

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Authorizing the City Manager to Enter Into Assumption of Multifamily Housing Limited Property Tax Exemption Contract with Y & SK, Inc. for the 145 th Street Apartment Building Project
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:

On July 13, 2020, the City Council authorized the City Manager to execute a Multifamily Property Tax Exemption (MFTE) contract with TenReal LLC on a project known as "145th Street Apartment" building. 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. 20200729000544.

TenReal LLC now intends to sell the 145th Street Apartment building. As required by the MFTE Contract, on November 1, 2021, buyer Y & SK, Inc. 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 Y & SK, Inc. to enter into this Assumption Contract to reflect the sale of the 145th Street Apartment building and Y & SK, Inc.'s assumption of the duties and obligations under the MFTE Contract. Tonight, staff is seeking Council authorization for the City Manager to enter into this Assumption 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 \$5,440,000 for the 16-unit 145th Apartment Building. The City's share of Real Estate Excise Tax on such a transaction would be an estimated \$27,200.

RECOMMENDATION

Staff recommends that the City Council authorizing the City Manager to enter into the Assumption of Multifamily Housing Limited Property Tax Exemption Contract with Y & SK, Inc. for the 145th Street Apartment Building Project.

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

BACKGROUND

On July 13, 2020, the City Council authorized the City Manager to execute a Multifamily Property Tax Exemption (MFTE) contract with TenReal LLC on a project known as the “145th Apartment” building. 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 here: [Approving the PTE Program Contract for the 145th Apartments Project Located at 3108 NE 145th Street.](#)

The City’s MFTE program specifies that buyers of MFTE projects in Shoreline are required to enter into an Assumption Contract with the City. That way, the City can 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. TenReal LLC has stated to staff that they now intend to sell the 145th Street Apartment building to buyer Y & SK, Inc.

DISCUSSION

As required by the MFTE Contract, on November 1, 2021, buyer Y & SK, Inc. 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 Y & SK, Inc. to enter into this Assumption Contract to reflect the sale of the 145th Street Apartment building.

Alternatively, the City Council could opt to reject the Assumption Contract. This would eliminate both the remaining years of tax exemption as well as the offsetting public benefit of inclusive affordable housing within the building upon sale. As such, 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. Given this alternative, staff recommends that the City Council authorize the City Manager to enter into this Assumption Contract for this project.

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 \$5,440,000 for the 16-unit 145th Apartment Building. The City's share of Real Estate Excise Tax on such a transaction would be an estimated \$27,200.

RECOMMENDATION

Staff recommends that the City Council authorizing the City Manager to enter into the Assumption of Multifamily Housing Limited Property Tax Exemption Contract with Y & SK, Inc. for the 145th Street Apartment Building Project.

ATTACHMENTS

Attachment A: Proposed MFTE Assumption Contract for the 145th Street Apartment Building Project

**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 Y & SK, Inc., a Washington Corporation (“Owner”), (collectively referred to herein as the “Parties” and each individual as a “Party”).

RECITALS

WHEREAS, on July 14th, 2020, Shoreline and Tenreal LLC (“Owner”) entered into a Multi-Family Housing Limited Property Tax Exemption Contract relating to the 3108 Apartments located at 3108 NE 145th St., Shoreline, Washington, Tax Parcel No. 156810-0255, and recorded in the records of King County under King County Recorder’s No. 20200729000544 (“MFTE Contract”);

WHEREAS, Tenreal LLC intends to sell, and Y & SK, Inc. intends to purchase, the 3108 Shoreline Apartments and, therefore, as required by Section 10 of the MFTE Contract, on November 1st, 2021, Y & SK, Inc. timely submitted a statement that it understands the duties and obligations of ownership under the MFTE Contract and agrees to continue those duties and obligations;

WHEREAS, Shoreline and Y & SK, Inc. desire to enter into this Assumption Contract to reflect the sale of the 3108 Shoreline Apartments and Y & SK, Inc.’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 3108 Shoreline Apartments from Tenreal LLC to Y & SK, Inc., as evidenced by the deed or other document recorded with the King County Recorder. Y & SK, Inc. assumes all duties and obligations set forth in the MFTE Contract, King County Recorder’s No. 20200729000544, 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 ownership shall now refer to Y & SK, Inc., a Washington Corporation.

B. Section 22 Notice shall be amended to delete Tenreal LLC’s representative and address and replace it with Y & SK, Inc.’s representative and address:

12619 Hummingbird St.
Mukilteo, WA 98275

Attn: John Song

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 Y & SK, Inc.'s sole cost and expense. The recording shall reference original King County Recorder's number and Y & SK, Inc. 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 Y & SK, Inc., 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 Y & SK, Inc. and the City of Shoreline, King County Recorder's No. 20200729000544.

COMPANY

CITY OF SHORELINE

By: _____

By: _____

Print Name: John Song
Its: Office of Corporation

Debbie Tarry
City Manager

Notarization of Signatures on following Page(s)

State of Washington)

County of King)

I certify that I know or have satisfactory evidence that John Song 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 Owner of Y & SK, Inc., a Washington corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____, 20____

(Seal or stamp)

Signature: _____
Title: Notary Public
My appointment expires: 1/24/2022

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: _____