CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Approval of Property Tax Exemption Program Contract for the Paceline Apartment Project
DEPARTMENT:	City Manager's Office
PRESENTED BY:	Dan Eernissee, Economic Development Manager
ACTION:	_ ___ Ordinance ____ Resolution _X_ Motion ____ Public Hearing ___ 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 extended to the Light Rail Station Areas through Ordinance No. 766, adopted on April 10, 2017. The 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. Attachment A to this staff report provides the status of the PTE program at the present time.

A qualifying application for PTE was received for the 221-unit Paceline Apartment Project located at Aurora Avenue N and N 172nd Street. The City Manager approved the application and provided the applicant with a contract stating that the City will provide PTE in exchange for compliance with SMC 3.27. The applicant subsequently signed and returned the contract. SMC 3.27.060 specifies that the contract 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 the Paceline PTE Contract.

ATTACHMENTS:
Attachment A: 2017 PTE Program Report

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

2017 Property Tax Exemption Program Report - City of Shoreline

Currently in Program								
Units	Project	Type	Affordable	Start	End	Eligible Valuation	Tax Rate	2017 Exemption
129	Malmo	12-year affordable	26	1/1/2015	12/31/2026	27,932,700	1.58415	44,250
5	North City Development	12-year affordable	1	1/1/2015	12/31/2026	697,100	1.58415	1,104
165	Polaris	12-year affordable	165	1/1/2015	12/31/2026	see note		
299			**192**			**28,629,800**		**45,354**

Graduates								
Units	Project	Type		Start	End	Eligible Valuation	Tax Rate	2017 Revenue
88	Arabella	10-year market	n/a	1/1/2007	12/31/2016	20,812,300	1.58415	32,970
88						**20,812,300**		**32,970**

Conditional Certificates								
Units	Project	Type	Affordable	Cert. Date	Expiration	Status	Est. Completion	Final App
80	Aurora Micro	12-year affordable	16	12/23/2015	12/23/2018	C.O.	2017	no
163	Centerpointe	12-year affordable	33	1/4/2017	1/4/2020	Demolition	2019	no
60	Sunrise Eleven	12-year affordable	12	11/30/2015	11/30/2018	C.O.	2017	no
221	Paceline	12-year affordable	44	Applied		Construction	2018	no
72	205 Apartments	12-year affordable	14	12/28/2016	12/28/2019	Construction	2018	no
596			**119**					

NOTE: Polaris is 100% affordable and utilizes a program offering full property tax exemption; thus far the City's PTE program has acted as a backup.