

Ordinance No. 119237

Council Bill No. 112300

Relating to the development of multi-family housing; creating a new Chapter 5.72 of the Seattle Municipal Code in Title 5 - Taxation and Revenue, Subtitle II - Taxes, implementing RCW Chapter 84.14 to provide for exemption from ad valorem property taxation for qualifying multi-family housing in designated residential target areas within the City and designating certain areas as residential targeted areas; and amending Seattle Municipal Code Section 3.02.125 relating to Hearing Examiner fees.

The City of Seattle  
Council Bill/Ordinance

~~11-23-98~~ Passed 3/10 as  
11-23-98 FOIA Com  
11-30-98 FOIA C

CF No. \_\_\_\_\_

Date Introduced: <u>AUG 24 1998</u>	Housing, Human Services and Civil Rights Committee	
Date 1st Referred:	To: (committee)	
Date Re - Referred: <u>AUG 24 1998</u>	To: (committee)	
Date Re - Referred:	To: (committee)	
Date of Final Passage: <u>11-30-98</u>	Full Council Vote: <u>6-0</u>	
Date Presented to Mayor: <u>11-30-98</u>	Date Approved: <u>DEC 2 1998</u>	
Date Returned to City Clerk: <u>DEC 2 1998</u>	Date Published: <u>10 pp.</u>	T.O. <u>1</u> P.T. <u>1</u>
Date Voted by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

This file is complete and ready

Law Dept. Review

# The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: STEINBRUECK

Councilmember

## Committee Action:

*Passed 3/10 as Amended*

*11-23-98 Full Council: Held 1 week*

*11-30-98 Full Council: Passed As Amended 6-0*

*(Excused: Conlizi, McIver, Pagelen)*

This file is complete and ready for presentation to Full Council. Committee: \_\_\_\_\_

(initial/date)

*Steinbrueck*

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## ORDINANCE 119237

1  
2  
3 AN ORDINANCE relating to the development of multi-family housing; creating a new  
4 Chapter 5.72 of the Seattle Municipal Code in Title 5 - Taxation and Revenue,  
5 Subtitle II - Taxes, implementing RCW Chapter 84.14 to provide for exemption from  
6 ad valorem property taxation for qualifying multi-family housing in designated  
7 residential target areas within the City and designating certain areas as residential  
8 targeted areas; and amending Seattle Municipal Code Section 3.02.125 relating to  
9 Hearing Examiner fees.

10  
11 WHEREAS, Washington state law, RCW Chapter 84.14, adopted by the legislature in 1995,  
12 provides for the exemption from ad valorem property taxation for the value of  
13 eligible improvements associated with qualifying multi-unit housing located in  
14 residential target areas and authorizes the City to adopt necessary procedures to  
15 implement the State law; and

16  
17 WHEREAS, the stated purpose of RCW Chapter 84.14 is to increase residential  
18 opportunities by stimulating the construction of new multi-family housing and the  
19 rehabilitation of existing vacant and underutilized buildings for multi-family housing  
20 in areas where the City finds there are insufficient residential opportunities; and

21  
22 WHEREAS, the City Council finds that those areas within the City designated as urban  
23 center villages, hub urban villages or residential urban villages in the Land Use  
24 Element of the City's Comprehensive Plan satisfy the requirements of an "urban  
25 center" as defined under RCW 84.14.010(1); and

26  
27 WHEREAS, the Comprehensive Plan anticipates certain levels of new housing production  
28 within designated urban village neighborhoods, and certain neighborhoods have  
29 experienced minimal housing development, particularly relative to the  
30 Comprehensive Plan growth estimates; and

31  
32 WHEREAS, the City finds that the areas designated as residential targeted areas in this  
33 Ordinance are each located within an urban village as defined in this ordinance, that  
34 each area lacks sufficient available, desirable and convenient residential housing to  
35 meet the needs of the public who would be likely to live in such area if desirable,  
36 attractive and livable residences were available; and that the property tax exemption  
37 program implemented by this Ordinance will encourage increased residential  
38 opportunities within the City and stimulate the construction of new multifamily  
39 housing and the rehabilitation of existing vacant and underutilized buildings for  
40 multifamily housing; and

41  
42 WHEREAS, certain areas within the City lack sufficient housing opportunities to meet the  
43 needs of low and moderate income households who would be likely to live in such  
44 areas if affordable residences were available, and

45  
46 WHEREAS, it is the City's intent to preserve and protect buildings, objects, sites, and  
47 neighborhoods with historic, cultural, architectural, engineering or geographic  
48 significance located within the City, as provided in those chapters of the Seattle

1 Municipal Code relating to landmarks preservation, landmark districts, historical  
2 districts and special review districts; and the property tax exemption program  
3 established by this ordinance shall support and further the goals and purposes  
4 expressed in those provisions of the Code; and  
5

6 WHEREAS, it is the City's goal to preserve, when appropriate, existing multifamily low-  
7 income housing in neighborhoods where such housing now exists, and to use the  
8 property tax exemption program to support and not hinder this goal;  
9

10 **NOW, THEREFORE; BE IT ORDAINED BY THE CITY OF SEATTLE AS**  
11 **FOLLOWS:**  
12

13 Section 1: A new chapter, Chapter 5.72, to be titled "Multifamily Housing Property Tax  
14 Exemption Ordinance" is hereby added to the Seattle Municipal Code, Title 5, Subtitle II,  
15 Taxes, as follows:  
16

17 **Section 5.72.010 Purpose**

18 A. The purposes of this chapter are:

- 19 1. To encourage more multifamily housing opportunities within the City;
- 20 2. To stimulate the construction of new multifamily housing and the  
21 rehabilitation of existing vacant and underutilized buildings for multifamily housing;
- 22 3. To increase the supply of multifamily housing opportunities within the  
23 City for low and moderate income households;
- 24 4. To accomplish the planning goals required under the Growth Management  
25 Act, RCW chapter 36.70A, as implemented by the City's Comprehensive Plan;
- 26 5. To promote community development, affordable housing, and  
27 neighborhood revitalization;
- 28 6. To preserve and protect buildings, objects, sites, and neighborhoods with  
29 historic, cultural, architectural, engineering or geographic significance located within the  
30 City; and
- 31 7. To encourage additional housing in areas that are consistent with planning  
32 for LINK Light Rail by Sound Transit.

33 B. Any one or a combination of these purposes may be furthered by the designation  
34 of a residential targeted area under this chapter.  
35

36 **Section 5.72.020 Definitions**  
37

38 A. "Affordable" means: (1) for rental housing, that the units shall be rented to  
39 person(s) with household annual income, at the time of each tenant's initial occupancy, no  
40 greater than the percentage of median income designated in this chapter for the tenant's  
41 household size; and (2) for owner-occupied housing, that each owner of the property who  
42 occupies the unit after issuance of the final certificate of tax exemption under this chapter  
43 shall have a household annual income, at the time of each such owner's initial occupancy of  
44 the unit, no greater than the percentage of median income designated in this chapter for the  
45 owner's household size adjusted for the presumed family size of the unit as set forth above.  
46 A unit shall not cease to be affordable solely because the household annual income of the  
47 owner of owner-occupied housing, or tenant of rental housing, exceeds the annual income  
48 limit set forth in this subsection A after the date of initial occupancy.

1  
2 B. "Assessor" means the King County Assessor.  
3

4 C. "Director" means the Director of the City's Office of Housing, or any other City  
5 office, department or agency that shall succeed to its functions with respect to this chapter, or  
6 his or her authorized designee.  
7

8 D. "Household annual income" means the aggregate annual income of all persons  
9 over eighteen (18) years of age residing within the same household for a period of at least  
10 one month.  
11

12 E. "Median income" means annual median income for the metropolitan statistical  
13 area that includes Seattle, as most recently estimated by the United States Department of  
14 Housing and Urban Development, as adjusted for household size.  
15

16 F. "Multi-family housing" means a building or townhouse having four or more  
17 dwelling units designed for permanent residential occupancy resulting from new  
18 construction or rehabilitation or conversion of vacant, underutilized, or substandard  
19 buildings.  
20

21 G. "Owner" means the property owner of record.  
22

23 H. "Permanent residential occupancy" means multi-family housing that provides  
24 either rental or owner occupancy for a period of at least one month. This excludes hotels  
25 and motels that predominately offer rental accommodation on a daily or weekly basis.  
26

27 I. "Rehabilitation improvements" means (1) modifications to an existing structure  
28 the residential portion of which has been vacant for at least 12 months prior to application  
29 for exemption under this chapter, that are made to achieve a condition of substantial  
30 compliance with the applicable building and construction codes contained in SMC Title 22;  
31 or (2) modifications to an existing occupied residential structure or mixed use structure that  
32 contains occupied residential units, that add at least four multi-family housing units.  
33

34 J. "Residential targeted area" means an area within an urban village that has been so  
35 designated by the City Council pursuant to this chapter.  
36

37 K. "Substantial Compliance" means compliance with the applicable building and  
38 construction codes contained in SMC Title 22 that is typically required for rehabilitation as  
39 opposed to new construction.  
40

41 L. "Urban village" as used in this chapter means a neighborhood that: (1) is within  
42 an area designated as either an urban center village, a hub urban village or a residential urban  
43 village in the Land Use Element of the City's Comprehensive Plan; and (2) meets the  
44 definition of an "urban center" as defined in RCW Section 84.14.010.  
45  
46  
47  
48

1                   **Section 5.72.030        Residential Targeted Areas -- Criteria -- Designation**  
2

3                   A. Following notice and public hearing as prescribed in RCW 84.14.040, the  
4 Council may designate one or more residential targeted areas, upon a finding by the Council  
5 in its sole discretion that the residential targeted area meets the following criteria:

- 6                   1. The residential targeted area is within an urban village;  
7                   2. The residential targeted area lacks sufficient available, desirable and  
8 convenient residential housing to meet the needs of the public who would be likely to live in  
9 the urban village if desirable, attractive and livable residences were available; and  
10                  3. Providing additional housing opportunity in the residential targeted area  
11 will assist in achieving one or more of the following purposes:  
12                   (a) encourage increased residential opportunities within the City; or  
13                   (b) stimulate the construction of new affordable multifamily  
14 housing; and  
15                   (c) encourage the rehabilitation of existing vacant and underutilized  
16 buildings for multifamily housing.

17                  B. In designating a residential targeted area, the Council may also consider other  
18 factors, including:

- 19                  1. Whether additional housing in the residential targeted area will attract and  
20 maintain an increase in the number of permanent residents;  
21                  2. Whether providing additional housing opportunities for low and moderate  
22 income households would meet the needs of citizens likely to live in the area if affordable  
23 residences were available;  
24                  3. Whether an increased permanent residential population in the residential  
25 targeted area will help to achieve the planning goals mandated by the Growth Management  
26 Act under RCW 36.70A, as implemented through the City's Comprehensive Plan;  
27                  4. Whether encouraging additional housing in the residential targeted area is  
28 consistent with plans for LINK Light Rail by Sound Transit; or  
29                  5. Whether additional housing may contribute to revitalization of a  
30 distressed neighborhood or area within the City.

31                  C. At any time the Council may, by ordinance, in its sole discretion, amend or  
32 rescind the designation of a residential targeted area pursuant to the same procedural  
33 requirements as set forth in this chapter for original designation.

34                  D. The following areas, as shown in the attached Attachments 1 through 9, are  
35 designated as residential targeted areas under this chapter:

- 36                  1. Martin Luther King Jr. Way South at South Holly Street  
37                  2. Pioneer Square  
38                  3. International District  
39                  4. 23<sup>rd</sup> Avenue South at South Jackson  
40                  5. Westlake (Denny Triangle)  
41                  6. South Park  
42                  7. Columbia City  
43                  8. Rainier Avenue South @ I-90  
44                  9. Pike/Pine

45                  E. If a part of any legal lot is within a residential targeted area as shown in  
46 Attachments 1 through 9, then the entire lot shall be deemed to lie within such residential  
47 targeted area.  
48

1           **Section 5.72.040      Project Eligibility**

2           To be eligible for exemption from property taxation under this chapter, the property  
3 must satisfy all of the following requirements:

4           A. The property must be located in a residential targeted area.

5           B. The project must be multi-family housing consisting of at least four dwelling  
6 units within a residential structure or as part of a mixed use development in which at least  
7 fifty percent of the space within such residential structure or mixed use development is  
8 intended for permanent residential occupancy.

9           C. For new construction, a minimum of four new dwelling units must be created; for  
10 rehabilitation or conversion of existing occupied structures, a minimum of four additional  
11 dwelling units must be added.

12           D. For rehabilitation or conversion of an existing vacant building, the residential  
13 portion of the building shall have been vacant for at least twelve (12) months before  
14 application for a conditional exemption, and the rehabilitation improvements shall achieve a  
15 condition of substantial compliance with the applicable building and construction codes  
16 contained in SMC Title 22.

17           E. For rehabilitation or conversion of existing occupied structures, there shall be no  
18 "displacement" of existing residential tenants, as such term is defined in Section  
19 22.210.030(E) of the Seattle Municipal Code;

20           F. For new construction projects where an existing rental housing structure that  
21 contained four or more occupied dwelling units was demolished on the site of the new  
22 project within 12 months prior to application for exemption under this chapter, the owner  
23 shall agree, on terms and conditions satisfactory to the Director, to replace any units within  
24 such structure that were rented to tenants who receive a tenant relocation assistance payment  
25 under SMC Ch. 22.210, subject to the following requirements:

26           (1) For the first ten calendar years of operation of the replacement units, the  
27 replacement units shall be affordable at or below 50% of median income.

28           (2) Replacement may be accomplished either as part of the new construction  
29 for which application for exemption is made under this chapter, or through the new  
30 construction of additional multiple-unit housing at another location, or through the  
31 substantial rehabilitation of vacant multiple-unit housing, or through the preservation of  
32 housing that is rented at the time of application to tenants with household annual income at  
33 or below 50% of median income, and that the Director determines would otherwise be  
34 converted to a use other than rental to tenants with such income.

35           (3) The replacement housing shall be completed, and a temporary or  
36 permanent certificate of occupancy shall be issued, within three years from the date of  
37 approval of the application, provided that the Director may extend the time for completion if  
38 the Director finds that: (i) the failure to complete the replacement housing is due to  
39 circumstances beyond the owner's control; (ii) the owner has been acting and may  
40 reasonably be expected to continue to act in good faith and with due diligence; and (iii) the  
41 replacement housing will be completed within a reasonable time.

42           (4) Projects where the existing rental housing structure was demolished  
43 before the effective date of this Chapter 5.72, are not subject to the requirements of this  
44 subsection.

45           G. In the following residential targeted areas, at least 25% of the units in the project  
46 shall be affordable at or below 80% of median income for the first ten calendar years of  
47 operation of the units:

48           (1) Martin Luther King Jr. Way South @ South Holly Street;

- (2) Pioneer Square;
- (3) International District;
- (4) 23rd Avenue South @ South Jackson;
- (5) Westlake (Denny Triangle);
- (6) South Park;
- (7) Columbia City; and
- (8) Rainier Avenue South @ I-90.

H. In the following residential targeted areas, at least 40% of the units in the project shall be affordable at or below 60% of median income for the first ten calendar years of operation of the units:

- (1) Pike/Pine.

I. If the percentage of the number of affordable units in the project required under subsections (G) and (H) of this section is a fraction, then the number of affordable units shall be rounded up to the next whole number.

J. For owner-occupied projects, the contract with the City required under subsection 5.72.060(A) of this chapter shall identify those units which shall be affordable as required under subsections (G) and (H) of this section. For those owner-occupied units identified as affordable, the City shall have and retain, for the life of the exemption granted under this chapter, a written right of first refusal under terms and conditions approved by the Director, exercisable in the event owner receives a bona fide offer to buy the property from an owner whose household income exceeds the affordability limits in subsection 5.72.020(A), giving the City or its assignee the right to purchase the property on substantially the same terms as such bona fide offer. Such right of first refusal shall be included within the contract with the City required under subsection 5.72.060(A) of this chapter.

K. For new construction of multifamily housing, the applicant shall complete the design review process under SMC Chapter 23.41, whether or not the project would be subject to design review under Chapter 23.41 if the owner had not applied for property tax exemption under this chapter. For projects not subject to mandatory design review under SMC 23.41.004, the applicant shall complete administrative design review under SMC 23.41.016.

L. The applicant shall obtain a certificate of approval, permit, or other approval under SMC Chapter 25.12, Landmarks Preservation Ordinance, SMC Chapter 23.66, Special Review Districts, or those provisions of SMC Chapter 25.16, Chapter 25.20, Chapter 25.22, Chapter 25.24, or Chapter 25.28, relating to Landmark or Historical Districts, if such certificate of approval, permit or other approval is required under those chapters. Such certificate of approval, permit or other approval shall satisfy the requirement under subsection J of this section that the applicant complete design review under SMC Chapter 23.41.

M. The project must comply with all applicable zoning requirements, land use regulations, and building and housing code requirements contained in SMC Title 22 and Title 23 at the time of new construction, rehabilitation or conversion.

N. For the duration of the exemption granted under this chapter, the property shall have no violations of applicable zoning requirements, land use regulations, and building and housing code requirements contained in SMC Title 22 and Title 23 for which the Department of Construction and Land Use shall have issued a notice of violation that is not resolved by a certificate of compliance, certificate of release, or withdrawal within the time period for compliance provided in such notice of violation and any extension of the time

1 period for compliance granted by the Director of the Department of Construction and Land  
2 Use.

3 O. New construction multifamily housing and rehabilitation improvements must be  
4 scheduled to be completed within three years from the date of approval of the application.  
5

6 **Section 5.72.050 Application Procedure -- Fee**  
7

8 A. The owner of property applying for exemption under this chapter shall submit an  
9 application to the Director, on a form established by the Director. The owner shall verify the  
10 application by oath or affirmation. The application shall contain such information as the  
11 Director may deem necessary or useful, and shall include:

12 1. A brief written description of the project and preliminary schematic site  
13 and floor plans of the multifamily units and the structure(s) in which they are proposed to be  
14 located;

15 2. A statement from the owner acknowledging the potential tax liability  
16 when the property ceases to be eligible for exemption under this chapter; and

17 3. Information describing how the applicant shall comply with the  
18 affordability requirements in Subsection 5.72.040(G) and (H) of this chapter; and

19 4. In the case of rehabilitation of an existing vacant structure under Section  
20 5.72.020(I)(1), verification from the Department of Construction and Land Use of non-  
21 compliance with applicable building and housing codes as required under 5.72.020(I)(1),  
22 and an affidavit from the owner verifying that the existing dwelling units have been vacant  
23 for a period of 12 months prior to filing the application.

24 B. At the time of initial application under this Section, the applicant shall pay to the  
25 City an initial application fee of \$500.00. If the City denies the application, the City will  
26 retain that portion of the fee attributable to its own actual administrative costs and refund the  
27 balance, if any, to the applicant.

28 C. The Director shall notify the applicant within twenty-eight (28) days of the  
29 application being filed if the Director determines that an application is not complete and  
30 shall identify what additional information is required before the application will be  
31 complete. Within twenty-eight (28) days of receiving additional information, the Director  
32 shall notify the applicant in writing if the Director determines that the application is still not  
33 complete, and what additional information is necessary. An application shall be deemed to  
34 be complete if the Director does not notify the applicant in writing by the deadlines in this  
35 section that the application is incomplete; however, a determination of completeness does  
36 not preclude the Director from requiring additional information during the review process if  
37 more information is needed to evaluate the application according to the criteria in this  
38 chapter.

39 D. Except as otherwise provided in subsection E of this section, the application shall  
40 be submitted any time before the earlier of (i) an application for a master use permit or other  
41 land use permit under SMC Title 23, and (ii) an application for a building or other  
42 construction permit under SMC Title 22.

43 E. If, on the effective date of this Chapter 5.72, the applicant has applied for a permit  
44 identified in subsection D of this section, then application for exemption under this section  
45 may be submitted any time prior to issuance of a building permit; provided that, for new  
46 construction, the applicant shall have completed, or be in the process of completing, design  
47 review or administrative design review as required under Section 5.72.040(K), or shall have

1 obtained a certificate of approval, permit, or other approval as provided under Section  
2 5.72.040(L).  
3

4 **Section 5.72.060 Application Review -- Issuance of Conditional Certificate --**  
5 **Denial -- Appeal**

6 A. The Director shall approve or deny an application under this chapter. If the  
7 application is approved, the applicant shall enter into a contract with the City, subject to  
8 approval by resolution of the City Council, regarding the terms and conditions of the project  
9 and eligibility for exemption under this chapter. The City Council's resolution to approve  
10 the applicant's contract with the City shall take place within 90 days of the Director's  
11 receipt of the completed application. Upon Council approval of the contract, the Director  
12 shall execute the contract as approved by the City Council, and the Director shall issue a  
13 conditional certificate of acceptance of tax exemption. The conditional certificate shall  
14 expire three (3) years from the date of approval unless an extension is granted as provided in  
15 this chapter.

16 C. If the application is denied, the Director shall state in writing the reasons for the  
17 denial and send notice of denial to the applicant's last known address within ten days of the  
18 denial.

19 D. An applicant may appeal the Director's denial of the application to the City  
20 Council within thirty (30) days of receipt of the denial. The appeal before the City Council  
21 will be based upon the record before the Director, and the Director's decision will be upheld  
22 unless the applicant can show that there is no substantial evidence on the record to support  
23 the Director's decision. The City Council's decision on appeal is final.  
24

25 **Section 5.72.070 Extension of Conditional Certificate**  
26

27 The Conditional Certificate may be extended by the Director for a period not to  
28 exceed 24 consecutive months. The applicant shall submit a written request stating the  
29 grounds for the extension together with a fee of \$150.00 for the City's administrative cost to  
30 process the request. The Director may grant an extension if the Director determines that:

31 A. The anticipated failure to complete construction or rehabilitation within the  
32 required time period is due to circumstances beyond the control of the owner; and

33 B. The owner has been acting and could reasonably be expected to continue to act in  
34 good faith and with due diligence; and

35 C. All the conditions of the original contract between the applicant and the City will  
36 be satisfied upon completion of the project.  
37

38 **Section 5.72.080 Final Certificate -- Application -- Issuance -- Denial and Appeal**  
39

40 A. Upon completion of the rehabilitation improvements or new construction as  
41 provided in the contract between the applicant and the City, and upon issuance of a  
42 temporary certificate of occupancy, or a permanent certificate of occupancy if no temporary  
43 certificate is issued, the applicant may request a Final Certificate of Tax Exemption. The  
44 applicant shall file with the Director such information as the Director may deem necessary or  
45 useful to evaluate eligibility for the Final Certificate, and shall include:

46 1. A statement of expenditures made with respect to each multi- family  
47 housing unit and the total expenditures made with respect to the entire property;

1                   2. A description of the completed work and a statement of qualification for  
2 the exemption;

3                   3. A statement that the work was completed within the required three-year  
4 period or any approved extension; and

5                   4. Information on the applicant's compliance with the affordability  
6 requirements in Subsection 5.72.040(G) and (H).

7           B. At the time of application for Final Certificate under this section, the applicant  
8 shall pay to the City a fee of \$150.00 to cover the Assessor's administrative costs. If the  
9 Director approves the application, the City will forward the fee for the Assessor's  
10 administrative costs to the Assessor. If the Director denies the application, the City will  
11 refund the fee for the Assessor's administrative costs to the applicant.

12           C. Within 30 days of receipt of all materials required for a Final Certificate, the  
13 Director shall determine whether the completed work is consistent with the contract between  
14 the City and owner and is qualified for exemption under this chapter, and which specific  
15 improvements satisfy the requirements of this chapter.

16           D. If the Director determines that the project has been completed in accordance with  
17 the contract between the applicant and the City and the requirements of this chapter, the City  
18 shall file a Final Certificate of Tax Exemption with the Assessor within 10 days of the  
19 expiration of the thirty-day period provided under subsection C of this section.

20           E. The Director is authorized to cause to be recorded, or to require the applicant or  
21 owner to record, in the real property records of the King County Department of Records and  
22 Elections, the contract with the City required under subsection 5.72.060(A) of this chapter,  
23 or such other document(s) as will identify such terms and conditions of eligibility for  
24 exemption under this chapter as the Director deems appropriate for recording, including  
25 requirements under this chapter relating to affordability of units.

26           F. The Director shall notify the applicant in writing that the City will not file a Final  
27 Certificate if the Director determines that the project was not completed within the required  
28 three-year period or any approved extension, or was not completed in accordance with the  
29 contract between the applicant and the City and the requirements of this chapter.

30           G. The applicant may file an appeal of the Director's decision that a Final  
31 Certificate will not be issued to the King County Superior Court within thirty (30) days of  
32 receiving notice of that decision.

33  
34           **Section 5.72.090           Exemption -- Duration -- Limits**

35  
36           A. The value of new housing construction and rehabilitation improvements  
37 qualifying under this chapter will be exempt from ad valorem property taxation for ten (10)  
38 successive years as provided in RCW 84.14.020(1).

39           B. The exemption does not apply to the value of land or to the value of  
40 improvements not qualifying under this chapter, nor does the exemption apply to increases  
41 in assessed valuation of land and non-qualifying improvements, or to increases made by  
42 lawful order of the King County Board of Equalization, the Washington State Department of  
43 Revenue, State Board of Tax Appeals, or King County, to a class of property throughout the  
44 county or a specific area of the county to achieve uniformity of assessment or appraisal as  
45 required by law. In the case of rehabilitation of existing buildings, the exemption does not  
46 include the value of improvements constructed prior to submission of the completed  
47 application required under this chapter.  
48

1           **Section 5.72.100      Annual Certification**  
2

3           A. Within 30 days after the first anniversary of the date the City filed the Final  
4 Certificate of Tax Exemption and each year thereafter, for a period of 10 years, the property  
5 owner shall file a certification with the Director, verified upon oath or affirmation, which  
6 shall contain such information as the Director may deem necessary or useful, and shall  
7 include the following information:

8                   1. A statement of occupancy and vacancy of the multi-family units during  
9 the previous year;

10                   2. A certification that the property has not changed use since the date of  
11 filing of the Final Certificate of Tax Exemption, and continues to be in compliance with the  
12 contract with the City and the requirements of this chapter;

13                   3. A description of any improvements or changes to the property made after  
14 the filing of the Final Certificate or last declaration, as applicable; and

15                   4. Information demonstrating the owner's compliance with the affordability  
16 requirements of Subsections 5.72.040(G) and (H).

17           B. Failure to submit the annual declaration may result in cancellation of the tax  
18 exemption.  
19

20           **Section 5.72.110      Cancellation of Tax Exemption -- Appeal**  
21

22           A. If at any time the Director determines that the property no longer complies with  
23 the terms of the contract or with the requirements of this chapter, or for any reason no longer  
24 qualifies for the tax exemption, the tax exemption shall be canceled and additional taxes,  
25 interest and penalty imposed pursuant to State law.

26           B. If the owner intends to convert the multi-family housing to another use, the  
27 owner must notify the Director and the King County Assessor within 60 days of the change  
28 in use. Upon such change in use, the tax exemption shall be canceled and additional taxes,  
29 interest and penalty imposed pursuant to State law.

30           C. Upon determining that a tax exemption shall be canceled, the Director, on behalf  
31 of the City Council, shall notify the property owner by certified mail, return receipt  
32 requested. The property owner may appeal the determination by filing a notice of appeal  
33 with the City Clerk within 30 days, specifying the factual and legal basis for the appeal. The  
34 Hearing Examiner will conduct a hearing pursuant to SMC 3.02.090 at which all affected  
35 parties may be heard and all competent evidence received. The Hearing Examiner will  
36 affirm, modify, or repeal the decision to cancel the exemption based on the evidence  
37 received. The Hearing Examiner shall give substantial weight to the Director's decision and  
38 the burden of overcoming that weight shall be upon the appellant. An aggrieved party may  
39 appeal the Hearing Examiner's decision to the King County Superior Court as provided in  
40 RCW 34.05.510 through 34.05.598.  
41

42           **Section 5.72.120      Expiration of Program**  
43

44           The program established by this chapter shall expire four (4) years after the effective  
45 date of this ordinance, unless extended by the City Council by ordinance. Upon expiration,  
46 no further applications for a conditional certificate of tax exemption shall be accepted.  
47 Incomplete applications shall be returned to the applicant. Pending complete applications

1 for a conditional certificate, extension of conditional certificate and final certificate shall be  
2 processed as provided in this chapter.  
3

4 Section 2. Annually, beginning in 1999, a committee composed of the Directors, or their  
5 designees, of the Office of Housing, the Strategic Planning Office, the Department of  
6 Construction and Land Use, City Budget Office and Council Central staff, or such City  
7 departments or agencies that shall succeed to their functions with respect to this chapter,  
8 shall review the program established by this ordinance and provide a report to the City  
9 Council outlining development activity, types and numbers of units produced and their  
10 locations, rent and sales prices, information regarding the number of low and moderate  
11 income households benefiting from the program, tax implications of the program, and other  
12 appropriate factors. These reports may include recommendations on whether any  
13 neighborhoods should be added or removed, whether affordability limits should be changed  
14 in certain areas, and will analyze any issues related to the use of the program for  
15 homeownership units. In 2002, the committee shall review and report to the City Council  
16 regarding the effectiveness of the program during its first three years of operation. Such  
17 review shall include costs and benefits of the program, an assessment of the affordability  
18 limits, and may include recommended program modifications.  
19

20 Section 3. Section 3.02.125, Hearing Examiner filing fees, which was last amended by  
21 Ordinance 116594 is hereby amended at subsection A to add a hearing examiner fee for  
22 appeal of cancellation of Property Tax Exemption, as follows:  
23

24 **SMC 3.02.125 Hearing Examiner filing fees.**

25 A. Filing fees for hearings before the City Hearing Examiner are as follows:

26 Basis for hearing	27	28 Fee
	* * *	
29 Property Tax Exemption, cancellation of exemption (ch. 5.72)		30 \$50.00

31 Section 4. The Multifamily Housing Property Tax Exemption Ordinance is declared to be  
32 severable. If any section, subsection, paragraph, clause or other portion of any part is for  
33 any reason held to be invalid or unconstitutional by any court of competent jurisdiction, such  
34 invalidity or unconstitutionality shall not affect the validity or constitutionality of the  
35 remaining portions of the Multifamily Housing Property Tax Exemption program. If any  
36 section, subsection, paragraph, clause or any portion of any part is adjudged invalid or  
37 unconstitutional as applied to a particular project or property, the application of such portion  
38 to other projects or properties shall not be affected.  
39

40 //

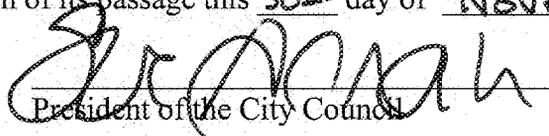
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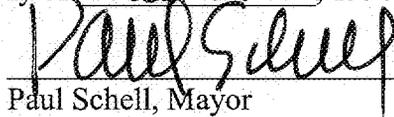
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Section 5. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 30<sup>th</sup> day of November, 1998, and signed by me in open session in authentication of its passage this 30<sup>th</sup> day of November, 1998.

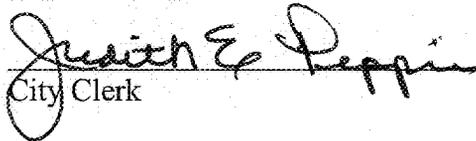
  
\_\_\_\_\_  
President of the City Council

Approved by me this 2<sup>nd</sup> day of December, 1998.

  
\_\_\_\_\_  
Paul Schell, Mayor

Filed by me this 2<sup>nd</sup> day of December, 1998.

(SEAL)

  
\_\_\_\_\_  
City Clerk

# M L King Jr. and Holly Proposed Tax Abatement Area

Tax Abatement Area

Urban Village/Boundary



Prepared by:  
Strategic Planning Office



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MILES

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# Pioneer Square Proposed Tax Abatement Area

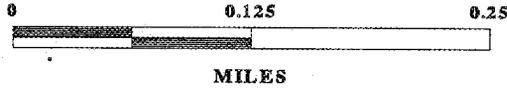


Prepared by:  
Strategic Planning Office



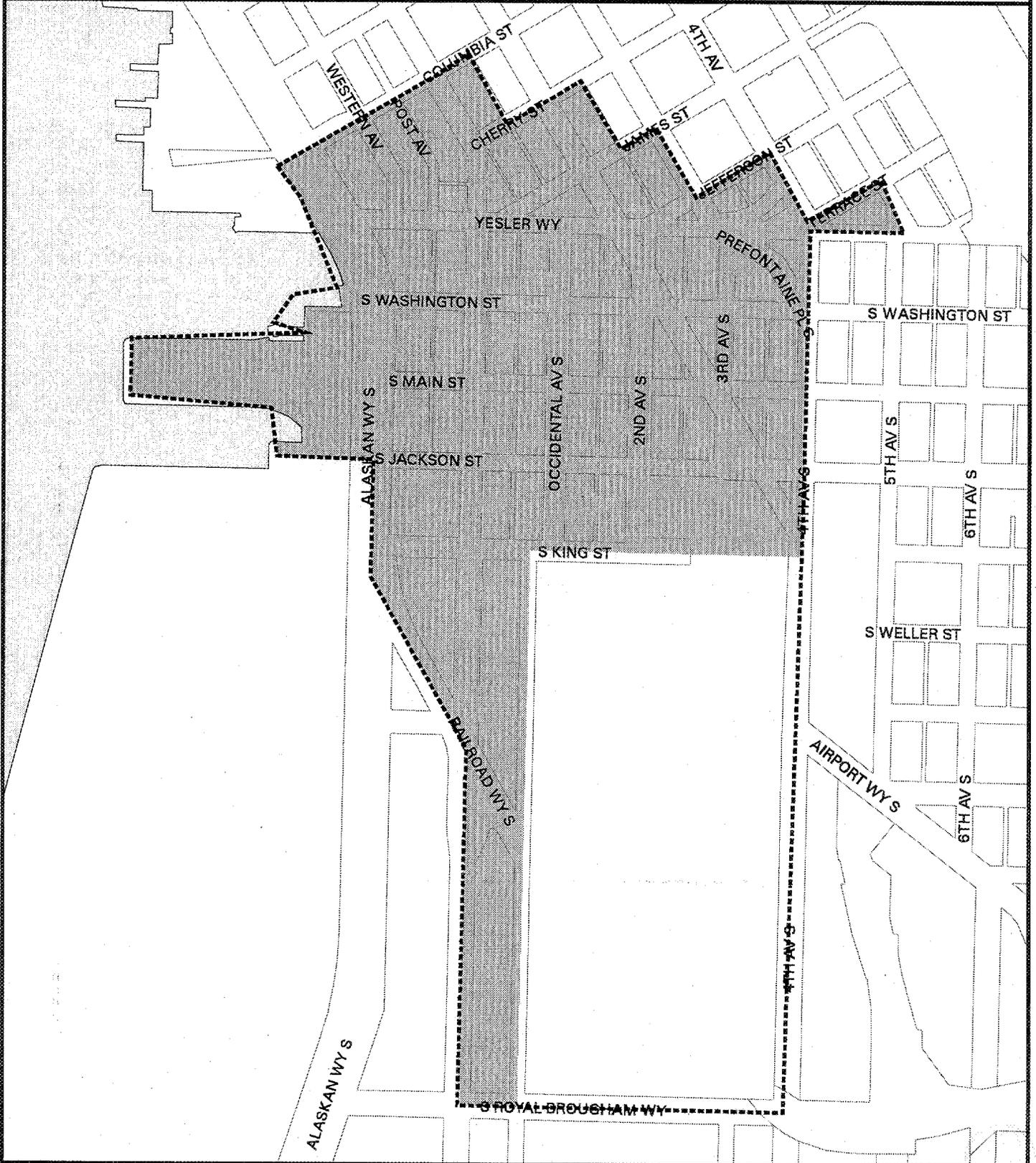
Tax Abatement Area

Urban Village/Boundary



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# 23rd @ Jackson Proposed Tax Abatement Area



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Strategic Planning Office

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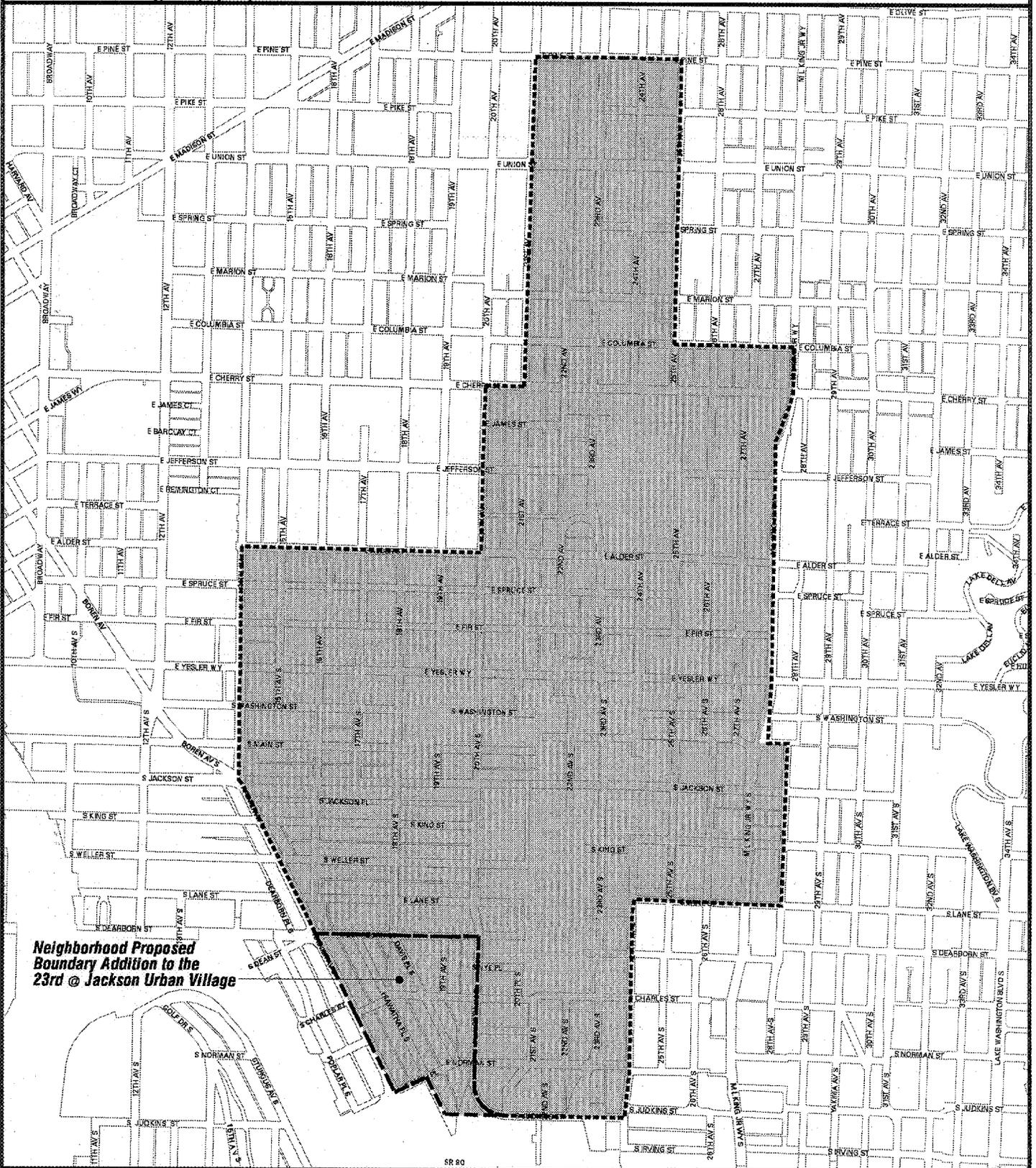
Tax Abatement Area

Urban Village/Boundary

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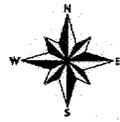


**Neighborhood Proposed  
Boundary Addition to the  
23rd @ Jackson Urban Village**

# Denny Triangle Proposed Tax Abatement Area

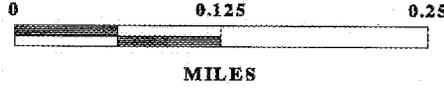


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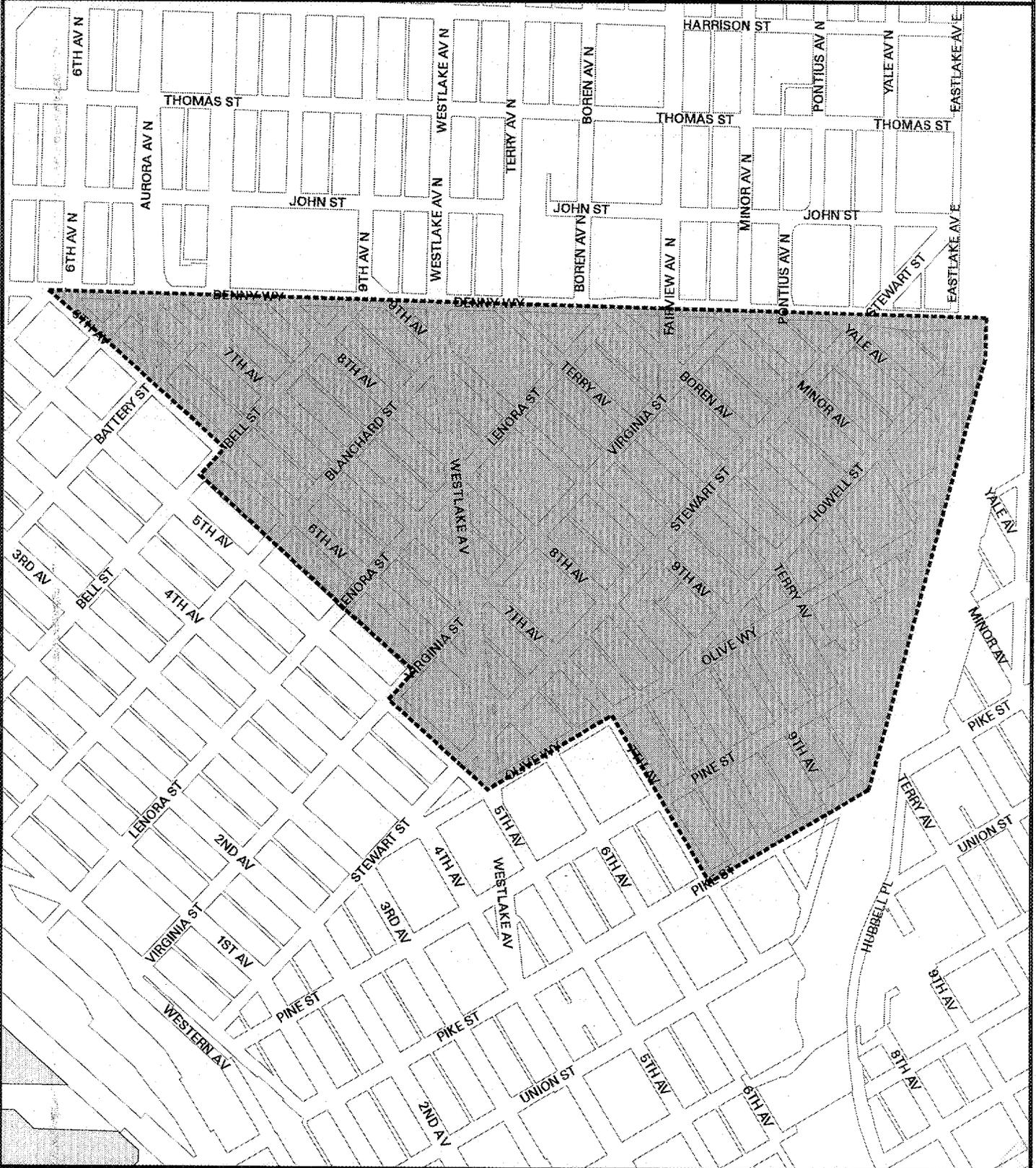
Tax Abatement Area

Urban Village/Boundary



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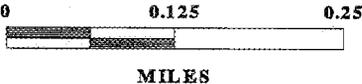
# South Park Proposed Tax Abatement Area

Tax Abatement Area

Urban Village/Boundary

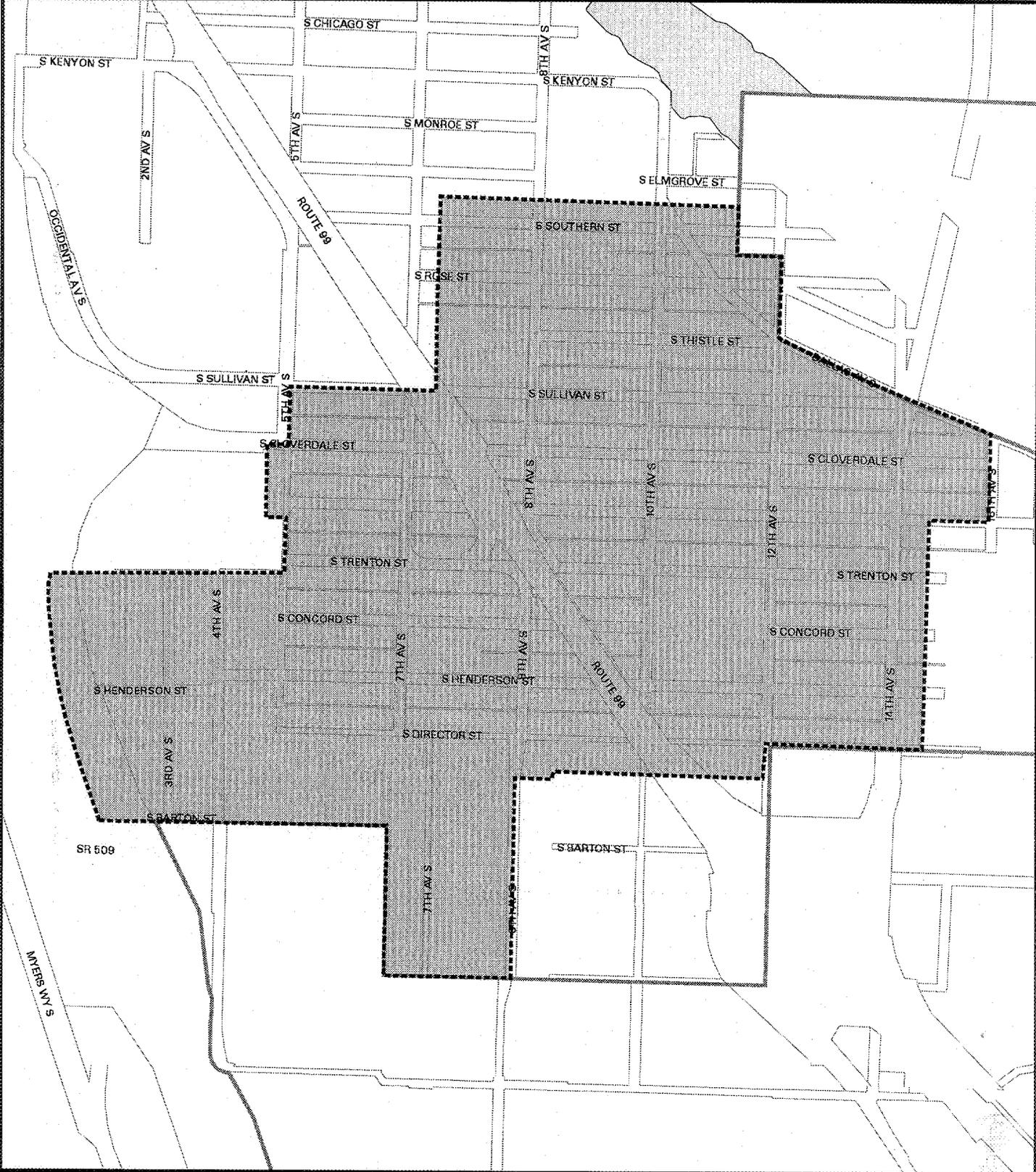


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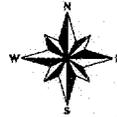
# Columbia City Proposed Tax Abatement Area



Prepared by:  
Strategic Planning Office

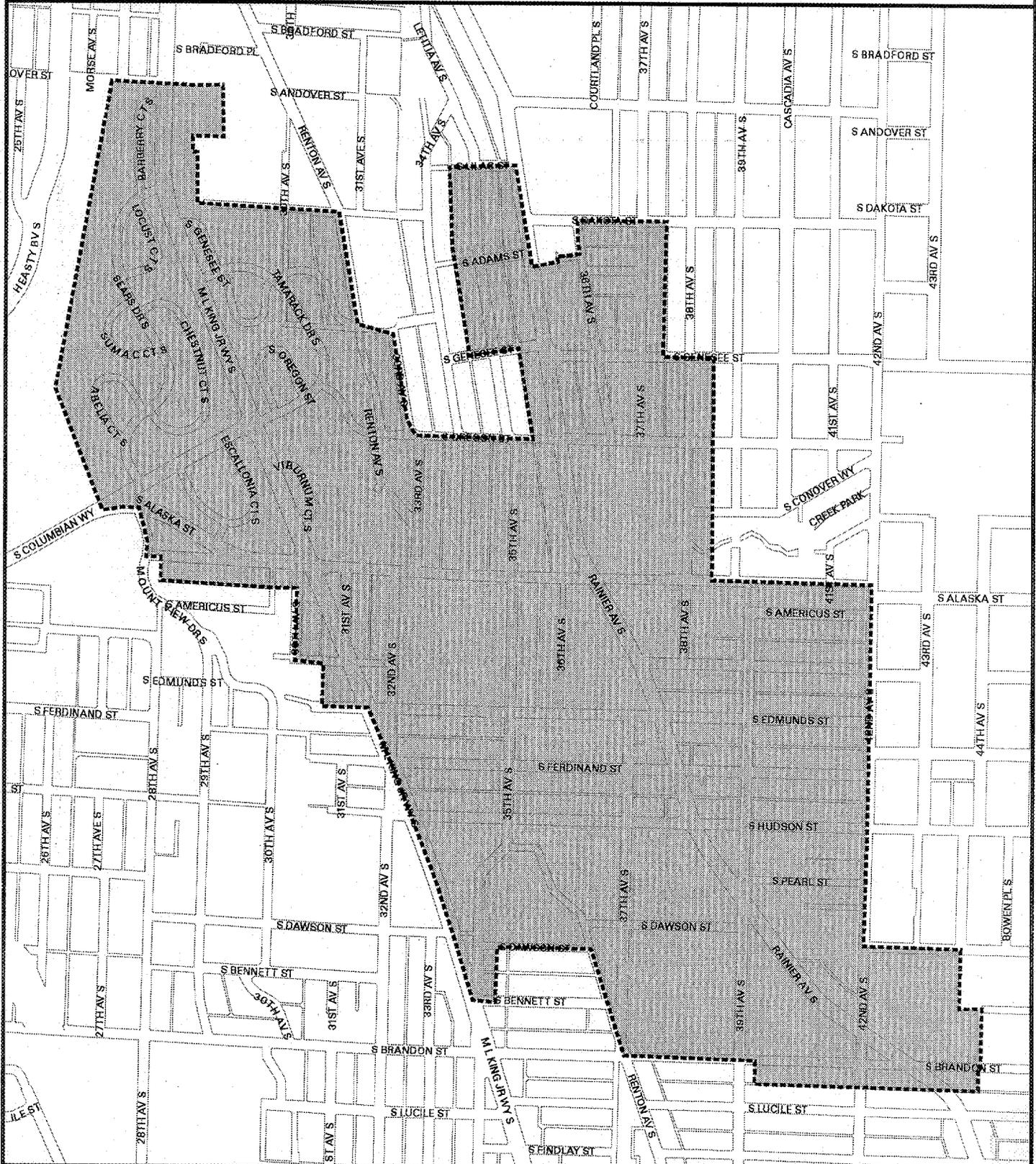
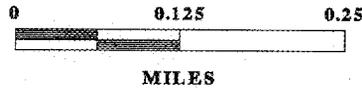
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Tax Abatement Area

Urban Village/Boundary



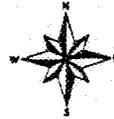


# Pike-Pine Proposed Tax Abatement Area

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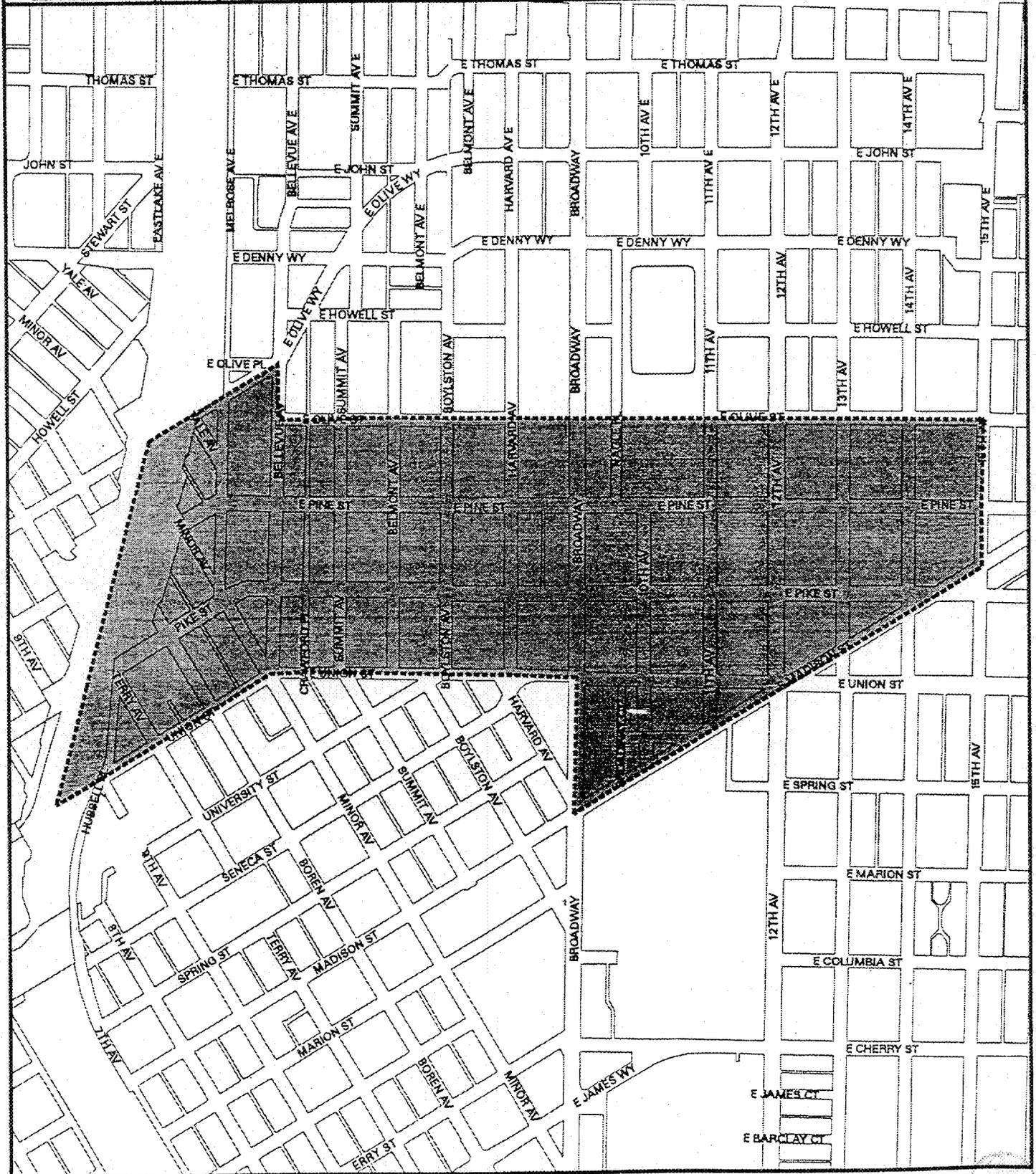
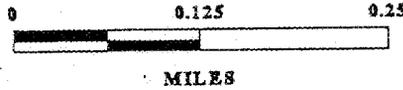
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Tax Abatement Area



Urban Village/Boundary



## Legislation Fiscal Note

Each piece of legislation that is financial in nature will be accompanied by a fiscal note. The fiscal note should be drafted by department staff and will identify operating, capital, revenue, and FTE impacts of the legislation.

<b>Department:</b> DHHS and SPO	<b>Contact Person/Phone:</b> Julie Nelson/684-0510 Theresa Cherniak/684-8573	<b>CBO Analyst/Phone:</b> Pascal St. Gerard/684-8085
------------------------------------	--	---

**Legislation Title:** Multifamily Tax Abatement Program

"AN ORDINANCE relating to the development of multi-family housing; creating a new Chapter 5.72 of the Seattle Municipal Code in Title 5 - Taxation and Revenue, Subtitle II - Taxes, implementing RCW Chapter 84.14 to provide for exemption from ad valorem property taxation for qualifying multi-family housing in designated residential target areas within the City and designating certain areas as residential targeted areas; and amending Seattle Municipal Code Section 3.02.125. relating to Hearing Examiner fees."

**Summary of the Legislation:** This legislation allows for an abatement of property taxes on improvements for a period of ten years for new or rehabilitated multi-family development that adds four or more units within designated target neighborhoods. Neighborhoods proposed to be included in the program are: Columbia City, 23<sup>rd</sup> at Jackson, MLK at Holly, Pioneer Square, the International District, Rainier at I-90, Denny Triangle/Westlake, and South Park. The DHHS will administer the program.

**Background (Include justification for the legislation and funding history, if applicable):**

State Law allows cities over 100,000 population to adopt a limited property tax abatement within specified areas in order to encourage the production of additional multifamily housing. Certain neighborhoods within the city where there is both development capacity and neighborhood desire for additional housing opportunities, have experienced minimal development over the last eight years. The Executive's proposal is to encourage new housing construction in these areas - both to increase the supply of housing and to assist in community revitalization efforts.

**Sustainability Issues (related to grant awards):** N/A

**Estimated Expenditure Impacts:**

FUND	1998	1999	2000
N/A			
<b>TOTAL</b>			

One-time \$ NA

On-going \$ NA

**Estimated Revenue Impacts:**

FUND	1998	1999	2000
General Fund (Property Taxes)	0	0	\$93,000
<b>TOTAL</b>			

One-time \$ NA

On-going \$ will vary by year (See below)

**Estimated FTE Impacts:**

FUND	1998	1999	2000
Expected to be assumed by existing staff			
<b>TOTAL</b>			

# Full Time NA

# Part Time NA

# TES NA

Do positions sunset in the future? If so, when?

N/A

**Other Issues (including long-term implications of the legislation):**

It is uncertain how many projects will take advantage of this tax abatement incentive. The abatement is effective the second year after construction, and runs for 10 years. The program is set to sunset after 4 years unless Council approves extension. CBO staff have estimated that if 350 units per year for four years (or 1,400 units) are granted the abatement, the program could potentially result in foregone revenue as shown in the table below. This assumes an average improvement value of \$85,000 per unit. It is likely, however, that a portion of this would be shifted to other City taxpayers and not lost to the City.

**POTENTIAL REVENUE IMPACTS TO THE CITY FROM TAX ABATEMENT PROGRAM**

<b>Year</b>	<b>Potential foregone revenue*</b>	<b>Units added</b>	<b>Total units</b>
2000	\$93,000	350 units	350
2001	\$192,000	+350 units	700
2002	\$297,000	+350 units	1,050
2003	\$408,000	+350 units	1,400
2004	\$432,000		1,400
2005	\$458,000		1,400
2006	\$486,000		1,400
2007	\$515,000		1,400
2008	\$546,000		1,400
2009	\$579,000		1,400
2010	\$446,000	- 350 units	1,050
2011	\$306,000	- 350 units	700
2012	\$158,000	- 350 units	350
2013	\$0	- 350 units	0
<b>TOTAL</b>	<b>\$4,917,000</b>		

**NOTES**

\*In 1998 dollars

\*\*These figures are estimates. Over this fourteen year period, tax rates are likely to vary depending on approval of new levies and expiration of earlier levies.



Public Hearing Sign-Up Sheet

**DRAFT TAX EXEMPTION LEGISLATION**

INFORMATION ON THIS SHEET IS PUBLIC RECORD (PLEASE PRINT)

#	Name	(Optional) Organization	Address	Zip	(Optional) Phone	(Optional) Fax
1.	Bill Zosel	12th Ave Planning Team	910 13th Avenue	98122	329-9886	
2.	Mike Sorce		2033 6th Ave #1040	98121	448-5502	
3.	Earl Richardson	SEED	3405 SO. ALASKA ST	98118		
4.	Dorothy Lenz	Homesight	" " "	98118		
5.	John Jounet	12th Ave Planning Team	809 18th Ave	98122	720-6266	
6.	Chris Roberts		185 E. Roanoke St	98102	322-5463	
7.	Chris Leman		85 E. Roanoke St.	98102	322-5463	
8.	MARTY KOENIGS	HOMESIGHT BD.				
9.						
10.						



Seattle City Council

Date: October 22, 1998

Public Hearing Sign-Up Sheet

**DRAFT TAX EXEMPTION LEGISLATION**

INFORMATION ON THIS SHEET IS PUBLIC RECORD (PLEASE PRINT)

11.	LOREN LANDERHOLM	SOUND EQUITIES INC.			
12.					
13.					
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20.					
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Seattle City Council

Date: October 22, 1998

Public Hearing Sign-Up Sheet

**DRAFT TAX EXEMPTION LEGISLATION**

INFORMATION ON THIS SHEET IS PUBLIC RECORD (PLEASE PRINT)

23.	<i>Sharon Lee</i>	<i>Low Income</i>	<i>Horsky Institute</i>			
24.						
25.						
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33.						
34.						

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Seattle City Council

PUBLIC HEARING SIGN-UP SHEET

on Abatement

INFORMATION ON THIS SIGN-UP SHEET IS PUBLIC RECORD (PLEASE PRINT)

DATE 8/26/98

#	NAME	ORGANIZATION	(OPTIONAL) ADDRESS	ZIP	(OPTIONAL) PHONE	(OPTIONAL) FAX
1.	Chris Benis	AASK	2033 6th #1040	98121	448-8102	448-1843
2.	Wes Ahlman	AASK			205-0667	
3.	Andre Pace	AASK	2033 6th #1040	98121	448-8102	448-1843
4.	SENNY EICHWALD	AASK as individual + Civic Foundation	9321 B Linden Av N	98103	633-1111	
5.	JOANNE STON	AASK				
6.	Don Ellis	Got Assoc				
7.	VINCE WEDDLEY	APT ASSOC				
8.	[Signature]					
9.	Phyllis [Signature]					
10.	John V Fox					
11.	Presley Ganson					
12.	Susan [Signature]					
13.	Amyl [Signature]					
14.	Carla Okegwe	SHDC			682-9554	
15.	Dorey Lorenzen	Friendly Queen Assoc	3232 Conkling Pl. W.	98119	283-4350	283-4350



Seattle City Council

PUBLIC HEARING SIGN-UP SHEET

Public Hearing  
Agenda Item

INFORMATION ON THIS SIGN-UP SHEET IS PUBLIC RECORD  
(PLEASE PRINT)

DATE 8/26/98

#	NAME	ORGANIZATION	(OPTIONAL) ADDRESS	ZIP	(OPTIONAL) PHONE	(OPTIONAL) FAX
6.	Rogelia Reyes	SEA-INTA	1070 S. Alameda	98108	206 206-552-10	
7.	Sim Potter	Kauri Invest	1100 Virginia Street	98101	364-0646 447-0303	364-0661
8.	Loren Adams	Kauri Invest	1100 Virginia Street	98101	447-0308 <sup>829</sup>	447-0333
9.	Margaret Schultz	Smart Heights	7148-28th Ave SW	98126		
10.	Stuart Brumball	Health Care for All	234 NW 55th	98107	782-4290	
1.	Jim Ferris	Housing Resource Group	1151 Bellevue Ave.	98122	623-0504	
2.	Paul Lambros	Armonia Housing	2209 1st Ave	98121	774-7409141	
3.	George Stoggs	Central Area Development - CADA	2301 So. Jackson #101-D 98144		328-2240	328-2157
4.	Roger Valdez	South Park				
5.	Jennifer Hill		1007 Letitia Ave S.	98118		
6.	Susan H Arnold	DND	7958 3rd Ave SW	98126	937-2779	937-3708
7.	Pat Huggins	First WA Future	2022 Yale Ave E # 303	98102		
8.	N. J. L.	SPARC	1210 S Trenton	98108	763 8390	763 4202
9.	Joseph E. P. Smith	Seattle Community Good	1210 S Trenton St	98101	7638380	7634202
10.	LYN KRIZANICH	DENNY TRIANGLE PLANNING	1904 3rd Ave	98101	623-7500	624-8379



Seattle City Council

PUBLIC HEARING SIGN-UP SHEET

Tax Abatement

INFORMATION ON THIS SIGN-UP SHEET IS PUBLIC RECORD (PLEASE PRINT)

DATE 8/26/98

3

#	NAME	ORGANIZATION	(OPTIONAL) ADDRESS	ZIP	(OPTIONAL) PHONE	(OPTIONAL) FAX
1.	Huck Weinstock	Sea Ray Comm				
2.	John Shaw	Aloha Inn				
3.	Jori Atkins	PPUNC	1115 E Pike St	98122		
4.	Scott Nooward	Kauri	1100 Virginia St	98101	447-0303	
5.	John Mills	Denny Triangle/IREM	1800 N 100th Avenue Suite 1100	72101	626-6500	
6.	Rachel Ben-Shimuel	—	6937 1st Ave #302	98101	439-5531	
7.	Rosa Valdez	South Park Play				
8.	Ron Mommola	Friend of Middle Beach	7139-75th Ave S.	98118	723-0840	
9.	Faye Garnear	Aurora Members	951 170 100th	98133	526-1366	526-5550
10.	Ron Lewis	GROUP CHAIRMAN	7201 GREENWOOD N	98103	753-2900	
11.	Flo Beaumont	Aloha Inn				
12.	Kathy Cado	—	213 N. Comstock	98119	284-4240	
13.						
14.						
15.						

(4)



Seattle City Council

PUBLIC HEARING SIGN-UP SHEET  
Tax Abatement

DATE 8/26/98

INFORMATION ON THIS SIGN-UP SHEET IS PUBLIC RECORD  
(PLEASE PRINT)

#	NAME	ORGANIZATION	(OPTIONAL) ADDRESS	ZIP	(OPTIONAL) PHONE	(OPTIONAL) FAX
	Trang Tu	InterImm	308 6th Ave. S Seattle	98104	624-1802	624-5859
47.	Tanusha VanLewer	HomeSight	3405 S AK St. Seattle	98148	723-4408	
48.	Eric Tweit	Columbia City Planning	4721 S. Hudson Seattle	98118	721-3152	
49.	Pat Chemnek	SEED	3405 S Alaska	98118	723-7333	
50.	Dorothy Lenzel	HomeSight	2405 S. ALASKA	98118	723-3973	723-7131
51.	ANDY WILCH	PIONEER SQUARE CDO	157 Yesler Suite 416	98104	667 0687	667 9739
52.	Kathy Hemmick	Citizen	4315 Colless Ave N	98103	632 6227	Same
53.	Brian Livingston			98101	624-2819	
54.	Scott Speeris	Denny Trunk				
55.	Connie Bull	Citizen	2039387 98109	98119	283/5152	
56.	Sue Tacke	SEADPA	20104 3202 98114	98114		
57.	Kate Hemer		4537-55th Ave NE	98105		
58.						
59.						
60.						



# City of Seattle

Paul Scheil, Mayor

## Seattle Planning Commission

Marty Curry, Executive Director

July 23, 1998

Lizanne Lyons, Director  
City of Seattle Strategic Planning Office  
600 Fourth Avenue, Suite 300  
Seattle, WA 98104

Ven Knox, Director  
City of Seattle Department of Housing and Human Services  
618 Second Avenue, Suite 600  
Seattle, WA 98104

Dear Ms. Lyons and *Ven* Ms. Knox:

The Planning Commission Affordable Housing Committee reviewed the Executive's Recommended Multi-Family Tax Abatement Program at their July 8 meeting and want to offer several comments regarding this initiative.

1. We believe that the tax abatement program is best suited to be a production tool, focusing on the stimulation of housing production in areas where disinvestment or less than desired investment in housing is occurring. The initial target neighborhoods should be those where the tax abatement will make the market rate housing more feasible (e.g. in the Central Area and Southeast Seattle).

Don't confuse the tool with too many goals; keep its purpose simple and straightforward. If the City also desires to explore this as a tool for creating below-market rate housing in strong market areas, it should identify 1 - 2 specific areas where a separate pilot project could be initiated. However, it should be clearly separate from this program for increasing general housing production. Other rules and incentives may be needed for this as well.

2. Analysis on the program's effectiveness should have a long term focus. It is obvious that tax-abatement will result in a loss of tax revenues for a period from projects that are built. If no projects are built, the ten year results will be the same; however the longer term results will be considerably different. The relevant questions for the City are: how much tax revenue is lost relative to development that would occur without tax abatement and what is the expected tax revenue gain at the end of the 10 year abatement period. Therefore the projects should use at least a 20 year evaluation. Not taking the longer term for evaluation merely because it is difficult leads to an erroneous conclusion of tax consequences and effectiveness.



Seattle Municipal Building, 600 Fourth Avenue, Suite 300, Seattle, WA 98104-1826

Tel: (206) 684-0433, TDD: (206) 684-8118, Fax: (206) 233-0085

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*Seattle Planning Commission*

*July 23, 1998*

*Page 2*

3. Design review is critical to all projects developed through the tax abatement program. They need to be exemplary projects that are designed well and are seen as an asset to the community. The program would be undermined if such developments are poorly matched to the site and neighborhood. As several Commissioners noted, even small projects can be ugly, so make sure that design review is tied to the abatement program not just the land use code.
4. The City must build into this pilot program excellent data collection/documentation and evaluation to assess the value and effectiveness of this tool. The Commission supports the proposal's inclusion of this evaluation and urges that it be funded as an integral part of the program.

We appreciate the work that has gone into developing this tool and encourage the City to move forward with it after completing the public review process.

Sincerely,



Christi Clark, Co-Chair *re*  
Affordable Housing Committee



Chuck Weinstock, Co-Chair *re*  
Affordable Housing Committee

Post-it* Fax Note	7671	Date 10/22	# of pages 2
To Peter Steinbrueck		From Doug Lorentzen	
Co./Dept.		Co.	G
Phone # 684-8804		Phone # 283-4350	
Fax # 684-5664		Fax # 283-4350	

Oct. 22 '98

Dear Council member Steinbrueck,

Thank you for holding this legislation and giving the public another opportunity to make comments. The work by Central Staff on the ordinance has certainly improved it.

Due to a sudden household plumbing crisis, I am unable to attend the hearing today, so I will comment here.

You will recall my indication of skepticism at the previous hearing. With the changes that have been made I am now cautiously supportive of this legislation. In principle, I am opposed to the use of property tax exemptions to achieve social goals, but am willing to put that aside in the interest of an experiment.

I do have a serious concern regarding the occupancy of the affordable rental units.

I can ~~see~~ envision situations where many or even all of the units ~~being~~ <sup>may be</sup> occupied by people with income above or even far above

the median. A working student or graduate student may qualify for a unit and upon graduation embark upon a career with a rapidly rising income. While I would not want a situation where someone ~~should~~ would be kicked out of ~~the~~ <sup>his</sup> unit if he got \$1 an hour raise ~~there~~ <sup>there</sup> should be some mechanism to give generous notice to people whose incomes have risen dramatically since they qualified, say to 110% of the median. I also think 4 years is too long a trial period. If we can't figure out whether it's working after 2 years, it probably isn't.

I have been told that I need to modernize my metaphors, so here is my recommendation: send it back to Central Staff to adjust the ~~carburetor~~ fuel injection system and fiddle with the valves. Then kick the tires and drive around town for a while, all the while keeping a sharp eye on what's coming out of the tailpipe. And don't invest so much in it, that if it turns out to be a lemon, you would be able to bring yourself to leave it at the junkyard.

Doug Lorentzen



# City of Seattle

Paul Schell, Mayor

## Seattle Planning Commission

Marty Curry, Executive Director

August 25, 1998

Councilmember Peter Steinbrueck, Chair  
Housing, Human Services and Civil Rights Committee  
Seattle City Council  
Seattle, WA 98104

Dear Councilmember Steinbrueck:

The Planning Commission is pleased to submit this letter supporting the Multi-Family Tax Abatement proposal that is being considered for City Council approval. As we noted in our attached letter to SPO and DHHS on the Executive's Recommendation, this program is most effective in encouraging more housing production in areas where housing development is not occurring and plays a smaller role in the creation of affordable housing throughout the community.

The Commission reiterates its support for a strong design review component to the participating projects and to assure that reduced quality of buildings is not an unintended consequence of the program. We also strongly urge the City to commit to documenting and evaluating the program to determine whether the program is producing the intended outcome and at what point sufficient new housing has been developed so that the tool is no longer needed.

This final package has been strengthened by expanding the number of neighborhoods where the tax abatement can be used. We support the introduction of affordability limit in certain of the target areas where high end market rate housing could to be developed, thus preventing any "windfall" gain.

The Multi-family Tax Abatement program should be viewed as one tool in a larger set of measures that contribute to the production of more housing, and to the extent possible to encouraging the development of more affordable market rate housing. We appreciate the Council's recognition of the need to move forward with specific actions such as this while seeking to develop a broader strategic framework that will guide how the City focuses its energy and resources on affordable housing needs in our community.

The Planning Commission looks forward to continuing to work with the Council and the Executive in achieving our vision of a community that can provide adequate housing choices for people of all income levels.

Sincerely,

Christi Clark, Co-Chair  
Affordable Housing Committee

Chuck Weinstock, Co-Chair  
Affordable Housing Committee

cc: City Councilmembers  
Lizanne Lyons, SPO

Ven Knox, DHHS  
Denna Cline, Mayor's Office



Seattle Municipal Building, 600 Fourth Avenue, Suite 300, Seattle, WA 98104-1826

Tel: (206) 684-0433, TDD: (206) 684-8118, Fax: (206) 233-0085

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# City of Seattle

Paul Schell, Mayor

## Seattle Planning Commission

Marty Curry, Executive Director

July 23, 1998

Lizanne Lyons, Director  
City of Seattle Strategic Planning Office  
600 Fourth Avenue, Suite 300  
Seattle, WA 98104

Ven Knox, Director  
City of Seattle Department of Housing and Human Services  
618 Second Avenue, Suite 600  
Seattle, WA 98104

Dear Ms. Lyons and *Ven* Ms. Knox:

The Planning Commission Affordable Housing Committee reviewed the Executive's Recommended Multi-Family Tax Abatement Program at their July 8 meeting and want to offer several comments regarding this initiative.

1. We believe that the tax abatement program is best suited to be a production tool, focusing on the stimulation of housing production in areas where disinvestment or less than desired investment in housing is occurring. The initial target neighborhoods should be those where the tax abatement will make the market rate housing more feasible (e.g. in the Central Area and Southeast Seattle).

Don't confuse the tool with too many goals; keep its purpose simple and straightforward. If the City also desires to explore this as a tool for creating below-market rate housing in strong market areas, it should identify 1 - 2 specific areas where a separate pilot project could be initiated. However, it should be clearly separate from this program for increasing general housing production. Other rules and incentives may be needed for this as well.

2. Analysis on the program's effectiveness should have a long term focus. It is obvious that tax-abatement will result in a loss of tax revenues for a period from projects that are built. If no projects are built, the ten year results will be the same; however the longer term results will be considerably different. The relevant questions for the City are: how much tax revenue is lost relative to development that would occur without tax abatement and what is the expected tax revenue gain at the end of the 10 year abatement period. Therefore the projects should use at least a 20 year evaluation. Not taking the longer term for evaluation merely because it is difficult leads to an erroneous conclusion of tax consequences and effectiveness.



*Seattle Planning Commission*

*July 23, 1998*

*Page 2*

3. Design review is critical to all projects developed through the tax abatement program. They need to be exemplary projects that are designed well and are seen as an asset to the community. The program would be undermined if such developments are poorly matched to the site and neighborhood. As several Commissioners noted, even small projects can be ugly, so make sure that design review is tied to the abatement program not just the land use code.
4. The City must build into this pilot program excellent data collection/documentation and evaluation to assess the value and effectiveness of this tool. The Commission supports the proposal's inclusion of this evaluation and urges that it be funded as an integral part of the program.

We appreciate the work that has gone into developing this tool and encourage the City to move forward with it after completing the public review process.

Sincerely,



Christi Clark, Co-Chair *me*  
Affordable Housing Committee



Chuck Weinstock, Co-Chair *me*  
Affordable Housing Committee

Post-it® Fax Note	7671	Date 10/22	# of pages 2
To Peter Steinbrueck		From Doug Lorentzen	
Co./Dept.		Co.	
Phone # 684-8804		Phone # 283-4350	
Fax # 684-5664		Fax # 283-4350	

Oct. 22 '98

Dear Council member Steinbrueck,

Thank you for holding this legislation and giving the public another opportunity to make comments. The work by Central Staff on the ordinance has certainly improved it.

Due to a sudden household plumbing crisis, I am unable to attend the hearing today, so I will comment here.

You will recall my indication of skepticism at the previous hearing. With the changes that have been made I am now cautiously supportive of this legislation. In principle, I am opposed to the use of property tax exemptions to achieve social goals, but am willing to put that aside in the interest of an experiment.

I do have a serious concern regarding the occupancy of the affordable rental units.

I can ~~see~~ envision situations where many or even all of the units <sup>may be</sup> ~~being~~ occupied by people with income above or even far above

the median. A working student or graduate student may qualify for a unit and upon graduation embark upon a career with a rapidly rising income. While I would not want a situation where someone ~~would~~ would be kicked out of ~~the~~ <sup>his</sup> unit if he got \$1 an hour raise ~~there~~ <sup>there</sup> should be some mechanism to give generous notice to people whose incomes have risen dramatically since they qualified, say to 110% of the median. I also think 4 years is too long a trial period. If we can't figure out whether it's working after 2 years, it probably isn't.

I have been told that I need to modernize my metaphors, so here is my recommendation: send it back to Central Staff to adjust the ~~carburetor~~ fuel injection system and fiddle with the valves. Then kick the tires and drive around town for a while, all the while keeping a sharp eye on what's coming out of the tailpipe. And don't invest so much in it, that if it turns out to be a lemon, you won't be able to bring yourself to leave it at the junkyard.

Doug Lorentzen

**From:** Theresa Cherniak  
**To:** Witter, Lisa  
**Date:** 8/18/98 10:50am  
**Subject:** Ordinance Title

Here is the title for the tax abatement ordinance. If it is ok, please forward on to Margaret Carter for publication as title only. Thanks! Will get you the actual ordinance by Wed afternoon. Theresa

AN ORDINANCE relating to the development of multi-family housing; creating a new Chapter 5.72 of the Seattle Municipal Code in Title 5 - Taxation and Revenue, Subtitle II - Taxes, implementing RCW Chapter 84.14 to provide for exemption from ad valorem property taxation for qualifying multi-family housing in designated residential target areas within the City and designating certain areas as residential targeted areas; and amending Seattle Municipal Code Section 3.02.125 relating to Hearing Examiner fees.

**CC:** ratzliff, traci



**From:** Lisa Witter  
**To:** CLERK.MCARTER  
**Date:** 8/18/98 11:03am  
**Subject:** Ordinance Title -Forwarded

Title only referral to 8/26/98 Housing, Human Services, and Civil Rights Committee.

Thanks!

Lisa

1  
2  
3 **ORDINANCE**  
4  
5

---

6 AN ORDINANCE relating to the development of multi-family housing; creating a new  
7 Chapter 5.72 of the Seattle Municipal Code in Title 5 - Taxation and Revenue,  
8 Subtitle II - Taxes, implementing RCW Chapter 84.14 to provide for exemption from  
9 ad valorem property taxation for qualifying multi-family housing in designated  
10 residential target areas within the City and designating certain areas as residential  
11 targeted areas; and amending Seattle Municipal Code Section 3.02.125 relating to  
12 Hearing Examiner fees.  
13

14 WHEREAS, Washington state law, RCW Chapter 84.14, adopted by the legislature in 1995,  
15 provides for the exemption from ad valorem property taxation for the value of  
16 eligible improvements associated with qualifying multi-unit housing located in  
17 residential target areas and authorizes the City to adopt necessary procedures to  
18 implement the State law; and  
19

20 WHEREAS, the stated purpose of RCW Chapter 84.14 is to increase residential  
21 opportunities by stimulating the construction of new multi-family housing and the  
22 rehabilitation of existing vacant and underutilized buildings for multi-family housing  
23 in areas where the City finds there are insufficient residential opportunities; and  
24

25 WHEREAS, the City Council finds that those areas within the City designated as urban  
26 center villages, hub urban villages or residential urban villages in the Land Use  
27 Element of the City's Comprehensive Plan satisfy the requirements of an "urban  
28 center" as defined under RCW 84.14.010(1); and  
29

30 WHEREAS, the Comprehensive Plan anticipates certain levels of development within  
31 designated urban village neighborhoods, and certain neighborhoods have  
32 experienced minimal development, particularly relative to the Comprehensive Plan  
33 growth estimates; and  
34

35 WHEREAS, the City finds that the areas designated as residential targeted areas in this  
36 Ordinance are each located within an urban village as defined in this ordinance, that  
37 each area lacks sufficient available, desirable and convenient residential housing to  
38 meet the needs of the public who would be likely to live in such area if desirable,  
39 attractive and livable residences were available; and that the property tax exemption  
40 program implemented by this Ordinance will encourage increased residential  
41 opportunities within the City and stimulate the construction of new multifamily  
42 housing and the rehabilitation of existing vacant and underutilized buildings for  
43 multifamily housing; and  
44

1 WHEREAS, it is the City's intent to preserve and protect buildings, objects, sites, and  
2 neighborhoods with historic, cultural, architectural, engineering or geographic  
3 significance located within the City, as provided in those chapters of the Seattle  
4 Municipal Code relating to landmarks preservation, landmark districts, historical  
5 districts and special review districts; and the property tax exemption program  
6 established by this ordinance shall support and further the goals and purposes  
7 expressed in those provisions of the Code; **NOW THEREFORE,**  
8

9 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

10  
11 Section 1: A new chapter, Chapter 5.72, to be titled "Multifamily Housing Property Tax  
12 Exemption Ordinance" is hereby added to the Seattle Municipal Code, Title 5, Subtitle II,  
13 Taxes, as follows:  
14

15 **Section 5.72.010 Purpose**

16 A. The purposes of this chapter are:

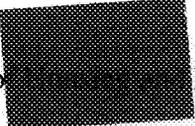
- 17 1. To encourage more multifamily housing opportunities within the City;
- 18 2. To stimulate the construction of new multifamily housing and the  
19 rehabilitation of existing vacant and underutilized buildings for multifamily housing;
- 20 3. To accomplish the planning goals required under the Growth Management  
21 Act, RCW chapter 36.70A, as implemented by the City's Comprehensive Plan;
- 22 4. To promote community development, affordable housing, and  
23 neighborhood revitalization;
- 24 5. To preserve and protect buildings, objects, sites, and neighborhoods with  
25 historic, cultural, architectural, engineering or geographic significance located within the  
26 City; and
- 27 6. To encourage additional housing in areas that are consistent with planning  
28 for Sound Transit by the Central Puget Sound Regional Transit Authority.

29  
30 B. Any one or a combination of these purposes may be furthered by the designation  
31 of a residential targeted area under this chapter.  
32

33 **Section 5.72.020 Definitions**

34  
35 "Affordable" means: (1) for rental housing, that the units shall be rented to persons or  
36 households with annual income, at the time of initial occupancy, no greater than eighty  
37 percent (80%) of median income for the tenant's household size, at monthly rent, for the  
38 duration of the tenancy, no higher than one-twelfth of thirty-five percent (35%) of  
39 eighty percent (80%) of median income adjusted for the presumed family size of the  
40 unit; and (2) for owner-occupied housing, that the first owner occupying the unit after  
41 issuance of the final certificate of tax exemption under this chapter shall have an annual  
42 income, at the time such owner becomes contractually obligated or entitled to purchase  
43 the unit, no greater than eighty percent (80%) of median income for the owner's  
44 household size, and the monthly housing payment, at the time such owner becomes  
45 contractually obligated or entitled to purchase the unit, shall be no higher than one-  
46 twelfth of thirty-five percent (35%) of eighty percent (80%) of median income adjusted

1 for the presumed family size of the unit as set forth above. A unit shall not cease to be  
2 affordable solely because the income of the owner of owner-occupied housing, or tenant  
3 of rental housing, exceeds the annual income limit set forth in this subsection A after the  
4 date of initial occupancy.  
5

- 6 A. "Assessor" means the King County Assessor.
- 7
- 8 B. "Director", means the Director of the City's Department of  Human  
9 Services or his or her authorized designee.
- 10
- 11 C. "Median income" means annual median income for the Seattle Everett Metropolitan  
12 Area, adjusted for household size, as most recently estimated by the United States  
13 Department of Housing and Urban Development.
- 14
- 15 D. "Monthly housing payment" means all amounts paid directly or indirectly for the use or  
16 occupancy of a unit and of common areas of the project, including principal and interest  
17 payments on a loan or real estate contract for purchase of the unit, condominium  
18 association dues, maintenance fees, assessments, real estate taxes and mortgage  
19 insurance.
- 20
- 21 E. "Multi-family housing" means a building or townhouse having four or more dwelling  
22 units designed for permanent residential occupancy resulting from new construction or  
23 rehabilitation or conversion of vacant, underutilized, or substandard buildings.
- 24
- 25 F. "Owner" means the property owner of record.
- 26
- 27 G. "Permanent residential occupancy" means multi-family housing that provides either  
28 rental or owner occupancy for a period of at least one month. This excludes hotels and  
29 motels that predominately offer rental accommodation on a daily or weekly basis.
- 30
- 31 H. "Rehabilitation improvements" means (1) modifications to an existing structure that is  
32 vacant for at least 12 months prior to application for exemption under this chapter, that  
33 are made to achieve a condition of substantial compliance with the applicable building  
34 and construction codes contained in SMC Title 22; or (2) modifications to an existing  
35 occupied structure that add at least four multi-family housing units to the existing  
36 structure.
- 37
- 38 I. "Rent" means all amounts paid directly or indirectly for the use or occupancy of a unit  
39 and of common areas, if any.
- 40
- 41 J. "Residential targeted area" means an area within an urban village that has been so  
42 designated by the City Council pursuant to this chapter.
- 43
- 44 K. "Substantial Compliance" means compliance with the applicable building and  
45 construction codes contained in SMC Title 22 that is typically required for rehabilitation  
46 as opposed to new construction.

1  
2 L. "Urban village" as used in this chapter means a neighborhood that: (1) is within an area  
3 designated as either an urban center village, a hub urban village or a residential urban  
4 village in the Land Use Element of the City's Comprehensive Plan; and (2) meets the  
5 definition of an "urban center" as defined in RCW Section 84.14.010.  
6

7 **Section 5.72.030 Residential Targeted Areas -- Criteria -- Designation**  
8

9 A. Following notice and public hearing as prescribed in RCW 84.14.040, the  
10 Council may designate one or more residential targeted areas, upon a finding by the Council  
11 in its sole discretion that the residential targeted area meets the following criteria:

- 12 1. The residential targeted area is within an urban village;  
13 2. The residential targeted area lacks sufficient available, desirable and  
14 convenient residential housing to meets the needs of the public who would be likely to live  
15 in the urban village if desirable, attractive and livable residences were available; and  
16 3. Providing additional housing opportunity in the residential targeted area  
17 will assist in achieving one or more of the following purposes:  
18 (a) encourage increased residential opportunities within the City; or  
19 (b) stimulate the construction of new multifamily housing and the  
20 rehabilitation of existing vacant and underutilized buildings for multifamily housing.

21 B. In designating a residential targeted area, the Council may also consider other  
22 factors, including:

- 23 1. Whether additional housing in the residential targeted area will attract and  
24 maintain an increase in the number of permanent residents;  
25 2. Whether an increased permanent residential population in the residential  
26 targeted area will help to achieve the planning goals mandated by the Growth Management  
27 Act under RCW 36.70A, as implemented through the City's Comprehensive Plan;  
28 3. Whether encouraging additional housing in the residential targeted area is  
29 consistent with plans for Sound Transit by the Central Puget Sound Regional Transit  
30 Authority; or  
31 4. Whether additional housing may contribute to revitalization of a  
32 distressed neighborhood or area within the City.

33 C. At any time the Council may, by ordinance, in its sole discretion, amend or  
34 rescind the designation of a residential targeted area pursuant to the same procedural  
35 requirements as set forth in this chapter for original designation.

36 D. The following areas, as shown in the attached appendices 1 through 8, are  
37 designated as residential targeted areas under this chapter:

- 38 1. Martin Luther King Jr. Way South at South Holly Street  
39 2. Pioneer Square  
40 3. International District  
41 4. 23<sup>rd</sup> Avenue South at South Jackson  
42 5. Westlake (Denny Triangle)  
43 6. South Park  
44 7. Columbia City  
45 8. Rainier Avenue South @ I-90  
46

1 E. If a part of any legal lot is within a residential targeted area as shown in  
2 appendices A through H, then the entire lot shall be deemed to lie within such residential  
3 targeted area.  
4

5 **Section 5.72.040 Project Eligibility**

6 To be eligible for exemption from property taxation under this chapter, the property  
7 must satisfy all of the following requirements:

8 A. The property must be located in a residential targeted area.

9 B. The project must be multi-family housing consisting of at least four dwelling  
10 units within a residential structure or as part of a mixed use development in which at least  
11 fifty percent of the space within such residential structure or mixed use development is  
12 intended for permanent residential occupancy.

13 C. For new construction, a minimum of four new dwelling units must be created; for  
14 rehabilitation or conversion of existing occupied structures, a minimum of four additional  
15 dwelling units must be added to existing occupied housing within the structure.

16 D. For rehabilitation or conversion of an existing vacant building, the building shall  
17 have been vacant for at least twelve (12) months before application for a conditional  
18 exemption, and the rehabilitation improvements shall achieve a condition of substantial  
19 compliance with the applicable building and construction codes contained in SMC Title 22.

20 E. In the Pioneer Square, International District and Westlake (Denny Triangle)  
21 residential targeted areas, at least 25% of the units in the project shall be affordable units.

22 F. For new construction of multifamily housing, the applicant shall complete the  
23 design review process under SMC Chapter 23.41, whether or not the project would be  
24 subject to design review under Chapter 23.41 if the owner had not applied for property tax  
25 exemption under this chapter. For projects not subject to mandatory design review under  
26 SMC 23.41.004, the applicant shall complete administrative design review under SMC  
27 23.41.016.

28 G. The applicant shall obtain a certificate of approval, permit, or other approval  
29 under SMC Chapter 25.12, Landmarks Preservation Ordinance, SMC Chapter 23.66, Special  
30 Review Districts, or those provisions of SMC Chapter 25.16, Chapter 25.20, Chapter  
31 25.22, Chapter 25.24, or Chapter 25.28, relating to Landmark or Historical Districts, if such  
32 certificate of approval, permit or other approval is required under those chapters. Such  
33 certificate of approval, permit or other approval shall satisfy the requirement under  
34 subsection F of this section that the applicant complete design review under SMC Chapter  
35 23.41.

36 H. The project must comply with all applicable zoning requirements, land use  
37 regulations, and building and housing code requirements contained in SMC Title 22 and  
38 Title 23 at the time of new construction, rehabilitation or conversion.

39 I. For the duration of the exemption granted under this chapter, the property shall  
40 have no violations of applicable zoning requirements, land use regulations, and building and  
41 housing code requirements contained in SMC Title 22 and Title 23 for which the  
42 Department of Construction and Land Use shall have issued a notice of violation that is not  
43 resolved by a certificate of compliance, certificate of release, or withdrawal within the time  
44 period for compliance provided in such notice of violation and any extension of the time  
45 period for compliance granted by the Director of the Department of Construction and Land  
46 Use.

1 J. New construction multifamily housing and rehabilitation improvements must be  
2 scheduled to be completed within three years from the date of approval of the application.  
3

4 **Section 5.72.050 Application Procedure -- Fee**  
5

6 A. The owner of property applying for exemption under this chapter shall submit an  
7 application to the Director, on a form established by the Director. The owner shall verify the  
8 application by oath or affirmation. The application shall contain such information as the  
9 Director may deem necessary or useful, and shall include:

10 1. A brief written description of the project and preliminary schematic site  
11 and floor plans of the multifamily units and the structure(s) in which they are proposed to be  
12 located;

13 2. A statement from the owner acknowledging the potential tax liability  
14 when the property ceases to be eligible for exemption under this chapter; and

15 3. For projects in the Pioneer Square, International District and Westlake  
16 (Denny Triangle) residential targeted areas, the application will include information  
17 describing how the applicant shall comply with the affordability requirements in Subsection  
18 5.72.040(E) and .020(A) of this chapter.

19 4. In the case of rehabilitation of an existing vacant structure under Section  
20 5.72.020(I)(1), verification from the Department of Construction and Land Use of non-  
21 compliance with applicable building and housing codes as required under 5.72.020(I)(1),  
22 and an affidavit from the owner verifying that the existing dwelling units have been vacant  
23 for a period of 12 months prior to filing the application.

24 B. At the time of initial application under this Section, the applicant shall pay to the  
25 City an initial application fee of \$500.00. If the City denies the application, the City will  
26 retain that portion of the fee attributable to its own actual administrative costs and refund the  
27 balance, if any, to the applicant.

28 C. The Director shall notify the applicant within twenty-eight (28) days of the  
29 application being filed if the Director determines that an application is not complete and  
30 shall identify what additional information is required before the application will be  
31 complete. Within twenty-eight (28) days of receiving additional information, the Director  
32 shall notify the applicant in writing if the Director determines that the application is still not  
33 complete, and what additional information is necessary. An application shall be deemed to  
34 be complete if the Director does not notify the applicant in writing by the deadlines in this  
35 section that the application is incomplete; however, a determination of completeness does  
36 not preclude the Director from requiring additional information during the review process if  
37 more information is needed to evaluate the application according to the criteria in this  
38 chapter.

39 D. Except as otherwise provided in subsection E of this section, the application shall  
40 be submitted any time before the earlier of (i) an application for a master use permit or other  
41 land use permit under SMC Title 23, and (ii) an application for a building or other  
42 construction permit under SMC Title 22.

43 E. If, on the effective date of this Chapter 5.72, the applicant has applied for a permit  
44 identified in subsection D of this section, then application for exemption under this section  
45 may be submitted any time prior to issuance of a building permit; provided that, for new  
46 construction, the applicant shall have completed, or be in the process of completing, design

1 review or administrative design review as required under Section 5.72.040(F), or shall have  
2 obtained a certificate of approval, permit, or other approval as provided under Section  
3 5.72.040(G).  
4

5 **Section 5.72.060 Application Review -- Issuance of Conditional Certificate --**  
6 **Denial -- Appeal**

7 A. The Director shall approve or deny an application under this chapter within 90  
8 days of receipt of the completed application.

9 B. If the application is approved, the applicant shall enter into a contract with the  
10 City, subject to approval by resolution of the City Council, regarding the terms and  
11 conditions of the project and eligibility for exemption under this chapter. Upon Council  
12 approval of the contract, the Director shall execute the contract as approved by the City  
13 Council, and the Director shall issue a conditional certificate of acceptance of tax exemption.  
14 The conditional certificate shall expire three (3) years from the date of approval unless an  
15 extension is granted as provided in this chapter.

16 C. If the application is denied, the Director shall state in writing the reasons for the  
17 denial and send notice of denial to the applicant's last known address within ten days of the  
18 denial.

19 D. An applicant may appeal a denial to the City Council within thirty (30) days of  
20 receipt of the denial. The appeal before the City Council will be based upon the record  
21 before the Director, and the Director's decision will be upheld unless the applicant can show  
22 that there is no substantial evidence on the record to support the Director's decision. The  
23 City Council's decision on appeal is final.  
24

25 **Section 5.72.070 Extension of Conditional Certificate**

26  
27 The Conditional Certificate may be extended by the Director for a period not to  
28 exceed 24 consecutive months. The applicant shall submit a written request stating the  
29 grounds for the extension together with a fee of \$150.00 for the City's administrative cost to  
30 process the request. The Director may grant an extension if the Director determines that:

31 A. The anticipated failure to complete construction or rehabilitation within the  
32 required time period is due to circumstances beyond the control of the owner; and

33 B. The owner has been acting and could reasonably be expected to continue to act in  
34 good faith and with due diligence; and

35 C. All the conditions of the original contract between the applicant and the City will  
36 be satisfied upon completion of the project.  
37

38  
39 **Section 5.72.080 Final Certificate -- Application -- Issuance -- Denial and Appeal**

40  
41 A. Upon completion of the rehabilitation improvements or new construction as  
42 provided in the contract between the applicant and the City, and upon issuance of a  
43 temporary certificate of occupancy, or a permanent certificate of occupancy if no temporary  
44 certificate is issued, the applicant may request a Final Certificate of Tax Exemption. The  
45 applicant shall file with the Director such information as the Director may deem necessary or  
46 useful to evaluate eligibility for the Final Certificate, and shall include:

- 1                   1. A statement of expenditures made with respect to each multi- family
- 2 housing unit and the total expenditures made with respect to the entire property;
- 3                   2. A description of the completed work and a statement of qualification for
- 4 the exemption;
- 5                   3. A statement that the work was completed within the required three-year
- 6 period or any approved extension; and
- 7                   4. For projects in the Pioneer Square, International District and Westlake
- 8 (Denny Triangle) residential targeted areas, information on the applicant's compliance with
- 9 the affordability requirements in Subsection 5.72.040(E) and .020(A) of this chapter.

10           B. At the time of application for Final Certificate under this section, the applicant  
11 shall pay to the City a fee of \$150.00 to cover the Assessor's administrative costs. If the  
12 Director approves the application, the City will forward the fee for the Assessor's  
13 administrative costs to the Assessor. If the Director denies the application, the City will  
14 refund the fee for the Assessor's administrative costs to the applicant.

15           C. Within 30 days of receipt of all materials required for a Final Certificate, the  
16 Director shall determine whether the completed work is consistent with the contract between  
17 the City and owner and is qualified for exemption under this chapter, and which specific  
18 improvements satisfy the requirements of this chapter.

19           D. If the Director determines that the project has been completed in accordance with  
20 the contract between the applicant and the City and the requirements of this chapter, the City  
21 shall file a Final Certificate of Tax Exemption with the Assessor within 10 days of the  
22 expiration of the thirty-day period provided under subsection C of this section.

23           E. The Director shall notify the applicant in writing that the City will not file a Final  
24 Certificate if the Director determines that the project was not completed within the required  
25 three-year period or any approved extension, or was not completed in accordance with the  
26 contract between the applicant and the City and the requirements of this chapter.

27           F. The applicant may file an appeal of the Director's decision that a Final  
28 Certificate will not be issued to the King County Superior Court within thirty (30) days of  
29 receiving notice of that decision.

30  
31 **Section 5.72.090       Exemption -- Duration -- Limits**

32  
33           A. The value of new housing construction and rehabilitation improvements  
34 qualifying under this chapter will be exempt from ad valorem property taxation for 10  
35 successive years beginning January 1st of the year immediately following the calendar year  
36 after issuance of the Final Certificate of Tax Exemption.

37           B. The exemption does not apply to the value of land or to the value of  
38 improvements not qualifying under this chapter, nor does the exemption apply to increases  
39 in assessed valuation of land and non-qualifying improvements, or to increases made by  
40 lawful order of the King County Board of Equalization, the Washington State Department of  
41 Revenue, State Board of Tax Appeals, or King County, to a class of property throughout the  
42 county or a specific area of the county to achieve uniformity of assessment or appraisal as  
43 required by law. In the case of rehabilitation of existing buildings, the exemption does not  
44 include the value of improvements constructed prior to submission of the completed  
45 application required under this chapter.

1           **Section 5.72.100      Annual Certification**

2  
3           A. Within 30 days after the first anniversary of the date the City filed the Final  
4 Certificate of Tax Exemption and each year thereafter, for a period of 10 years, the property  
5 owner shall file a certification with the Director, verified upon oath or affirmation, which  
6 shall contain such information as the Director may deem necessary or useful, and shall  
7 include the following information:

8                   1. A statement of occupancy and vacancy of the multi-family units during  
9 the previous year;

10                   2. A certification that the property has not changed use since the date of  
11 filing of the Final Certificate of Tax Exemption, and continues to be in compliance with the  
12 contract with the City and the requirements of this chapter;

13                   3. A description of any improvements or changes to the property made after  
14 the filing of the Final Certificate or last declaration, as applicable; and

15                   4. For projects within the Pioneer Square, International District and  
16 Westlake (Denny Triangle) residential targeted areas, information demonstrating the owner's  
17 compliance with the affordability requirements of Subsections 5.72.040(E) and .020(A) of  
18 this chapter.

19           B. Failure to submit the annual declaration may result in cancellation of the tax  
20 exemption.

21  
22           **Section 5.72.110      Cancellation of Tax Exemption -- Appeal**

23  
24           A. If at any time the Director determines that the property no longer complies with  
25 the terms of the contract or with the requirements of this chapter, or for any reason no longer  
26 qualifies for the tax exemption, the tax exemption shall be canceled and additional taxes,  
27 interest and penalty imposed pursuant to State law.

28           B. If the owner intends to convert the multi-family housing to another use, the  
29 owner must notify the Director and the King County Assessor within 60 days of the change  
30 in use. Upon such change in use, the tax exemption shall be canceled and additional taxes,  
31 interest and penalty imposed pursuant to State law.

32           C. Upon determining that a tax exemption shall be canceled, the Director, on behalf  
33 of the City Council, shall notify the property owner by certified mail, return receipt  
34 requested. The property owner may appeal the determination by filing a notice of appeal  
35 with the City Clerk within 30 days, specifying the factual and legal basis for the appeal. The  
36 Hearing Examiner will conduct a hearing pursuant to SMC 3.02.090 at which all affected  
37 parties may be heard and all competent evidence received. The Hearing Examiner will  
38 affirm, modify, or repeal the decision to cancel the exemption based on the evidence  
39 received. The Hearing Examiner shall give substantial weight to the Director's decision and  
40 the burden of overcoming that weight shall be upon the appellant. An aggrieved party may  
41 appeal the Hearing Examiner's decision to the King County Superior Court as provided in  
42 RCW 34.05.510 through 34.05.598.

43  
44           **Section 5.72.120      Expiration of Program**

The program established by this chapter shall expire four (4) years after the effective date of this ordinance, unless extended by the City Council by ordinance. Upon expiration, no further applications for a conditional certificate of tax exemption shall be accepted. Pending applications for a conditional certificate, extension of conditional certificate and final certificate shall be processed as provided in this chapter.

Section 2. Annually, beginning in 1999, a committee composed of the Directors of the Department of Housing and Human Services, the Office of Strategic Planning, the Department of Construction and Land Use, City Budget Office and Council Central staff, or their designees, shall review the program established by this ordinance and provide a report to the City Council outlining development activity, types of units produced and their locations, rent and sales prices and other appropriate factors. These reports may include recommendations on whether any neighborhoods should be added or removed, and will analyze any issues related to the use of the program for homeownership units. In 2002, the committee shall review and report to the City Council regarding the effectiveness of the program during its first three years of operation. Such review shall include costs and benefits of the program, an assessment of the affordability limits in Pioneer Square and the International District, and may include recommended program modifications.

Section 3. Section 3.02.125, Hearing Examiner filing fees, which was last amended by Ordinance 116594 is hereby amended at subsection A to add a hearing examiner fee for appeal of cancellation of Property Tax Exemption, as follows:

**SMC 3.02.125 Hearing Examiner filing fees.**

A. Filing fees for hearings before the City Hearing Examiner are as follows:

Basis for hearing	Fee
* * *	
Property Tax Exemption, cancellation of exemption (ch. 5.72)	\$50.00

Section 4. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 1998, and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 1998.

\_\_\_\_\_  
President of the City Council

Approved by me this \_\_\_\_\_ day of \_\_\_\_\_, 1998.

\_\_\_\_\_  
Paul Schell, Mayor

1  
2  
3  
4

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

(SEAL)

\_\_\_\_\_  
City Clerk

## ORDINANCE

1  
2  
3 AN ORDINANCE relating to the development of multi-family housing; creating a new  
4 Chapter 5.72 of the Seattle Municipal Code in Title 5 - Taxation and Revenue,  
5 Subtitle II - Taxes, implementing RCW Chapter 84.14 to provide for exemption from  
6 ad valorem property taxation for qualifying multi-family housing in designated  
7 residential target areas within the City and designating certain areas as residential  
8 targeted areas; and amending Seattle Municipal Code Section 3.02.125 relating to  
9 Hearing Examiner fees.

10  
11 WHEREAS, Washington state law, RCW Chapter 84.14, adopted by the legislature in 1995,  
12 provides for the exemption from ad valorem property taxation for the value of  
13 eligible improvements associated with qualifying multi-unit housing located in  
14 residential target areas and authorizes the City to adopt necessary procedures to  
15 implement the State law; and

16  
17 WHEREAS, the stated purpose of RCW Chapter 84.14 is to increase residential  
18 opportunities by stimulating the construction of new multi-family housing and the  
19 rehabilitation of existing vacant and underutilized buildings for multi-family housing  
20 in areas where the City finds there are insufficient residential opportunities; and

21  
22 WHEREAS, the City Council finds that those areas within the City designated as urban  
23 center villages, hub urban villages or residential urban villages in the Land Use  
24 Element of the City's Comprehensive Plan satisfy the requirements of an "urban  
25 center" as defined under RCW 84.14.010(1); and

26  
27 WHEREAS, the Comprehensive Plan anticipates certain levels of new housing production  
28 within designated urban village neighborhoods, and certain neighborhoods have  
29 experienced minimal housing development, particularly relative to the  
30 Comprehensive Plan growth estimates; and

31  
32 WHEREAS, the City finds that the areas designated as residential targeted areas in this  
33 Ordinance are each located within an urban village as defined in this ordinance, that  
34 each area lacks sufficient available, desirable and convenient residential housing to  
35 meet the needs of the public who would be likely to live in such area if desirable,  
36 attractive and livable residences were available; and that the property tax exemption  
37 program implemented by this Ordinance will encourage increased residential  
38 opportunities within the City and stimulate the construction of new multifamily  
39 housing and the rehabilitation of existing vacant and underutilized buildings for  
40 multifamily housing; and

41  
42 WHEREAS, certain areas within the City lack sufficient housing opportunities to meet the  
43 needs of low and moderate income households who would be likely to live in such  
44 areas if affordable residences were available, and

45  
46 WHEREAS, it is the City's intent to preserve and protect buildings, objects, sites, and  
47 neighborhoods with historic, cultural, architectural, engineering or geographic  
48 significance located within the City, as provided in those chapters of the Seattle

1 Municipal Code relating to landmarks preservation, landmark districts, historical  
2 districts and special review districts; and the property tax exemption program  
3 established by this ordinance shall support and further the goals and purposes  
4 expressed in those provisions of the Code; and  
5

6 WHEREAS, it is the City's goal to preserve, when appropriate, existing multifamily low-  
7 income housing in neighborhoods where such housing now exists, and to use the  
8 property tax exemption program to support and not hinder this goal;  
9

10 **NOW, THEREFORE; BE IT ORDAINED BY THE CITY OF SEATTLE AS**  
11 **FOLLOWS:**  
12

13 Section 1: A new chapter, Chapter 5.72, to be titled "Multifamily Housing Property Tax  
14 Exemption Ordinance" is hereby added to the Seattle Municipal Code, Title 5, Subtitle II,  
15 Taxes, as follows:  
16

17 **Section 5.72.010 Purpose**

18 A. The purposes of this chapter are:

- 19 1. To encourage more multifamily housing opportunities within the City;  
20 2. To stimulate the construction of new multifamily housing and the  
21 rehabilitation of existing vacant and underutilized buildings for multifamily housing;  
22 3. To increase the supply of multifamily housing opportunities within the  
23 City for low and moderate income households;  
24 4. To accomplish the planning goals required under the Growth Management  
25 Act, RCW chapter 36.70A, as implemented by the City's Comprehensive Plan;  
26 5. To promote community development, affordable housing, and  
27 neighborhood revitalization;  
28 6. To preserve and protect buildings, objects, sites, and neighborhoods with  
29 historic, cultural, architectural, engineering or geographic significance located within the  
30 City; and  
31 7. To encourage additional housing in areas that are consistent with planning  
32 for LINK Light Rail by Sound Transit.

33 B. Any one or a combination of these purposes may be furthered by the designation  
34 of a residential targeted area under this chapter.  
35

36 **Section 5.72.020 Definitions**  
37

38 A. "Affordable" means: (1) for rental housing, that the units shall be rented to  
39 person(s) with household annual income, at the time of each tenant's initial occupancy, no  
40 greater than the percentage of median income designated in this chapter for the tenant's  
41 household size; and (2) for owner-occupied housing, that each owner of the property who  
42 occupies the unit after issuance of the final certificate of tax exemption under this chapter  
43 shall have a household annual income, at the time of each such owner's initial occupancy of  
44 the unit, no greater than the percentage of median income designated in this chapter for the  
45 owner's household size adjusted for the presumed family size of the unit as set forth above.  
46 A unit shall not cease to be affordable solely because the household annual income of the  
47 owner of owner-occupied housing, or tenant of rental housing, exceeds the annual income  
48 limit set forth in this subsection A after the date of initial occupancy.

1  
2 B. "Assessor" means the King County Assessor.  
3

4 C. "Director" means the Director of the City's Office of Housing, or any other City  
5 office, department or agency that shall succeed to its functions with respect to this chapter, or  
6 his or her authorized designee.  
7

8 D. "Household annual income" means the aggregate annual income of all persons  
9 over eighteen (18) years of age residing within the same household for a period of at least  
10 one month.  
11

12 E. "Median income" means annual median income for the metropolitan statistical  
13 area that includes Seattle, as most recently estimated by the United States Department of  
14 Housing and Urban Development, as adjusted for household size.  
15

16 F. "Multi-family housing" means a building or townhouse having four or more  
17 dwelling units designed for permanent residential occupancy resulting from new  
18 construction or rehabilitation or conversion of vacant, underutilized, or substandard  
19 buildings.  
20

21 G. "Owner" means the property owner of record.  
22

23 H. "Permanent residential occupancy" means multi-family housing that provides  
24 either rental or owner occupancy for a period of at least one month. This excludes hotels  
25 and motels that predominately offer rental accommodation on a daily or weekly basis.  
26

27 I. "Rehabilitation improvements" means (1) modifications to an existing structure  
28 the residential portion of which has been vacant for at least 12 months prior to application  
29 for exemption under this chapter, that are made to achieve a condition of substantial  
30 compliance with the applicable building and construction codes contained in SMC Title 22;  
31 or (2) modifications to an existing occupied residential structure or mixed use structure that  
32 contains occupied residential units, that add at least four multi-family housing units.  
33

34 J. "Residential targeted area" means an area within an urban village that has been so  
35 designated by the City Council pursuant to this chapter.  
36

37 K. "Substantial Compliance" means compliance with the applicable building and  
38 construction codes contained in SMC Title 22 that is typically required for rehabilitation as  
39 opposed to new construction.  
40

41 L. "Urban village" as used in this chapter means a neighborhood that: (1) is within  
42 an area designated as either an urban center village, a hub urban village or a residential urban  
43 village in the Land Use Element of the City's Comprehensive Plan; and (2) meets the  
44 definition of an "urban center" as defined in RCW Section 84.14.010.  
45  
46  
47  
48

1                   **Section 5.72.030        Residential Targeted Areas -- Criteria -- Designation**  
2

3                   A. Following notice and public hearing as prescribed in RCW 84.14.040, the  
4 Council may designate one or more residential targeted areas, upon a finding by the Council  
5 in its sole discretion that the residential targeted area meets the following criteria:

6                   1. The residential targeted area is within an urban village;  
7                   2. The residential targeted area lacks sufficient available, desirable and  
8 convenient residential housing to meet the needs of the public who would be likely to live in  
9 the urban village if desirable, attractive and livable residences were available; and

10                   3. Providing additional housing opportunity in the residential targeted area  
11 will assist in achieving one or more of the following purposes:

12                   (a) encourage increased residential opportunities within the City; or  
13                   (b) stimulate the construction of new affordable multifamily  
14 housing; and

15                   (c) encourage the rehabilitation of existing vacant and underutilized  
16 buildings for multifamily housing.

17                   B. In designating a residential targeted area, the Council may also consider other  
18 factors, including:

19                   1. Whether additional housing in the residential targeted area will attract and  
20 maintain an increase in the number of permanent residents;

21                   2. Whether providing additional housing opportunities for low and moderate  
22 income households would meet the needs of citizens likely to live in the area if affordable  
23 residences were available;

24                   3. Whether an increased permanent residential population in the residential  
25 targeted area will help to achieve the planning goals mandated by the Growth Management  
26 Act under RCW 36.70A, as implemented through the City's Comprehensive Plan;

27                   4. Whether encouraging additional housing in the residential targeted area is  
28 consistent with plans for LINK Light Rail by Sound Transit; or

29                   5. Whether additional housing may contribute to revitalization of a  
30 distressed neighborhood or area within the City.

31                   C. At any time the Council may, by ordinance, in its sole discretion, amend or  
32 rescind the designation of a residential targeted area pursuant to the same procedural  
33 requirements as set forth in this chapter for original designation.

34                   D. The following areas, as shown in the attached appendices 1 through 9, are  
35 designated as residential targeted areas under this chapter:

36                   1. Martin Luther King Jr. Way South at South Holly Street

37                   2. Pioneer Square

38                   3. International District

39                   4. 23<sup>rd</sup> Avenue South at South Jackson

40                   5. Westlake (Denny Triangle)

41                   6. South Park

42                   7. Columbia City

43                   8. Rainier Avenue South @ I-90

44                   9. Pike/Pine

45                   E. If a part of any legal lot is within a residential targeted area as shown in  
46 appendices 1 through 9, then the entire lot shall be deemed to lie within such residential  
47 targeted area.  
48

1           **Section 5.72.040      Project Eligibility**

2           To be eligible for exemption from property taxation under this chapter, the property  
3 must satisfy all of the following requirements:

4           A. The property must be located in a residential targeted area.

5           B. The project must be multi-family housing consisting of at least four dwelling  
6 units within a residential structure or as part of a mixed use development in which at least  
7 fifty percent of the space within such residential structure or mixed use development is  
8 intended for permanent residential occupancy.

9           C. For new construction, a minimum of four new dwelling units must be created; for  
10 rehabilitation or conversion of existing occupied structures, a minimum of four additional  
11 dwelling units must be added.

12           D. For rehabilitation or conversion of an existing vacant building, the residential  
13 portion of the building shall have been vacant for at least twelve (12) months before  
14 application for a conditional exemption, and the rehabilitation improvements shall achieve a  
15 condition of substantial compliance with the applicable building and construction codes  
16 contained in SMC Title 22.

17           E. For rehabilitation or conversion of existing occupied structures, there shall be no  
18 "displacement" of existing residential tenants, as such term is defined in Section  
19 22.210.030(E) of the Seattle Municipal Code;

20           F. For new construction projects where an existing rental housing structure that  
21 contained four or more occupied dwelling units was demolished on the site of the new  
22 project within 12 months prior to application for exemption under this chapter, the owner  
23 shall agree, on terms and conditions satisfactory to the Director, to replace any units within  
24 such structure that were rented to tenants who receive a tenant relocation assistance payment  
25 under SMC Ch. 22.210, subject to the following requirements:

26           (1) For the first ten calendar years of operation of the replacement units, the  
27 replacement units shall be affordable at or below 50% of median income.

28           (2) Replacement may be accomplished either as part of the new construction  
29 for which application for exemption is made under this chapter, or through the new  
30 construction of additional multiple-unit housing at another location, or through the  
31 substantial rehabilitation of vacant multiple-unit housing, or through the preservation of  
32 housing that is rented at the time of application to tenants with household annual income at  
33 or below 50% of median income, and that the Director determines would otherwise be  
34 converted to a use other than rental to tenants with such income.

35           (3) The replacement housing shall be completed, and a temporary or  
36 permanent certificate of occupancy shall be issued, within three years from the date of  
37 approval of the application, provided that the Director may extend the time for completion if  
38 the Director finds that: (i) the failure to complete the replacement housing is due to  
39 circumstances beyond the owner's control; (ii) the owner has been acting and may  
40 reasonably be expected to continue to act in good faith and with due diligence; and (iii) the  
41 replacement housing will be completed within a reasonable time.

42           (4) Projects where the existing rental housing structure was demolished  
43 before the effective date of this Chapter 5.72, are not subject to the requirements of this  
44 subsection.

45           G. In the following residential targeted areas, at least 25% of the units in the project  
46 shall be affordable at or below 80% of median income for the first ten calendar years of  
47 operation of the units:

48           (1) Martin Luther King Jr. Way South @ South Holly Street;

- (2) Pioneer Square;
- (3) International District;
- (4) 23rd Avenue South @ South Jackson;
- (5) Westlake (Denny Triangle);
- (6) South Park;
- (7) Columbia City; and
- (8) Rainier Avenue South @ I-90.

H. In the following residential targeted areas, at least 40% of the units in the project shall be affordable at or below 60% of median income for the first ten calendar years of operation of the units:

- (1) Pike/Pine.

I. If the percentage of the number of affordable units in the project required under subsections (G) and (H) of this section is a fraction, then the number of affordable units shall be rounded up to the next whole number.

J. For owner-occupied projects, the contract with the City required under subsection 5.72.060(A) of this chapter shall identify those units which shall be affordable as required under subsections (G) and (H) of this section. For those owner-occupied units identified as affordable, the City shall have and retain, for the life of the exemption granted under this chapter, a written right of first refusal under terms and conditions approved by the Director, exercisable in the event owner receives a bona fide offer to buy the property from an owner whose household income exceeds the affordability limits in subsection 5.72.020(A), giving the City or its assignee the right to purchase the property on substantially the same terms as such bona fide offer. Such right of first refusal shall be included within the contract with the City required under subsection 5.72.060(A) of this chapter.

K. For new construction of multifamily housing, the applicant shall complete the design review process under SMC Chapter 23.41, whether or not the project would be subject to design review under Chapter 23.41 if the owner had not applied for property tax exemption under this chapter. For projects not subject to mandatory design review under SMC 23.41.004, the applicant shall complete administrative design review under SMC 23.41.016.

L. The applicant shall obtain a certificate of approval, permit, or other approval under SMC Chapter 25.12, Landmarks Preservation Ordinance, SMC Chapter 23.66, Special Review Districts, or those provisions of SMC Chapter 25.16, Chapter 25.20, Chapter 25.22, Chapter 25.24, or Chapter 25.28, relating to Landmark or Historical Districts, if such certificate of approval, permit or other approval is required under those chapters. Such certificate of approval, permit or other approval shall satisfy the requirement under subsection J of this section that the applicant complete design review under SMC Chapter 23.41.

M. The project must comply with all applicable zoning requirements, land use regulations, and building and housing code requirements contained in SMC Title 22 and Title 23 at the time of new construction, rehabilitation or conversion.

N. For the duration of the exemption granted under this chapter, the property shall have no violations of applicable zoning requirements, land use regulations, and building and housing code requirements contained in SMC Title 22 and Title 23 for which the Department of Construction and Land Use shall have issued a notice of violation that is not resolved by a certificate of compliance, certificate of release, or withdrawal within the time period for compliance provided in such notice of violation and any extension of the time

1 period for compliance granted by the Director of the Department of Construction and Land  
2 Use.

3 O. New construction multifamily housing and rehabilitation improvements must be  
4 scheduled to be completed within three years from the date of approval of the application.  
5

6 **Section 5.72.050 Application Procedure -- Fee**  
7

8 A. The owner of property applying for exemption under this chapter shall submit an  
9 application to the Director, on a form established by the Director. The owner shall verify the  
10 application by oath or affirmation. The application shall contain such information as the  
11 Director may deem necessary or useful, and shall include:

12 1. A brief written description of the project and preliminary schematic site  
13 and floor plans of the multifamily units and the structure(s) in which they are proposed to be  
14 located;

15 2. A statement from the owner acknowledging the potential tax liability  
16 when the property ceases to be eligible for exemption under this chapter; and

17 3. Information describing how the applicant shall comply with the  
18 affordability requirements in Subsection 5.72.040(G) and (H) of this chapter; and

19 4. In the case of rehabilitation of an existing vacant structure under Section  
20 5.72.020(I)(1), verification from the Department of Construction and Land Use of non-  
21 compliance with applicable building and housing codes as required under 5.72.020(I)(1),  
22 and an affidavit from the owner verifying that the existing dwelling units have been vacant  
23 for a period of 12 months prior to filing the application.

24 B. At the time of initial application under this Section, the applicant shall pay to the  
25 City an initial application fee of \$500.00. If the City denies the application, the City will  
26 retain that portion of the fee attributable to its own actual administrative costs and refund the  
27 balance, if any, to the applicant.

28 C. The Director shall notify the applicant within twenty-eight (28) days of the  
29 application being filed if the Director determines that an application is not complete and  
30 shall identify what additional information is required before the application will be  
31 complete. Within twenty-eight (28) days of receiving additional information, the Director  
32 shall notify the applicant in writing if the Director determines that the application is still not  
33 complete, and what additional information is necessary. An application shall be deemed to  
34 be complete if the Director does not notify the applicant in writing by the deadlines in this  
35 section that the application is incomplete; however, a determination of completeness does  
36 not preclude the Director from requiring additional information during the review process if  
37 more information is needed to evaluate the application according to the criteria in this  
38 chapter.

39 D. Except as otherwise provided in subsection E of this section, the application shall  
40 be submitted any time before the earlier of (i) an application for a master use permit or other  
41 land use permit under SMC Title 23, and (ii) an application for a building or other  
42 construction permit under SMC Title 22.

43 E. If, on the effective date of this Chapter 5.72, the applicant has applied for a permit  
44 identified in subsection D of this section, then application for exemption under this section  
45 may be submitted any time prior to issuance of a building permit; provided that, for new  
46 construction, the applicant shall have completed, or be in the process of completing, design  
47 review or administrative design review as required under Section 5.72.040(K), or shall have

1 obtained a certificate of approval, permit, or other approval as provided under Section  
2 5.72.040(L).

3  
4 **Section 5.72.060 Application Review -- Issuance of Conditional Certificate --**  
5 **Denial -- Appeal**

6 A. The Director shall approve or deny an application under this chapter. If the  
7 application is approved, the applicant shall enter into a contract with the City, subject to  
8 approval by resolution of the City Council, regarding the terms and conditions of the project  
9 and eligibility for exemption under this chapter. The City Council's resolution to approve  
10 the applicant's contract with the City shall take place within 90 days of the Director's  
11 receipt of the completed application. Upon Council approval of the contract, the Director  
12 shall execute the contract as approved by the City Council, and the Director shall issue a  
13 conditional certificate of acceptance of tax exemption. The conditional certificate shall  
14 expire three (3) years from the date of approval unless an extension is granted as provided in  
15 this chapter.

16 C. If the application is denied, the Director shall state in writing the reasons for the  
17 denial and send notice of denial to the applicant's last known address within ten days of the  
18 denial.

19 D. An applicant may appeal the Director's denial of the application to the City  
20 Council within thirty (30) days of receipt of the denial. The appeal before the City Council  
21 will be based upon the record before the Director, and the Director's decision will be upheld  
22 unless the applicant can show that there is no substantial evidence on the record to support  
23 the Director's decision. The City Council's decision on appeal is final.

24  
25 **Section 5.72.070 Extension of Conditional Certificate**

26  
27 The Conditional Certificate may be extended by the Director for a period not to  
28 exceed 24 consecutive months. The applicant shall submit a written request stating the  
29 grounds for the extension together with a fee of \$150.00 for the City's administrative cost to  
30 process the request. The Director may grant an extension if the Director determines that:

31 A. The anticipated failure to complete construction or rehabilitation within the  
32 required time period is due to circumstances beyond the control of the owner; and

33 B. The owner has been acting and could reasonably be expected to continue to act in  
34 good faith and with due diligence; and

35 C. All the conditions of the original contract between the applicant and the City will  
36 be satisfied upon completion of the project.

37  
38 **Section 5.72.080 Final Certificate -- Application -- Issuance -- Denial and Appeal**

39  
40 A. Upon completion of the rehabilitation improvements or new construction as  
41 provided in the contract between the applicant and the City, and upon issuance of a  
42 temporary certificate of occupancy, or a permanent certificate of occupancy if no temporary  
43 certificate is issued, the applicant may request a Final Certificate of Tax Exemption. The  
44 applicant shall file with the Director such information as the Director may deem necessary or  
45 useful to evaluate eligibility for the Final Certificate, and shall include:

46 1. A statement of expenditures made with respect to each multi-family  
47 housing unit and the total expenditures made with respect to the entire property;

1                   2. A description of the completed work and a statement of qualification for  
2 the exemption;

3                   3. A statement that the work was completed within the required three-year  
4 period or any approved extension; and

5                   4. Information on the applicant's compliance with the affordability  
6 requirements in Subsection 5.72.040(G) and (H).

7           B. At the time of application for Final Certificate under this section, the applicant  
8 shall pay to the City a fee of \$150.00 to cover the Assessor's administrative costs. If the  
9 Director approves the application, the City will forward the fee for the Assessor's  
10 administrative costs to the Assessor. If the Director denies the application, the City will  
11 refund the fee for the Assessor's administrative costs to the applicant.

12           C. Within 30 days of receipt of all materials required for a Final Certificate, the  
13 Director shall determine whether the completed work is consistent with the contract between  
14 the City and owner and is qualified for exemption under this chapter, and which specific  
15 improvements satisfy the requirements of this chapter.

16           D. If the Director determines that the project has been completed in accordance with  
17 the contract between the applicant and the City and the requirements of this chapter, the City  
18 shall file a Final Certificate of Tax Exemption with the Assessor within 10 days of the  
19 expiration of the thirty-day period provided under subsection C of this section.

20           E. The Director is authorized to cause to be recorded, or to require the applicant or  
21 owner to record, in the real property records of the King County Department of Records and  
22 Elections, the contract with the City required under subsection 5.72.060(A) of this chapter,  
23 or such other document(s) as will identify such terms and conditions of eligibility for  
24 exemption under this chapter as the Director deems appropriate for recording, including  
25 requirements under this chapter relating to affordability of units.

26           F. The Director shall notify the applicant in writing that the City will not file a Final  
27 Certificate if the Director determines that the project was not completed within the required  
28 three-year period or any approved extension, or was not completed in accordance with the  
29 contract between the applicant and the City and the requirements of this chapter.

30           G. The applicant may file an appeal of the Director's decision that a Final  
31 Certificate will not be issued to the King County Superior Court within thirty (30) days of  
32 receiving notice of that decision.

33  
34 **Section 5.72.090       Exemption -- Duration -- Limits**

35  
36           A. The value of new housing construction and rehabilitation improvements  
37 qualifying under this chapter will be exempt from ad valorem property taxation for ten (10)  
38 successive years as provided in RCW 84.14.020(1).

39           B. The exemption does not apply to the value of land or to the value of  
40 improvements not qualifying under this chapter, nor does the exemption apply to increases  
41 in assessed valuation of land and non-qualifying improvements, or to increases made by  
42 lawful order of the King County Board of Equalization, the Washington State Department of  
43 Revenue, State Board of Tax Appeals, or King County, to a class of property throughout the  
44 county or a specific area of the county to achieve uniformity of assessment or appraisal as  
45 required by law. In the case of rehabilitation of existing buildings, the exemption does not  
46 include the value of improvements constructed prior to submission of the completed  
47 application required under this chapter.

1           **Section 5.72.100      Annual Certification**

2  
3           A. Within 30 days after the first anniversary of the date the City filed the Final  
4 Certificate of Tax Exemption and each year thereafter, for a period of 10 years, the property  
5 owner shall file a certification with the Director, verified upon oath or affirmation, which  
6 shall contain such information as the Director may deem necessary or useful, and shall  
7 include the following information:

8                     1. A statement of occupancy and vacancy of the multi-family units during  
9 the previous year;

10                    2. A certification that the property has not changed use since the date of  
11 filing of the Final Certificate of Tax Exemption, and continues to be in compliance with the  
12 contract with the City and the requirements of this chapter;

13                    3. A description of any improvements or changes to the property made after  
14 the filing of the Final Certificate or last declaration, as applicable; and

15                    4. Information demonstrating the owner's compliance with the affordability  
16 requirements of Subsections 5.72.040(G) and (H).

17           B. Failure to submit the annual declaration may result in cancellation of the tax  
18 exemption.

19  
20           **Section 5.72.110      Cancellation of Tax Exemption -- Appeal**

21  
22           A. If at any time the Director determines that the property no longer complies with  
23 the terms of the contract or with the requirements of this chapter, or for any reason no longer  
24 qualifies for the tax exemption, the tax exemption shall be canceled and additional taxes,  
25 interest and penalty imposed pursuant to State law.

26           B. If the owner intends to convert the multi-family housing to another use, the  
27 owner must notify the Director and the King County Assessor within 60 days of the change  
28 in use. Upon such change in use, the tax exemption shall be canceled and additional taxes,  
29 interest and penalty imposed pursuant to State law.

30           C. Upon determining that a tax exemption shall be canceled, the Director, on behalf  
31 of the City Council, shall notify the property owner by certified mail, return receipt  
32 requested. The property owner may appeal the determination by filing a notice of appeal  
33 with the City Clerk within 30 days, specifying the factual and legal basis for the appeal. The  
34 Hearing Examiner will conduct a hearing pursuant to SMC 3.02.090 at which all affected  
35 parties may be heard and all competent evidence received. The Hearing Examiner will  
36 affirm, modify, or repeal the decision to cancel the exemption based on the evidence  
37 received. The Hearing Examiner shall give substantial weight to the Director's decision and  
38 the burden of overcoming that weight shall be upon the appellant. An aggrieved party may  
39 appeal the Hearing Examiner's decision to the King County Superior Court as provided in  
40 RCW 34.05.510 through 34.05.598.

41  
42           **Section 5.72.120      Expiration of Program**

43  
44           The program established by this chapter shall expire four (4) years after the effective  
45 date of this ordinance, unless extended by the City Council by ordinance. Upon expiration,  
46 no further applications for a conditional certificate of tax exemption shall be accepted.  
47 Incomplete applications shall be returned to the applicant. Pending complete applications

1 for a conditional certificate, extension of conditional certificate and final certificate shall be  
2 processed as provided in this chapter.  
3

4 Section 2. Annually, beginning in 1999, a committee composed of the Directors, or their  
5 designees, of the Office of Housing, the Strategic Planning Office, the Department of  
6 Construction and Land Use, City Budget Office and Council Central staff, or such City  
7 departments or agencies that shall succeed to their functions with respect to this chapter,  
8 shall review the program established by this ordinance and provide a report to the City  
9 Council outlining development activity, types and numbers of units produced and their  
10 locations, rent and sales prices, information regarding the number of low and moderate  
11 income households benefiting from the program, tax implications of the program, and other  
12 appropriate factors. These reports may include recommendations on whether any  
13 neighborhoods should be added or removed, whether affordability limits should be changed  
14 in certain areas, and will analyze any issues related to the use of the program for  
15 homeownership units. In 2002, the committee shall review and report to the City Council  
16 regarding the effectiveness of the program during its first three years of operation. Such  
17 review shall include costs and benefits of the program, an assessment of the affordability  
18 limits, and may include recommended program modifications.  
19

20 Section 3. Section 3.02.125, Hearing Examiner filing fees, which was last amended by  
21 Ordinance 116594 is hereby amended at subsection A to add a hearing examiner fee for  
22 appeal of cancellation of Property Tax Exemption, as follows:  
23

24 **SMC 3.02.125 Hearing Examiner filing fees.**

25 A. Filing fees for hearings before the City Hearing Examiner are as follows:

26 Basis for hearing	27 * * *	28 Fee
29 Property Tax Exemption, cancellation of exemption (ch. 5.72)		30 \$50.00

31 Section 4. The Multifamily Housing Property Tax Exemption Ordinance is declared to be  
32 severable. If any section, subsection, paragraph, clause or other portion of any part is for  
33 any reason held to be invalid or unconstitutional by any court of competent jurisdiction, such  
34 invalidity or unconstitutionality shall not affect the validity or constitutionality of the  
35 remaining portions of the Multifamily Housing Property Tax Exemption program. If any  
36 section, subsection, paragraph, clause or any portion of any part is adjudged invalid or  
37 unconstitutional as applied to a particular project or property, the application of such portion  
38 to other projects or properties shall not be affected.  
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Section 5. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 1998, and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 1998.

\_\_\_\_\_  
President of the City Council

Approved by me this \_\_\_\_\_ day of \_\_\_\_\_, 1998.

\_\_\_\_\_  
Paul Schell, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

(SEAL)

\_\_\_\_\_  
City Clerk

STATE OF WASHINGTON - KING COUNTY

100157  
City of Seattle, City Clerk

—ss.

No. FULL ORDINAN

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:ORD 119237

was published on

12/15/98

The amount of the fee charged for the foregoing publication is the sum of \$ \_\_\_\_\_, which amount has been paid in full.

*R. Patterson*

Subscribed and sworn to before me on  
12/15/98  
*[Signature]*

Notary Public for the State of Washington,  
residing in Seattle

