AGENDA

SHORELINE CITY COUNCIL SPECIAL MEETING

Monday, March 31, 2008
6:30 p.m.

Shoreline Conference Center
Mt. Rainier Room

		Page	Estimated Time
1.	**CALL TO ORDER**		6:30
2.	**FLAG SALUTE/ROLL CALL**		
3.	**CITY MANAGER'S REPORT AND FUTURE AGENDAS**		
4.	**COUNCIL REPORTS**		
5.	**GENERAL PUBLIC COMMENT**		6:40

This is an opportunity for the public to address the Council on topics other than those listed on the agenda and which are not of a quasi-judicial nature. Speakers may address Council for up to three minutes, depending on the number of people wishing to speak. If more than 15 people are signed up to speak each speaker will be allocated 2 minutes. When representing the official position of a State registered non-profit organization or agency or a City-recognized organization, a speaker will be given 5 minutes and it will be recorded as the official position of that organization. Each organization shall have only one, five-minute presentation. The total public comment period under Agenda Item 5 will be no more than 30 minutes. Individuals will be required to sign up prior to the start of the Public Comment period and will be called upon to speak generally in the order in which they have signed. If time is available, the Presiding Officer may call for additional unsigned speakers.

6.	**APPROVAL OF THE AGENDA**		
7.	**ACTION ITEMS: OTHER ORDINANCES, RESOLUTIONS, AND MOTIONS**		
	(a) Ordinance No. 492 Approving Planned Area 2 Legislative Rezone for the Ridgecrest Commercial Area	1	7:00
8.	**ACTION ITEM: PUBLIC HEARING**		
	(a) Public Hearing on Ordinance No. 496, Expanding the Property Tax Exemption Program to the Ridgecrest Commercial Area	21	8:00
9.	**ADJOURNMENT**		8:45

The Council meeting is wheelchair accessible. Any person requiring a disability accommodation should contact the City Clerk's Office at 546-8919 in advance for more information. Each request will be considered individually according to the type of request, the availability of resources, and the financial ability of the City to provide the requested services or equipment. For TTY service, call 546-0457.For up-to-date information on future agendas, call 546-2190 or see the web page at www.cityofshoreline.com. Council meetings are shown on Comcast Cable Services Channel 21 Tuesdays at 12 noon and 8 p.m., and Wednesday through Sunday at 6 a.m., 12 noon and 8 p.m. Online Council meetings can also be viewed on the City's Web site at http://cityofshoreline.com/cityhall/citycouncil/index.cfm.

Council Meeting Date: March 31, 2008 **Agenda Item: 7(a)**

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Ordinance No. 492, Planned Area 2 Legislative Rezone for the Ridgecrest Commercial Area
DEPARTMENT:	Planning and Development Services
PRESENTED BY:	Joseph W. Tovar, FAICP, Director

PROBLEM/ISSUE STATEMENT:

At the March 24 City Council meeting, staff presented additional information on the proposed new planned area legislative rezone for the Ridgecrest commercial area. This is the sixth Council discussion on this item, and will reflect discussion at the March 24 meeting, where staff presented:

- Revised set of regulations that reflect Council direction for items discussed on March 3, 2008. The major addition to the March 3 set of regulations pertain to parking:
  - Change parking regulations to require 80% of the required parking to be located on-site, 10% to be located within Planned Area 2, and another 10% to be located on non-residential property located within 1,000 feet of a development.
  - Change how offsite parking is enforced: For the first three years of occupancy, the development's representative will provide a parking management plan to the City. The City will review the plan with regards to parking impacts on the residential neighborhood. If there are impacts, the development's representative will agree to acquire additional areas for parking or to reduce the square footage in the building to be leased to offset the number of vehicles from the site that are impacting the neighborhoods.

In addition, Community Attributes, an economic consulting firm developed a series of pro-forma financial analyses that evaluate the financial viability of prototypical 4-, 5-, and 6 story developments with amenities required by the code. These include:

- Public plaza
- Mixed-use building
- Special corner treatment at 165th and 5th Avenue NE
- Built-Green Development
- Floor Area Ratio maximums that are reduced in relative proportion to the reduction in height
- Moderate income affordability requirements for 20% of the units

The Council will discuss the proposal at its March 31, 2008 meeting and is scheduled to take final action that evening.

RECOMMENDATION

Staff recommends that Council adopt Ordinance No. 492, creating Planned Area 2 and rezoning the Ridgecrest Commercial Area to Planned Area 2.

Approved By: City Manager ____ City Attorney ___

ORDINANCE NO. 492

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON AMENDING THE DEVELOPMENT CODE BY ADDING A NEW CHAPTER 20.91 THAT ESTABLISHES REGULATIONS FOR A NEW PLANNED AREA ZONE IN THE COMMERCIAL AREA OF THE RIDGECREST NEIGHBORHOOD AND AMENDING THE CITY'S OFFICIAL ZONING MAP CHANGING THE ZONING FROM NEIGHBORHOOD BUSINESS (NB) TO PLANNED AREA 2 (PA 2); AMENDING SMC 20.40.020 AND AMENDING SMC 20.40.030

WHEREAS, the City of Shoreline initiated a legislative rezone of commercially zoned property in the Ridgecrest neighborhood reclassifying the property from Neighborhood Business (NB) to Planned Area 2 (PA 2); and

WHEREAS, the City of Shoreline conducted extensive public participation and review process of the proposed chapter and the reclassification, holding a public hearing before the Planning Commission on November 1, 2007, November 15, 2007, November 29, 2007 and January 3, 2008 and before the City Council on January 28, 2008;

WHEREAS, on January 3, 2008, the Planning Commission recommended adoption of a new development code chapter creating a new PA 2 zone and recommended approval of the reclassification to PA 2 of the commercially zoned properties located at 16268, 16325, 16511 and 16535 5th Avenue NE and 412, 509, 525 and 602 NE 165th Street;

WHEREAS, the City Council finds that the amendments adding the PA 2 zone is consistent with the Comprehensive Plan, is not adverse to and is in the interest of citizens and property owners;

WHEREAS, the City Council concurs with the recommendation of the Planning Commission to adopt a new development code chapter creating a new PA 2 zone and to reclassify to PA 2 the properties located at 16268, 16325, 16511 and 16535 5th Avenue NE (parcel numbers 7304301405, 7301300185, 5727500243 and 5727500242) and 412, 509, 525 and 602 NE 165th Street (parcel numbers 5727500260, 7304301415, 7304301420 and 6163901780);

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

Section 1. Amendment to Development Code - New Chapter. A new chapter 20.91, Ridgecrest Commercial Planned Area 2, is adopted into the Shoreline Municipal Code to read as set forth in Exhibit A, attached hereto and incorporated by reference.

Section 2. Amendment to Zoning Map. The Official Zoning Map of the City of Shoreline is hereby amended to change the zoning classification of 16325 5th Avenue NE (parcel

number 7301300185) from NB to PA2a, 16511 and 16535 5th Avenue NE (parcel numbers 5727500243 and 5727500242) and 412 NE 165th Street (parcel number 5727500260) from NB to PA2b, 602 NE 165th Street (parcel number 6163901780) from NB to PA2c, and 16268 5th Avenue NE (parcel number 7304301405) and 509 and 525 NE 165th Street (parcel numbers 7304301415 and 7304301420) from NB to PA2d, zone as shown in Exhibit B attached hereto and incorporated by reference.

Section 3. Amendment to Development Code. SMC 20.40.020, *Zones and map designations*, is hereby amended as follows:

20.40.020 Zones and map designations.

The following zoning and map symbols are established as shown in the following table:

ZONING	MAP SYMBOL
RESIDENTIAL	
(Low, Medium, and High Density)	R–4 through 48 (Numerical designator relating to base density in dwelling units per acre)
NONRESIDENTIAL	
Neighborhood Business	NB
Office	O
Community Business	CB
Regional Business	RB
Industrial	I
Special Overlay Districts	SO
North City Business District	NCBD
Planned Area	PA

Section 4. Amendment to Development Code. SMC 20.40.050, *Special districts,* is hereby amended as follows:

20.40.050 Special districts.

A. Special Overlay District. The purpose of the special overlay (SO) district is to apply supplemental regulations as specified in this Code to a development of any site, which is in whole or in part located in a special overlay district (Chapter 20.100 SMC, Special Districts). Any such development must comply with both the supplemental SO and the underlying zone regulations.

B. North City Business District (NCBD). The purpose of the NCBD is to implement the vision contained in the North City Subarea Plan. Any development in the NCBD must comply with the standards specified in Chapter 20.90 SMC.

C. Planned Area (PA). The purpose of the PA is to allow unique zones with regulations taylored to the specific circumstances, public priorities, or opportunities of a particular area that may not be appropriate in a city-wide land use district.

Section 5. Effective Date. This ordinance shall go into effect five days after passage, and publication of the title as a summary of this ordinance.

PASSED BY THE CITY COUNCIL ON MARCH 31, 2008

Mayor Cindy Ryu

ATTEST:

Scott Passey
City Clerk

APPROVED AS TO FORM:

Ian Sievers
City Attorney

Date of Publication: March 27, 2008
Effective Date: April 1, 2008

Chapter 20.91
Ridgecrest Commercial Planned Area 2

Sections:

20.91.010 Purpose and Scope
20.91.020 Planned Area Zones and Permitted/Prohibited Uses
20.91.030 Density and Dimensional Standards
20.91.040 Administrative Design Review
20.91.050 Design Standards
20.91.060 Height Incentives
20.91.070 Parking
20.91.080 Signs
20.91.090 Outside Lighting

20.91.010 Purpose and Scope

A. The purpose of this chapter is to establish development standards for Ridgecrest Commercial Planned Area 2. These standards are intended to implement a new vision for this area by replacing or modifying the regulations of SMC Chapter 20.50 – General Development Standards and revising permitted uses. The Ridgecrest Commercial Planned Area 2 standards are designed to:
    1. Be a form based code which provides flexibility, yet ensures the character of a project's building and site design is supportive of the adjacent public spaces and uses.
    2. Create lively mixed use and retail frontage in a safe, walkable, transit-oriented neighborhood environment.
    3. Provide for human scale building design.
    4. Contribute to the development of a sustainable neighborhood.

B. If provisions of this chapter conflict with provisions elsewhere in the Shoreline Municipal Code, the provisions of this chapter will apply. When it is unclear which regulations apply, then the presumption will be that the regulations of this chapter take precedence with the ultimate determination to be made by the Director.

20.91.020 Permitted/Prohibited Uses

A. In order to implement the vision of the Comprehensive Plan and the neighborhood visioning project, the Ridgecrest Commercial Planned Area 2 is adopted as shown on the official zoning map.

B. NB uses will apply in Ridgecrest Commercial Planned Area 2 for developments less than 1.5 acres.

C. All uses provided for under Chapter 20.40 SMC are permitted for developments 1.5 acres or more in Ridgecrest Commercial Planned Area 2 except the following:

1. Adult use facilities;
2. Gambling uses;
3. Vehicle repair, service and/or sales unless entirely within an enclosed building;
4. Wastewater treatment facilities;
5. Wrecking yards;
6. Warehousing, self-storage warehouses and wholesale trade;
7. Outdoor material storage, including vehicles. Material storage will be allowed only within a fully-enclosed structure.
8. Shipping containers;
9. Other uses the Director determines to not comport with the intent of the district as expressed in SMC 20.91.010(A).

20.91.030 Density and Dimensional Standards

A. Developments in Ridgecrest Commercial Planned Area 2 that are less than 1.5 acres will apply the density and dimensional standards for NB zones.

B. Developments in Ridgecrest Commercial Planned Area 2 that are 1.5 acres or more will apply the following density and dimensional standards:

1. **Setback, Height, and Floor Area Ratio Standards**

Table 20.91.030B –Dimensional Standards

Standards	Planned Area 2
Setback for building base	~~5'~~7.5' adjacent to Residential zones, 0' abutting the public right-of-way.
Setback/stepbacks from property line for buildings	Buildings must be 20' from property lines at 35' building height abutting all R-6 zones. Above 35', building to setback ratio will be 2:1
	Buildings must be 10' from all property lines above the 4th story abutting 5th Ave NE, NE 165th Street and all other MF zones.
	Buildings on NE

	163rd, across from R-6 zoning, can be 35' high at the property line; above 35' the building to setback ratio will be 2:1.
Building Height, Min Building Height, Max	2 Stories Up to 6 Stories or 65' if public bonus features are provided [1,2]
Floor Area Ratio (FAR)	4.75
Density	Unit total limited by height, FAR and parking requirements[2]

[1] See 20.91.060 for building height incentives.
[2] Only for Planned Area 2a. NB standards for height, FAR and density will apply to development 1.5 acres or more in 2b, 2c and 2d.

2. **Impervious Area.** Impervious area is 100 percent.

3. **Additional Height Provisions.**
   a. Mechanical penthouses, stair/elevator overruns and antennae (not including WTF's) may be excluded from building height calculation, provided they are no more than 15 feet above the roof deck and satisfy the criteria in SMC 20.19.050(B)(2)(g).
   b. Wireless Telecommunication Facilities ("WTF") may be excluded from building height calculation, provided they are no more than 15 feet above the roof deck, are entirely shrouded and satisfy the criteria SMC 20.19.050(B)(2)(g).
   c. Roof elements such as pitched roofs, gables and dormers may be excluded from building height calculations.
   d. Features providing environmental sustainability such as solar panels, wind turbines, and associated equipment are excluded from height standards, provided they are no more than 10 feet above the roof deck.

20.91.040 Administrative Design Review

A. **Applicability.** Administrative design review will be required for developments in Ridgecrest Commercial Planned Area 2 that are 1.5 acres or more and that meet one of the thresholds in SMC 20.50.125.

B. **Standards for Approval.** When design review is required, the applicant will demonstrate that plans satisfy the criteria in SMC 20.91.050 unless approved as a design departure by the Department Director consistent with the intent of each subsection.

C. **Design Departures.** A permit applicant wishing to modify any of the standards in this chapter may apply for a design departure. A design departure will be approved if it is consistent with the intent of each subsection and it meets or exceeds the standard design objective. The Director's decision may be appealed to the Hearing Examiner with substantial weight given to the Director's decision.

20.91.050 Design Standards

A. Developments in the Ridgecrest Commercial Planned Area 2 that are less than 1.5 acres will apply the design standards for NB zones.

B. Developments in the Ridgecrest Commercial Planned Area 2 that are 1.5 acres or more will apply the following design standards:

1. **Site Design.**
   a. **Accommodation of Street Level Commercial**
      i. Intent: To provide commercial services to the residents of the Ridgecrest Neighborhood by requiring first floors adjacent to the street be constructed to accommodate commercial services.
      ii. Buildings fronting 5th Avenue NE are required to build to the specifications for ground level commercial. Ground level commercial may include live/work units that satisfy the criteria in SMC 20.91.050(2)(i). There may be non-commercial occupation of the ground level.
      iii. Commercial uses will occupy a minimum of 50% of the available street frontage on 5th Avenue NE.

   b. **Facades - 5th Avenue NE, NE 165th Street**
      i. Intent: To create frontage which encourages pedestrian use, promotes a sense of security by providing "eyes on the street" and creates visual connections between activities inside and outside of buildings.
      ii. Facades fronting on the 5th Avenue NE and NE 165th will include a minimum of 50 percent of the façade area 2 feet -12 feet above grade, comprised of windows with clear nonreflective glass allowing visual penetration of at least 2 feet into the building if used for commercial uses.

   c. **Buffering**
      i. Intent: To soften the visual impact of multi-use buildings adjacent to single-family homes.
      ii. Decorative features such as plantings and/or trellises are to cover at least 50 percent of the building base on the side at the time of construction;

iii. Stamped and painted concrete (decorative treatments to the building base) will be used on building ~~fascia~~ facades not covered by plantings to provide a visual relief to single-family residences.

iv. Mature trees and shrubs will be used on portions of the property abutting the right-of-way to soften the appearance of the building.

v. Retaining existing vegetation is encouraged to create a visual buffer to existing single-family residential

d. Driveway Access

i. Intent: To ensure development reduces potential automobile conflicts on adjacent residential properties. Design ingress and egress points in a manner to reduce automobile impacts to adjacent residential uses.

ii. Limit egress to NE 165th and 5th Avenue NE.

e. Transit stops

i. Intent: To ensure development of sites adjacent to transit stops is designed to support, complement and accommodate the stop and promote use of the stop.

ii. Development on parcels that front locations on 5th Avenue NE designated for a public transportation stop will be designed and furnished to accommodate the intent in a manner approved by the Director. Weather protection will be included in the design.

f. Entry Courtyard

i. Intent: To provide a distinctive, safe and readily identifiable main pedestrian entry for the complex with a public right-of-way frontage.

ii. Entry courtyards will:

1) Abut and be visibly prominent from a public sidewalk by including at least two of the following design elements:

- recess
- overhang
- portico/porch
- stone, masonry or patterned tile paving in entry
- ornamental building name or address
- landscape pots or boxes
- fixed seating

2) Be at least 100 square feet in area with dimensions no less than 10 feet.

3) Provide weather protection on at least two sides or overhead with walls, canopies, awnings, or landscaping.

2. **Building Design** All of the following elements of building design will be approved through the administrative design review process under SMC 20.91.040.

a. **Pedestrian enhancements and transparency**

i. Intent: To provide pedestrians with protection from the elements, visual connections between activities inside and outside of buildings, and visual interest.

ii. All street fronting buildings will provide overhead weather protection for pedestrians with a marquee, awning, building projection or other

permanent structural element, over approximately 80 percent of the frontage of the subject property. The weather protection must cover at least 6 feet of the width of the sidewalk and be located a minimum of 10 feet above the walkway. The width may vary (not less than 3 feet) to accommodate street trees, streetlights, etc.

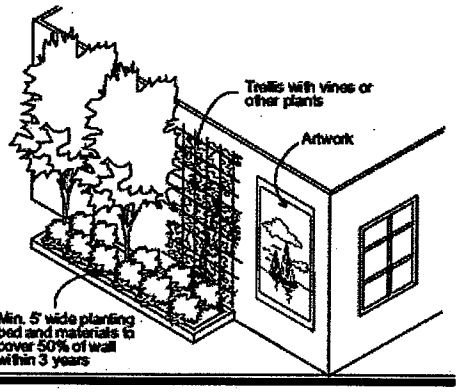
iii. Ground floor facades of all structures facing a public sidewalk will be transparent nonreflective glass windows.

iv. Ground floor building facades fronting public sidewalks will use planters, signage, architectural details and other techniques to create variety and interest.

b. **Blank walls**

i. Intent: To reduce the negative visual impact of walls without openings or windows by ensuring there are features that add visual interest and variety to the streetscape.

ii. Blank walls more than 30 feet in length will be treated to provide visual interest. Treatment includes installing trellises for vine and plant materials, providing landscaped planting beds that screen at least 50 percent of the wall, incorporating decorative tile or masonry, or providing artwork on the wall.



c. **Facade Articulation**
   i. Intent: To reduce the apparent bulk of multistory buildings by providing visual variety.
   ii. All facades will be articulated with projections, recesses, covered doorways, balconies, covered box or bay windows and/or similar features to divide them into human scale proportions.
   iii. All facades longer than 30 feet will be broken down into smaller units through the use of a combination or projections, offsets, recesses, covered doorways, balconies, covered box or bay windows, staggered walls, stepped walls and overhangs. Changing materials and colors may be used to embellish the articulation but alone are not enough to provide the required amount of articulation.
   iv. Projections and recesses will be 3-5 feet in depth, 10 feet long and occupy at least 20 percent of the length of the façade.

d. **Vertical Differentiation**
   i. Buildings will distinguish a "base" through the use of:
      - pedestrian scale details;
      - articulation;
      - overhangs;
      - masonry strips and cornice lines; and
      - "earth" materials such as stone, masonry, or decorative concrete.
   ii. Buildings will distinguish a "top" by emphasizing a distinct profile or outline with a:
      - parapet;
      - cornice, upper level set-back;
      - pitched roofline;
      - strong eave lines;

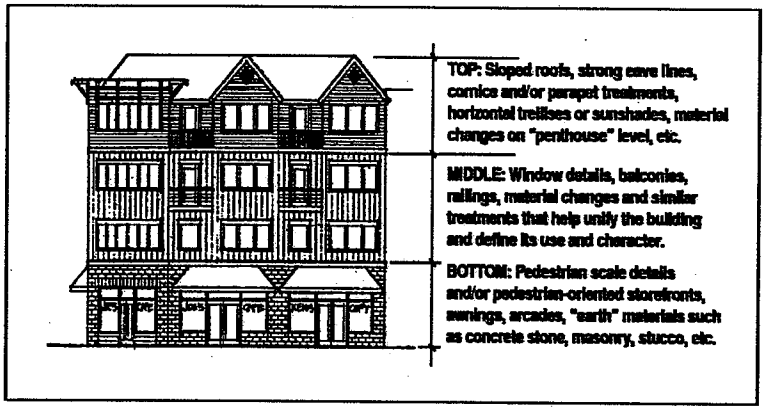
- horizontal trellises; and
- different facade material then that used predominantly in the "middle."

iii. Buildings with more than 2 stories above elevation of the nearest public sidewalk will also distinguish a "middle" through:

- material and/or color changes that differ from the base and top;
- windows details, treatments and patterns;
- balconies or alcoves; and
- decks and/or railings.

iv. The "base" will be the first story above grade. The "middle" will be stories between the base and top and the "top" is the highest story.

v. All applications for new construction are required to submit detailed building elevations.



e. **Street Frontage Standards**

i. Intent: To provide pedestrian relief from the elements, provide special enclosure and add design interest on 5th Avenue NE and 165th Street NE.

ii. Buildings occupying the corner of 5th Avenue NE and NE 165th Street will be designed to encourage pedestrian activity.

iii. Buildings located at corners will serve as gateways to the neighborhood distinguishable from the rest of the buildings. Corner entries and/or architectural treatment will be used to emphasize the corner location.

iv. Buildings will occupy at least 75 percent of the street front.

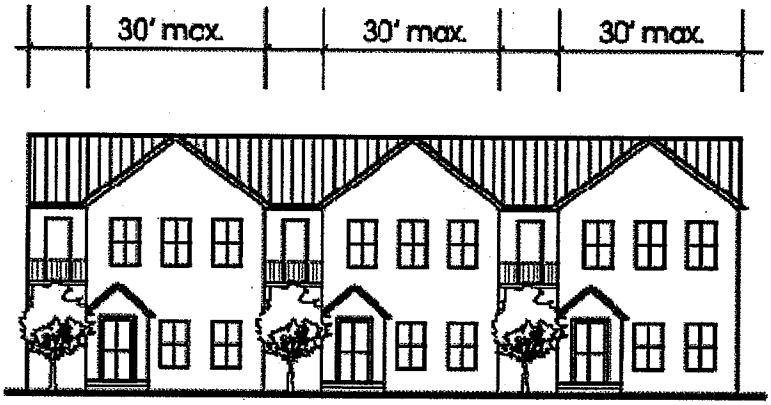
v. Buildings will have their principal entrance on the street frontage line.

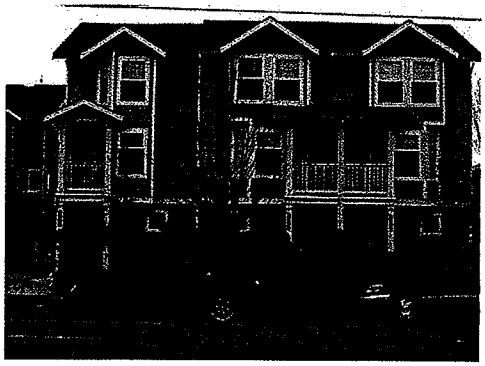
f. **NE 165th and 5th Ave NE Building Corner Treatment**

i. Intent: To provide visual interest, mitigate building bulk, provide for pedestrian amenities and outside meeting areas, and add to pedestrian vitality at the corner of 5th Avenue NE and 165th Street NE.

ii. Buildings occupying the corner of 5th Avenue NE and NE 165th Street will be designed to encourage pedestrian activity and pedestrian amenities. Pedestrian amenities include weather protection, substantial sitting areas, courtyard type flooring and lighting.
iii. Buildings located at corners will serve as gateways to the neighborhood distinguishable from the rest of the buildings. Corner entries and/or architectural treatment will be used to emphasize the corner location.
iv. Examples of design requirements can be found in the PLA2 administrative design guidelines.

g. **Buildings fronting on NE 163rd Street**
i. Intent: To provide additional visual relief from more intense development across from R-6 zones.
ii. If building is separated by a local street, building facades across from R-6 zones will incorporate townhouse design elements.
iii. Buildings located across from R-6 zones will be used for residential living units.
iv. Townhouse design elements are bay windows, stoops, stairways up to entry doors from public sidewalks, porches, patios, balconies, railings, sloped roofs, cornices, and other elements that meet the intent of this section as approved by the Director.





h. **Service areas and mechanical equipment**
   i. Intent: To screen rooftop mechanical and communications equipment from the ground level and from other structures. On-site service areas, loading zones, garbage collection, recycling areas, and similar activities will be located in an area that minimizes unpleasant views from adjacent residential and commercial uses.
   ii. Utility vaults, ground mounted mechanical units, satellite dishes, and other similar structures will be screened on all sides from adjacent streets and public view. This does not include pedestrian-oriented trash receptacles along walkways.
   iii. Fences designed for privacy, security, and/or screening will be made of material that is compatible with the building design.
   iv. Fences for screening and security purposes that are adjacent to the public right-of-way may be used only in combination with a trellis, landscaping, or other design alternatives to separate such fences from the pedestrian environment.
   v. Mechanical units, utility equipment, elevator equipment, and wireless telecommunication equipment (except for the antennae) located on the roof will be:
      - Incorporated into the roof design; and
      - Thoroughly screened, including from above when not in conflict with International Building Code or equipment specifications, by an extended parapet wall or other roof forms that are integrated with the architecture of the building. Environmental features do not have to be screened.

i. **Parking Structures**
   i. Intent: To reduce the visual impact of above-ground parking structures.
   ii. Parking structures at ground-level will be fully enclosed except for vehicle entrances.

iii. Parking levels above ground level will have openings totaling no more than 65 percent of the façade area. All openings will be screened with garden walls (structures designed to support vegetation growing across the opening); vegetation designed to grow on the façade and over the openings, louvers, expanded metal panels, decorative metal grills, opaque glass, or other devises approved by the Director that meet the intent of this section.

j. **Live/Work Units**
   i. Intent: To accommodate retail/office space and living units fronting on public right-of-way. Live/work units provide flexibility to business owners who want to live where they work.
   ii. Ground floor units facing a public sidewalk are required to be plumbed and built to be adapted for commercial use.

20.91.060 Height Incentives

The following height incentives will only apply to developments in the Ridgecrest Commercial Planned Area 2a:

A. Intent: To require installation of features that benefit the public by creating a more inviting and livable community.
B. Building height may be modified based on the following criteria:
   1. The building may increase to 4 stories if approximately 80 percent of the building base fronting 5th Avenue NE is developed with nonresidential uses and/or live/work units.
   2. The building may increase to 5 stories if the standards in SMC 20.91.060(B)(1) and SMC 20.91.060(C)(1)-(~~5~~)(6) are provided.
   3. The building height may increase to 6 stories if the standards in SMC 20.91.060(B)(1) and SMC 20.91.060(C)(1)-(~~5~~)(6) are provided, and 20 percent of the total numbers of units are affordable housing, as defined in RCW 84.14.010.

C. **Height Incentive Requirements:**
   1. **Active recreation area**
      a. Intent: To provide recreational opportunities for residents in an area of the City that has little public park space in support of high density development.
      b. Will not be used for parking or storage.
      c. May be located out of doors, on top of, or within a structure.
      d. Will include an area of at least 600 contiguous square feet with a minimum dimension of 20 feet.

   2. **Art, Public**
      a. Intent: To add stimulating and aesthetically pleasing elements to the built environment.

b. Must be displayed near the main pedestrian entrance to a building and be visible and accessible from a public sidewalk or within a public plaza.
c. The scale of the artwork will be appropriate for the space occupied and large enough to be appreciated in full from at least 10 feet away.

3. **Indoor Meeting Space**
   a. Intent: To provide space for non-profit organizations to contribute to "third place" energy to complement commercial, residential and pedestrian synergy.
   b. Users may include community associations, neighborhood groups, after school programs, non-profit meeting space, and other programs that benefit the community at large.

4. **Fountain or other water element**
   a. Intent: To add stimulating and aesthetically pleasing elements to the built environment.
   b. Will be located outside of the building.
   c. The sum of the dimensions of the smallest possible cube surrounding the water when in motion will be at least 30 feet.
   d. Will be publicly visible and accessible from the main pedestrian entrance to a building or along a perimeter sidewalk or pedestrian connection.
   e. Water will be maintained in a clean and noncontaminated condition.
   f. Water will be in motion during daylight hours.

5. **Plaza, public**
   a. Intent: To provide for public gathering places supportive of a pedestrian-friendly environment.
   b. Will be accessible to the public.
   c. Will be readily accessible from a public sidewalk.
   d. Some portion will provide protection from adverse wind and rain.
   e. Will be signed to identify the enclosed plaza is available for public use.
   f. Will include permanent and substantial sitting areas for at least 5 people.
   g. Will be coordinated with or connected to the site's primary pedestrian entrance.
   h. Will be at least 2,000 square feet in area (1600 sq. ft in contiguous area with a minimum dimension of 20 feet).
   i. Will be enclosed on at least two sides by a structure or by landscaping which creates a wall effect.
   j. Will provide opportunities for penetration of sunlight.
   k. Will be lighted at night.
   l. The property owner must grant the public a permanent easement ensuring public access over the plaza during normal business hours. The owner must record the easement with the county.

6. **Sustainability Features**

a. Intent: To ensure that new construction incorporates new and innovative building techniques to reduce demand on energy and stormwater systems.
b. Development will be Built Green, as amended, or other sustainability standards approved by the Director that meet the sustainability intent of the King County Built Green program at a minimum of the three-star standard.
c. Low-impact development techniques will be incorporated for all new development within PLA2. Some combination of the following low-impact development techniques will be employed: Rain gardens, permeable pavement, rainwater harvesting, vegetated roof, road design that promotes walking and bicycling, bike racks, increase access to and connection between public transportation modes and use of native non-invasive plant species.

20.91.070 Parking

A. Intent: To provide adequate parking for a mix of uses on and around the Ridgecrest Commercial Planned Area 2. The parking management plan will make reasonable provisions to accommodate parking demand generated by on-site uses.

B. All development proposals in the Ridgecrest Commercial Planned Area 2 require a parking management plan.

C. The parking management plan will address parking impacts, ways to reduce parking demand and incentives for alternative transportation such as bike racks, bike lockers, and a minimum number of transit passes available for residents. As part of the parking management plan Metro bus passes will be made available to 50% of the units for the first two years of project occupancy.

D. Parking spaces may be shared:
1. When different uses share a common parking facility;
2. The uses have peak parking demand periods that do not overlap more than 2 hours; and
3. Shared parking areas will be appropriately designated and signed.

E. Minimum parking spaces required for residential uses are 1 space for studio units, 1.3 spaces for 1-bedroom units and 1.6 spaces for 2-bedroom units.

F. Provisions will be made for a car sharing program (like Flexcar), as approved by the Director, and include a car on-site as well as car-sharing only parking spaces.

G. Parking areas in developments 1.5 acres or more will conform to the all of the parking design standards under SMC 20.50.410-.420

H. On-site surface parking lot will be screened from public right-of-way and adjacent residential land uses. Screening can consist of locating parking behind buildings or by opaque landscaping.

I. At least 80% of the required parking spaces will be located on-site. If the developer can secure parking through an agreement acceptable by the Director, at least 1/2 of the balance (10%) of the required parking spaces must be located within Planned Area 2 and the rest (up to 10%) of the required parking must be within 1,000 feet of the development. Building occupancy will be restricted if, at any time, parking spaces off-site are lost and not replaced by other agreements. A notice will be recorded to the title of any property stating these requirements.

20.91.080 Signs

Development proposals in the Ridgecrest Commercial Planned Area 2 that are 1.5 acres or more require submittal and approval of a master sign plan through the administrative design review process set forth in SMC 20.91.040.

20.91.090 Outside lighting

A. Intent: To create a walkable human scale neighborhood environment by providing adequate and appropriate lighting for pedestrians.

B. The standards for outdoor lighting apply to all development proposals in the Ridgecrest Commercial Planned Area 2.

C. The outdoor lighting will:
   1. Accent structures or provide security and visibility;
   2. Be shielded to confine emitted light to within the site ; and
   3. Be located so it does not have a negative effect on adjacent properties or rights-of-way.

D. All building entrances will be well lit to provide inviting access and safety. Building-mounted lights and display window lights will contribute to lighting of pedestrian walkways and gathering areas.

E. Lamp height will not exceed 15 feet for on-site pedestrian lighting.

F. Outside lighting will be minimum wattage metal halide or color corrected sodium light sources which emit "natural" light. Non-color-corrected low-pressure sodium and mercury vapor light sources are prohibited.

This page intentionally left blank.

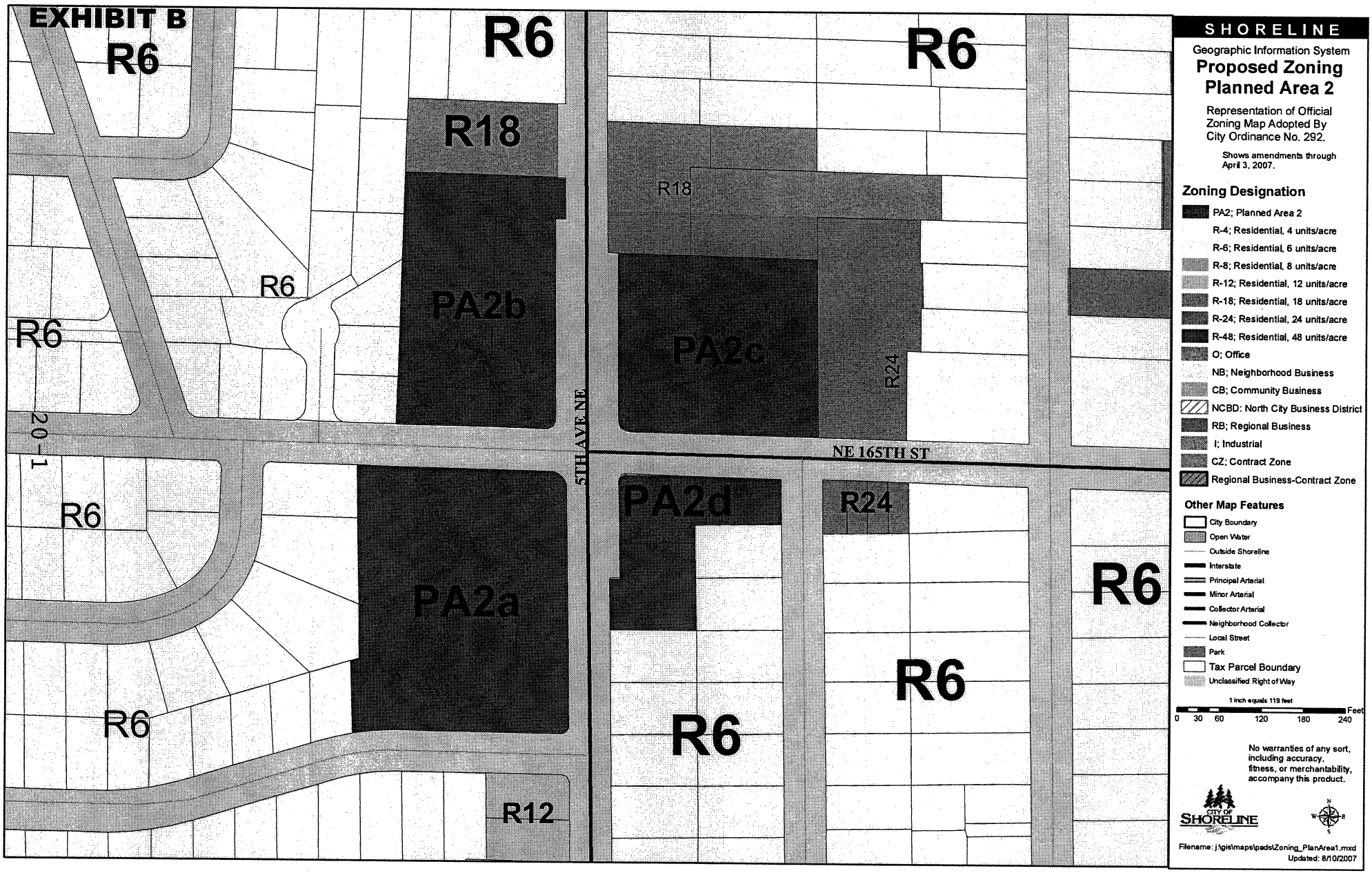


EXHIBIT B
R6
R6
R18
R6
PA2b
R6
R6
20-1
5TH AVE NE
R6
R18
PA2c
R24
NE 165TH ST
R6
PA2a
R6
R12
PA2d
R24
R6
R6
R6
SHORELINE
Geographic Information System
Proposed Zoning
Planned Area 2
Representation of Official Zoning Map Adopted By City Ordinance No. 292.
Shows amendments through April 3, 2007.
Zoning Designation
PA2; Planned Area 2
R-4; Residential, 4 units/acre
R-6; Residential, 6 units/acre
R-8; Residential, 8 units/acre
R-12; Residential, 12 units/acre
R-18; Residential, 18 units/acre
R-24; Residential, 24 units/acre
R-48; Residential, 48 units/acre
O; Office
NB; Neighborhood Business
CB; Community Business
NCBD: North City Business District
RB; Regional Business
I; Industrial
CZ; Contract Zone
Regional Business-Contract Zone
Other Map Features
City Boundary
Open Water
Outside Shoreline
Interstate
Principal Arterial
Minor Arterial
Collector Arterial
Neighborhood Collector
Local Street
Park
Tax Parcel Boundary
Unclassified Right of Way
1 inch equals 119 feet
Feet
0 30 60 120 180 240
No warranties of any sort, including accuracy, fitness, or merchantability, accompany this product.
CITY OF SHORELINE
N W E S
Filename: j:\gis\maps\pads\Zoning_PlanArea1.mxd
Updated: 8/10/2007

This page intentionally left blank.

Council Meeting Date: March 31, 2008 **Agenda Item: 8(a)**

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Ordinance No. 496, amending Ordinance No. 310 as amended by Ordinance No. 479, Property Tax Exemption Program - Public Hearing
DEPARTMENT:	CMO
PRESENTED BY:	Robert L. Olander, City Manager

PROBLEM/ISSUE STATEMENT:

Ordinance No. 310 was first adopted by the City Council on November 25, 2002. This ordinance established Shoreline's Property Tax Exemption (PTE) program for the North City Business District. Inherent purposes of the PTE program are to encourage the development of multi-family housing in areas that would not occur without such an incentive, offset the costs of structured parking, offset the risk of higher density and mixed use development, provide incentives for more affordable housing, and steer development to designated target areas close to transit and neighborhood services to promote sustainable communities.

More recently, the City Council held a public hearing on January 14 and March 3, 2008 on Ordinance No. 479, which amended Ordinance No. 310. As proposed, Ordinance No. 479 would have amended Ordinance No. 310 to comply with recently revised state law on property tax exemptions, amend the property tax exemption application requirements, clarify procedures, and add other administrative changes, and expand the program to incorporate Ridgecrest Commercial Area. However, at the March 3rd hearing, the City Council moved to amend Proposed Ordinance No. 479 by removing all sections of the ordinance that pertained to the Ridgecrest Commercial Planned Area. Subsequent to Council discussion, the City Council passed Ordinance No. 479 as amended, which brought the PTE Program into compliance with state law and clarified administrative procedures for the program.

Ordinance 496 would add back the removed sections of Ordinance No. 479 that pertain to the Ridgecrest Commercial Planned Area and would increase the number of Tax Exempt Units in the program in the Ridgecrest Commercial Planned Area from 250 units as originally proposed to 350 units. This public hearing will be an opportunity to provide input to the City Council on proposed Ordinance No. 496. The Council will then have the opportunity to discuss the proposal, ask staff questions, and provide direction for future adoption.

For reference, attached are proposed Ordinance No. 496 and the staff report from January 28, 2008 which details the changes in the PTE program outlined in Ordinance No. 479.

FINANCIAL IMPACT:

The PTE program is a partial exemption from property taxes because the value of the new construction is not included on the tax rolls until the end of the exemption period. The exemption does not apply to retail square footage, other commercial space or land, nor does it exempt utility or other fees. The portion of the project that qualifies is basically the housing construction improvements (building). This program provides exemption from all "ad valorem property taxation", which includes the property tax levy for all taxing jurisdictions. Depending on the type of tax levy there are differing results of the property tax exemption.

The primary taxing districts that are directly affected by the property tax exemption program are the City, Fire District, and King County Library District for their regular levies. Under this program the City would be forgoing property tax revenue on the qualifying portions of the program for the period of the exemption (8 or 12 years). Based on the City's 2008 regular property tax rate of $1.02 the amount of the property tax collected on $12 million of improvements would be approximately $12,240. Under the property tax exemption program the City will not collect this property tax. Applying the annual 1% property tax levy limitation growth this would equate to $106,400 over eight years or $163,000 over twelve years. This does not take into account added retail sales, utility taxes, or the property taxes from any increase in land values and non-residential square footage that may be included in a mixed-use development. After 8 years for market rate developments or 12 years for affordable housing developments, the residential units become taxable. Residential buildings have useful lives of 25 or more years.

Generally property taxes alone are not sufficient to off-set the cost of government services. However, the City would collect other taxes, such as utility and sales, from occupants of the housing units during this time period to help off-set the cost of government services provided to the occupants.

CHANGES TO SHORELINE'S PTE PROGRAM AS CURRENTLY OUTLINED In ADOPTED ORDINANCE NO. 479:

Expansion of PTE Program into the Ridgecrest Commercial Area

Staff recommends expansion of the PTE program into the Ridgecrest Commercial area in order to encourage developments that incorporate the

principles of sustainability, on the ground and in the buildings. Ridgecrest has significant potential mixed use development, green buildings, public spaces, affordable housing opportunities, and pedestrian improvements. PTE is an important tool in negotiating these types of improvements and public benefits. Underground parking is essential to making new development work, in order to serve the residents and businesses of a site and without creating problems of parking spilling over to the neighborhood.

Staff recommends that the PTE program be amended to include the Planned Action zones on the southwest, southeast, and northeast corners, and adjacent zoning of R18 and R24. The incentive would not be available for the northwest corner where the movie theater is located, because residential development on that site would not be compatible with a movie theater.

Requirements for things like public space and other amenities or design features are to be delineated in the zoning code for the Planned Action areas.

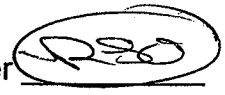
Program Limits - Unit Cap in the Ridgecrest Commercial Area

The current cap on units limits the potential use of the PTE program and the benefit to the City's citizens and taxpayers. Currently, the PTE Program is limited to 250 residential units for North City, of which 162 units remain.

In Ridgecrest, several properties may be redeveloped under this plan. Staff requests that a unit cap of 350 residential units be established for this target area. This would allow for multiple developments of different sizes to be developed, and would decrease the likelihood that one or two developments would utilize all the Tax Exempt Unit capacity in Ridgecrest if the unit cap was similar to North City.

RECOMMENDATION:
Staff recommends that Ordinance No. 496 be adopted to modify the PTE program for expansion into the Ridgecrest neighborhood with a Tax Exempt Unit limit of 350 units.

Attachments:
- Attachment A: Proposed Ordinance No. 496
- Attachment B: Staff Report from January 14, 2008

Approved by: City Manager  City Attorney _____

ORDINANCE NO. 496

AN ORDINANCE ESTABLISHING AS AN URBAN CENTER RIDGECREST COMMERCIAL PLANNED AREA 2(a), 2(c) AND 2(d) AND RESIDENTIAL AREAS DESIGNATED R-18 AND R-24 ADJACENT TO THESE PORTIONS OF RIDGECREST COMMERCIAL PLANNED AREA 2 AND EXPANDING THE PROPERTY TAX EXEMPTION PROGRAM INTO THIS URBAN CENTER

WHEREAS, on November 25, 2002, the City Council adopted a Property Tax Exemption Program for the North City Business District; and

WHEREAS, Chapter 84.14 RCW provides that an area designated as a residential target areas must be within an urban center, must lack sufficient available, desirable, and convenient residential housing to meet the needs of the public who would be likely to live in the urban center, if the desirable, attractive, and livable places to live were available; and the providing of additional housing opportunity in the area will assist in achieving one of the stated purposes in RCW 84.14; and

WHEREAS, the Council held a public hearing on March 31, 2008 to consider expanding the Shoreline property tax exemption program to a portion of PA 2 and R-18 and R-24 zoning districts adjacent to PA 2.

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

Section 1. Amendment. Sections 1-4 of Ordinance 310 as amended by Ordinance No. 479 are further amended to read as follows:

Section 1. Findings

A. The North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) are urban centers of the City of Shoreline as defined under RCW 84.14.010 (16).
B. The North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) lack sufficient available, desirable and convenient residential housing, including

affordable housing, to meet the needs of the public, and current and future residents of the City of Shoreline would be likely to live in the North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) if additional desirable, convenient, attractive and livable places were available.

C. Provision of additional housing opportunities, including affordable housing, will assist in promoting further economic development and growth management goals by bringing new residents to utilize urban services and encourage additional residential and mixed use opportunities.

Section 2. Purpose

A. It is the purpose of this ordinance to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for revitalization of the North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d). The limited exemption from ad valorem property taxation for multifamily housing in the residential targeted area is intended to:

1. Encourage increased residential opportunities within the residential targeted area;
2. Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for revitalization of the North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d).
3. Assist in directing future population growth to the residential targeted area, thereby reducing development pressure on single-family residential neighborhoods; and
4. Achieve development densities that stimulate a healthy economic base and are more conducive to transit use in the designated residential targeted areas.

Section 3. Designation of Residential Targeted Areas

The North City Business District, as defined in the Shoreline Municipal Code Chapter 20.90.020, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), as defined in Shoreline Municipal Code Chapter 20.91, and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) are designated as residential target areas as defined in chapter 84.14 RCW and the boundaries of the target area are coterminous with the North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and

2(d), and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d).

Section 4. Standards and Guidelines

A. Project Eligibility. A proposed project must meet the following requirements for consideration for a property tax exemption:

1. Location. The project must be located within the North City Business District, the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d), or residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) targeted areas as designated in section 3.
2. Limits on Tax Exempt Units. The project's residential units must be within the first 250 tax exempt units of new or rehabilitated multifamily housing applied for and approved within the North City Business District residential targeted area or within the first 350 tax exempt units in the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d) and residential areas designated R-18 and R-24 adjacent to the Ridgecrest Commercial Planned Area 2(a), 2(c), and 2(d).
3. Size. The project must provide for a minimum of fifty percent of the space for permanent residential occupancy. At least four additional residential units must be added to existing occupied multi-family housing. Existing multi-family housing that has been vacant for 12 months does not have to provide additional units so long as the project provides at least fifty percent of the space for permanent residential occupancy and rehabilitated units failed to comply with one or more standards of the applicable state or local building or housing codes. Transient housing units (rental of less than one month) are not eligible for exemption.
4. Proposed Completion Date. New construction multi-family housing and rehabilitation improvements must be scheduled to be completed within three years from the date of approval of the application.
5. Compliance With Guidelines and Standards. The project must be designed to comply with the City's comprehensive plan, building, and zoning codes and any other applicable regulations in effect at the time the application is approved including Chapters 20.90 and 20.91 of the Shoreline Municipal Code.
    a. Consistent with SMC 20.90.020(B)(1), projects located on 15th Avenue N.E. and within the property tax exemption program target area must have pedestrian-oriented business uses at the street level fronting on 15th Avenue N.E. The minimum depth of street level pedestrian-oriented business uses shall be 20 feet from the frontage line of the structure on 15th Avenue N.E., and all other requirements of Main Street 1 properties shall apply.

B. Exemption - Duration. Projects qualifying under this chapter for a Multiple Family Tax Exemption that rent or sell at least twenty percent of the residential units as affordable housing units as defined by Chapter 84.14 RCW will be exempt from ad valorem property taxation for twelve successive years beginning January 1 of the year immediately following the calendar year after issuance of the Final Certificate of Tax Exemption. Projects qualifying under this chapter for a Multiple Family Tax Exemption for market rate housing will be exempt from ad valorem property taxation for eight successive years beginning January 1 of the year immediately following the calendar year after issuance of the Final Certificate of Tax Exemption.

C. Limits on Exemption. The exemption does not apply to the value of land or nonhousing-related improvement, nor does the exemption apply to increases in assessed valuation of land and non-qualifying improvements. In the case of rehabilitation of existing buildings, the exemption does not include the value of improvements constructed prior to submission of the completed application required under this chapter.

D. Contract. The applicant must enter into a contract with the city approved by the City Council under which the applicant has agreed to the implementation of the development on terms and conditions satisfactory to the Council.

Section 2. Effective Date. A summary of this ordinance consisting of the title shall be published in the official newspaper and the ordinance shall take effect five days after publication.

ADOPTED BY THE CITY COUNCIL ON MARCH 31, 2008

_____

Mayor

ATTEST:

_____

Scott Passey
City Clerk

APPROVED AS TO FORM:

_____

Ian Sievers
City Attorney

Publication Date: March , 2008
Effective Date: March , 2008

Council Meeting Date: January 14, 2008 **Agenda Item:**

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Ordinance 479, amending Ordinance No. 310, Property Tax Exemption Program
DEPARTMENT:	Economic Development Program/CMO
PRESENTED BY:	Tom Boydell, Economic Development Manager

PROBLEM/ISSUE STATEMENT:

The Economic Development Strategic Plan adopted by the City Council contains the following work program:

> "Review the existing or formulate new development incentives where appropriate to support priority development areas and designated Planned Action areas."

This report contains recommendations for revising the Property Tax Exemption (PTE) program, which is one tool the City can utilize to provide incentives for targeted economic development.

Ordinance 310 was first adopted by City Council on November 25, 2002. This ordinance established Shoreline's PTE program for the North City Business District. The PTE program provides a ten-year property tax exemption for development of multi-family residential housing in the North City Business District. Inherent purposes of the incentive are to encourage the development of multi-family housing in areas that would not occur without such an incentive, offset the costs of structured parking, offset the risk of higher density and mixed use development, provide incentives for more affordable housing, and steer development to designated target areas close to transit and neighborhood services to promote sustainable communities.

The proposed changes are to:

- Comply with recently revised state law on property tax exemptions.
- Amend the property tax exemption application requirements, clarify procedures, and add other administrative changes.
- Expand the program to incorporate Ridgecrest Commercial Area.

The economic analysis of developer pro formas indicates that the property tax incentive for affordable housing, as recently adopted by the State Legislature, is significant and likely to lead to a greater variety of housing choices.

FINANCIAL IMPACT:

The PTE program is a partial exemption from property taxes because the value of the new construction is not included on the tax rolls until the end of the exemption period. The exemption does not apply to retail square footage, other commercial space or land, nor does it exempt utility or other fees. The portion of the project that qualifies is basically the housing construction improvements (building). This program provides exemption from all "ad valorem property taxation", which includes the property tax levy for all taxing jurisdictions. Depending on the type of tax levy there are differing results of the property tax exemption.

The primary taxing districts that are directly affected by the property tax exemption program are the City, Fire District, and King County Library District for their regular levies. Under this program the City would be forgoing property tax revenue on the qualifying portions of the program for the period of the exemption (8 or 12 years). Based on the City's 2008 regular property tax rate of $1.02 the amount of the property tax collected on $12 million of improvements would be approximately $12,240. Under the property tax exemption program the City will not collect this property tax. Applying the annual 1% property tax levy limitation growth this would equate to $106,400 over eight years or $163,000 over twelve years. This does not take into account added retail sales, utility taxes, or the property taxes from any increase in land values and non-residential square footage that may be included in a mixed-use development. After 8 years for market rate developments or 12 years for affordable housing developments, the residential units become taxable. Residential buildings have useful lives of 25 or more years.

Generally property taxes alone are not sufficient to off-set the cost of government services. However, the City would collect other taxes, such as utility and sales, from occupants of the housing units during this time period to help off-set the cost of government services provided to the occupants.

RECOMMENDATION

Staff recommends that Ordinance No. 479 be adopted to modify the PTE program for compliance with state law, clarification of procedures, and expansion into the Ridgecrest neighborhood.

Approved by: City Manager _____ City Attorney _____

Analysis

INTRODUCTION

The PTE program, adopted by the City Council in 2002, was aimed at increasing the amount of desirable, convenient and attractive residential housing in North City Business District in order to attract additional residents, which in turn would attract new businesses, expansion of existing businesses, and local economic development.

As an incentive to development of multi-family housing in the North City target area, the PTE program offered a ten-year exemption from payment of property taxes, commencing upon completion of the development. The exemption applies to property taxes on the value of the residential improvements alone. The exemption does not apply to land, retail space, other commercial space, or utility or impact fees. Ordinance 310 limited the total amount of units available for the tax exemption to 250 units and to projects that created 20 or more new units of multi-family housing.

Inherent purposes of the incentive are to encourage the development of multi-family housing in areas where this would not occur without such an incentive, offset the costs of structured parking, offset the risk of higher density and mixed use development, and steer development to designated target areas with transit, sidewalks and local services. This is a key strategy in promoting neighborhood and community sustainability.

One project has been built under the PTE program – the 88 unit development formerly known as North City Landing, located at 17763 15th Avenue NE. The project was completed in April 2007.

Staff has reviewed the PTE program at length, in light of the completed project, discussions with developers and other cities, changes in state law, and the experience of Shoreline staff in handling the North City Landing project. The North City Landing project (now known as Arabella Apartments, Phase I) provided useful information about which portions of our program work well and which portions need improvement. In addition, in responding to recent inquiries by developers desiring to use the remaining 162 units under Ordinance No. 310, staff has noted significant deterrents of the PTE program application process.

The PTE program can be a better tool for increasing development, affordable housing, and a more sustainable community, or other amenities. In the long-term, it also creates substantially positive improvements to the City's tax base.

BENEFIT OF TAX EXEMPTION PROGRAMS

The Association of Washington Cities and cities in the Puget Sound region (Seattle, Bellevue, Renton, Kent, Olympia, Bremerton, and Bellingham) have extensive experience with PTE programs.

To assist in our review, staff in Tacoma and Federal Way provided us with copies of their program evaluations. These two studies are summarized below, and copies are provided as an *Attachment.*

City of Tacoma:

Tacoma produced a study titled "Property Tax Exemption Program for Multifamily Development 1996-2004 – Program Review for City of Tacoma, April 2005." This was prepared by Greg Easton, Property Counselors.

Important findings from this study are:

- "Even with the benefits available from the program, many projects don't meet the financial or market requirements to proceed." Page 5
- "In a competitive market, all cost savings beyond those required to make the project feasible will be passed on to renters." Page 6
- The affordability of housing sold as condominiums is improved. Page 7
- "The property tax exemption plays a critical role in supporting economic value established by an appraisal required by a lending institution and can strengthen the equity position of the developer allowing a project to proceed without seeking a partner or investor to allow the project to go forward." FAQ Attachment Page 3.

City of Federal Way:

Federal Way examined and reported on projects in Seattle, Bellevue and Renton in addition to analyzing its own City Center target area. Their findings were reported to Council in a memorandum from Patrick Doherty to Eric Faison, October 15, 2002 titled "Tax Exemption Program for Multifamily in City Center." While the Federal Way study focused on a comparison of multi-family development in neighborhoods vs. those in the City Center area, there are two conclusions that are relevant to Shoreline.

- They conclude that the PTE program will stimulate projects on land that otherwise will stay vacant.
- Their analysis shows that tax increases from land assessed values and commercial construction are significant. They conclude that multi-family projects, even with the PTE, can help to spread out the tax burdens and thereby lesson the tax pressures on single-family residential properties.

Economic Analysis of the Shoreline PTE Program:

An independent consultant (Greg Easton, Property Counselors) was hired to evaluate the Shoreline PTE program. He concluded that the tax exemption incentive is still needed because construction costs are rising and market rents are not keeping up. In particular, mixed use development and development that includes affordable housing remains financially risky. Projects may not be profitable until five years post-development.

Pro forma economic analyses were prepared for six alternatives:

1. Rental Housing
    - No program
    - Eight year exemption
    - Twelve year exemption with 20% affordable housing

2. Ownership as Condominiums
    - No program
    - Eight year exemption
    - Twelve year exemption with 20% affordable housing

The prototype that was used is based generally on the Arabella and proposed Arabella II Apartments in North City. The feasibility analysis concluded that development of apartments is not feasible without the PTE program and that the greater incentive for affordable housing projects would influence developers in that direction. Condominium projects also do not meet the feasibility threshold without the PTE program; however, a developer would be likely to apply for the eight year exemption.[1]

Developers and property owners tell staff that, without the PTE, less than half of the same land will be redeveloped, and the rest is likely to be redeveloped as low density townhouses with no associated retail or services.

The Economic Analysis Report is included as an Attachment.

CHANGES TO SHORELINE'S PTE PROGRAM

The proposed changes:

- Comply with the recently revised state law on property tax exemptions

[1] Land is assumed to be approximately 20% of total post-construction property value for rental buildings and 30% for condominiums. Values are discounted by the developers cost of capital (assumed as 6.5%), in order to show how a bank or developer would view costs, risks, and the value of the tax exemption. Property values are slightly higher than the values used by Finance Dept staff in the Financial Impact Analysis.

- Amend the property tax exemption application requirements, clarify procedures, and add other administrative changes

- Expand the program to incorporate Ridgecrest

A. State law changes

Affordable Housing

Recent changes in state law encourage affordable housing by increasing the exemption period to 12 years for affordable housing developments and reducing the exemption period to 8 years for market rate housing developments. To qualify as an affordable housing development, at least 20% of the multifamily housing units must be rented or sold as affordable housing. "Affordable housing" is defined as residential housing that is rented by a person or household whose monthly housing costs do not exceed 30% of the household's monthly income. Our current Ordinance No. 310 provides a 10 year exemption for all types of projects. In order to comply with state law, our ordinance needs to reduce the exemption to 8 years for market rate housing and extend it to 12 years for affordable housing projects.

The state law amendments were effective on July 22, 2007, and thus no new applications can be received or processed until the City's program is amended to be in compliance with new state law.

Reporting Requirement Added

An annual report to the Washington State Department of Community, Trade, and Economic Development is now required.

B. Procedural changes

Application process

Under the current ordinance, a developer must submit a North City Business District Planned Action Development submittal checklist and a building permit submittal checklist for Planned Action in North City, a brief written description of the project, a site plan, a statement from the owner acknowledging the tax liability after the exemption period expires, and verification by oath.

Submitting the items on the two checklists (which includes engineering plans, landscaping plans, and parking and vehicular access plans) has proven to be an unexpected deterrent to developers. Developers do not want to spend significant time and money on preparing extensive development plans if the tax exemption

is not guaranteed. In addition, lenders will not consider a project loan application until the tax exemption application is approved or they will increase the equity requirements. Finally, in the financial mind of a developer, equity is five to ten times costlier than capital from an approved and leveraged project.

In order to remedy this deterrent, the application submittal has been amended (attached to Ordinance 479). The City will now only require the PTE application form, the description of the project, the site plan, the statement and the verification. The City will not require the building permit and planned action submittal.

C. Program Expansion

Expansion of PTE Program Geographical Area

Staff recommends expansion of the PTE program into the Ridgecrest Commercial area in order to encourage developments that incorporate the principles of sustainability, on the ground and in the buildings. Ridgecrest has significant potential mixed use development, green buildings, public spaces, affordable housing opportunities, and pedestrian improvements. PTE is an important tool in negotiating these types of improvements and public benefits. Underground parking is essential to making new development work, in order to serve the residents and businesses of a site and without creating problems of parking spilling over to the neighborhood.

Staff recommends that the PTE program be amended to include the Planned Action zones on the southwest, southeast, and northeast corners, and adjacent zoning of R18 and R24. The incentive would not be available for the NW corner where the movie theater is located, because residential development on that site would not be compatible with a movie theater.

Requirements for things like public space and other amenities or design features are to be delineated in the zoning code for the Planned Action areas.

D. Program Limits

Limit the program by continuing the unit cap and by delineation of business protection areas consistent with zoning code

Unit Cap

The current cap on units limits the potential use of the PTE program and the benefit to the City's citizens and taxpayers. Currently, the PTE Program is limited to 250 residential units for North City, of which 162 units remain.

In Ridgecrest, a vision plan was recently developed by the University of Washington working in collaboration with the City and community. Several properties may be redeveloped under this plan. Staff requests that a unit cap of 250 residential units be established for this target area.

First Floor Commercial Space (Business Protection Areas)

In Ridgecrest, one of the key design elements proposed by University of Washington student design team and encouraged by the public and Planning Commission is that the first floors of buildings fronting commercial streets be reserved for "pedestrian-oriented business activity" (e.g., retail, restaurant, service, entertainment). This idea is already incorporated into North City Main Street 1 standards that are in SMC 20.90. In Ridgecrest, these requirements are specified by the Planned Action Zone standards.

For North City, staff proposes one change in the PTE ordinance. In order to ensure that new development is mixed use and does not result in a loss of spaces for businesses, staff proposes that Main Street 1 be extended to all 15th Avenue NE frontages, with respect to the PTE incentive,. In other words, if a developer's property is located on a property in the North City Main Street 2 area, and if he wants to receive the tax incentive, then the developer would have to meet the higher standards of the code for Main Street 1.

FINANCIAL IMPACT ANALYSIS

The PTE program is a partial exemption from property taxes; the value of new residential construction is not included on the tax rolls until the end of the exemption period. The exemption does not apply to retail square footage, other commercial space or land, nor does it exempt utility or other fees. The portion of the project that qualifies is basically the housing construction improvements (building). This program provides exemption from all "ad valorem property taxation", which includes the property tax levy for all taxing jurisdictions. This includes not only the City's property tax levies, but also those assessed by the State, County, School District, and other special districts. Depending on the type of tax levy, there are differing results of the property tax exemption. For example levies, such as those established by the School District, are set at an overall dollar amount. As such the School District will not actually loose revenue, but rather the levy tax rate will be fractionally higher than it would have been if the value of the improved properties were included on the tax rolls in order to collect the full levy that was approved by voters. This is the same for voted general obligation bond levies, i.e., the City's Park Bonds, as the City will continue to collect the required levy amount, but the levy rate necessary to collect the levy will be slightly higher, for the remaining tax payers, than it would be if the value of the new construction were included on the tax rolls.

The primary local taxing districts that have regular levies and that are affected by the PTE program are the City, the Fire District, and the Library District. The City would be forgoing property tax revenue from its general levy on the residential portion of the building for the period of the exemption (8 or 12 years).

Greg Easton used a mixed use development with 97 residential units valued at $12 million as prototype in his Economic Analysis. Based on the City's 2008 regular property tax rate of $1.02 the amount of the property tax collected annually on $12 million of improvements would be approximately $12,240. Under the property tax exemption program the City will not collect this property tax. Applying the annual 1% property tax levy limitation growth this would equate to $106,400 over eight years or $163,000 over twelve years. This does not take into account added retail sales, utility taxes, or the property taxes from any increase in land values and non-residential square footage that included in a mixed-use development.

Without the PTE program, the most likely scenario on the same property would be a maximum 20 townhouses, with an estimated value of $5 million. (This is based on an assumption of 35,000 square foot property and R-24 zoning.) The amount of revenue that the City would gain from residential property tax is $5,100 in year one and approximately $151,000 over 25 years. There would no additional commercial space created and little impact on local retail spending.

Over this same 25 year timeframe, the 97 unit mixed use project with 8-year tax exemption generates $260,000 in taxes to the City. A mixed use project with a 12-year tax exemption generates $203,000. As stated above, this is residential property tax alone and does not take into account added retail sales, utility taxes, or the property taxes on land and commercial square footage. These figures also do not include any comparison for cost of government services provided to the residences that occupy the residential units.

SUMMARY

Three categories of changes are recommended for the Property Tax Exemption program. The first adopts changes required by state law that change the length of the exemption to 8 years for market rate housing and 12 years for affordable housing projects. The second category consists of administrative and procedural changes. The third category consists of recommendations for program expansion, specifically, adding the Ridgecrest Commercial area as a designated "target area."

These changes will benefit the city. Tacoma and other cities have experienced that the PTE stimulates new development in target areas both of PTE certified properties and non-PTE eligible properties. The PTE program provides an incentive to multi-family residential housing, public space, green buildings, affordable housing, and more efficient land uses such as structured underground

parking instead of surface parking. Without the incentive, profitability considerations by themselves are likely to drive decisions toward lower residential densities, fewer affordable housing units, less public space and fewer other features of public benefit.

RECOMMENDATION

Staff recommends that Ordinance No. 479 be adopted to modify the PTE program for compliance with state law, clarification of procedures, and adding the Ridgecrest neighborhood as a second target area.