i>expires</i> 3 years from date of approval unless extension granted	City Manager	SMC 3.27.050(C)		<p>ISSUE: Expiration based on date of approval of application</p> <p>The terms of PTE contracts (eg Arabella and Polaris) have the City issuing certificate upon execution and that completion of the project is needed to be w/in 3 days for date of issuance or w/in any extension</p> <p>Conflicts – the 3 years is</p>	

				<p>based on two different dates</p> <p>RCW 84.14.030(4) states that project must be completed w/in 3 years from the date of approval of the application.; RCW is in conflict as well as in 84.14.090(3) – completion w/in 3 years of date of application or w/in authorize extension when looking at final certificate</p> <p>→Draft to provide that the date for starting 3 year count is date of issuance of the conditional certificate</p>	
<p>7. <i>Optional</i> – Extension of Certificate</p> <p>-Written request to extend</p> <p>-Max. Extension of 24 months</p> <p>-CM may grant only if all 3 criteria met</p>	City Manager	SMC 3.27.050(D)		→Draft to include a provision that CM’s decision on extension can be appealed t City Council	
<p>8. Upon completion of project, application for Final Certificate</p>	Applicant	SMC 3.27.060(A)		<p>→Ensure criteria for application match RCW</p> <p>→Require check payable to Assessor at time of application</p>	Ord. 520 (North City) it is at list point the KC Assessor admin fee is to be paid
<p>9. Review application for Final Certificate</p> <p>-ensure terms/conditions of contract meet and eligibility criteria including affordability</p>	Economic Dev. Manager	SMC 3.27.060(A)			
<p>10. Decision to Approve or Deny Final Certification</p> <p>-<i>Approved</i>: Final Certificate issued and filed with KC County Assessor</p> <p>-<i>Denied</i>: CM notifies applicant in writing with reason for denial</p>	City Manager	<p>SMC 3.27.060(B)</p> <p>SMC 3.27.070(A)</p> <p>SMC 3.27.070(B)</p>	<p>Decision required w/in 30 days of receipt of all required materials</p> <p>Filing w/ KC Assessor required w/in 40 days of application</p>	<p>ISSUE:</p> <p>SMC references appeal for denial but no pathway for appeal established – City Council or Hearing Examiner</p> <p>RCW 84.14.090(2) states that w/in 30 days of receipt</p>	Ord. 479 (North City) had an appeal to HE provided w/out time but deleted it

			<p>No express appeal is addressed</p>	<p>of statements required for a final certificate (set forth in .090(1))</p> <p>SMC 3.27.070(A) is missing one of the criteria in 84.14.090(1) – that affordable housing requires are meet, if applicable. Would need to add if both Affordable and Market rate</p> <p>RCW 84.14.090(6) states that the governing authority “may” provide for an appeal and that this appeal can be to the governing body, a hearing examiner, or any other authorized appeal officer. If we don’t provide, then this same provision states that appeal is to court w/in 30 days. If we do provide, appeal decision is also to court w/in 30 days.</p> <p>→Ensure SMC matches RCW requirements →Provide for appeal to city council. (this ensures all of the appeals in the PTE program go to City Council – uniformed.</p>	
<p>11. <i>If approved</i>, City files Final Certificate with King County Assessor</p>	<p>City Manager/Economic Dev. Manager</p>	<p>SMC 3.27.070(A)</p>	<p>Filing w/ KC Assessor required w/in 40 days of application</p>	<p>ISSUE: Decision required w/in 30 days of “complete application” but filing w/ Assessor is w/in 40 days of application, not complete application, just application</p>	

				RCW 84.14.090(3) requires filing w/in 10 days of the expiration of the 30 day period in .090(2) – that is 30 days after receipt of statements required by .090(1)  →mirror RCW language	
12. Annual Compliance -notarized declaration indicating criteria in 3.27.080(A)(1)-(3) -written report w/ information sufficient to complete City's report to Dept. of Commerce  Failure to submit declaration and report may result in cancellation of PTE	Property Owner	SMC 3.27.080(A) – notarized declaration SMC 3.27.080(B) – written report SMC 3.27.080(C)	w/in 30 days of 1 <sup>st</sup> anniversary of filing date of Final Certificate and each year therefore for a period of 5 years  By Dec 15 of each year, beginning w/ 1 <sup>st</sup> year Final Certificate is file and for a period of 5 years	ISSUE: 5 years is based on the fact that SMC 3.27 is currently only offering a 5 year program; amendment needed to ensure requirement is for the full term of the exemption  RCW 84.14.100(1) uses “each year for the tax exemption period”  Our criteria must mirror .100(1)(a)-(d)  →don't denote # of years	
13. Annual Compliance -written report due Dept. of Commerce w/ all required information as provide in SMC 3.27.080(D)(1)-(7)	Economic Dev. Manager	SMC 3.27.080(D)	By Dec 31 <sup>st</sup> of each year	SMC 3.27.080(D) lists components of the report that mirror RCW 84.14.100(2)(a)-(g) EXCEPT that we have added “If Available” to .100(2)(f) – see .080(D)(6)	
14. Cancellation of PTE – City Determination -any time during exemption period CM determines the owner/project has not or does not comply with terms of contract or SMC 3.27; or for any reason no longer qualifies for PTE -shall be cancelled and taxes/interest/penalties may be	City Manager	SMC 3.27.090(A)		ISSUE: No timeline for providing notification of cancellation or for appeal of cancellation  RCW 84.14.110(2) states	Ord. 520 (North city) provides for appeal of cancellation to Hearing examiner w/in 30 days

<p><i>imposed</i>  <i>-If cancelled, CM shall notify owner by certified mail; owner may appeal to Hearing Examiner</i></p>				<p>that “upon a determination” the city must notify the record owner.</p> <p>Interestingly, unlike the 60 days a property owner has to notify KC Assessor (84.14.110(1)), there is no timeline for City to notify the Assessor nor, even given notice to the Assessor</p> <p>RCW 84.14.110(2) also states that the owner may appeal w/in 30 days by filing an appeal. It goes on to state that the deciding body must either affirm, modify, or repeal the decision and that an aggrieved party can appeal to court.</p>	
<p>15. Cancellation PTE – Change in use by Owner  <i>-upon change in use, PTE shall be cancelled and taxes/interest/penalties imposed</i></p>	<p>Property Owner</p>	<p>SMC 3.27.090(A)</p>	<p>Notify CM and KC Assessor w/in 60 days of change in use</p>		