

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Development Agreement with North City Partners, LP for Tax Exempt Status
DEPARTMENT: CMO
PRESENTED BY: Jan Knudson, Economic Development Coordinator

PROBLEM/ISSUE STATEMENT: On November 25, 2002, Council adopted Ordinance No. 310 establishing a tax exemption program as an incentive to development, particularly in the North City Business District. The Tax Exemption Program allows eligible projects to defer property taxes on multi-family residential improvements for a period of ten years. Property taxes on the underlying land continues to accrue on an annual basis.

The City has received an application for the Tax Exemption Program from North City Partners, LP to construct 88 units of rental housing at the southwest corner of 15th Ave NE and NE 180th Street in the North City Business District. The project, North City Landing, is consistent with the North City Subarea Plan and Planned Action and is therefore eligible for the ten-year tax exemption.

The next step for establishing tax exempt status is to enter into an agreement with the City to construct the project in accordance with Ordinance No. 310, North City design guidelines, and other appropriate City regulations.

ALTERNATIVES ANALYZED:

Alternatives analyzed for this proposed action are to approve or disapprove North City Partners, LP's application for tax exemption. Ordinance No. 310 sets forth criteria and guidelines by which the City must evaluate a project for tax exempt status.

Ordinance No. 310 states that if a project is certified as eligible, "the application together with a contract between the applicant and the City regarding the terms and conditions of the project, signed by the applicant, shall be presented to the City Council with a recommendation that the City Council authorize the City Manager to sign the contract."

Since the project meets the necessary requirements and is approved as eligible, disapproval is not a feasible alternative.

FINANCIAL IMPACT:

The City may incur costs as a result of the North City Landing project. These costs could be in the form of increased demand for services as a result of new development and increased population. Under tax exemption, increased property tax revenue on the improvements would not be generated to pay for these services. Revenue from assessment on the land,

and other tax revenues (e.g., sales tax, utility tax) would continue to be assessed and collected.

Ordinance 310 establishes a 250 unit maximum number of units that can be eligible for tax exemption in the North City Business District. The purpose of the limitation is to address Council concerns that a tax-exempt program could go too far in reducing property tax revenues for the City. The 88-unit North City Landing project reduces the number of future housing units eligible for tax exemption in the North City Business District to 162.

The estimated cost for services per capita to the City is estimated to be \$530. At the time of adoption of Ordinance No. 310, it was anticipated that for a ten-year period, the City can absorb the additional costs for services that may be incurred by a maximum of 250 new housing units. Above 250 new housing units, additional tax revenues would likely be required to pay for the additional demand for services.

Costs Generated

Using the estimated per capita cost for City services of \$530, the annual cost for services generated by 88-units of housing, assuming 3 persons per household would be approximately \$140,000. This estimate is high and very conservative for two reasons.

First, three persons per household is higher than average for Shoreline. The average household size in Shoreline is about 2 persons per household. The North City Landing project will have a large number of two- and three-bedroom apartments specifically for housing families so the larger number was used for analysis.

Secondly, actual costs generated by the additional population are difficult to assess. There is not a direct one-to-one relationship between additional population and increased need for services. For example, if there were 100 additional residents, they would not require a proportional addition of police officers or city employees. However, to project some additional cost of services that may result from additional populations, staff used a gross figure dividing the City's operation costs by its population resulting in the per capita cost of \$530. This estimate is also conservative.

Taxes Deferred

The taxes deferred as a result of approving tax-exempt status for the project is estimated to be approximately \$1.9M for all taxing districts across the ten-year deferral period. The City's portion of this deferral is estimated to be about \$18,000 per year. This is based on the current estimated project construction cost of \$13.5 million. This estimate will be adjusted after the project is completed and the Assessor's Office makes a final determination of the tax value.

Taxes Generated

A preliminary estimate of property tax revenue generated across the next ten years on just the land underlying the North City Landing project is approximately \$43,000 annually. Also, the City's portion of sales tax generated from construction of the project, assuming \$13.5 million in construction costs, is estimated to be about \$113,000. Other revenues in the form of utility tax, SWM revenue and per capita sales tax is estimated to be \$58,000.

The following table summarizes the costs, tax deferrals and tax revenues.

<u>Costs Generated</u> (annually)		<u>Taxes Deferred</u> (annually)		<u>Revenue Generated</u> (annually)	
	\$140,000		\$18,000		\$43,000 \$58,000 \$113,000 (one time)
Total	\$140,000	Total	\$18,000	Total	\$214,000

RECOMMENDATION

Staff recommends that Council authorize the City Manager to execute the attached Multifamily Housing Limited Property Tax Exemption Agreement (Development Agreement) with North City Partners, LP for the North City Landing project located in the North City Business District.

Approved By: City Manager  City Attorney 

ATTACHMENTS

Attachment A – Tax Exemption Application

Attachment B – Multifamily Housing Limited Property Tax Exemption Agreement

ATTACHMENT A

Application for Tax Exemption

**CITY OF SHORELINE APPLICATION FOR TAX EXEMPTION ON
MULTIPLE FAMILY UNITS WITHIN A DESIGNATED REIDENTIAL
TARGET AREA (See attached map)**

(Pursuant to Chapter 84.14 RCW and City of Shoreline Ordinance No. 310)

Name of Applicant: North City Landing, LP Date: August 15, 2003

Address of Applicant: 7201 92nd Avenue SE, Mercer Island, WA 98040 Phone: (206) 230-8045

PROGRAM REQUIREMENTS

Project must meet the following criteria for special valuation on multi-family property:

1. Be located within the residential target area designated for the tax incentive by the City.
2. Be within the City of Shoreline and contain 250 tax exempt units of new or rehabilitated multiple family units having been approved within the North City Business District.
3. Be a multiple family or mixed-use project which provides 20 or more additional dwelling units.
4. Be completed within three years from the date of approval of the application, unless extended for good cause by the City.
5. Be designed to comply with all building codes, zoning and other applicable regulations.

Applicant must sign a contract with the City agreeing to conditions of project development.

Note: Assessor may require owners to submit pertinent data regarding the use of classified land.

PROJECT INFORMATION

Interest in Property: ☐ Fee simple ☒ Contractor Purchaser ☐ Other (describe) _____

County Assessor's Parcel Account # : 613900-6930-03; 616390-0711-01; 616390-0710-02

Street Address: 17763 15th Avenue NE, Shoreline, 98155

Legal Description: See Attached

Brief Written Description of the Project: 88 units of affordable new construction apartments in 5 stories, ranging in size from studios to 3-bedroom units, and underground parking.

New Construction: ☒ YES ☐ NO Rehabilitation of Existing Units: ☐ YES ☐ NO

Number of Units: New 88 Rehabilitated: _____

Number of Units for which you are applying for this exemption: 88

North City Business District Planned Action Development submittal and Building Permit Submittal/ Planned Action checklists are attached: ☒ YES ☐ NO

Required Preliminary Plans are attached: Site Plan: Submitted to Building Dept Floor Plan: same

Describe building use and square feet intended for each use: 97,500 residential & 25,800 parking

Projected cost of new construction / rehabilitation: \$13,566,000

Source of cost estimate: General Contractor's estimate + Land + Financing costs

Expected date to start project: October 2003 Expected date to complete project: December 2004

NARRATIVE STATEMENT

Provide a brief statement setting forth the grounds for qualifications for tax exemptions:

The project will be 88 units of new construction apartments with underground and surface parking.

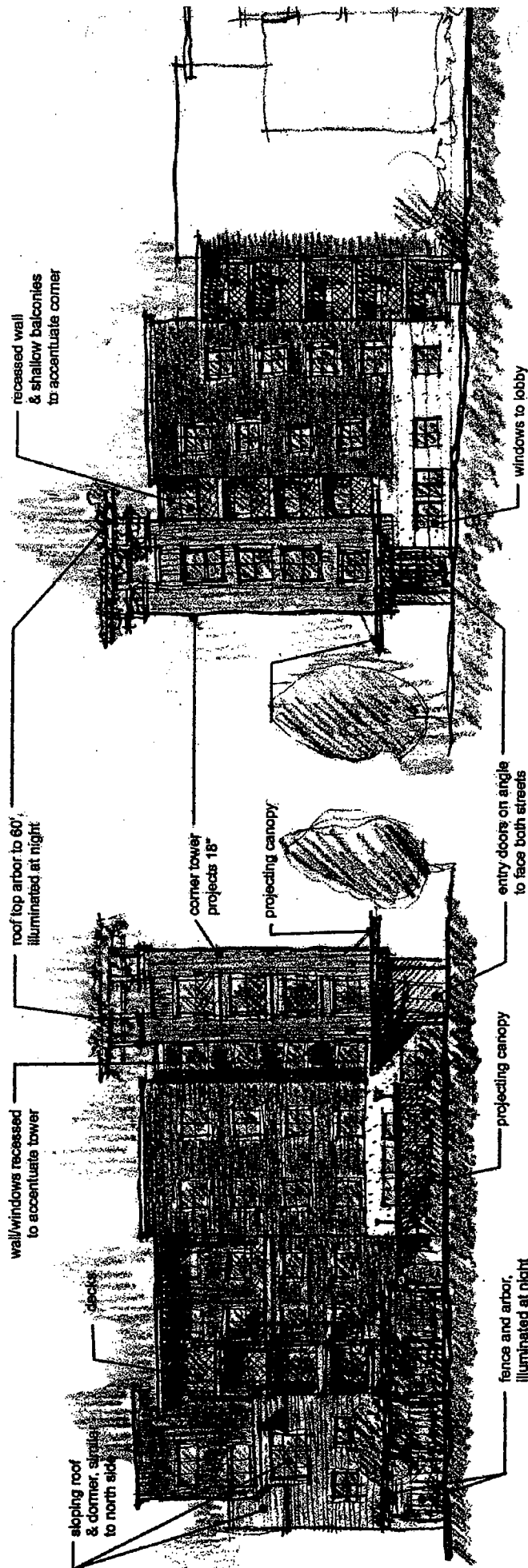
It will be 5 stories and contain units ranging in size from studio to three bedrooms. The project is designed to be affordable housing - that is, rents will be restricted to below-market levels and tenants must earn less than 60% of the King County median income. The project meets all the design guidelines of the North City Business District.

AGREEMENT BETWEEN CITY AND APPLICANT

Upon approval of the application, the Applicant must execute an agreement to be approved by the City Council under which the Applicant agrees to the implementation of the development on terms and conditions satisfactory to the City Council.

CONDITIONAL CERTIFICATE

The City may issue a Conditional Certificate of Acceptance of Tax Exemption, based on the information provided by the Applicant. The Conditional Certificate will be effective for not more than three (3) years, but may be extended for an additional 24 months under certain circumstances. The City will issue, at the Applicant's request, a Final Certificate of Tax Exemption upon completion of the project and satisfactory fulfillment of all contract terms.



North City Apartments
Carlson Architects
April 29, 2003

North Elevation - 180th (East End)

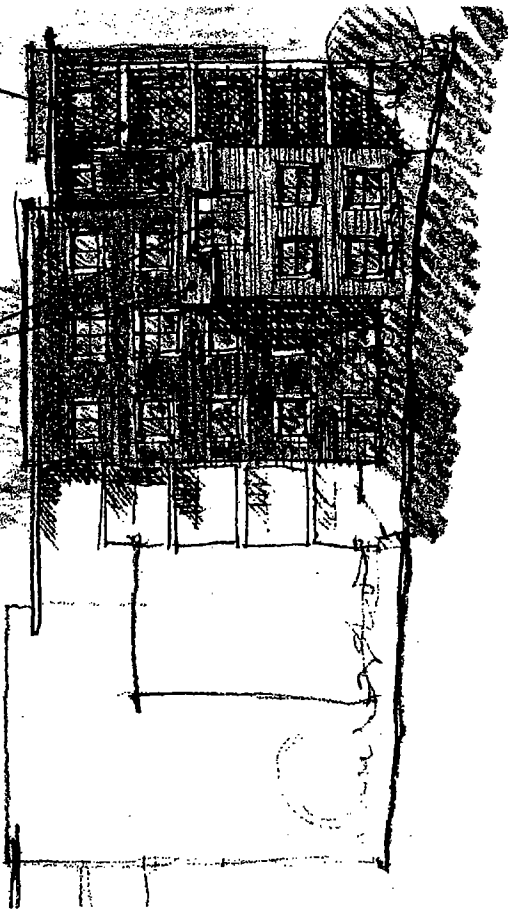
East Elevation - 15th Avenue

recessed balconies
added at floors 2
through 5

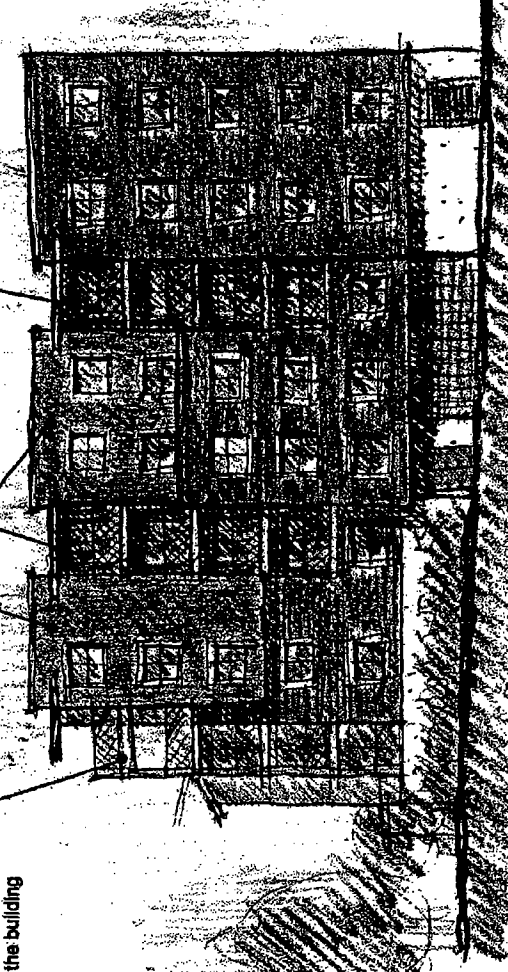
facade offset and
material change at
upper floors

north side units are
flipped to locate decks
on the west side of each
unit and on the northwest
corner of the building

sloping roof
and dormer



North Elevation - 180th (West End)



West Elevation - Alley

North City Apartments
Carlson Architects
April 29, 2003

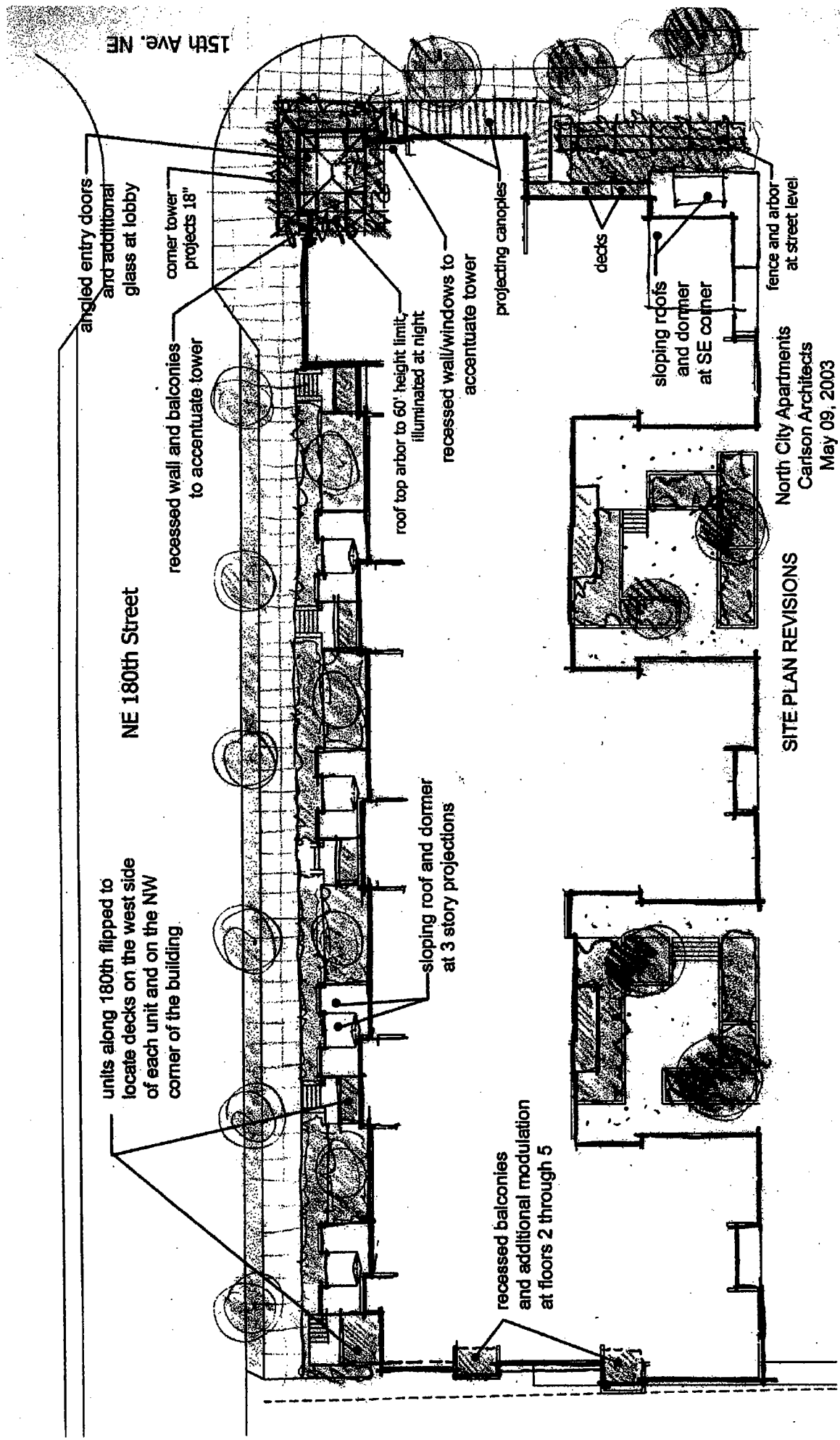
adjacent 5 story building
built to 60' height limit
(using residential
setbacks)

35' transition line at
adjacent building
(using residential
setbacks)

future 5 story building
across 180th

North City Apartments
Carlson Architects
April 29, 2003

View From 15th Looking North



SITE PLAN REVISIONS

North City Apartments
Carlson Architects
May 09, 2003

RECEIVED

MAY 29 2003

CARLSON ARCHITECTS, PS



*City of Shoreline
Planning & Development Services Dept.*

17544 Midvale Avenue North
Shoreline, WA 98133-4921
(206) 546-1811 ♦ Fax (206) 546-8761

APPROVAL OF PLANNED ACTION PROJECT
NORTH CITY APARTMENTS

DATE OF ISSUANCE: May 21, 2003

PROJECT DESCRIPTION: Proposal for a 5-story apartment building with 88-units ranging from studio to 3-bedroom. This is a subsidized rental housing project. 102 parking spaces - 68 spaces in the underground garage, 34 surface parking spaces.

PROJECT NO: 201220

LOCATION OF PROPOSAL: SW corner of 15th Ave NE and NE 180th Street, Shoreline, WA 98133

APPLICANT: North City Landing, LLP,
7201 92nd Ave SE, Mercer Island, WA 98040


CURRENT ZONING: North City Business District (NCBD)

LEAD AGENCY: City of Shoreline

The City of Shoreline has determined that the proposal meets the description and qualifies as a planned action under the City of Shoreline Development Code, North City Business District, Chapter 20.90. The decision was made after review of a completed environmental checklist and other information available on file with the City of Shoreline, Planning and Development Services Department. The project threshold determination is not required.

The permit application for this project shall be reviewed as Type A- Ministerial Decision, Development Code, 20.30.040. The proposal shall comply with criteria specified in the Development Code, 20.80.035 D, E, F, and G.

This information is available to the public on request.



Director's Signature

5.20.03
Date

ATTACHMENT B

Multifamily Housing Limited Property Tax Exemption Agreement

**MULTIFAMILY HOUSING LIMITED PROPERTY
TAX EXEMPTION AGREEMENT**

THIS AGREEMENT is entered into this _____ day of _____, 2003, by and between NORTH CITY PARTNERS, LP (hereinafter referred to as the "Applicant"), and the CITY OF SHORELINE (hereinafter referred to as the "City").

WITNESSETH:

WHEREAS the City has an interest in stimulating new construction or rehabilitation of multi family housing in Residential Target Areas in order to reduce development pressure on single-family residential neighborhoods, to increase and improve housing opportunities, and to encourage development densities supportive of transit use; and

WHEREAS the City has, pursuant to the authority granted to it by RCW 84.14, designated the North City Business District as a Residential Target Area for the provision of a limited property tax exemption for new multi family residential housing; and

WHEREAS the City has, through Ordinance No. 310, enacted a program whereby property owners may qualify for a Final Certificate of Tax Exemption which certifies to the King County Assessor that the owner is eligible to receive a limited property tax exemption; and

WHEREAS the Applicant is interested in receiving a limited property tax exemption for constructing 88 units of new multifamily residential housing at the NW corner of 15th Ave NE and NE 180th Street in the North City Business District; and

WHEREAS the Applicant has submitted to the City site plans and floor plans for new multi-family residential housing to be constructed on property situated approximately at _____ and described more specifically in Exhibit "A" (hereinafter referred to as "Site"); and

WHEREAS the City has determined that the improvements will, if completed as approved, satisfy the requirements for a Final Certificate of Tax Exemption.

NOW, THEREFORE, the City and the Applicant do mutually agree as follows:

1. The City agrees to issue the Applicant a Conditional Certificate of Acceptance of Tax Exemption at the time of permit approval.
2. The Applicant agrees to construct on the Site multifamily residential housing substantially as approved and permitted by the City. In no event shall such construction provide fewer than 20 new multifamily permanent residential units.

3. The Applicant agrees to complete construction of the agreed upon improvements within three years from the date the City issues the Conditional Certificate of Acceptance of Tax Exemption, or within any extension thereof granted by the City.

4. The Applicant agrees, upon completion of the improvements and upon issuance by the City of a temporary or permanent certificate of occupancy, to file with the City Manager a request for Final Certificate of Tax Exemption with the following information:

- (a) a statement of expenditures made with respect to each multifamily housing unit and the total expenditures made with respect to the entire property;
- (b) a description of the completed work and a statement of qualification for the exemption; and
- (c) a statement that the work was completed within the required three-year period or any authorized extension.

5. The City agrees, conditioned on the Applicant's successful completion of the improvements in accordance with the terms of this Agreement and on the Applicant's filing of the materials described in Paragraph 4 above, to file a Final Certificate of Tax Exemption with the King County Assessor.

6. The Applicant agrees, within 30 days following the first anniversary of the City's filing of the Final Certificate of Tax Exemption and each year thereafter for a period of ten years, to file a notarized declaration with the City Manager indicating the following:

- (a) a statement of occupancy and vacancy of the newly constructed property during the twelve months ending with the anniversary date;
- (b) a certification by the owner that the property has not changed use since the date of the certificate approved by the City; and,
- (c) a description of any subsequent changes or improvements constructed after issuance of the certificate of tax exemption.

7. If the Applicant converts any of the new multi-family residential housing units constructed under this Agreement into another use, the Applicant shall notify the King County Assessor and the City Manager within 60 days of such change in use.

8. The Applicant agrees to notify the City promptly of any transfer of Applicant's ownership interest in the Site or in the improvements made to the Site under this Agreement.

9. The City reserves the right to cancel the Final Certificate of Tax Exemption should the Applicant, its successors and assigns, fail to comply with any of the terms and conditions of this Agreement.

10. No modifications of this Agreement shall be made unless mutually agreed upon by the parties in writing.

11. In the event that any term or clause of this Agreement conflicts with applicable law, such conflict shall not affect other terms of this Agreement which can be given effect without the conflicting term or clause, and to this end, the terms of this Agreement are declared to be severable.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF SHORELINE

Applicant

By _____

By _____
Its _____

Approved:

City Manager

Attest:

Approved as to form:

City Clerk

City Attorney

STATE OF WASHINGTON

KING COUNTY

On this _____ day of _____, 2003, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared to me known to be the _____ of _____, which executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said company for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument on behalf of the company

WITNESS my hand and official seal hereto affixed the day and year first above written.