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ORDINANCE NO. 624

AN ORDINANCE ESTABLISHING A 5-YEAR EXEMPTION FROM REAL PROPERTY TAXATION FOR THE DEVELOPMENT OF MULTIFAMILY HOUSING IN DESIGNATED TARGET AREAS AND ADOPTING A NEW MUNICIPAL CODE CHAPTER 3.27

WHEREAS, Chapter 84.14 of the Revised Code of Washington provides for exemptions from ad valorem property taxation for qualifying multi-family housing located in designated target areas within urban centers and authorizes the City to adopt necessary procedures to implement the State legislation; and

WHEREAS, in order to establish a tax exemption program, the City must designate one or more target areas within which tax exemption projects may be considered; and

WHEREAS, Chapter 84.14 RCW provides that areas designated as target areas must be within urban centers, 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 centers, if the desirable, attractive, and livable places to live were available; and the providing of additional housing opportunities in the areas will assist in achieving one of the stated purposes in RCW 84.14; and

WHEREAS, at the City Council meetings on September 26, 2011 and November 28, 2011, the City Council discussed designating additional areas for the property tax exemption program; and

WHEREAS, a notice of public hearing for December 12, 2011 was published in the Seattle Times on December 1, 2011 and on December 5, 2011; and

WHEREAS, the public hearing was held on December 12, 2011; and

WHEREAS, the City of Shoreline desires to designate portions of the Aurora Avenue North Corridor, Westminster Way N, Ballinger Way NE commercial area, Hillwood commercial area, Richmond Beach commercial area, and intersections of Bothell Way NE and 15th Ave NE as residential targeted areas and to adopt the standards and guidelines to be utilized in considering applications for tax incentives; and

WHEREAS, the City Council desires to adopt a five-year program rather than the standard eight-year program in order to balance the incentive for development with the potential for increased revenue.

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

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Section 1. Findings. The City Council finds that:

A. The following areas are urban centers of the City of Shoreline, as defined under RCW 84.14.010(16):

1) Aurora Avenue North Corridor, including a portion of Westminster Way N;
2) Ballinger Way NE commercial area;
3) Hillwood commercial area;
4) Richmond Beach commercial area;
5) The commercial areas associated with the intersections of NE 145th St with Bothell Way NE and 15th Ave NE.

B. These identified urban centers lack sufficient available, desirable and convenient residential housing to meet the needs of the public, and current and future residents of the City of Shoreline would be likely to live in these urban centers if additional desirable, convenient, attractive and livable places were available.

C. Provision of additional housing opportunities 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.

D. A five year program allows for these additional housing opportunities to be provided.

Section 2. New Chapter. A new chapter, Chapter 3.27, *Property Tax Exemption*, is hereby adopted to read as follows:

3.27.010 Purpose

A. The purpose of the 5-year exemption from ad valorem property taxation for multifamily housing in the residential targeted areas is 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 designated targeted areas;
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 area.

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3.27.020 Designation of Residential Targeted Area

The following areas, as shown in Exhibits 1-5, given Clerk's Receiving Number 6645, are designated as residential targeted areas:

1) Aurora Avenue North Corridor, including a portion of Westminster Way N;
2) Ballinger Way NE commercial area;
3) Hillwood commercial area;
4) Richmond Beach commercial area;
5) The commercial areas associated with the intersections of NE 145th St with Bothell Way NE and 15th Ave NE.

3.27.030 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 one of the targeted residential areas designated in section 3.
   2. 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.
   3. 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.
   4. 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.

B. Exemption - Duration. The value of improvements qualifying under this chapter for a Multiple Family Tax Exemption will be exempt from ad valorem property taxation for five 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

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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 Manager or designee under which the applicant has agreed to the implementation of the development on terms and conditions satisfactory to the City Manager or designee.

3.27.040. Application Procedures

A. A property owner who wishes to propose a project for a tax exemption shall file an application for Multiple Family Tax Exemption with the Department of Planning and Community Development in substantially the same form as the application set forth in Exhibit A, along with a minimum fee deposit of three times the current hourly rate for processing land use permits together with the current King County Assessors fee for administering the Multiple Family Tax Exemption program. Total City fees will be calculated using the adopted hourly rates for land use permits in effect during processing.

B. In the case of rehabilitation or demolition, the owner shall secure verification of property noncompliance with applicable building and housing codes prior to demolition.

C. The application shall include:
   1. A brief written description of the project setting forth the grounds for the exemption;
   2. A site plan, including the floor plan of units;
   3. A statement from the owner acknowledging the potential tax liability when the project ceases to be eligible under this ordinance; and
   4. Verification by oath or affirmation of the information submitted.

D. No applications for the Multiple Family Tax Exemption shall be accepted after December 31, 2016, unless the City Council evaluates and extends the program.

3.27.050 Application Review and Issuance of Conditional Certificate

A. Certification. Once a development project application is deemed complete, the City Manager or designee may certify as eligible an application which is determined to comply with the requirements of this ordinance and enter findings consistent with RCW 84.14.060. A decision to approve or deny certification of an application shall be made within 90 days of receipt of a complete application. If denied the applicant may appeal the denial to the City Council within thirty days by filing an Appeal Statement and the current appeal filing fee with the City Clerk. The appeal before the City Council will be based upon the record before the City Manager or designee with the burden of proof on the applicant to show there was no substantial

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evidence to support the official's decision. The City Council's decision on appeal shall be final.

B. Approval. If certified as eligible, the application together with a contract between the applicant and the City with the terms and conditions of the project shall be executed by the applicant and the City Manager.

C. Issuance and Time Limit. Once the contract is fully executed, the City Manager shall issue a Conditional Certificate of Acceptance of Tax Exemption. The Conditional Certificate expires three years from the date of approval unless an extension is granted.

D. Extension of Conditional Certificate. The Conditional Certificate may be extended by the City Manager for a period not to exceed 24 months. The applicant must submit a written request stating the grounds for the extension, accompanied by a processing fee equal two times the current hourly rate for processing land use permits. An extension may be granted if the City Manager determines that:
   1. The anticipated failure to complete construction or rehabilitation within the required time period is due to circumstances beyond the control of the owner;
   2. The owner has been acting and could reasonably be expected to continue to act in good faith and with due diligence; and
   3. All Conditions of the original contract between the applicant and the City will be satisfied upon completion of the project.

E. Denial of Application. If the application for tax exemption is denied, the City Manager shall state in writing the reasons for denial and shall send notice to the applicant at the applicant's last known address within ten days of the denial. An applicant may appeal a denial to the Hearing Examiner under the Rules of Procedure for Administrative Hearings within 30 days of receipt of the denial.

3.27.060 Application for Final Certificate

A. Upon completion of the improvements provided in the contract between the applicant and the City the applicant may request a Final Certificate of Tax Exemption. The applicant must file with the City Manager such information as the City Manager may deem necessary or useful to evaluate eligibility for the Final Certificate and shall include:
   1. A statement of expenditures made with respect to each multi-family housing unit and the total expenditures made with respect to the entire property;
   2. A description of the completed work and a statement that the improvements qualify for the exemption; and
   3. A statement that the work was completed within the required three-year period or any authorized extension.

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B. Within 30 days of receipt of all materials required for a Final Certificate, the City Manager shall determine whether the improvements satisfy the requirements of this ordinance and the approved contract.

3.27.070. Issuance of Final Certificate

A. Approval. If the City Manager determines that the project has been completed in accordance with the contract between the applicant and the City and has been completed within the authorized time period, the City shall, within 40 days of application, file a Final Certificate of Tax Exemption with the King County Assessor.

B. Denial and Appeal. The City Manager shall notify the applicant in writing that a Final Certificate will not be filed if the City Manager determines that:
   1. The improvements were not completed within the authorized time period;
   2. The improvements were not completed in accordance with the contract between the applicant and the City;
   3. The owner's property is otherwise not qualified under this ordinance; or
   4. The owner and the City Manager cannot come to an agreement on the allocation of the value of improvements allocated to the exempt portion of the rehabilitation improvements, new construction and multi-use new construction.

3.27.080 Annual Compliance Review

A. Annual Declaration. Within 30 days after the first anniversary of the date of filing of the Final Certificate of Tax Exemption and each year thereafter, for a period of 5 years, the property owner shall file a notarized declaration with the City Manager indicating the following:
   1. A statement of occupancy and vacancy of the rehabilitated or newly constructed property during the twelve months ending with the anniversary date;
   2. A certification by the owner that the property has not changed use since the date of the certificate approved by the City;
   3. A description of any subsequent changes or improvements constructed after issuance of the certificate of tax exemption.

B. Additional Reporting Requirement. By December 15 of each year, beginning with the first year in which the Final Certificate of Tax Exemption is filed and each year thereafter for a period of 5 years, the property owner shall provide staff with a written report with the information sufficient to complete the City's report to the Department of Commerce described in Section D below.

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C. Audits. City staff may conduct audits or on-site verification of the declaration and information provided by the property owner. Failure to submit the annual declaration and annual reports may result in cancellation of the tax exemption.

D. By December 31 of each year, the City shall file a report to the Department of Commerce indicating the following for each approved PTE project:
1. The number of tax exemption certificates granted;
2. The total number and type of units produced or to be produced;
3. The number and type of units produced or to be produced meeting affordable housing requirements;
4. The actual development cost of each unit produced, specifically,
   a. Development cost average per unit including all costs
   b. Development cost average per unit, excluding land and parking
   c. Development cost average per structured parking stall
   d. Land Cost
   e. Other Costs
   f. Net Rentable Square Footage
   g. Gross Square Footage, including common spaces, surface parking and garage
5. The total monthly rent or total sale amount of each unit produced;
6. If available, the income of each renter household at the time of initial occupancy and the income of each initial purchaser if owner-occupied units at the time of purchase for each of the units receiving a tax exemption and a summary of these figures for the city; and
7. The value of the tax exemption for each project receiving a tax exemption and the total value of tax exemptions granted.

3.27.090. Cancellation of Tax Exemption

A. Cancellation. If at any time during the exemption period, the City Manager determines the owner has not compiled with the terms of the contract or with the requirements of this ordinance, or that the property no longer complies with the terms of the contract or with the requirements of this ordinance, or for any reason no longer qualifies for the tax exemption, the tax exemption shall be canceled and additional taxes, interest and penalties may be imposed pursuant to RCW 84.14.110 as amended. This cancellation may occur in conjunction with the annual review or at any other time when noncompliance has been determined. If the owner intends to convert the multi-family housing to another use, the owner must notify the City Manager and the King County Assessor within 60 days of the change in use. Upon such change in use, the tax exemption shall be cancelled and additional taxes, interest and penalties imposed pursuant to state law.

B. Notice and Appeal. Upon determining that a tax exemption is to be canceled, the City Manager shall notify the property owner by certified mail return receipt requested. The property owner may appeal the determination to the Hearing Examiner under City of Shoreline Rules of Procedure for Administrative Appeal.

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Section 3. 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 DECEMBER 12, 2011.

Keith A. McGlashan, Mayor

ATTEST:

Scott Passey, MMC
City Clerk

APPROVED AS TO FORM:

Ian Sievers
City Attorney

Publication Date: December 15, 2011
Effective Date: December 20, 2011