



Property Tax Exemption Frequently Asked Questions (FAQs)

What is the Property Tax Exemption (PTE) Program?

The PTE program provides a property tax exemption for development of multi-family residential housing in two targeted areas of Shoreline: the North City Business District and the Ridgecrest Commercial District. Currently, the City offers a 12-year tax exemption, which requires that 20% of the units in the development be affordable, and an 8-year tax exemption, which requires that 10% of the units in the development be affordable.

What is the purpose of the PTE Program?

The purposes of the PTE program is 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.

When was the City of Shoreline's Property Tax Exemption (PTE) Program established?

The City of Shoreline's PTE Program was initially established in November of 2002 by Council Ordinance No. 310. The program was amended in March of 2008 by Council Ordinance Nos. 479 and 496, and amended again in September 2008 by Council Ordinance No. 520.

How does the tax exemption work?

Once a project is completed and a Final Certificate for tax exemption is issued by the City to the King County Assessor's Office, the tax exemption period will commence January 1st of the following year, and last for the duration of the exemption period (either eight or 12 years). The tax 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, utility or impact fees, or any residential units that were in existence at the time of application.

How does a project qualify for the PTE Program?

To qualify for the PTE Program, a project must:

- Be located within the adopted boundaries of the North City Business District target area or the Ridgecrest Commercial District target area.
- The project's tax exempt unit count must be within the remaining unit count allotted to the PTE Program target area. The North City Business District target area has a 500 tax exempt unit limit, and the Ridgecrest Commercial District target area has a 350 tax exempt unit limit.
- The new development or rehabilitation of an existing development must provide for a minimum of fifty percent of the space for permanent residential occupancy, and must create, at a minimum, four (4) additional residential units of multi-family housing.
- New construction or rehabilitation must be completed within three years from the date of approval of the application.
- 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.

How is affordability determined for the two exemption periods?

To qualify for either the 8-year or 12-year tax exemption, the applicant must commit to renting or selling affordable housing units to low-income households. For the 8-year exemption, at least 10% of the project's multi-family housing units must be rented or sold as affordable housing, and for the 12-year tax exemption, 20% of the project's multi-family housing units must be rented or sold as affordable housing. "Affordable housing" means residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed thirty percent of the household's monthly income. For the purposes of housing intended for owner occupancy, "affordable housing" means residential housing that is within the means of low or moderate-income households.

In the North City Business District target area, eligible household incomes cannot exceed 70% of the King County area median income (KCAMI), adjusted for family size, for studio and 1-bedroom units, and cannot exceed 80% of the KCAMI, adjusted for family size, for two or more bedroom units. In the Ridgecrest Commercial District target area, eligible household incomes cannot exceed 90% of the KCAMI, adjusted for family size, regardless of the unit size.

Why is the low-income household definition different for the two target areas?

The reason the Ridgecrest Commercial District target area and the North City Business District target area have different low-income household requirements are the number of additional amenities that are required in the Ridgecrest Planned Area 2 zone. These amenity requirements, which are mandated by the development code, include a green building requirement, an open space/plaza requirement, a mixed use requirement, and a bus pass requirement. In addition to parking requirements and housing affordability requirements for projects utilizing the PTE Program, these public amenity requirements affect a developer’s profit margin and their overall willingness to build. As there are fewer public amenity requirements in the development code for the North City Business District than the Ridgecrest Planned Area 2 zone, requiring greater affordability in North City Business District projects utilizing the PTE Program will provide for equity across the two PTE target areas.

What does an applicant need to submit to the City for their project to be considered for a tax exemption?

To apply for the PTE Program, the applicant must first submit an application for Conditional Certificate of Tax Exemption to the City of Shoreline Planning and Development Services Department. In addition to the application, a processing fee, equal to three times the current hourly rate for processing land use permits, a site plan, and floor plan of the housing units must also be submitted.

How is an application for Conditional Certificate of Tax Exemption approved?

Once a Conditional Certificate application is received, City staff will review the application to determine if it is complete and if the project meets the criteria of the PTE Program. If denied, the applicant may work with City staff to amend the application, or may appeal the denial to the City Council. If approved, the application, together with a contract between the applicant and the City regarding the terms and conditions of the project, signed by the applicant, will be presented to the City Council for final approval. Upon City Council approval, City staff will sign the contract and issue the Conditional Certificate of Tax Exemption. A decision to approve or deny certification of a conditional application and approval of the development contract by the City Council shall be made within 90 days of receipt of a complete application.

When does an application for Conditional Certificate of Tax Exemption reserve the amount of tax exempt units outlined in the application?

The application for tax exemption reserves the amount of tax exempt units outlined in the application once a complete application for Conditional Certificate is received by the City of Shoreline.

How long is the Conditional Certificate of Tax Exemption valid for?

The Conditional Certificate expires three years from the date it was signed unless an extension is granted.

How is a Conditional Certificate of Tax Exemption extended?

To extend a Conditional Certificate, an applicant must fill out an application for Extension of Conditional Certificate of Tax Exemption. A Conditional Certificate may be extended for a period not to exceed 24 months by City staff.

What is typically included in the terms and conditions contract between the City and the applicant?

The terms and conditions contract will typically require the applicant to meet all the requirements of the PTE program as outlined in Shoreline Ordinance No. 520. This includes providing an application and related information for a Final Certificate of Tax Exemption once the project has been constructed, providing ongoing compliance information for the duration of the exemption period, and other contractual requirements.

How does an applicant apply for a Final Certificate of Tax Exemption?

Once the project has been completed within three years of receipt of the Conditional Certificate of Tax Exemption, the applicant may request a Final Certificate for Tax Exemption. To apply for the Final Certificate, the applicant must submit an application for Final Certificate of Tax Exemption to the City of Shoreline Planning and Development Services Department. In addition to the application for Final Certificate, a King County Assessors fee for administering the Multiple Family Tax Exemption program, a statement of expenditures made with respect to each multi-family housing unit, and the total expenditures made with respect to the entire property must also be submitted.

How is an application for Final Certificate of Tax Exemption approved?

Once a Final Certificate application is received, City staff will review the application to determine if it is complete and if it meets the criteria for a Final Certificate. Staff will also determine if the project was completed in accordance with the contract between the applicant and the City and within the authorized time period. If the project was completed in accordance with these criteria, the City will file a Final Certificate of Tax Exemption with the King County Assessors Office within 40 days. The tax exemption period will commence on January 1st of the year following the year the Final Certificate is approved.

Can a property tax exemption be cancelled?

Yes. If at any time during the exemption period City staff determine that the owner has not complied with the terms of the contract or the requirements of the PTE Program, or that the property no longer complies with the terms of the contract or the requirements of the PTE Program, or for any reason no longer qualifies for the tax exemption, the tax exemption will be cancelled, and additional taxes, interest and penalties may be imposed on the property.