

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Assumption of multi-family housing limited property tax exemption contract by KW Geo Shoreline, LLC
DEPARTMENT:	City Manager's Office
PRESENTED BY:	Nathan Daum, Economic Development Manager
ACTION:	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Public Hearing <input type="checkbox"/> Discussion

PROBLEM/ISSUE STATEMENT:

The City Council on April 27, 2020 authorized the City Manager to execute a Multifamily Property Tax Exemption (MFTE) contract with ADC Ridge at Sun Valley LLC on a project known as Geo Apartments. The contract requires that the residential improvements of the project will be exempt from property taxation for 12 years in exchange for providing affordable housing and other conditions. It was executed and recorded in the records of King County under King County Recorder's No. 20200512000521.

ADC Ridge intends to sell the Geo Apartments. As required by the MFTE Contract, on September 13, 2021 buyer KW Geo provided a statement that it understands the duties and obligations of the MFTE Contract and agrees to continue those duties and obligations. City Council approval is required for Shoreline and KW Geo to enter into this Assumption Contract to reflect the sale of the Geo Apartments and KW Geo's assumption of the duties and obligations under the MFTE Contract.

RESOURCE/FINANCIAL IMPACT:

Staff time is required to prepare and execute the assumption contract. No other change to the City's resources or finances is anticipated. The resource and financial impact of the MFTE contract for this project was considered when it was before Council for approval, finding that when an MFTE project is built, the value of the residential improvements is presumed not be added to the assessed value until the 13th year; however, other revenues continue to be collected by the City from the property and its residents. This revenue was shown to be greater than the foregone taxes and greater than predevelopment revenue estimates for the property.

The purchase price has not been disclosed for this transaction. According to real estate data provider CoStar, the current price-per-unit value of new multifamily buildings in Shoreline is \$450,000. The sale of a new multifamily property in 2020—the most recent

for which data is available—was at approximately \$340,000 per unit, which would equate to a sale price of \$55,420,000 for the 163-unit Geo Apartments. The City’s share of Real Estate Excise Tax on such a transaction would be an estimated \$277,100.

RECOMMENDATION

Staff recommends that the City Council approve the MFTE Assumption Contract for Geo Apartments Shoreline.

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

BACKGROUND

In its April 27, 2020 meeting, the City Council authorized the City Manager to execute a Multifamily Property Tax Exemption (MFTE) contract with ADC Ridge at Sun Valley LLC on a project known as Geo Apartments. The contract requires that the residential improvements of the project will be exempt from property taxation for 12 years in exchange for providing affordable housing and other conditions. More information about this action can be found at the following link: [Approving the PTE Program Contract for the Geo Apartments Project Located at 17900 \(formerly 17962\) Midvale Avenue N.](#)

DISCUSSION

The City's MFTE program specifies that buyers of MFTE projects in Shoreline are required to enter into an assumption contract with the City. This enables the City to ensure the affordability requirements and other conditions of the MFTE contract continue to be met by the owner of the building throughout the 12-year tax exemption period.

Should the City Council reject the assumption contract, it is likely that the buyer would reconsider the investment. This could have the effect of delaying the purchase while additional financial analysis is performed. Such additional analysis could result in a decision on the part of the buyer to withdraw their offer to purchase the property.

RESOURCE/FINANCIAL IMPACT

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The purchase price has not been disclosed for this transaction. According to real estate data provider CoStar, the current price-per-unit value of new multifamily buildings in Shoreline is \$450,000. The sale of a new multifamily property in 2020—the most recent for which data is available—was at approximately \$340,000 per unit, which would equate to a sale price of \$55,420,000 for the 163-unit Geo Apartments. The City's share of Real Estate Excise Tax on such a transaction would be an estimated \$277,100.

RECOMMENDATION

Staff recommends that the City Council approve the MFTE Assumption Contract for Geo Apartments Shoreline.

ATTACHMENTS

Attachment A: Proposed MFTE Assumption Contract for Geo Apartments Shoreline

**ASSUMPTION OF MULTI-FAMILY HOUSING
LIMITED PROPERTY TAX EXEMPTION CONTRACT**

THIS ASSUMPTION OF MULTI-FAMILY HOUSING LIMITED PROPERTY TAX EXEMPTION CONTRACT (“Assumption Contract”) is made as of the date of the final signature below, by and between CITY OF SHORELINE, a municipal corporation of the State of Washington (“Shoreline”) and KW GEO SHORELINE, LLC, a Delaware limited liability company (“KW Geo”), (collectively referred to herein as the “Parties” and each individual as a “Party).

RECITALS

WHEREAS, on May 5, 2020, Shoreline and ADC Ridge at Sun Valley LLC (“ADC Ridge”) entered into a Multi-Family Housing Limited Property Tax Exemption Contract relating to the Geo Apartments located at 17990 Midvale Ave N, Shoreline, Washington, Tax Parcel No. 072604-9070, and recorded in the records of King County under King County Recorder’s No. 20200512000521 (“MFTE Contract”); and

WHEREAS, ADC Ridge intends to sell, and KW Geo intends to purchase, the Geo Apartments and, therefore, as required by Section 10 of the MFTE Contract, on September 13, 2021, KW Geo timely submitted a statement that it understands the duties and obligations of ADC Ridge under the MFTE Contract and agrees to continue those duties and obligations; and

WHEREAS, Shoreline and KW Geo desire to enter into this Assumption Contract to reflect the sale of the Geo Apartments and KW Geo’s assumption of the duties and obligations under the MFTE Contract;

NOW, therefore, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties mutually agree as follows:

1. Assumption of MFTE Contract.

As of the date of the transfer of ownership of the Geo Apartments from ADC Ridge to KW Geo, as evidenced by the deed or other document recorded with the King County Recorder. KW Geo assumes all duties and obligations set forth in the MFTE Contract, King County Recorder’s No. 20200512000521, incorporated herein fully by reference, under all the same terms and conditions.

2. Amendment of MFTE Contract.

The following amendments shall apply:

A. The term “Owner” and/or any reference to ADC Ridge at Sun Valley LLC shall now refer to KW Geo, a Delaware limited liability company.

B. Section 22 Notice shall be amended to delete ADC Ridge’s representative and address

and replace it with KW Geo’s representative and address:

KW Geo LLC
151 S. El Camino Drive
Beverly Hills, CA 90212
Attn: _____

C. Section 17 Agreement to Record shall be amended to require the recording of this Assumption Contract in the real property records of King County, at KW Geo’s sole cost and expense. The recording shall reference original King County Recorder’s number and KW Geo shall provide the City with a copy of the recorded document within thirty (30) calendar days of recording.

3. Except as specifically provided in this Restatement, all other duties, obligations, terms, and conditions of the MFTE Contract continue in full force and effect.

IN WITNESS WHEREOF, the City of Shoreline and KW Geo, LLC, by their authorized representatives, having read the foregoing and intending to be legally bound hereby, have executed this Assumption of the Multi-Family Housing Limited Property Tax Exemption Contract executed by ADC Ridge at Sun Valley LLC and the City of Shoreline, King County Recorder’s No. 20200512000521.

KW Geo Shoreline, LLC

City of Shoreline

By: _____

By: _____

Print Name: _____

Debbie Tarry
City Manager

Its: _____

Notarization of Signatures on following Page(s)

State of _____)

County of _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that they were authorized to execute the instrument and acknowledged it as the _____ of KW Geo Shoreline, LLC, a Delaware limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____, 2021

(Seal or stamp)

Signature: _____

Title: Notary Public

My appointment expires: _____

State of Washington)

County of King)

I certify that I know or have satisfactory evidence that Debbie Tarry is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the City Manager of the City of Shoreline, a municipal corporation and political subdivision of the State of Washington, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____, 2021

(Seal or stamp)

Signature: _____

Title: Notary Public

My appointment expires: _____