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ORDINANCE NO. 694

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON ESTABLISHING A NEW PROPERTY TAX EXEMPTION PROGRAM FOR THE CITY OF SHORELINE BY REPEALING UNCODIFIED SHORELINE ORDINANCE NUMBERS 310, 479, 496, AND 520 AND REPEALING THE EXISTING SHORELINE MUNICIPAL CODE CHAPTER 3.27 IN ITS ENTIRETY AND ENACTING A NEW CHAPTER 3.27.

WHEREAS, the City of Shoreline is a non-charter optional municipal code city as provided in Title 35A RCW, incorporated under the laws of the state of Washington (hereinafter referred to as "City"); and

WHEREAS, Chapter 84.14 of the Revised Code of Washington provides for exemptions from ad valorem property tax valuation for qualifying multi-family housing located in designated target areas within urban centers; and

WHEREAS, Chapter 84.14 authorizes the City to designate target areas and to adopt necessary procedures to implement RCW 84.14; and

WHEREAS, with the adoption of Ordinance Numbers 310, 479, 496, and 520 the City has provided for a Property Tax Exemption Program within areas of the City, specifically denoting North City Business District and certain areas of and/ or adjacent to the Ridgecrest Commercial Area as designated residential target areas; these ordinances were not codified; and

WHEREAS, with the adoption of Ordinance 624, the City codifying a Property Tax Exemption Program by establishing a new chapter of the Shoreline Municipal Code (SMC) Chapter 3.27 and designating five (5) residential target areas, these areas did not include Ridgecrest or North City, the areas addressed by the prior ordinances; and

WHEREAS, with the adoption of Ordinance 664, the City Council amended SMC 3.27 to further refine the Property Tax Exemption Program in regards to the Aurora Community Renewal Area; and

WHEREAS, the previously enacted, uncodified ordinances were not repealed when SMC Chapter 3.27 was adopted or amended; and

WHEREAS, after further consideration of the Property Tax Exemption Program offered by the City, including duration and limitations, and the requirements of Chapter 84.14; and

WHEREAS, the City Council desires to continue the Property Tax Exemption Program within the previously designated residential target areas and to honor those applications previously submitted; and

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WHEREAS, the City Council has determined that to ensure all property subject to the Property Tax Exemption Program and any specific provisions applicable to a property is clearly delineated in the SMC and consistent with state law for the benefit of present and future property owners previously enactments must be repealed and a new, unified chapter of the Shoreline Municipal Code be adopted; therefore,

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

Section 1. Repeal. Ordinance No. 310 is repealed in its entirety.

Section 2. Repeal. Ordinance No. 479 is repealed in its entirety.

Section 3. Repeal. Ordinance No. 496 is repealed in its entirety.

Section 4. Repeal. Ordinance No. 520 is repealed in its entirety.

Section 5. Repeal, New Chapter. Shoreline Municipal Code, Chapter 3.27 *Property Tax Exemption* is repealed in its entirety and a new Chapter 3.27 *Property Tax Exemption* is adopted as set forth in Exhibit A attached hereto.

Section 6. Severability. If any section, sentence, clause, or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause, or phrase of this ordinance.

Section 7. Publication and Effective Date. A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five days after publication.

PASSED BY THE CITY COUNCIL ON FEBRUARY 9, 2015.

Mayor Shari Winstead

ATTEST:

Jessica Simulcik Smith
City Clerk

APPROVED AS TO FORM:

Margaret King
City Attorney

Date of Publication: February 12, 2015
Effective Date: February 17, 2015

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Chapter 3.27

Property Tax Exemption

Sections:

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3.27.040 Eligibility standards and guidelines

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3.27.070 Application procedures for final certificate

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3.27.090 Annual compliance review

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Section 3.27.010 Purpose.

The purpose of this chapter providing for an exemption from ad valorem property taxation for multifamily housing in the residential targeted areas is to:

A. Encourage increased residential opportunities within the residential targeted area;

B. Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for revitalization of the designated targeted areas;

C. Assist in directing future population growth to the residential targeted area, thereby reducing development pressure on single-family residential neighborhoods; and

D. 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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Section 3.27.020 Definitions

A. "Affordable housing" means residential housing that is rented or sold to a person or household whose annual household income does not exceed seventy percent (70%) of the median household income adjusted for family size for King County, determined annually by the U.S. Department of Housing and Urban Development, for studio and one bedroom units and not exceeding eighty percent (80%) of the area median household income adjusted for family size for two bedroom or larger units.

B. "Department" means the City of Shoreline Department of Community and Economic Development.

C. "Household annual income" means the aggregate annual income of all persons over eighteen years of age residing in the same household.

D. "Multifamily housing" means a building or project having four or more dwelling units designed for permanent residential occupancy.

E. "Owner" or "Property Owner" means the property owner of record.

F. "Permanent residential occupancy" means multifamily housing that provides either rental or owner-occupancy for a period of at least one month, excluding hotels, motels, or other types of temporary housing that predominately offer rental accommodation on a daily or weekly basis.

Section 3.27.030 Designation of residential targeted areas

A. The following areas, as shown in Attachments A through F, are designated as residential targeted areas:

A. Aurora Avenue North Corridor, including a portion of Westminster Way N;

B. Ballinger Way NE commercial area;

C. Hillwood commercial area;

D. Richmond Beach commercial area;

E. Southeast Neighborhood commercial area;

F. North City Business District; and

G. Ridgecrest commercial area.

NOTE TO CODE REVISER: – The maps included as Exhibits to Ordinance 694 are to be included in the codified version of the SMC.

B. If a part of any legal lot is within a residential targeted area, then the entire lot shall be deemed to lie within such residential targeted area.

C. Additional residential targeted areas may be designated if the city council determines that an area meets the criteria set forth in RCW 84.14.040(1), as amended.

Section 3.27.040 Eligibility standards and guidelines.

A. Eligibility requirements. To be eligible for exemption from property tax under this chapter, the property must satisfy all of the following requirements:

1. The project must be located within one of the residential targeted areas designated in SMC 3.27.020.
2. The project must be multifamily housing consisting of at least four (4) dwelling units within a residential structure or as part of a mixed used development, in which at least fifty percent (50%) of the space must provide for permanent residential occupancy.
3. The project must be designed to comply with the city's comprehensive plan, applicable development regulations, and applicable building and housing code requirements.
4. At least twenty percent (20%) of the housing units must be affordable housing as defined in SMC 3.27.020.
5. For the rehabilitation of existing occupied multifamily projects, at least four additional residential units must be added except when the project has been vacant for twelve (12) consecutive months or more.
6. The project must be scheduled for completion within three years from the date of issuance of the conditional certificate.
7. Property proposed to be rehabilitated must fail to comply with one or more standards of the applicable state or local building or housing codes. If the property proposed to be rehabilitated is not vacant, an applicant must provide each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate; and
8. The mix and configuration of housing units used to meet the requirement for affordable units under this chapter shall be substantially proportional to the mix and configuration of the total housing units in the project.

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

B. Duration of Tax Exemption.

The value of new housing construction and rehabilitation improvements qualifying under this chapter shall be exempt from ad valorem property taxation for twelve (12) successive years beginning January 1 of the year immediately following the calendar year after issuance of the final certificate of tax exemption.

C. Limitation on Tax Exemption Value.

1. The exemption provided for in this chapter does not include the value of land or nonhousing-related improvements not qualifying under this chapter.
2. In the case of rehabilitation of existing buildings, the exemption does not include the value of improvements constructed prior to the submission of the application for conditional certificate required by this chapter.
3. The exemption does not apply to increases in the assessed value made by the county assessor on nonqualifying portions of the building and value of land.

D. Residential Targeted Areas – Specific Requirements

1. No more than 500 total units will be approved under this chapter for areas of the Aurora Square Community Renewal Area (CRA) located within the Aurora Avenue North Corridor.
2. Units will be allocated based on the date the project's application for a conditional certificate is considered complete.

Section 3.27.050 Application procedures for conditional certificate.

A. A property owner who wishes to propose a project for a tax exemption shall file an application with the department of planning and community development upon a form provided by that department.

B. The application for exemption must be filed prior to issuance of the project's first building permit.

C. The application shall include:

1. Information setting forth the grounds for the exemption;

2. A description of the project and a site plan, including the floor plan of units;

3. A statement that the applicant is aware of the potential tax liability when the project ceases to be eligible under this chapter;

4. Information describing how the applicant shall comply with the affordability requirements of this chapter;

5. In the case of rehabilitation or where demolition or new construction is required, verification from the Department of the property's noncompliance with applicable building and housing codes; and

6. Verification by oath or affirmation of the information submitted by the applicant.

D. Fees. At the time of application under this section, the applicant shall pay a minimum fee deposit of three (3) times the current hourly rate for processing land use permits as provided in SMC 3.01 Fee Schedule. Total city fees will be calculated using the adopted hourly rates for land use permits in effect during processing of the tax exemption and any excess will be refunded to the applicant upon approval or denial of the application.

Section 3.27.060 Application review and issuance of conditional certificate.

A. Conditional Certificate.

1. The city manager may approve or deny an application for tax exemption.
2. The city manager may only approve the application if the requirements of RCW 84.14.060 and this chapter have been met.
3. A decision to approve or deny certification of an application shall be made within ninety (90) days of receipt of a complete application for tax exemption.
   a. If approved, the applicant must enter into a contract with the city setting forth the terms and conditions of the project and eligibility for exemption under this chapter.

b. This contract is subject to approval by the city council.

c. The applicant shall record, at the applicant's expense, the contract with the county assessor within ten (10) days of contract execution and provide the city with the recording number.

4. Once the city council has approved the contract and it is fully executed and recorded, the city manager will issue the property owner a conditional certificate of acceptance of tax exemption.

a. The certificate must contain a statement by the city manager that the property has complied with the required findings indicated in RCW 84.14.060.

b. The conditional certificate expires three (3) years from the date of issuance unless an extension is granted as provided for in this section.

5. If denied, the city manager must state in writing the reasons for denial and send notice to the applicant at the applicant's last known address within ten (10) days of the denial by U.S. mail, return receipt requested.

6. The applicant may appeal the denial to the city council within thirty (30) days of the date of issuance of the denial by filing an appeal statement with the city clerk and paying any applicable fee. The appeal before the city council will be based upon the record made before the city manager with the burden of proof on the applicant to show there was no substantial evidence to support the city manager's decision. The city council's decision on appeal shall be final.

B. Extension of Conditional Certificate. The conditional certificate may be extended by the city manager for a period not to exceed 24 consecutive months. The applicant must submit a written request stating the grounds for the extension, accompanied by a non-refundable processing fee equal to two times the current hourly rate for processing land use permits as provided in SMC 3.01 Fee Schedule. 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 applicant;

2. The applicant 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.

The applicant may appeal a denial of the extension to the city council within thirty (30) days of the issuance date of the denial by filing an appeal statement with the city clerk and paying any applicable fee. The city council's decision on appeal shall be final.

Section 3.27.070 Application procedures for final certificate

A. Application. 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 multifamily 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;

3. A statement that the work was completed within the required three (3) year period or any authorized extension; and

4. A statement that the project meets affordable housing requirements of this chapter.

B. Fees. At the time of application under this section, the applicant must submit a check made payable to the county assessor in an amount equal to the assessor's fee for administering the tax exemption program in effect at the time of final application.

Section 3.27.080 Application review and issuance of final certificate

A. Within thirty (30) days of receipt of all materials required for an application for final certificate, the city manager shall determine whether a final certificate should be issued. The city manager's determination shall be based on whether the improvements and the affordability of units satisfy the requirements of this chapter, the requirements and findings of RCW 84.14.060, and are consistent with the approved contract.

B. Approval. If the city manager determines that the project qualifies for the exemption, the city manager shall issue to the property owner a final certificate of tax exemption and file the final certificate with the county assessor within ten (10) days of the expiration of the thirty (30) day period provided in this section.

C. Denial. The city manager shall notify the applicant in writing within ten (10) days of the expiration of the thirty (30) day period provided in this section that the final certificate will not be issued if it is determined that:

1. The improvements were not completed within three years of issuance of the conditional certificate, or any authorized extension of the time limit;

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 chapter;

4. If applicable, the affordable housing requirements of this chapter have not been met; 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.

D. Appeal. The applicant may appeal the denial to the city council within thirty (30) days of the date of issuance of the denial by filing an appeal statement with the city clerk and paying any applicable fee. The appeal before the city council will be based upon the record made before the city manager with the burden of proof on the applicant to show there was no substantial evidence to support the city manager's decision. The city council's decision on appeal shall be final.

Section 3.27.090 Annual compliance review.

A. Annual Report – Property Owner. Thirty (30) days after the anniversary of the date of the final certificate of tax exemption and each year for the tax exemption period, the property owner shall file an annual report with the city manager indicating the following:

1. A statement of occupancy and vacancy of the rehabilitated or newly constructed property during the 12 months ending with the anniversary date;

2. A certification by the owner that the property has not changed use and, if applicable, that the property has been in compliance with affordable housing requirements for the property, since the date of the final certificate approved by the city;

3. A description of any subsequent changes or improvements constructed after issuance of the final certificate of tax exemption.

B. Additional Reporting Requirement – Property Owner. By December 15th of each year, beginning with the first year in which the final certificate of tax exemption is issued and each year thereafter for the tax exemption period, the property owner shall provide city staff with a written report that contains information sufficient to complete the city's report to the Department of Commerce described in subsection D of this section.

C. Audits. City staff may conduct audits or on-site verification of any statements of information provided by the property owner. Failure to submit the Annual Report and/or the additional written report may result in cancellation of the tax exemption.

D. Annual Report – City. By December 31st of each year, the city shall file a report to the Department of Commerce which must include the following:

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. 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.

Section 3.27.100 Cancellation of tax exemption.

A. Cancellation – Upon City Determination.

1. If at any time during the exemption period, the city manager determines the property owner has not complied with or the project no longer complies with the terms and requirements of this chapter or the contract required by SMC 3.27.040(A)(9), 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.
2. Cancellation may occur in conjunction with the annual review or at any other time when noncompliance has been determined.
3. Upon a determination that a tax exemption is to be cancelled for a reason stated in this section, the city manager shall notify in writing the property owner as shown by the tax rolls by U.S. mail, return receipt requested, of the determination to cancel exemption.
4. If the cancellation determination has not been appealed as provided in this section, the city manager shall send written notification to the county tax assessor of the cancellation within thirty (30) days so that additional taxes, interest, and penalties may be imposed pursuant to RCW 84.14.110.

B. Cancellation – Conversion of use by Property Owner

1. If the property owner intends to convert the multifamily housing to another use or to discontinue compliance with the affordable housing requires described in RCW 84.14.020, the owner must notify, in writing, the city manager and the county assessor within sixty (60) days of the change in use or intended discontinuance. Upon such change

in use or intended discontinuance, the tax exemption shall be cancelled and additional taxes, interest, and penalties imposed pursuant to RCW 84.14.110.

C. Appeal.

1. The property owner may appeal the cancellation determination to the city council by filing an appeal with the city clerk within thirty (30) days of the issuance date of the notice of cancellation and paying any applicable fee.
2. The appeal must specify the factual and legal basis on which the cancellation determination is alleged to be erroneous.
3. At the hearing, all affected parties must be heard and all competent evidence received.
5. The city council must affirm, modify, or repeal the cancellation determination based on the evidence presented. If the city council affirms the cancellation determination, the city manager shall send written notification to the county tax assessor of the cancellation within thirty (30) days of the city council's decision so that additional taxes, interest, and penalties may be imposed pursuant to RCW 84.14.110.
4. An aggrieved party may appeal the city council's decision to the superior court under RCW 34.05.510 through 34.05.598.

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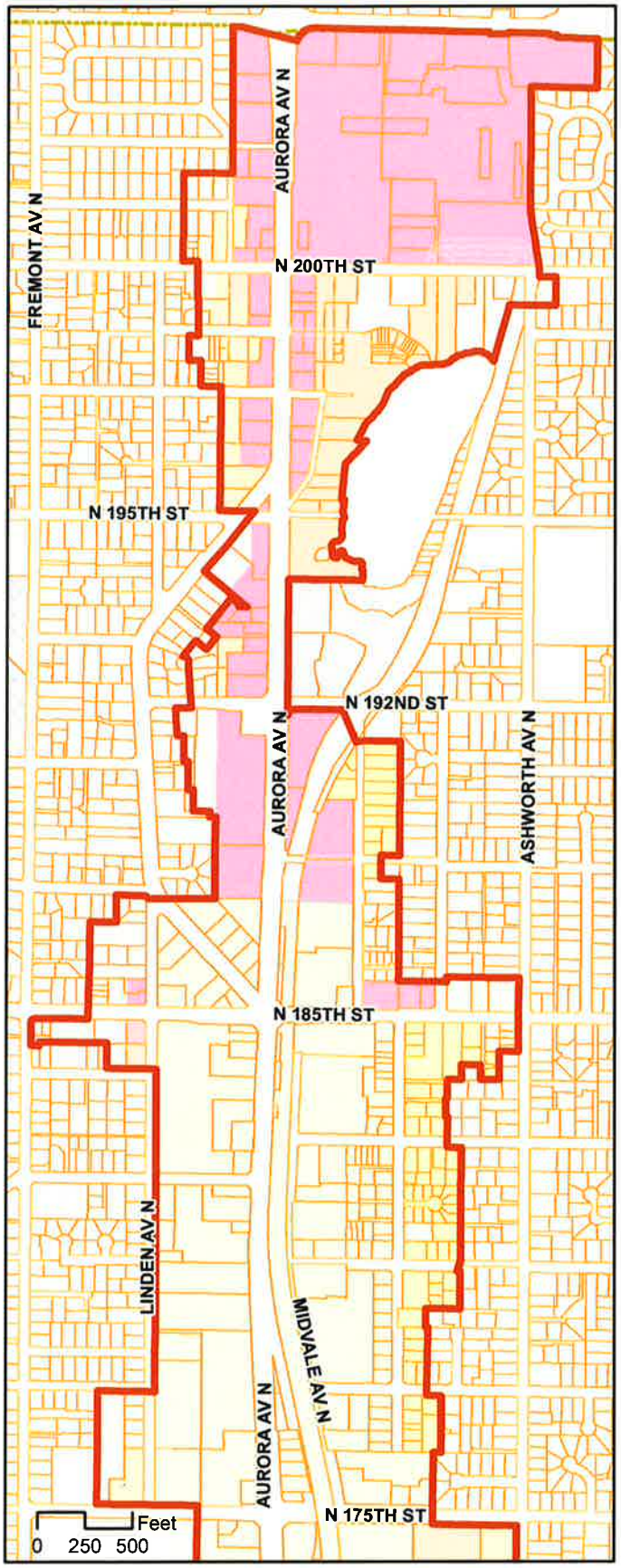

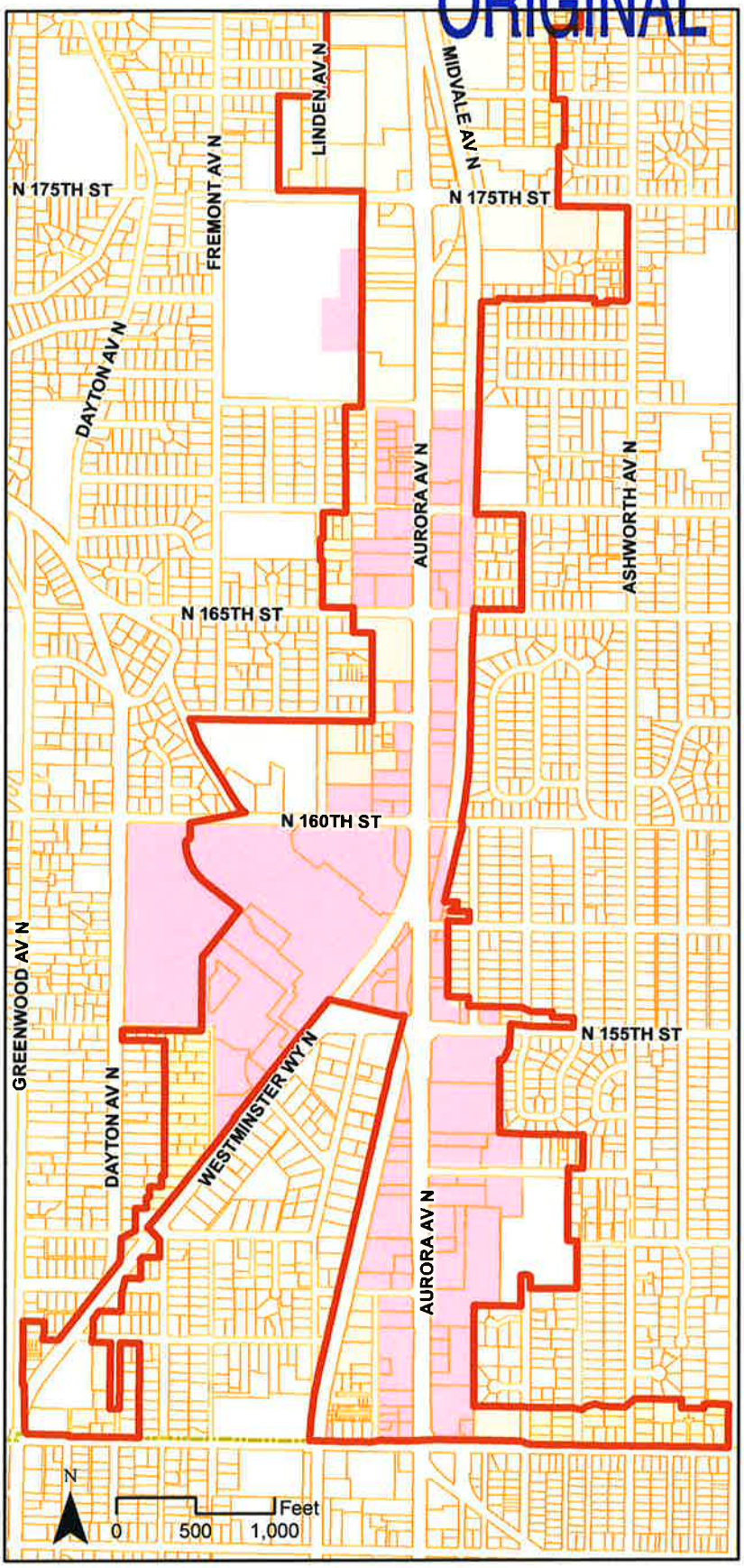

Multifamily Property Tax Exemption Area

Aurora Ave N Corridor

Multifamily Property Tax Exemption Area

City Limit

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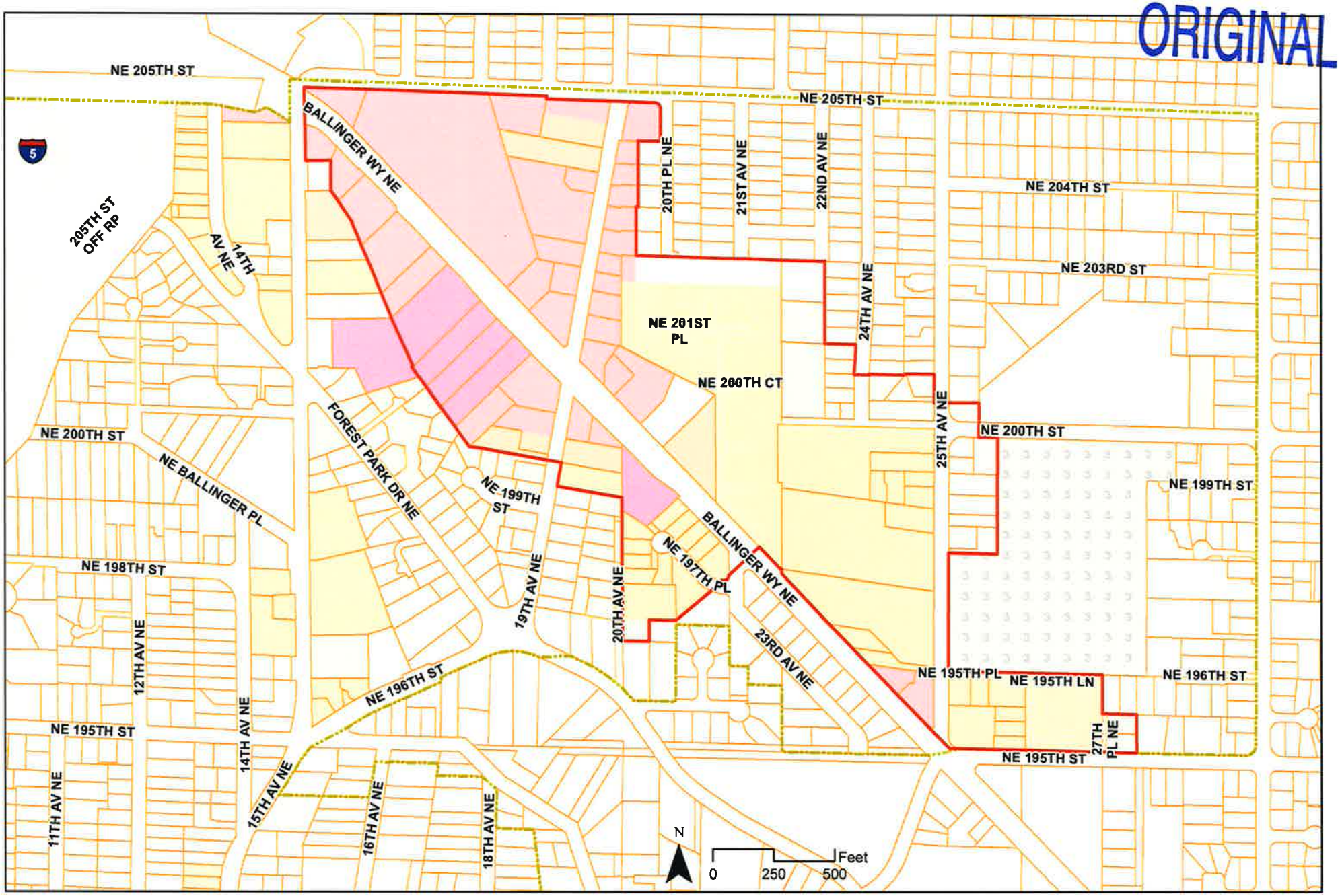

Multifamily Property Tax Exemption Area

Ballinger Way NE Commercial Area

Multifamily Property Tax Exemption Area

City Limit

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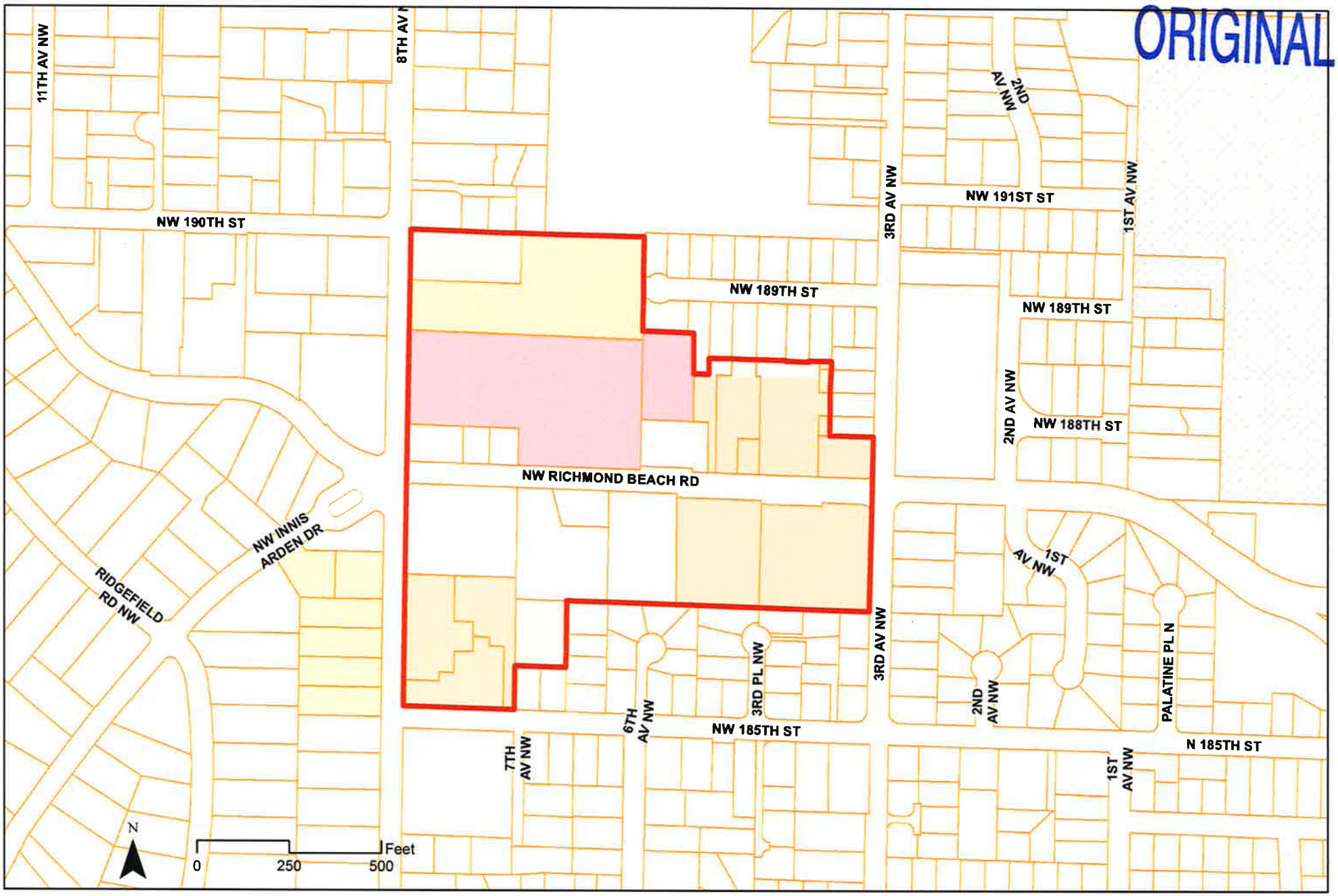

Multifamily Property Tax Exemption Area

Hillwood Commercial Area

Multifamily Property Tax Exemption Area

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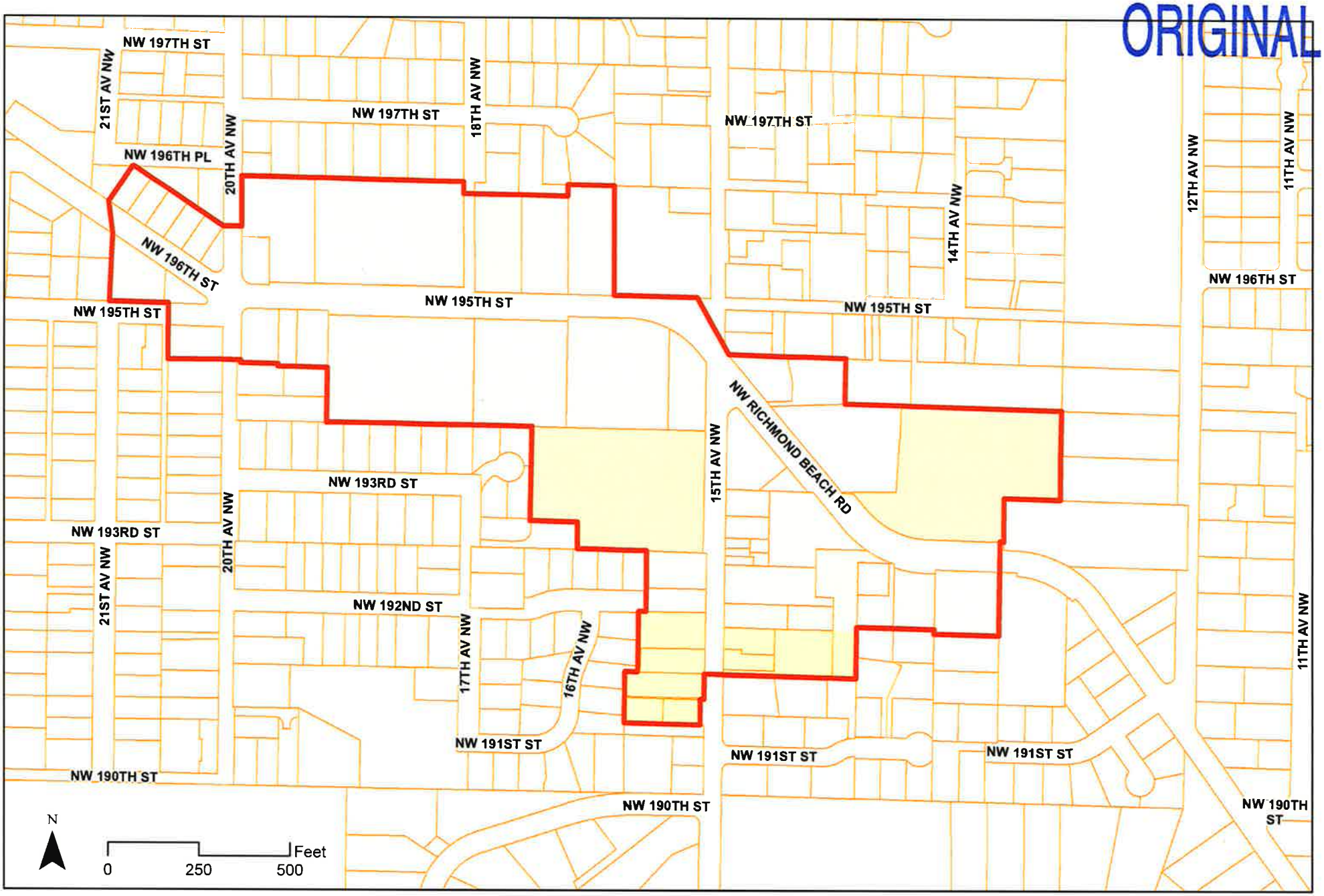

Multifamily Property Tax Exemption Area

Richmond Beach Commercial Area

Multifamily Property Tax Exemption Area

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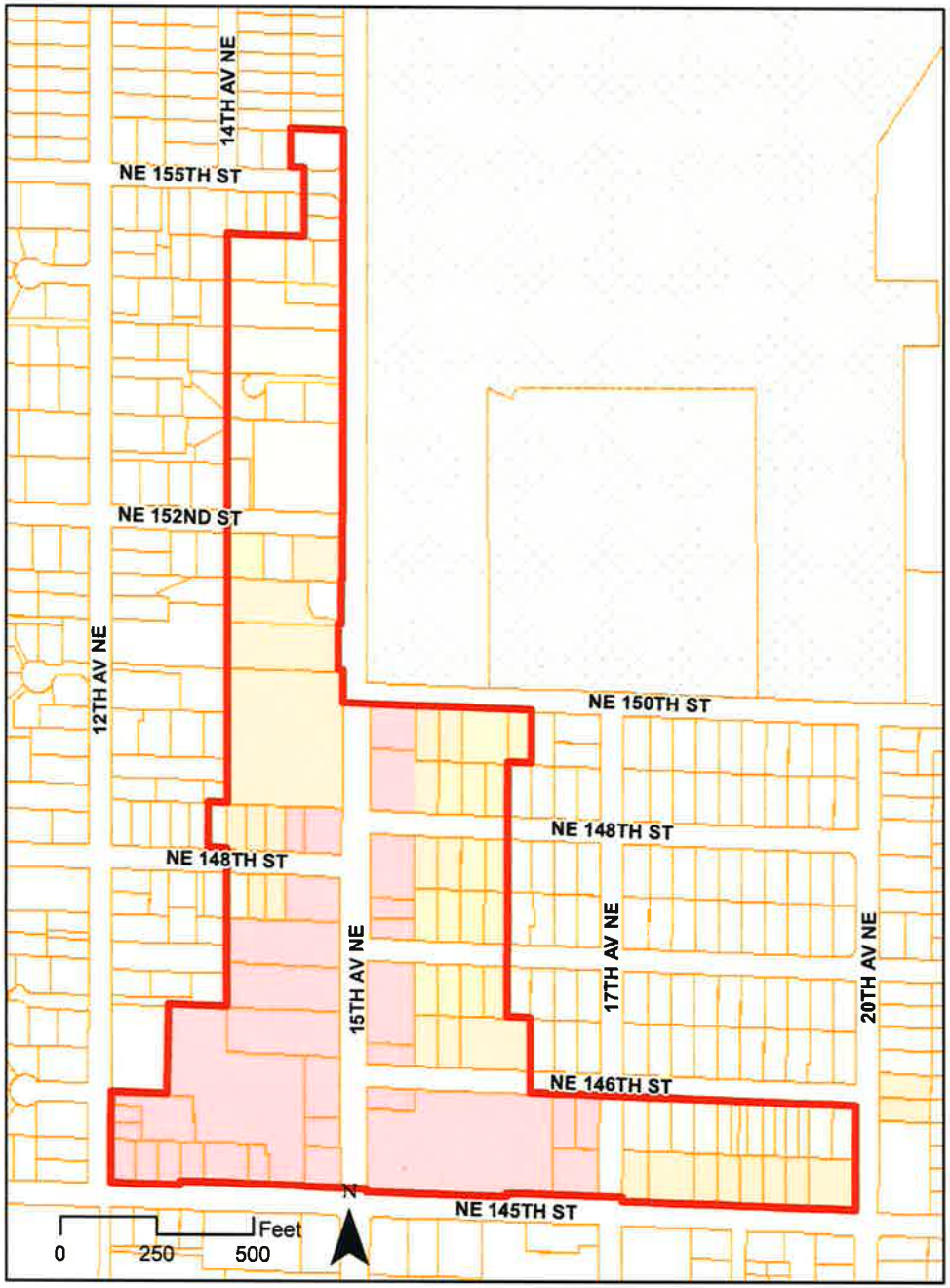

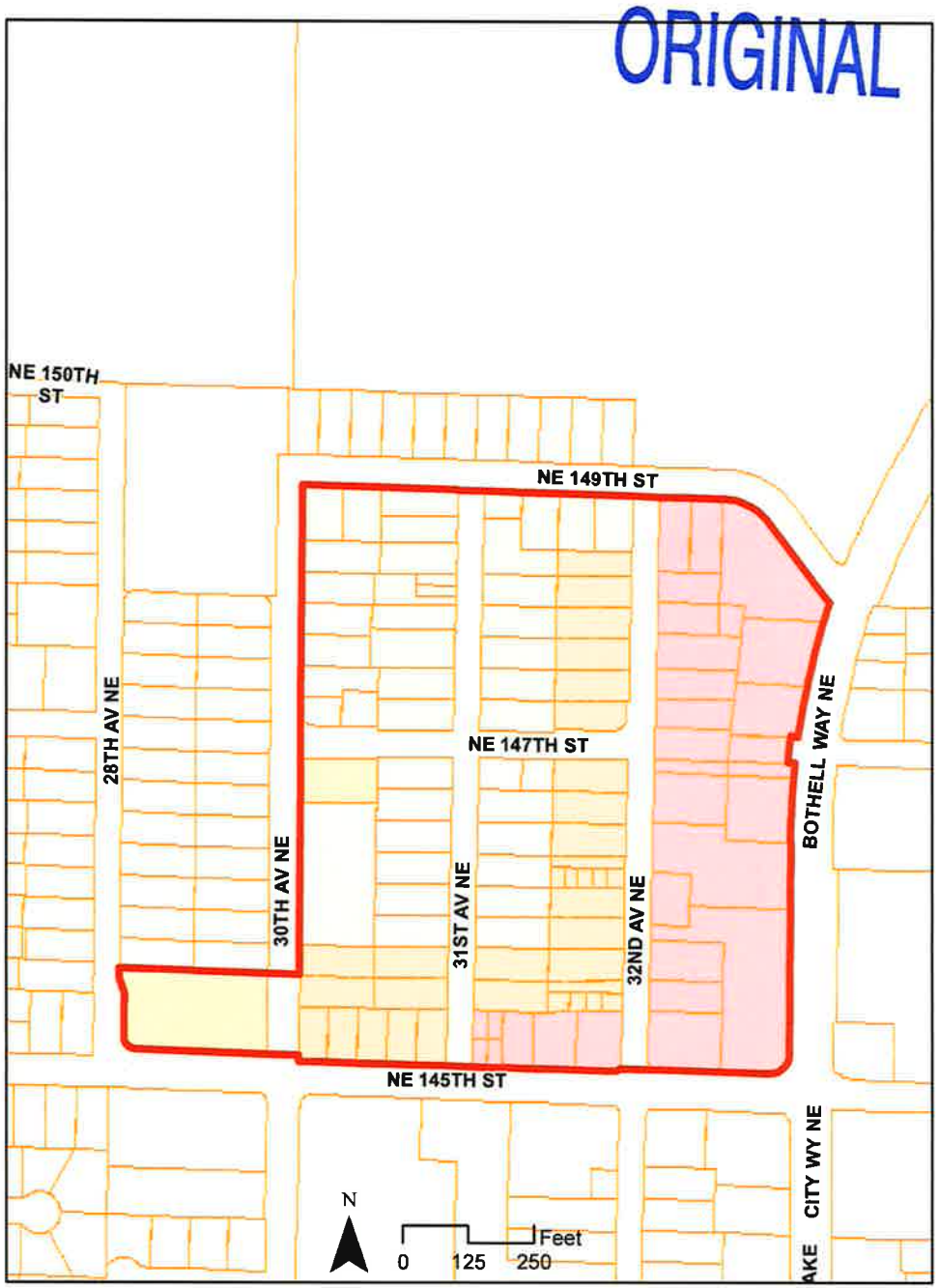

Multifamily Property Tax Exemption Area

Southeast Neighborhoods Commercial Area

Multifamily Property Tax Exemption Area

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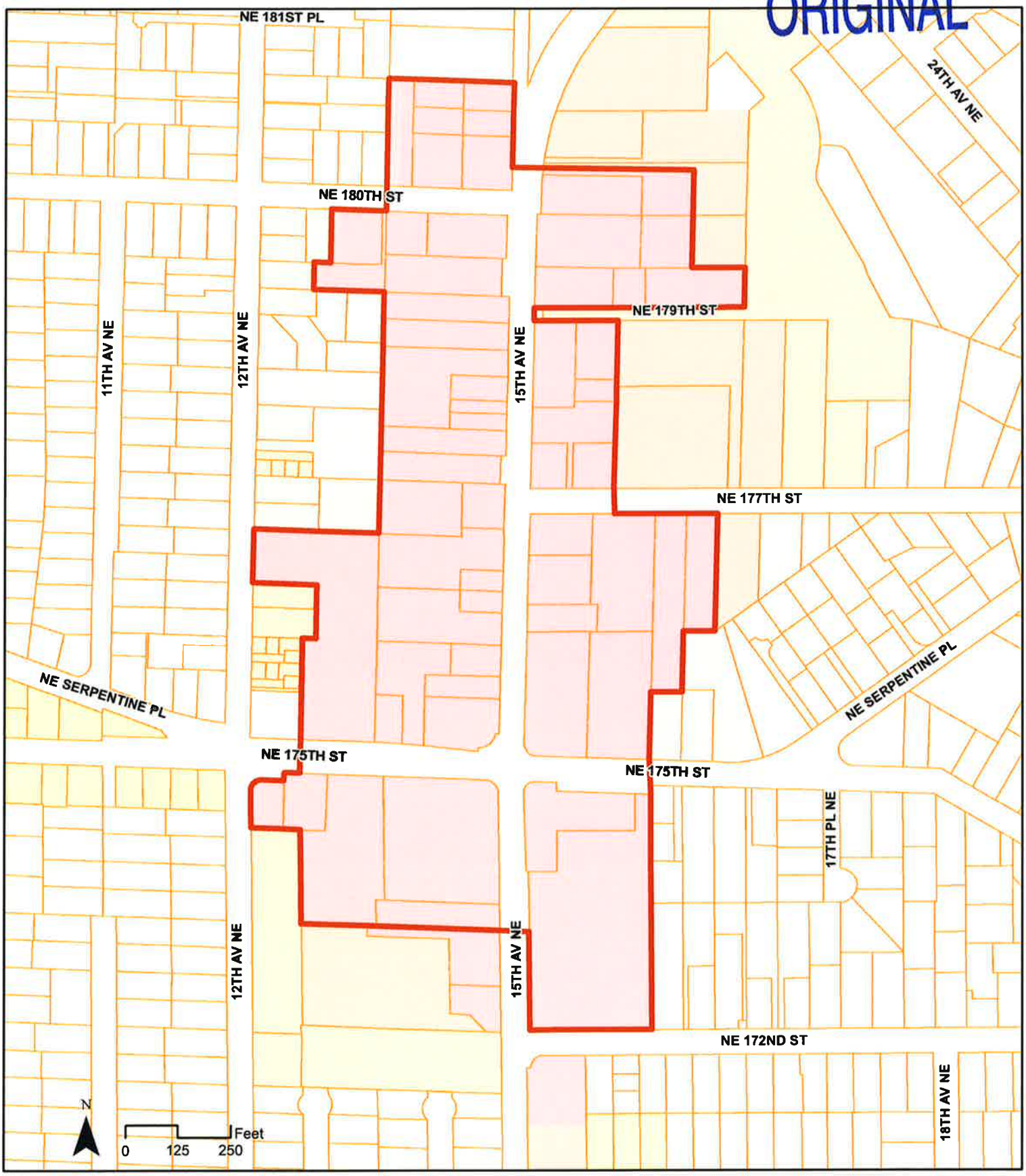

Multifamily Property Tax Exemption Area

North City Business District

Multifamily Property Tax Exemption Area

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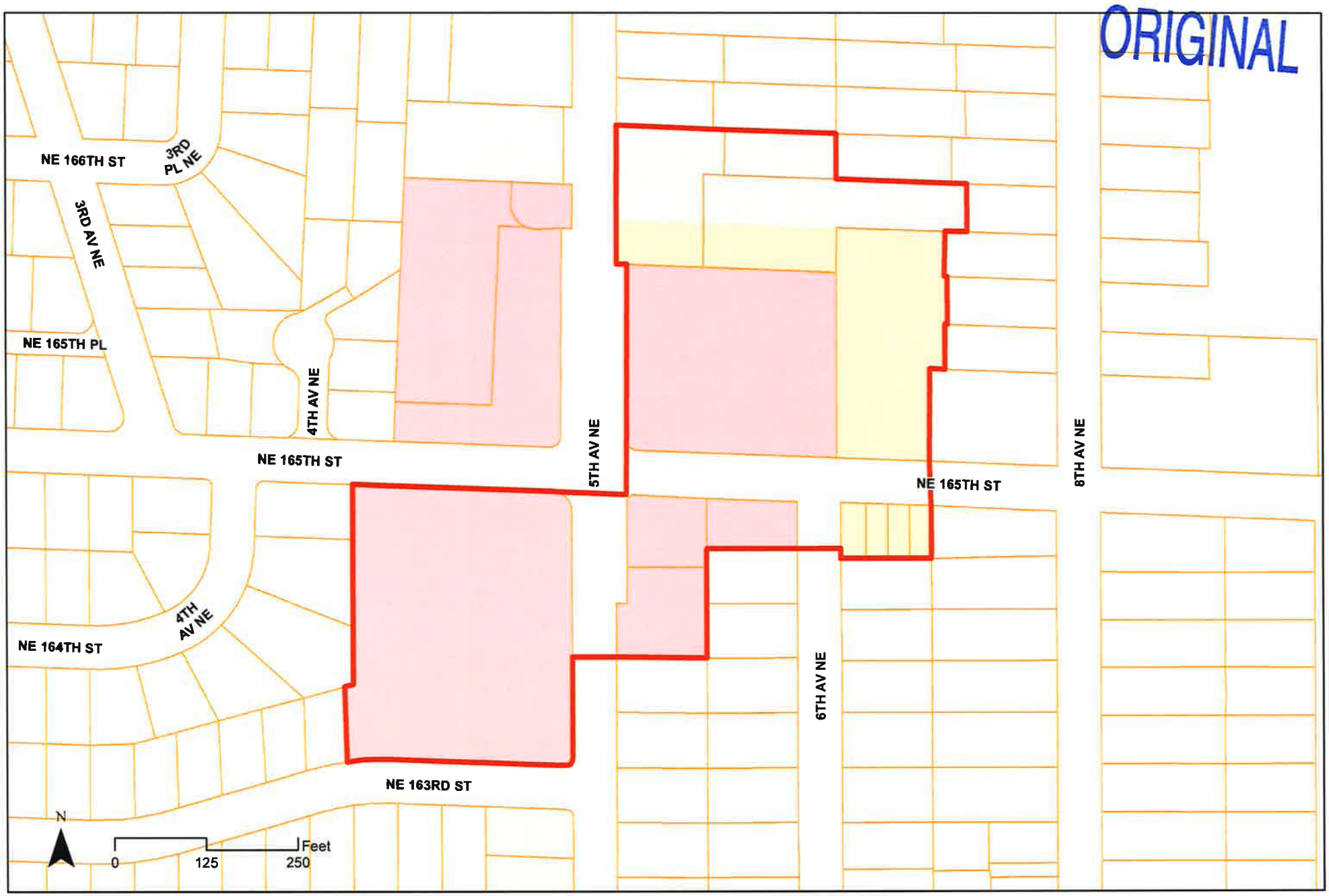

Multifamily Property Tax Exemption Area

Ridgecrest Commercial Area

Multifamily Property Tax Exemption Area

CITY OF SHORELINE