

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

|                      |  |
|----------------------|--|
| <b>AGENDA TITLE:</b> | Approval of Property Tax Exemption Program Contracts for:<br>Aurora Micro Apartments, Sunrise Eleven Apartments,<br>Centerpointe, Malmo Apartments, North City Development                       |
| <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 checked="" type="checkbox"/> Motion<br><input type="checkbox"/> Public Hearing <input type="checkbox"/> Discussion |

**PROBLEM/ISSUE STATEMENT:**

The Property Tax Exemption (PTE) program was instituted and subsequently updated by the Washington State legislature to provide incentives to construct multifamily housing as well as affordable housing. According to the Growth Management Act and the State Legislature, multifamily housing and affordable housing are needed throughout the Puget Sound metropolitan area to combat the negative environmental impacts population growth places on the region. Shoreline has offered a PTE program in appropriate areas for many years. Shoreline's PTE program was most recently updated and streamlined through Ordinance No. 694, adopted on February 9, 2015. The current Shoreline PTE program requires that at least 20% of the project be affordable and provides the owner of a qualified project 12 years of tax exemption.

Five qualifying applications for PTE were received within the past year. The City Manager has approved the applications, and provided applicants with a contract that states the City will provide PTE in exchange for compliance with SMC 3.27. All five applicants subsequently signed and returned the contracts; SMC 3.27.060 specifies that the contracts must be approved or denied by Council prior to the City Manager executing the contract and issuing a Conditional Certificate of Property Tax Exemption to the applicant.

**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 12-year 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 for the program duration. 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**

Staff recommends that the City Council approve all five PTE Contracts.

Approved By:      City Manager      ***DT***      City Attorney      ***MK***

## **BACKGROUND**

The Property Tax Exemption (PTE) program was instituted and subsequently updated by the Washington State Legislature to provide incentives to construct multifamily housing as well as affordable housing. According to the Growth Management Act and the State Legislature, multifamily housing and affordable housing are needed throughout the Puget Sound metropolitan area to combat the negative environmental impacts population growth places on the region. Shoreline has offered a PTE program in appropriate areas for many years. Shoreline's PTE program was most recently updated and streamlined through Ordinance No. 694, adopted on February 9, 2015 and effective on February 17, 2015.

The current Shoreline PTE program, defined by SMC 3.27 (Attachment A), requires that at least 20% of the project be affordable housing. In return, a qualified project receives 12 years of property tax exemption for the *ad valorem* property tax of the value of new or rehabilitated multiple unit housing. According to SMC 3.27.020, "Affordable housing" means residential housing that is rented or sold to a person or household whose annual household income does not exceed 70 percent of the median household income adjusted for family size for King County, determined annually by the U.S. Department of Housing and Urban Development, for studio and one bedroom units and not exceeding 80 percent of the area median household income adjusted for family size for two bedroom or larger units. The program is audited annually by Staff and can be cancelled if the City finds that the applicant is not providing at least 20% of the units at an affordable rate.

## **DISCUSSION**

The City is in receipt of five applications for Conditional Certification of Property Tax Exemption (PTE) for multifamily projects. The applications comply with all applicable requirements of both RCW 84.14.060 and SMC 3.27.040. Given that each project is located in a designated residential targeted area and each application is complete, the City Manager approved all five applications as a group. In the future, complete applications for PTE will be approved or denied individually by the City Manager within 90 days of submittal, even though individual applications be received and approved throughout the year. Staff plans to assemble approved applications as a group once each fall for Council consideration.

The next binding step in the PTE approval process (SMC 3.27.060.A.4) is for the City Council to approve or deny the PTE Contracts that define the terms under which the City will grant property tax exemptions, including binding the property to provide affordable housing for the 12-year period according to the RCW 84.14 and SMC 3.27. Once the PTE Contract is approved by Council, executed by the City Manager and recorded by the applicant, the City issues a Conditional Certificate of Property Tax Exemption which specifies terms and guarantees the exemption should the conditions be met.

The five projects are:

|           |                         |
|-----------|-------------------------|
| Project:  | Aurora Micro Apartments |
| Location: | 17020 Aurora Ave N      |

|                            |                                  |
|----------------------------|----------------------------------|
| PTE Area:                  | Aurora Ave N Corridor            |
| Units provided:            | 80                               |
| Affordable units provided: | 16                               |
| Date of Application:       | April 21, 2015                   |
|                            |                                  |
| Project:                   | Sunrise Eleven Apartments        |
| Location:                  | 20015 Ballinger Way NE           |
| PTE Area:                  | Ballinger Way NE Commercial Area |
| Units provided:            | 60                               |
| Affordable units provided: | 12                               |
| Date of application:       | February 12, 2015                |
|                            |                                  |
| Project:                   | Centerpointe                     |
| Location:                  | 17962 Midvale Ave N              |
| PTE Area:                  | Aurora Ave N Corridor            |
| Units provided:            | 163                              |
| Affordable units provided: | 33                               |
| Date of Application:       | September 5, 2014                |
|                            |                                  |
| Project:                   | Malmo Apartments                 |
| Location:                  | 1210 N 152 <sup>nd</sup> St      |
| PTE Area:                  | Aurora Ave N Corridor            |
| Units provided:            | 129                              |
| Affordable units provided: | 26                               |
| Date of Application:       | November 19, 2014                |
|                            |                                  |
| Project:                   | North City Development           |
| Location:                  | 1602 NE 179 <sup>th</sup>        |
| PTE Area:                  | North City Business District     |
| Units provided:            | 5                                |
| Affordable units provided: | 1                                |
| Date of Application:       | October 7, 2014                  |

Other than project-specific details, all five PTE Contracts are identical to the City's standard Mutli-Family Housing Limited Agreement for Property Tax Exemption (v. 2015) (Attachment B). Each contract that is approved by Council and signed by the applicant will be executed by the City Manager, and then recorded by the applicant. Once recorded, the City Manager will issue the applicant a Conditional Certificate of PTE .

The last two applicants listed above, Malmo Apartments and North City Development, received Certificates of Occupancy in 2015 making them eligible to apply for a Final Certificate of PTE. Should the application for a final certificate be complete, SMC 3.27.070 empowers the City Manager to grant the Final Certificate of PTE. Therefore, once their Conditional Certificate is issued, Staff anticipates that the applicants will submit the prescribed documentation so that their PTE can begin in 2016. The other three projects will likely become eligible for a Final Certificate of Occupancy no sooner than 2018.

## **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 12-year 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 for the program duration. 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**

Staff recommends that the City Council approve all five contracts for PTE.

## **ATTACHMENTS**

Attachment A: SMC 3.27 Property Tax Exemption  
Attachment B: Multi-Family Housing Limited Property Tax Exemption Agreement

**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.**

**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. [Ord. 694 § 5 (Exh. A), 2015]

**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 70 percent of the

**Attachment A**

median household income adjusted for family size for King County, determined annually by the U.S. Department of Housing and Urban Development, for studio and one bedroom units and not exceeding 80 percent 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 18 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.

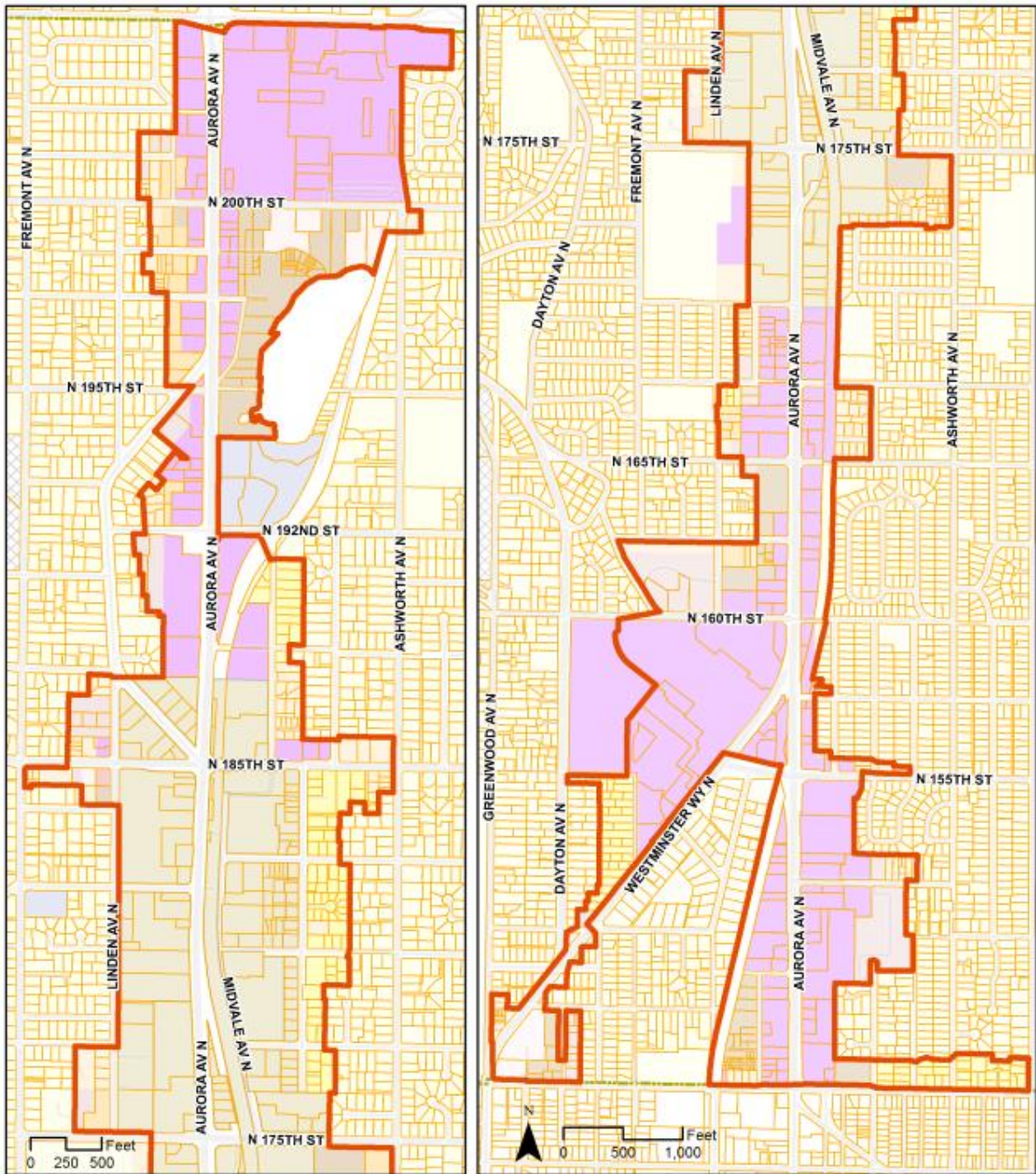
F. "Permanent residential occupancy" means multifamily housing that provides either rental or owner-occupancy for a period of at least one month, excluding hotels, motels, or other types of temporary housing that predominately offer rental accommodation on a daily or weekly basis. [Ord. 694 § 5 (Exh. A), 2015]

**3.27.030 Designation of residential targeted areas.**

A. The following areas, as shown in Attachments A through G, are designated as residential targeted areas:

**Attachment A: Aurora Avenue North Corridor, including a portion of  
Westminster Way N:**

Attachment A



Multifamily Property Tax Exemption Area  
Aurora Ave N Corridor

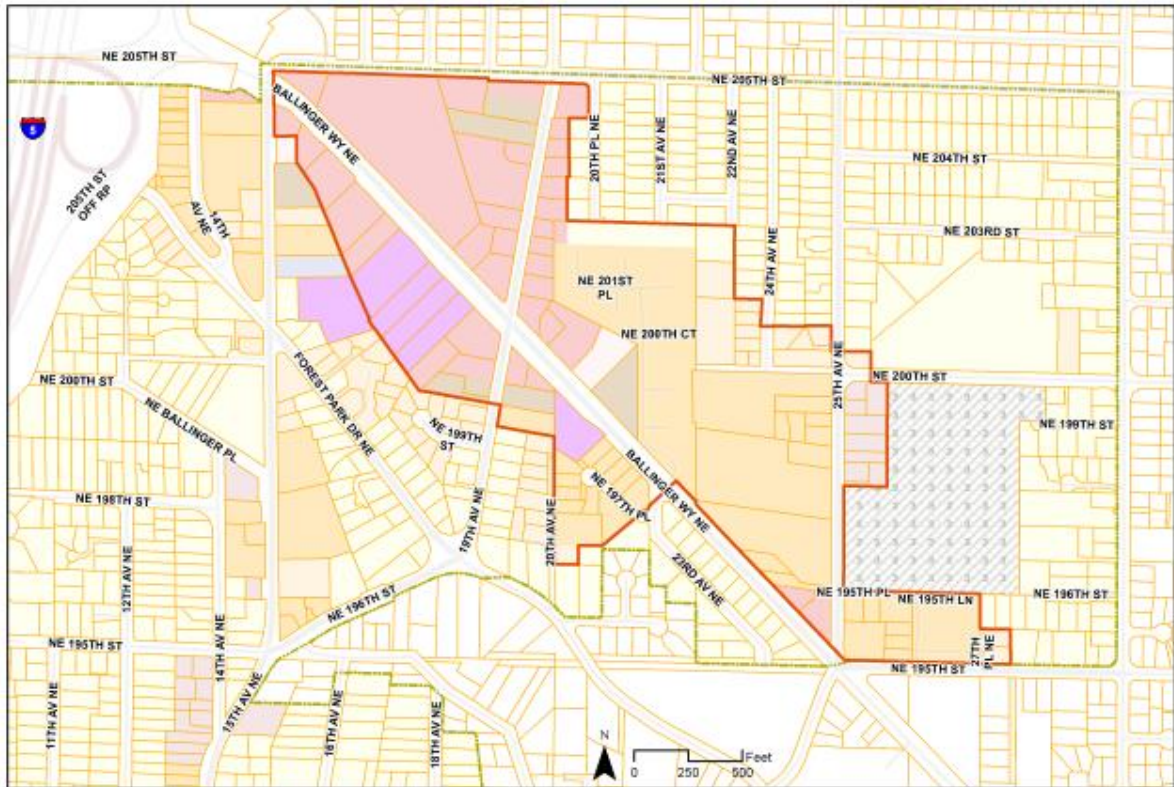
-  Multifamily Property Tax Exemption Area
-  City Limit



Attachment B: Ballinger Way NE commercial area:



**Attachment A**



Multifamily Property Tax Exemption Area  
**Ballinger Way NE Commercial Area**

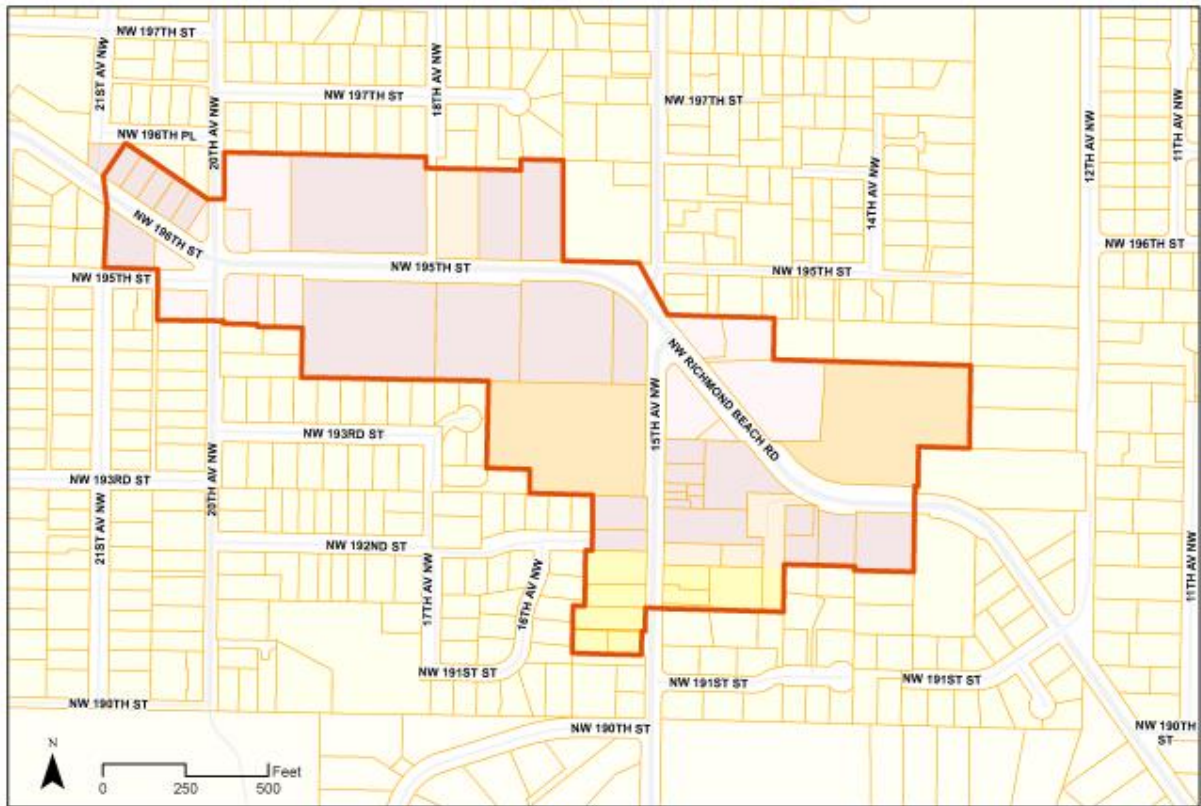
- Multifamily Property Tax Exemption Area
- City Limit



**Attachment C: Hillwood commercial area:**



**Attachment A**



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

 Multifamily  
Property Tax  
Exemption Area



**Attachment E: Southeast Neighborhood commercial area:**



**Attachment A**

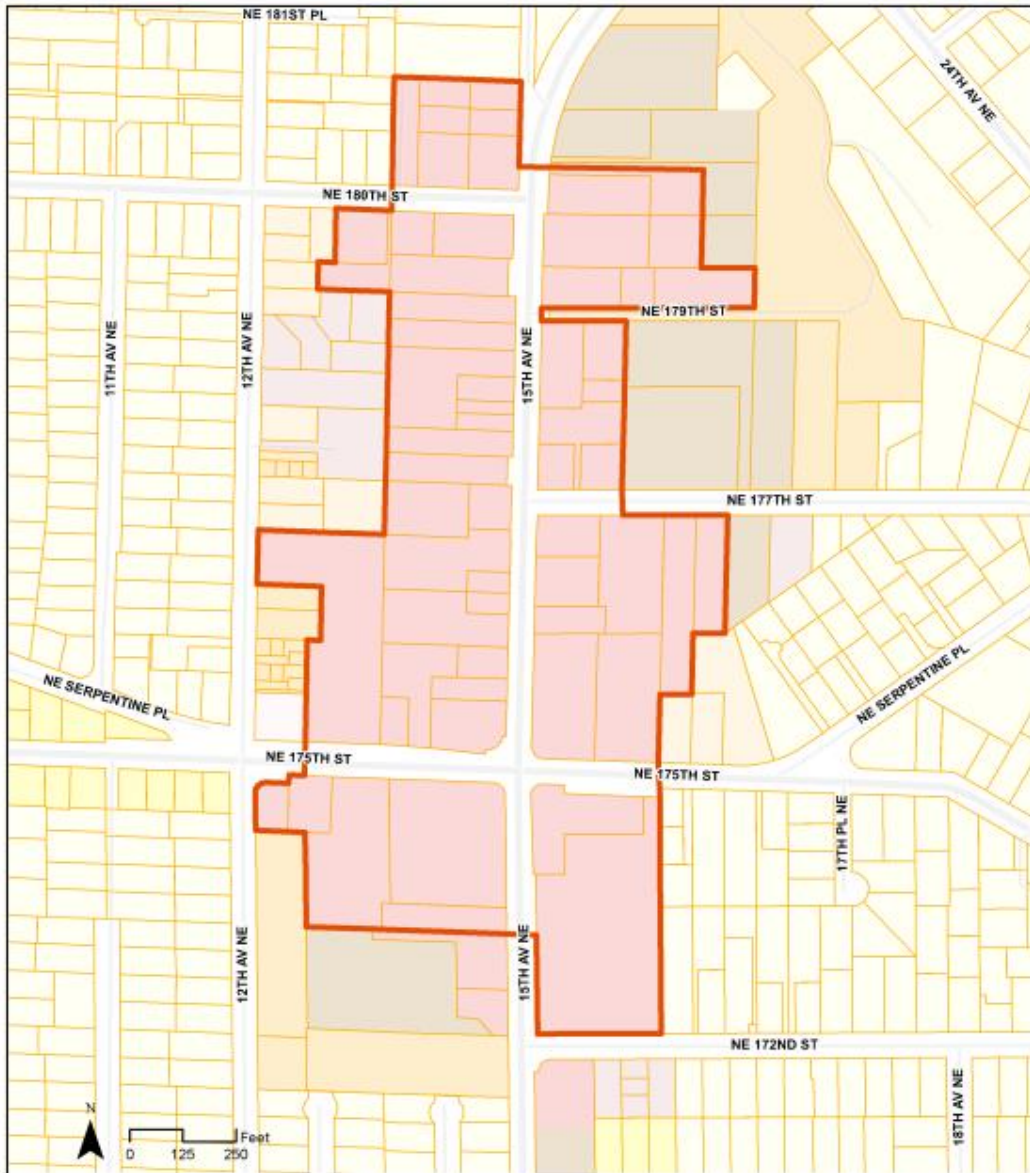


Multifamily Property Tax Exemption Area  
**Southeast Neighborhoods  
Commercial Area**



**Attachment F: North City Business District:**

**Attachment A**

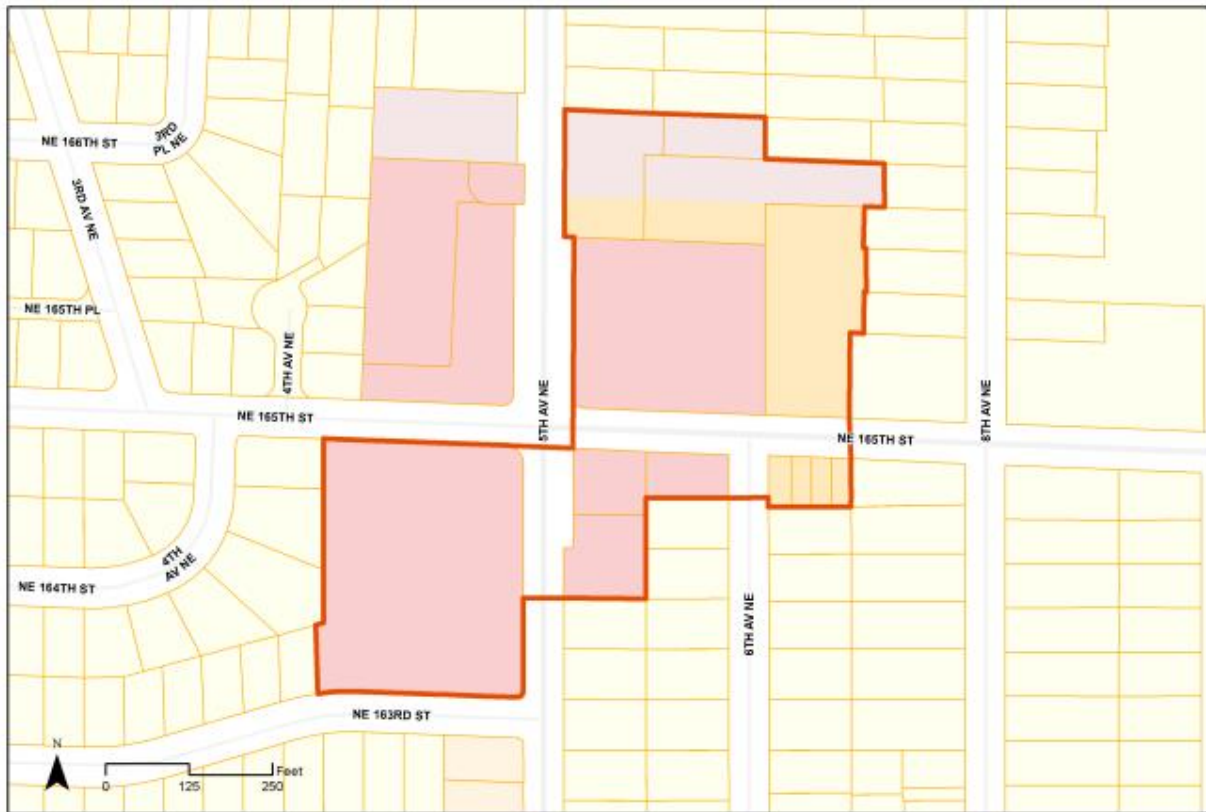


Multifamily Property Tax  
Exemption Area  
**North City Business District**

 Multifamily  
Property Tax  
Exemption Area



**Attachment G: Ridgcrest commercial area:**

**Attachment A**

Multifamily Property Tax  
Exemption Area  
**Ridgecrest Commercial Area**

Multifamily  
Property Tax  
Exemption Area



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. [Ord. 694 § 5 (Exh. A), 2015]

### **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 [3.27.030](#);
2. The project must be multifamily housing consisting of at least four dwelling units within a residential structure or as part of a mixed used development, in which at least 50 percent of the space must provide for permanent residential occupancy;

**Attachment A**

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 20 percent 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 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;
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; and
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 12 successive years beginning January 1st 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.

**Attachment A**

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 Community Renewal Area (CRA) located 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. [Ord. 694 § 5 (Exh. A), 2015]

**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 times the current hourly rate for processing land use permits as provided in Chapter [3.01](#) SMC, Fee Schedules. 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. [Ord. 694 § 5 (Exh. A), 2015]



**Attachment A****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 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 10 days of contract execution and provide the city with the recording number.
4. Once the city council has approved the contract and it is fully executed and recorded, 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 10 days of the denial by U.S. mail, return receipt requested.
6. The applicant may appeal the denial to the city council within 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 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.

**Attachment A**

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 nonrefundable processing fee equal to two times the current hourly rate for processing land use permits as provided in Chapter [3.01](#) SMC, Fee Schedules. 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 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. [Ord. 694 § 5 (Exh. A), 2015]

**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-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. [Ord. 694 § 5 (Exh. A), 2015]

**Attachment A****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 10 days of the expiration of the 30-day period provided in this section.

C. Denial. The city manager shall notify the applicant in writing within 10 days of the expiration of the 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
5. The owner and the city manager cannot come to an agreement on the allocation of the value of improvements allocated to the exempt portion of the rehabilitation improvements, new construction and multi-use new construction.

D. Appeal. The applicant may appeal the denial to the city council within 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 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. [Ord. 694 § 5 (Exh. A), 2015]

**3.27.090 Annual compliance review.**

A. Annual Report – Property Owner. Thirty days after the anniversary of the date of the final certificate of tax exemption and each year for the tax exemption period, the

**Attachment A**

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 – Property Owner. 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;

**Attachment A**

- 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 of 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. [Ord. 694 § 5 (Exh. A), 2015]

**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, the city manager shall send written notification to the county tax assessor of the cancellation within 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

**Attachment A**

in RCW [84.14.020](#), the owner must notify, in writing, the city manager and the county assessor within 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 30 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 cancellation determination 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 cancellation determination based on the evidence presented. If the city council affirms the cancellation determination, the city manager shall send written notification to the county tax assessor of the cancellation within 30 days of the city council's decision so that additional taxes, interest, and penalties may be imposed pursuant to RCW [84.14.110](#).
5. An aggrieved party may appeal the city council's decision to the superior court under RCW [34.05.510](#) through [34.05.598](#). [Ord. 694 § 5 (Exh. A), 2015]

[Mobile Version](#)

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

THIS AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (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 various areas of the City as Residential Target Areas for the provision of a limited property tax exemption for new or rehabilitated multi-family residential housing; and

WHEREAS the City has, as set forth in Shoreline Municipal Code (SMC) Chapter 3.27, 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 \_\_\_\_\_ units of \_\_\_\_\_[New/rehabilitated]\_\_\_\_\_ multi-family residential housing within the \_\_\_\_\_, a designated Residential Target Area pursuant to SMC 3.27.030; and

WHEREAS the Applicant submitted to the City a complete application for Property Tax Exemption outlining the proposed development/redevelopment of multi-family residential housing to be constructed on property located at \_\_\_\_\_ (“Property”) and generally referred to as “[name of project]\_\_\_\_\_ (“Project”); and

WHEREAS on \_\_\_\_\_, the City determined that the Applicant met all the eligibility and procedural requirements to qualify for a Conditional Certificate of Property Tax Exemption as provided in SMC 3.27, with the exception of entering into and recording 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 approved by the City Council, fully executed, and recorded with the King County Recorder’s Office.

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 SMC 3.27.040(A)(2).
3. The Applicant commits to renting at least twenty percent (20%) of the multi-family housing uses as affordable housing units as defined in SMC 3.27.020 and agrees that the property must satisfy that commitment and any additional affordability and income eligibility conditions contained SMC Chapter 3.27 for the duration of the tax exemption.
4. The Applicant agrees to complete construction of the agreed upon improvements within three (3) years from the date the City issues the Conditional Certificate of Acceptance 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 information required by SMC 3.27.070 which includes:
  - (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/Project;
  - (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 Property/Project meets affordable housing requirements of SMC Chapter 3.27.
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 5 above, to file a Final Certificate of Tax Exemption with the King County Assessor within forty (40) days of application.
7. The Applicant agrees, within thirty (30) days following the first anniversary of the City's filing of the Final Certificate of Tax Exemption and each year thereafter for the duration of the property tax exemption, to file an annual report with the City Manager with the information required by SMC 3.27.090 which includes:
  - (a) a statement of occupancy and vacancy of the newly constructed or rehabilitated Property/Project during the twelve months ending with the anniversary date;
  - (b) a certification by the owner that the Property/Project has not changed use since the date of the final certificate approved by the City and that Property/Project is in compliance with affordable housing requirements of SMC Chapter 3.27; and
  - (c) a description of any subsequent changes or improvements constructed after issuance of the Final Certificate of 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 the duration of the property tax exemption, to provide a written report to the City Manager containing



information sufficient to complete the City’s report to the Washington State Department of Commerce as set forth in SMC 3.27.090(D).

- 9. If the Applicant converts any of the new or rehabilitated 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 sixty (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 Property and/or Project or in the improvements made to the Property and/or 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, SMC Chapter 3.27, or for any reason that the Property/Project no longer qualifies for the tax exemption.
- 12. The Applicant acknowledges that the cancellation of the Final Certificate may subject the Applicant to potential tax liability as provided for in RCW 84.14, including real property tax, penalties, and interest.
- 13. No modifications of this Agreement shall be made unless mutually agreed upon by the parties in writing.
- 14. 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.
- 15. Applicant agrees that this Agreement is subject to the Shoreline Multi-Family Housing Tax Exemption set forth in Shoreline Municipal Code, Chapter 3.27.

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

CITY OF SHORELINE

APPLICANT

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Name/Title

Approved as to form:

\_\_\_\_\_  
City Attorney