

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adopting Ordinance No. 776 – Designating Light Rail Station Subareas for Property Tax Exemption (PTE)
DEPARTMENT:	City Manager's Office
PRESENTED BY:	Dan Eernisse, Economic Development Manager
ACTION:	<input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

The City currently designates seven residential targeted areas to be eligible for Property Tax Exemption (PTE) for multifamily housing. The purpose of the designation, per SMC 3.27.010, 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 health economic base and are more conducive to transit use in the designated residential targeted area.

At its [March 20, 2017 meeting](#), Council directed that proposed Ordinance No. 776 (Attachment A) add two PTE targeted areas, specifically those properties zoned MUR-70 and MUR-45 in Phase 1 of the 145th light rail station subarea (Exhibit A) and Phase 1 of the 185th light rail station subarea (Exhibit B). The PTE Program in these two subareas shall be distinctive from the other seven targeted areas in the following ways:

- Unless renewed by Council, the PTE program in the light rail subareas will sunset automatically on December 31, 2021.
- Eligible projects must choose the 20 percent affordable option as defined in SMC 20.40.235; the 10 percent option is not eligible for PTE, and the affordability requirements for MUR-70+ projects are more stringent.
- While the tax exemption shall be offered for 12 years, participating projects are required to provide 20% affordable housing for 99 years.

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 multifamily housing for the duration of the exemption period, currently 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 does not receive the property tax revenues of the project improvements for the duration of the program. The City does continue to receive property tax on the value of the land which the project is built on. 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 adoption of Ordinance No. 776.

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

ATTACHMENTS

Attachment A: Ordinance No. 776

Attachment A, Exhibit A: Map of the PTE Targeted Area in the 145th Light Rail Station Subarea

Attachment A, Exhibit B: Map of the PTE Targeted Area in the 185th Light Rail Station Subarea

ATTACHMENT A

ORDINANCE NO. 776

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON AMENDING SHORELINE MUNICIPAL CODE CHAPTER 3.27, PROPERTY TAX EXEMPTION, DESIGNATING RESIDENTIAL TARGETED AREAS WITHIN LIMITED AREAS OF THE 145TH STREET STATION SUBAREA AND THE 185TH STREET STATION SUBAREA FOR THE CITY OF SHORELINE AND PROVIDING FOR AN EXPIRATION DATE.

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 residential targeted areas in which exemptions from the ad valorem property tax is applicable; and

WHEREAS, in 2015 the City adopted the 185th Street Station Subarea and, in 2016, the City adopted the 145th Street Station Subarea; and

WHEREAS, the implementation of the zoning within the subareas is in three phases; and

WHEREAS, SMC 20.40.235 mandates affordable housing within the MUR-45 and MUR-70 zoning districts within the two subareas; and

WHEREAS, in addition to the increased density afforded by these zoning districts, SMC 20.40.235 denotes the City Council may consider and adopt the use of the property tax exemption as an additional incentive in the Subareas; and

WHEREAS, the City Council has determined that the designation of property within the MUR-45 and MUR-70 zoning districts of Phase 1 of the two subareas would further promote the development of affordable housing in accordance with the goals and policies of the Comprehensive Plan; therefore,

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

ATTACHMENT A

Section 1. Amendment. SMC Chapter 3.27 is amended as follows:

SMC 3.27.030 Designation of residential targeted areas is amended to include *Attachment H* 145th Street Station Subarea and *Attachment I* 185th Street Station Subarea, as shown on Exhibit A and B respectively.

SMC 3.27.040(A) and 3.27.040(D) are amended as follows:

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;
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, except for housing units within the 145th Street Station Subarea and the 185th Street Station Subarea which must meet the median income requirements of the 20 percent affordability option as set forth in SMC 20.40.235;
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

ATTACHMENT A

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.

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. Units will be allocated based on the date the project's application for a conditional certificate is considered complete.
2. Units within the 145th and 185th Street Station Subareas must meet the median income requirements of the 20 percent affordability option as set forth in SMC 20.40.235. ~~Units will be allocated based on the date the project's application for a conditional certificate is considered complete.~~
3. The designation of residential targeted areas with the 145th and 185th Street Station Subareas shall automatically expire on December 31, 2021. Complete applications for exemption filed prior to this date will be considered vested under this chapter.

SMC 3.27.100(B) is amended as follows:

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~~ requirements described in this chapter, 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

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. 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.

ATTACHMENT A

Section 4. Publication, Effective Date, and Expiration. 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 and shall automatically expire and be of no further effect at 11:59 pm December 31, 2021, unless otherwise extended by the City Council.

PASSED BY THE CITY COUNCIL ON APRIL 10, 2017.

Mayor Christopher Roberts

ATTEST:

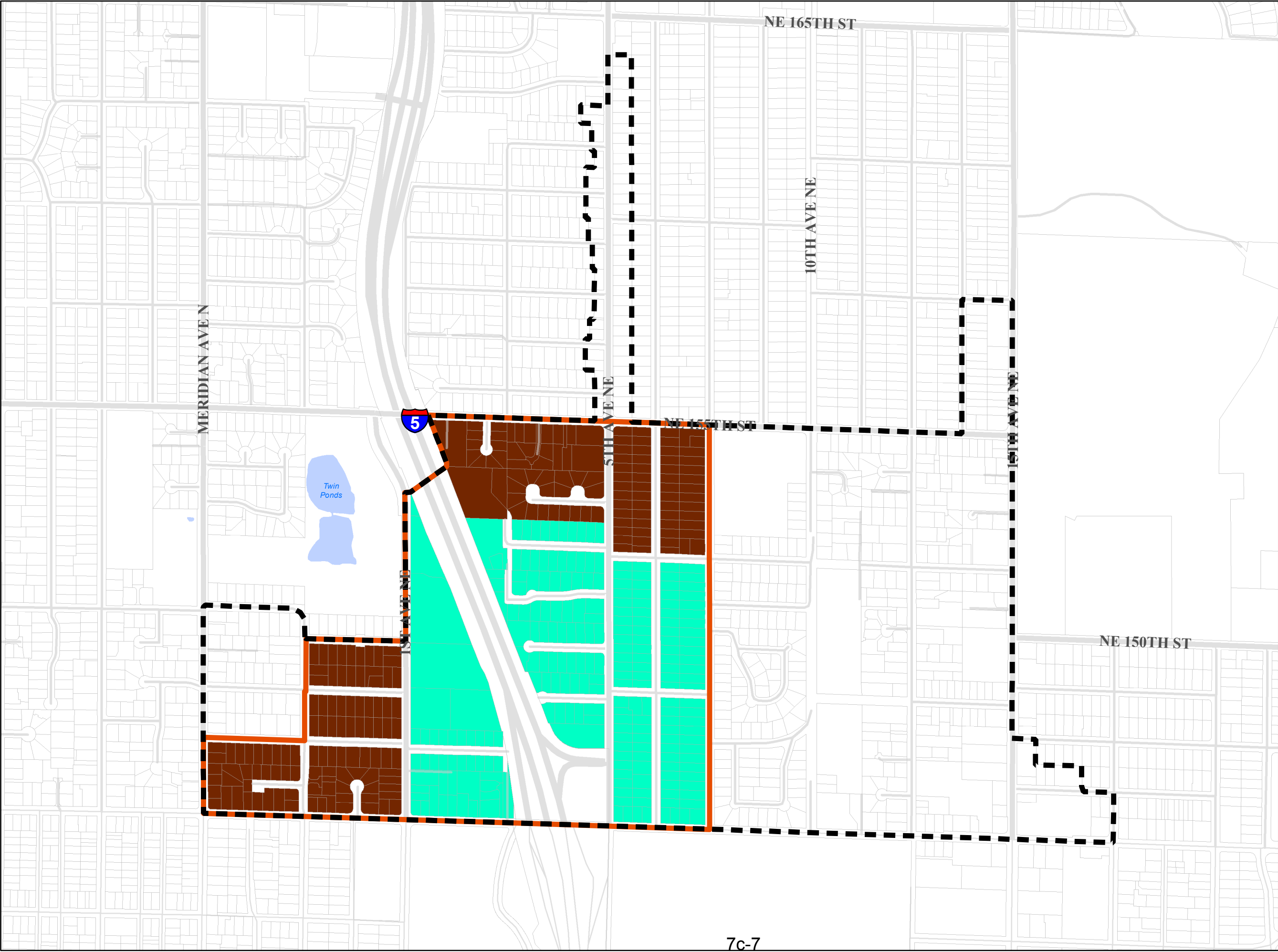
APPROVED AS TO FORM:

Jessica Simulcik-Smith
City Clerk

Margaret King
City Attorney

Date of Publication: , 2017
Effective Date: , 2017

**145th St
Station
Sub-Area**



- Multifamily Property Tax Exemption Area
- MUR-70; Mixed Use Residential (70' height)
- MUR-45; Mixed Use Residential (45' height)
- 145th St Station Sub-Area

The designations shown on this map terminate 12/31/2021 at 11:59 pm

0 145 290 580 870 1,160 Feet

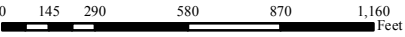
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185th St
Station
Sub-Area

- Multi Family Property Tax Exemption Area
- MUR-70; Mixed Use Residential (70' height)
- MUR-45; Mixed Use Residential (45' height)
- 185th St Station Sub-Area

The designations shown on this map terminate 12/31/2021 at 11:59 pm



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