



## **Proposed Expansion of the Multifamily Property Tax Exemption Program Frequently Asked Questions (FAQs)**

### **When will the proposed Multifamily Property Tax Exemption (PTE) expansion be considered?**

Council studied the PTE expansion at meetings on September 26, 2011, and on November 28, 2011. Council believed that the expansion had merit, so it directed City Staff to bring an ordinance for consideration. Washington law requires a public hearing with special notice to enact the PTE program, so notice is being published for the two weeks prior to the hearing which is set at 7PM, December 12, 2011. The Council will vote on the ordinance shortly after the public hearing.

### **Will my taxes go up to pay for the PTE program?**

No! The King County Assessor confirmed that no one's taxes will increase as a result of the PTE program. The program simply delays the collection of taxes; it does not shift the collection to others.

### **What will be the effect on the City's tax revenue?**

The City continues to collect property tax on the land value during the exemption period, but it does not collect property taxes on the value of the multifamily improvements until after the 5 year exemption has expired. Once year six arrives, the City will collect approximately \$200 more per unit built.

### **What will be the effect on the school's tax revenue?**

Each year the school district collects a specific levy amount no matter how many tax payers are shouldering the burden. Therefore, the school district is unaffected by the PTE program and will collect the same amount whether or not there is new construction, tax exempt or not.

### **Will my taxes go down as a result of new construction?**

Yes, although not significantly. As soon as the exemption expires and the owner of the multifamily building begins paying taxes on the improvements, all other Shoreline tax payers will see a very small *decrease* in taxes. The decrease is caused by a reduction in the amount current tax payers are charged to cover their portion of the fixed levy taxes such as those collected by the school district. Since the fixed levy tax is a set amount, adding more tax payers who are contributing to this fixed amount will result in a reduction. Another way to illustrate the effect is to consider what happens when eight guests are invited to Thanksgiving one year, and nine guests are invited the second year; if the pie is the same size both years, the second year serving would be slightly smaller because more people are taking part. In the case of fixed levy taxes, the decrease is quite small since so many are paying toward these taxes; it is estimated that the decrease experienced by a property owner with a home valued at \$275,000 would be less than 3¢ per year per new unit built under the PTE program.

### **Why is there a need to expand where Property Tax Exemptions (PTE) are offered?**

By expanding the area in which the PTE incentive program is offered, the City improves its chances that development will be stimulated somewhere in the City. For example, for a number of years the City of Seattle has offered PTE incentives in 39 separate areas which encompass the vast majority of multifamily

property in Seattle. On average, less than two qualifying projects per area have taken advantage of the PTE program, and the projects have been widely scattered throughout the city. A second reason to expand the PTE program is related; without an expansion, Shoreline properties are at a competitive disadvantage with those just over the border in Seattle and in other similar cities that offer PTE. The expansion helps to attract investors who otherwise would build under a PTE program elsewhere.

**How were the new areas selected?**

The areas selected were those areas in Shoreline that already were zoned for multifamily housing and that already exhibit the synergies needed for clustered development. The five areas selected include the entire Aurora Corridor including Westminster Way, the Ballinger commercial area, the Hillwood commercial area, the Richmond Beach commercial area, and the Southeast Neighborhoods' two commercial areas at NE 145<sup>th</sup> St & Bothell Way and at NE 145<sup>th</sup> St and 15<sup>th</sup> Ave NE. These select areas possess sufficient area for the development of more housing as well as providing relatively easy access to amenities and recreation.

**Does the PTE expansion allow for more height or more units?**

No. Height and density are controlled by zoning, and the expansion of the PTE program changes no zoning, nor does it change what or how much can or cannot be built in any area.

**Does the new PTE program provide affordable housing?**

Yes, but it doesn't mandate that the developer comply with affordability limits. The Washington State law (RCW 84.14) that encourages cities to stimulate multifamily housing using PTE states that an increase in affordable housing stock is one of the possible—but not the required—positive outcomes of the program. Based on the law's definition of affordability, Shoreline's current market apartment rents already qualify as affordable. Since increasing housing choices in Shoreline is part of a stated city goal (Goal #3), Council concluded that new multifamily projects built using the PTE program would likely accomplish both the desired goal of affordability and of increasing housing choices. Therefore, no additional compliance regulations or lengthened incentives were considered prudent or necessary.

**Why offer only 5 years of exemption?**

State law limits tax exemptions to 12 years for affordable projects and 8 years for market rate housing. The Council concluded that limiting the length of the exemption to 5 years provides just enough incentive for the investor to make a project viable while generating increased tax revenue for city services 3 - 7 years sooner.

**Will the North City and Ridgecrest PTE programs be affected by the PTE expansion?**

No. Both North City and Ridgecrest's PTE programs will continue to provide 8 years of PTE for market rate and 12 years of PTE for affordable projects.

**Further questions?**

Please feel free to contact Dan Eernisse in Shoreline's Office of Economic Development at [deernisse@shorelinewa.gov](mailto:deernisse@shorelinewa.gov).