

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Ordinance No. 771 – Amendment of Property Tax Exemption Program to Encourage Affordable Housing Application Deadline
DEPARTMENT:	City Manager’s Office
PRESENTED BY:	Dan Eernisse, Economic Development Manager
ACTION:	<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:

Proposed Ordinance No. 771 would amend the City's Property Tax Exemption Program (PTE) by changing the deadline for application to the PTE Program from prior to the issuance of the project's first building permit to prior to occupancy. The current deadline, set forth in SMC 3.27.050(B), was set when the PTE Program was being used simply to support multifamily development. For that purpose, a deadline prior to issuance of building permit avoided providing an unnecessary incentive to a project under construction.

With the Adoption of Ordinance No. 694 on February 9, 2015, the Council added significantly to the purpose of the PTE Program by making the provision of affordable housing mandatory in order to qualify for PTE. All participants must now designate at least 20% of the project's units as affordable. This modification made the PTE Program an especially effective tool to increase Shoreline's stock of affordable housing. Currently there are seven designated areas in the City in which PTE is used as an incentive for inclusion of affordable housing in multi-unit developments.

In this context, the proposed amendment, changing the deadline to the project's first certificate of occupancy, improves the PTE Program by offering the incentive to provide affordable housing to applicants for the additional time it takes to construct the project.

Staff is aware of one potential applicant who – though willing to provide 45 units of affordable housing – cannot apply to the PTE program since the project is under construction. Staff anticipates that in the future, others will decide to participate in the PTE Program only after construction has begun; therefore, extending the deadline will result in more affordable housing than if the deadline remains unchanged.

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 (12 Years). 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

No action is required at this time, as this item is for discussion purposes only. However, staff recommends Council adopt Ordinance No. 771 when this item is brought back to the Council for adoption on February 13, 2017.

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

ATTACHMENTS

Attachment A – Ordinance No. 771

ORDINANCE NO. 771

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON AMENDING SHORELINE MUNICIPAL CODE CHAPTER 3.27, THE PROPERTY TAX EXEMPTION PROGRAM TO AMEND THE DEADLINE FOR APPLYING FOR THE PROGRAM.

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; and

WHEREAS, the City has established a Property Tax Exemption (PTE) Program in Shoreline Municipal Code (SMC), Chapter 3.27, as provided in RCW 84.14; and

WHEREAS, SMC 3.27.050 sets for the application procedures for a property owner seeking to benefit from the PTE Program; and

WHEREAS, SMC 3.27.050(B) requires that an application must be filed prior to issuance of the project's first building permit; and

WHEREAS, allowing for an application to be filed prior to a project's certificate of occupancy could provide an incentive for the development of affordable housing within the designated PTE Program areas; and

WHEREAS, on January 30, 2017, the City Council held a study session on the proposed amendment; and

WHEREAS, the City Council has considered the entire public record, public comments, written and oral, and

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

Section 1. Amendment. Chapter 3.27 of the Shoreline Municipal Code, Property Tax Exemption Program, is amended as follows:

SMC 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~~ first certificate of occupancy, temporary or final.

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.

Section 2. Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

Section 3. Severability. Should any section, subsection, paragraph, sentence, clause, or phrase of this ordinance or its application to any person or situation be declared unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of this ordinance or its application to any person or situation.

Section 4. 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 _____, _____, 2017.

Mayor Christopher Roberts

ATTEST:

APPROVED AS TO FORM:

Jessica Simulcik-Smith
City Clerk

Margaret King
City Attorney

Date of Publication: , 2017
Effective Date: , 2017