

Ordinance No. 121415

Council Bill No. 114775

AN ORDINANCE relating to the development of multi-family housing; creating a new Chapter 5.73 of the Seattle Municipal Code to implement 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, designating certain areas as residential targeted areas, and providing for annual program reporting.

The City of Seattle
Council Bill/Ordinance

3-2-04

CF No. _____

Date Introduced: <u>DEC 1 - 2003</u>		
Date 1st Referred: <u>DEC 1 - 2003</u>	To: (committee) <u>Housing, Human Services & Community Development Committee</u>	
Date Re- Referred: <u>FEB 17 2004</u>	To: (committee) <u>Housing, Human Services & Health</u>	
Date Re - Referred:	To: (committee)	
Date of Final Passage:	Full Council Vote:	
Date Presented to Mayor:	Date Approved: <u>3/19/04</u>	
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Date Vetted by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

3-15-04 Paul
Y. J.
N. D.

This file is complete and ready

Law Department

Law Dept. Review

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: _____

Richard J. Rasmussen
Councilmember
Rasmussen

Committee Action:

3-2-04

(6)
(5)

Passed As Amended 3-2 TR, JD, DD

(RM, NL voting

NO)

3-15-04 Passed As Amended 6-3

Y: JC, RC, TD, JG, PS, TR - 6

N: NL, DD, RM - 3

This file is complete and ready for presentation to Full Council.

Committee: _____

(initial/date)

Law Department

Law Dept. Review

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Review

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Review

NO DISC
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ORDINANCE 12145

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2
3 AN ORDINANCE relating to the development of multi-family housing; creating a new Chapter
4 5.73 of the Seattle Municipal Code to implement RCW Chapter 84.14 to provide for
5 exemption from ad valorem property taxation for qualifying multi-family housing in
6 designated residential target areas within the City, designating certain areas as residential
7 targeted areas, and providing for annual program reporting.

8
9 WHEREAS, Washington state law, RCW Chapter 84.14, adopted by the legislature in 1995,
10 provides for the exemption from ad valorem property taxation for the value of eligible
11 improvements associated with qualifying multi-unit housing located in residential target
12 areas and authorizes the City to adopt necessary procedures to implement the State law;
13 and

14
15 WHEREAS, the stated purpose of RCW Chapter 84.14 is to increase residential opportunities by
16 stimulating the construction of new multi-family housing and the rehabilitation of
17 existing vacant and underutilized buildings for multi-family housing in areas where the
18 City finds there are insufficient residential opportunities; and

19
20 WHEREAS, the City Council finds that those areas within the City designated as urban center
21 villages, hub urban villages or residential urban villages in the Land Use Element of the
22 City's Comprehensive Plan satisfy the requirements of an "urban center" as defined under
23 RCW 84.14.010(1); and

24
25 WHEREAS, the City Council solicited public comment regarding designation of residential
26 target areas at public hearings on December 16, 2003 and March 1, 2004 and at a Council
27 committee meeting on February 20, 2004; and

28
29 WHEREAS, the City finds that the areas designated as residential targeted areas in this
30 Ordinance are each located within an urban center as defined in this ordinance, that each
31 area lacks sufficient available, desirable and convenient residential housing to meet the
32 needs of the public who would be likely to live in such area if desirable, attractive and
33 livable residences were available; and that the property tax exemption program
34 implemented by this Ordinance will encourage increased residential opportunities in
35 urban centers within the City and stimulate the construction of new multifamily housing
36 and the rehabilitation of existing vacant and underutilized buildings for multifamily
37 housing in urban centers having insufficient housing opportunities; and

38
39 WHEREAS, certain areas within the City lack sufficient housing opportunities to meet the needs
40 of low and moderate income households who would be likely to live in such areas if
41 affordable residences were available, and



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 districts
5 and special review districts; and the property tax exemption program established by this
6 ordinance will support and further the goals and purposes expressed in those provisions
7 of the Code; and

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

11 WHEREAS, Ordinance 119237 passed on November 30, 1998, enacted a property tax exemption
12 program that expired in 2002, and a new ordinance is required to enact a new program;
13 Now, Therefore;

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

15 Section 1. A new Chapter 5.73, to be titled "2004 Multifamily Housing Property Tax
16 Exemption Program" is hereby added to the Seattle Municipal Code, to read as follows:

17 **Section 5.73.010 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 rehabilitation
21 of existing vacant and underutilized buildings for multifamily housing;
- 22 3. To increase the supply of multifamily housing opportunities within the City for
23 low and moderate income households;
- 24 4. To assist in accomplishing the planning goals required under the Growth
25 Management Act, RCW chapter 36.70A, as implemented by the City's Comprehensive Plan, by
26 increasing the supply of multifamily housing opportunities in urban centers that are behind in
27



1 meeting their 20-year residential growth targets, i.e., areas that have met 25% or less of their 20-
2 year residential growth target as indicated in the January 2004 update to Appendix 1 of the
3 March 2003 Department of Planning and Development report "Monitoring Our Progress:
4 Seattle's Comprehensive Plan;"

5 5. To promote community development, affordable housing, and
6 neighborhood revitalization in residential targeted areas;

7 6. To preserve and protect buildings, objects, sites, and neighborhoods with
8 historic, cultural, architectural, engineering or geographic significance located within the City;

9 7. To encourage the creation of both rental and homeownership "workforce
10 housing," i.e., housing affordable to households earning between 60% and 80% of median
11 income, that would not otherwise be developed by the market in residential targeted areas.

12 8. To encourage the creation of mixed-income housing that is affordable to
13 households with a range of incomes in residential targeted areas.

14 B. Any one or more of these purposes may be furthered by the designation of a
15 residential targeted area under this chapter.

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19 **Section 5.73.020 Definitions**

20 A. "Affordable rent" means that the annual rent for the unit does not exceed 30% of
21 the percentage of median annual income designated by this chapter for qualifying units for the
22 residential targeted area in which the unit is located.

23 B. "Affordable Unit" means a unit that is rented at an Affordable Rent to an Income
24 Eligible Occupant.
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1 C. "Assessor" means the King County Assessor.

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

5 E. "Economically Distressed Area" means all or a portion of a Housing Investment
6 Area designated in the 2004 Update to Seattle's Consolidated Plan for Housing and Community
7 Development, adopted by Ordinance 114710.

8 F. "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 one
10 month.
11

12 G. "Income Eligible Occupant" means that the household annual income at initial
13 occupancy of the tenant household that will occupy the rental unit, at the time of the tenant
14 household's initial occupancy, is no greater than the percentage of median income designated in
15 this chapter. A person shall not cease to be an Income Eligible Occupant solely because the
16 household annual income exceeds the annual income limit set forth in this chapter after the date
17 of initial occupancy.
18

19 H. "Median income" means annual family median income for the Seattle-Bellevue-
20 Everett Primary Metropolitan Statistical Area, as published from time to time by HUD, and as
21 adjusted for household size according to the method used by HUD for income limits in
22 subsidized housing. For purposes of rent limits, median income generally is adjusted according
23 to the presumed family size based on the number of bedrooms in a unit, consistent with HUD
24 rules for the HOME program.
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1 I. "Multifamily housing" means a building or buildings, having four or more
2 dwelling units in each building, designed for permanent residential occupancy resulting from
3 new construction or rehabilitation or conversion of vacant, underutilized, or substandard
4 buildings.

5 J. "Owner" means the owner of record of the multifamily housing.

6 K. "Permanent residential occupancy" means multifamily housing that provides
7 either rental or owner occupancy for a period of at least one month. This excludes hotels and
8 motels that predominately offer rental accommodation on a daily or weekly basis.
9

10 L. "Project" means a building or buildings located or to be located on real property
11 owned by one owner.
12

13 M. "Rehabilitation improvements" means (1) modifications to an existing building,
14 the residential portion of which has been vacant for at least 12 months prior to application for
15 exemption under this chapter, that are made to achieve a condition of substantial compliance
16 with the applicable building and construction codes contained in SMC Chapter 22; or (2)
17 modifications to an existing occupied residential building or mixed use building that contains
18 occupied residential units, that add at least four multifamily housing units.
19

20 N. "Residential targeted area" means an area within an urban center that has been so
21 designated by the City Council pursuant to this chapter.
22

23 O. "Substantial Compliance" means compliance with the applicable building and
24 construction codes contained in SMC Chapter 22 that is typically required for rehabilitation as
25 opposed to new construction.
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1 P. "Urban center" has the same meaning as "urban center" as defined in RCW
2 84.14.010, and for purposes of this chapter includes, among other areas, any neighborhood that is
3 within an area designated as either an urban center village, a hub urban village or a residential
4 urban village in the Land Use Element of the City's Comprehensive Plan.
5

6 **Section 5.73.030 Residential Targeted Areas -- Criteria -- Designation.**

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

11 1. The residential targeted area is within an urban center;
12 2. The residential targeted area lacks sufficient available, desirable and
13 convenient residential housing to meet the needs of the public who would be likely to live in the
14 urban center if desirable, attractive and livable residences were available; and
15

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 affordable multifamily housing;
20
21 or
22 c. Encourage the rehabilitation of existing vacant and underutilized
23 buildings for multifamily housing.

24 B. In designating a residential targeted area, the Council may also consider other
25 factors, including:
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1 1. Whether an increased permanent residential population in the residential
2 targeted area will help to achieve the planning goals mandated by the Growth Management Act
3 under RCW 36.70A, as implemented through the City's Comprehensive Plan for those urban
4 centers that are behind in meeting their 20-year residential growth targets in the Comprehensive
5 Plan, i.e., areas that have met 25% or less of their residential growth target, as indicated in the
6 January 2004 update to Appendix 1 of the March 2003 Department of Planning and
7 Development report "Monitoring Our Progress: Seattle's Comprehensive Plan;"
8

9 2. Whether the area is an Economically Distressed Area;

10 3. Whether the City has identified the area or neighborhood by Resolution as
11 one in which the City wants to encourage the development of mixed-income housing, including
12 affordable housing;

13 4. Whether the area or neighborhood was designated as a residential targeted
14 neighborhood in the City's prior Multifamily Tax Exemption program, RCW chapter 5.72, and is
15 one in which the City wants to encourage the development of mixed-income housing, including
16 affordable housing.
17

18 C. At any time the Council may, by ordinance, in its sole discretion, amend or
19 rescind the designation of a residential targeted area pursuant to the same procedural
20 requirements set forth in RCW 84.14.040 for original designation.
21

22 D. The following areas, as shown in Attachment A, Maps 1 through 17, are
23 designated as residential targeted areas under this chapter:
24

25 1. 23rd & Jackson-Union

26 2. Bitter Lake
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- 1 3. Capitol Hill
- 2 4. Chinatown-International District
- 3 5. Columbia City
- 4 6. Denny Triangle
- 5 7. First Hill
- 6 8. MLK @ Holly
- 7 9. North Beacon Hill
- 8 10. North Rainier
- 9 11. Northgate
- 10 12. Pioneer_Square
- 11 13. Rainier Beach
- 12 14. South Lake Union
- 13 15. South Park
- 14 16. University District NW
- 15 17. Delridge/Westwood-Highland Park

16 E. If a part of any legal lot is within a residential targeted area as shown in
17 Attachment A, Maps 1 through 17, then the entire lot shall be deemed to lie within such
18 residential targeted area.

19 **Section 5.73.040 Eligibility**

20 To be eligible for exemption from property taxation under this chapter, the multifamily
21 housing must satisfy all of the following requirements:



1 A. The multifamily housing must be located in a residential targeted area.

2 B. The multifamily housing must be part of a residential or mixed-use project
3 (combining residential and non-residential), in which at least fifty percent of the gross floor area
4 within such project is intended for permanent residential occupancy.

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

8 D. For rehabilitation or conversion of existing vacant buildings, the residential
9 portion of the buildings shall have been vacant for at least twelve (12) months before application,
10 and the rehabilitation improvements shall achieve a condition of substantial compliance with the
11 applicable building and construction codes contained in Chapter 22.

12 E. For rehabilitation or conversion of existing occupied buildings, there shall be no
13 "displacement" of existing residential tenants, as such term is defined in Section 22.210.030(E);

14 F. For new construction, where an existing rental housing building that contained
15 four or more occupied dwelling units was demolished on the site of the new project within 12
16 months prior to application for exemption under this chapter, the owner shall agree, on terms and
17 conditions satisfactory to the Director, to replace any units within such building that were rented
18 to tenants who received a tenant relocation assistance payment under Chapter 22.210, subject to
19 the following requirements:

20 1. For the first ten calendar years of operation of the replacement units, the
21 replacement units shall be affordable at or below 50% of median income.
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1 2. Replacement may be accomplished either as part of the new construction
2 for which application for exemption is made under this chapter, or through the new construction
3 of additional multifamily housing at another location, or through the substantial rehabilitation of
4 vacant multifamily housing, or through the preservation of multifamily housing that is rented at
5 the time of application to tenants with household annual income at or below 50% of median
6 income, and that the Director determines would otherwise be converted to a use other than rental
7 to tenants with such income.
8

9 3. The replacement housing shall be completed, and a temporary or
10 permanent certificate of occupancy shall be issued, within three years from the date of approval
11 of the application, provided that the Director may extend the time for completion if the Director
12 finds that:
13

14 a. The failure to complete the replacement housing is due to
15 circumstances beyond the owner's control;

16 b. The owner has been acting and may reasonably be expected to
17 continue to act in good faith and with due diligence; and
18

19 c. The replacement housing will be completed within a reasonable
20 time.
21

22 4. Where the existing rental housing building was demolished before the
23 effective date of this Chapter 5.73, the requirements of this subsection do not apply.

24 G. Multifamily Housing Rental Projects--Affordability and Right of First Offer.

25 1. Affordability. For rental multifamily housing, an owner shall comply with
26 one of the following:
27
28



1 a. A minimum of 20% of the units shall be rented at Affordable Rents
2 to Income Eligible Occupants whose household income is at or below 60% of Median Income;

3 b. A minimum of 25% of the units shall be rented at Affordable
4 Rents to Income Eligible Occupants whose household income is at or below 65% of Median
5 Income; or

6 c. A minimum of 30% of the units shall be rented at Affordable Rents
7 to Income Eligible Occupants whose household income is at or below 70% of Median Income.
8

9 2. Right of First Offer.

10 a. The City or its assignee shall have and retain, for the life of the
11 exemption granted under this chapter and for one additional year thereafter, a written right of first
12 offer under terms and conditions approved by the Director consistent with this subsection.
13

14 b. Such right of first offer shall be included in the contract with the
15 City required under subsection 5.73.060 of this chapter.
16

17 c. This right of first offer shall require that the owner, prior to placing
18 the rental multifamily housing on the market for sale, shall inform the City in writing of the
19 owner's intent to sell the rental multifamily housing. Following receipt of the owner's notice of
20 intent to sell, the City or the City's assignee shall have twenty (20) days to present the owner with
21 a written offer setting forth the price, terms and conditions under which the City or its assignee is
22 prepared to purchase the rental multifamily housing.
23

24 d. Upon receipt of the offer, the City or its assignee shall have thirty
25 calendar days in which to enter into a real estate purchase and sales agreement with the owner
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1 containing the price, terms and conditions described in the offer or other price, terms and
2 conditions agreed to by the parties.

3 e. In the event that the owner submits a notice of intent to sell to the
4 City and no sale to the City or its assignee occurs for reasons not the fault of the owner, the
5 owner shall not, with the exception provided below, have further obligations under this provision
6 for a period of one year from the date the notice is received by the City. Provided, however, that
7 in the event the City or its assignee makes an offer to purchase the rental multifamily housing but
8 no sale occurs, the owner may not offer the rental multifamily housing for sale to a third party at
9 a price and under terms and conditions more favorable to the buyer than the terms offered by the
10 City for a period of one year from the date the offer is received by the owner.
11

12 H. Owner-occupied Multifamily housing projects—Affordability and Right of First
13 Refusal.
14

15 1. Affordability.

16 a. For owner-occupied multifamily housing, units eligible for the
17 exemption must have a sales price at initial sale after the grant of exemption that does not exceed
18 the FHA mortgage limit for Seattle, as adjusted annually, and must be sold to households with
19 incomes at time of purchase at or below 80 percent of Median Income.
20

21 b. The contract with the City required under Section 5.73.060 of this
22 chapter shall identify those units that are designated to meet the affordability requirements of this
23 subsection H.
24

25 2. Right of First Refusal. For those owner-occupied units identified to meet
26 the affordability requirement under this subsection H, the City shall have and retain, for the life
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1 of the exemption granted under this chapter, a written right of first refusal under terms and
2 conditions approved by the Director, exercisable in the event the owner receives a bona fide offer
3 to buy the property from an owner whose household income exceeds the affordability limits in
4 this Section 5.73.040, giving the City or its assignee the right to purchase the property on
5 substantially the same terms as such bona fide offer. Such right of first refusal shall be included
6 in the contract with the City required under Section 5.73.060 of this chapter.

8 I. The affordability requirements contained in subsections G and H apply for the
9 period of time the multifamily housing is receiving the tax exemption. If, in calculating the
10 number of units needed to comply with the affordability requirements of Subsection G, the
11 resulting number of Affordable Units is a fraction, then the number of Affordable Units shall be
12 rounded up to the next whole number.

14 J. The mix and configuration of housing units (e.g., studio, one-bedroom, two-
15 bedroom, etc.) used to meet the affordability requirements of subsection G shall be substantially
16 proportional to the mix and configuration of the total housing units in the project; provided that
17 all units of two or more bedrooms may be combined into a single category for the purpose of
18 compliance with this provision. When the project contains more than one building, all of the
19 Affordable Units required by subsection G may not be located in the same building.

21 K. Affordable Units required under subsection G shall have substantially the same
22 level of interior fixtures and quality of finish as market rate units in the project.

24 L. For new construction of multifamily housing, the applicant shall complete the
25 design review process under Chapter 23.41, whether or not the multifamily housing would be
26 subject to design review under Chapter 23.41 if the owner had not applied for property tax
27



1 exemption under this chapter. For multifamily housing not subject to mandatory design review
2 under Section 23.41.004A, the applicant shall complete administrative design review under
3 Section 23.41.016.

4 M. The applicant shall obtain a certificate of approval, permit, or other approval
5 under Chapter 25.12, Landmarks Preservation Ordinance, Chapter 23.66, Special Review
6 Districts, or those provisions of Chapter 25.16, Chapter 25.20, Chapter 25.22, Chapter 25.24, or
7 Chapter 25.28, relating to Landmark or Historical Districts, if such certificate of approval, permit
8 or other approval is required under those chapters. Such certificate of approval, permit or other
9 approval shall satisfy the requirement under subsection L that the applicant complete design
10 review if design review is not mandatory under Section 23.41.004A.

11 N. The multifamily housing must comply with all applicable zoning requirements,
12 land use regulations, and building and housing code requirements contained in Chapters 22, 23
13 and 25 of the Seattle Municipal Code.

14 O. For the duration of the exemption granted under this chapter, the multifamily
15 housing and the property on which it is located shall have no violations of applicable zoning
16 requirements, land use regulations, and building and housing code requirements contained in
17 Chapters 22, 23 and 25 of the Seattle Municipal Code for which the Department of Planning and
18 Development has issued a notice of violation that is not resolved by a certificate of compliance,
19 certificate of release, or withdrawal within the time period for compliance provided in such
20 notice of violation and any extension of the time period for compliance granted by the Director of
21 the Department of Planning and Development.
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1 P. New construction of multifamily housing and rehabilitation improvements must
2 be scheduled to be completed within three years from the date of approval of the application.

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4 **Section 5.73.050 Application Procedure -- Fee**

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

9
10 1. A brief written description of the multifamily housing, and preliminary
11 schematic site and floor plans of the multifamily housing units and the structure(s) in which they
12 are proposed to be located;

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

15 3. Information describing how the applicant will comply with the
16 affordability requirements in Subsections 5.73.040 G and H of this chapter; and

17 4. In the case of rehabilitation improvements to an existing vacant building
18 under Section 5.73.020 K 1, verification from the Department of Planning and Development of
19 non-compliance with applicable building and housing codes as required under Section 5.73.020
20 K 1, and an affidavit from the owner verifying that the residential portion of the building has
21 been vacant for a period of 12 months prior to filing the application.

22 B. At the time of application under this Section, the applicant shall pay to the City an
23 initial application fee of \$3,800.00 if the multifamily housing project contains only residential
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1 uses for which a tax exemption is sought under this chapter, or \$4,900.00 if the multifamily
2 housing project contains any non-residential use.

3 C. The Director shall notify the applicant within twenty-eight (28) days of the
4 application being filed if the Director determines that an application is not complete and shall
5 identify what additional information is required before the application will be complete. Within
6 twenty-eight (28) days of receiving additional information, the Director shall notify the applicant
7 in writing if the Director determines that the application is still not complete, and what additional
8 information is necessary. An application shall be deemed to be complete if the Director does not
9 notify the applicant in writing by the deadlines in this section that the application is incomplete;
10 however, a determination of completeness does not preclude the Director from requiring
11 additional information during the review process if more information is needed to evaluate the
12 application according to the criteria in this chapter.

13 D. The application shall be submitted any time before, but no later than, the date the
14 building permit under Seattle Municipal Code, Chapter 22, is issued.

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18 **Section 5.73.060 Application Review -- Issuance of Conditional Certificate -- Denial**
19 **--Appeal--Recording of Contract**

20 A. The Director shall approve or deny an application under this chapter within ninety
21 (90) days after a complete application is submitted to the Director.

22 B. If the application is approved, the applicant shall enter into a contract with the
23 City, subject to approval by resolution of the City Council, containing the terms and conditions
24 and eligibility for exemption under this chapter. The City Council's resolution to approve the
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1 applicant's contract with the City shall be adopted within one hundred twenty (120) days of the
2 Director's receipt of a complete application.

3 C. The Director is authorized to cause to be recorded, or to require the applicant or
4 owner to record, in the real property records of the King County Department of Records and
5 Elections, the contract or such other document(s) as will identify such terms and conditions of
6 eligibility for exemption under this chapter as the Director deems appropriate for recording,
7 including the affordability requirements under this chapter.
8

9 D. Upon Council approval of the contract, the Director shall execute the contract as
10 approved by the City Council, and shall issue a conditional certificate of acceptance of tax
11 exemption. The conditional certificate shall expire three (3) years from the date of approval
12 unless an extension is granted as provided in this chapter.
13

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

18 F. An applicant may appeal the Director's denial of the application by filing an
19 appeal to the City Council with the City Clerk within thirty (30) days of receipt of the denial. The
20 appeal before the City Council will be based upon the record before the Director, and the
21 Director's decision will be upheld unless the applicant can show that there is no substantial
22 evidence in the record to support the Director's decision. The City Council's decision on appeal is
23 final.
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1 **Section 5.73.070 Extension of Conditional Certificate**

2 The Conditional Certificate may be extended by the Director for a period not to exceed
3 twenty-four (24) consecutive months. The applicant shall submit to the Director a written request
4 stating the grounds for the extension together with a fee of \$150.00 for the City's administrative
5 cost to process the request. The Director may grant an extension if the Director determines that:

6 A. The anticipated failure to complete new construction or rehabilitation
7 improvements within the required time period is due to circumstances beyond the control of the
8 owner; and
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10 B. The owner has been acting and could reasonably be expected to continue to act in
11 good faith and with due diligence; and
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13 C. All the conditions of the original contract between the applicant and the City will
14 be satisfied upon completion of the project.
15

16 **Section 5.73.080 Final Certificate -- Application -- Issuance -- Denial and Appeal**

17 A. Upon completion of the rehabilitation improvements or new construction as
18 provided in the contract between the applicant and the City, and upon issuance of a temporary
19 certificate of occupancy, or a permanent certificate of occupancy if no temporary certificate is
20 issued, the applicant may request a Final Certificate of Tax Exemption. The applicant shall file
21 with the Director such information as the Director may deem necessary or useful to evaluate
22 eligibility for the Final Certificate, and shall include:
23

24 1. A statement of expenditures made with respect to each housing unit and
25 the total expenditures made with respect to the entire multifamily housing project;
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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 subsections 5.73.040 G and H.

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

13
14 C. Within 30 days of receipt of all materials required for a Final Certificate, the
15 Director shall determine whether the completed multifamily housing is consistent with the
16 contract between the City and owner, and whether it satisfies the requirements of and is qualified
17 for exemption under this chapter.

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

23
24 E. The Director shall notify the applicant in writing that the City will not file a Final
25 Certificate if the Director determines that the multifamily housing was not completed within the
26



1 required three-year period or any approved extension, or was not completed in accordance with
2 the contract between the applicant and the City and the requirements of this chapter.

3 F. The applicant may file an appeal of the Director's decision that a Final Certificate
4 will not be issued to the King County Superior Court within thirty (30) days of receiving notice
5 of that decision.
6

7 **Section 5.73.090 Exemption -- Duration -- Limits**

8 A. The value of new housing construction and rehabilitation improvements
9 qualifying under this chapter will be exempt from ad valorem property taxation for ten (10)
10 successive years as provided in RCW 84.14.020(1).
11

12 B. The exemption does not apply to the value of land or to the value of
13 improvements not qualifying under this chapter, nor does the exemption apply to increases in
14 assessed valuation of land and non-qualifying improvements, or to increases made by lawful
15 order of the King County Board of Equalization, the Washington State Department of Revenue,
16 State Board of Tax Appeals, or King County, to a class of property throughout the county or a
17 specific area of the county to achieve uniformity of assessment or appraisal as required by law. In
18 the case of rehabilitation improvements under Section 5.73.020 K (1), the exemption does not
19 include the value of improvements constructed prior to submission of the completed application
20 required under this chapter.
21
22
23

24 **Section 5.73.100 Annual Certification**

25 A. Within 30 days after the first anniversary of the date the City filed the Final
26 Certificate of Tax Exemption and each year thereafter, for a period of 10 years, the owner shall
27
28



1 file a certification with the Director, verified upon oath or affirmation, which shall contain such
2 information as the Director may deem necessary or useful, and shall include the following
3 information:

4 1. A statement of occupancy and vacancy of the multifamily housing units
5 during the previous year;

6 2. A certification that the multifamily housing has not changed use since the
7 date of filing of the Final Certificate of Tax Exemption, and continues to be in compliance with
8 the contract with the City and the requirements of this chapter;

9 3. A description of any improvements or changes to the multifamily housing
10 made after the filing of the Final Certificate or last declaration, as applicable; and
11

12 4. Information demonstrating compliance with the affordability requirements
13 of Subsections 5.73.040 G and H.
14

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

18 **Section 5.73.110 Cancellation of Tax Exemption -- Appeal**

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

24 B. If the owner intends to convert the multifamily housing to another use, the owner
25 must notify the Director and the King County Assessor within 60 days of the change in use.
26
27
28



1 Upon such change in use, the tax exemption shall be canceled and additional taxes, interest and
2 penalty imposed pursuant to State law.

3 C. Upon determining that a tax exemption shall be canceled, the Director shall notify
4 the owner by certified mail, return receipt requested. The owner may appeal the determination by
5 filing a notice of appeal with the Hearing Examiner within 30 days, specifying the factual and
6 legal basis for the appeal. The Hearing Examiner will conduct a hearing pursuant to Section
7 3.02.090 at which all affected parties may be heard and all competent evidence received. The
8 Hearing Examiner shall affirm, modify, or reverse the decision to cancel the exemption based on
9 the evidence received. The Hearing Examiner shall give substantial weight to the Director's
10 decision and the burden of overcoming that weight shall be upon the appellant. An aggrieved
11 party may appeal the Hearing Examiner's decision to the King County Superior Court as
12 provided in RCW 34.05.510 through 34.05.598.
13
14
15

16 **Section 5.73.120 Expiration of Program.**

17 The program established by this chapter shall expire on December 31, 2009, unless
18 extended by the City Council by ordinance. Upon expiration, no further applications for a
19 conditional certificate of tax exemption shall be accepted. Incomplete applications shall be
20 returned to the applicant. Pending complete applications for a conditional certificate, extension of
21 conditional certificate and final certificate shall be processed as provided in this chapter.
22
23

24 Section 2. Annually, beginning in 2005, a committee composed of the Directors, or their
25 designees, of the Office of Housing, the Department of Finance, the Department of Planning and
26 Development, or such City departments or agencies that shall succeed to their functions with
27 respect to this chapter, and a member City Council central staff, shall review the program
28



1 established by this ordinance and provide a written report to the City Council outlining
2 development activity, types and numbers of units produced and their locations, rent and sales
3 prices, information regarding the number of low and moderate income households benefiting
4 from the program, the total amount of tax exempted annually and cumulatively, the impact of
5 the tax exemption on individual homeowners of the City, and other appropriate factors. These
6 reports may include recommendations on whether any neighborhoods should be added or
7 removed, whether affordability limits should be changed in certain areas, and will include
8 analysis of any issues related to the use of the program for homeownership units. The annual
9 report shall be submitted to City Council no later than March 30 of each year the program is in
10 effect, starting in 2005. Each report shall include information for the previous year. In June of
11 2008 the committee shall complete a comprehensive review and provide a written report to the
12 City Council regarding the effectiveness of the program. Such review shall include the items
13 included in the annual reports as well as the costs and benefits of the program, an assessment of
14 the affordability limits, and any recommended program modifications.

15
16 Section 3. The City Council hereby adopts the application for the Multifamily Tax
17 Exemption Program in substantially the form attached as Attachment B.

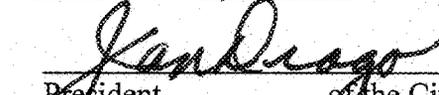
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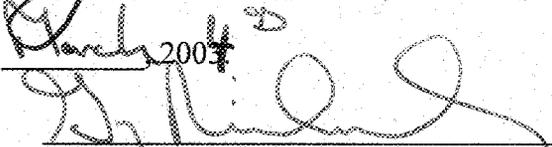
1 Section 4. The provisions of this Ordinance, including the provisions of Seattle Municipal
2 Code chapter 5.73, the 2004 Multifamily Housing Property Tax Exemption Program, are
3 declared to be severable. If any section, subsection, paragraph, clause or other portion of any part
4 is for any reason held to be invalid or unconstitutional by any court of competent jurisdiction,
5 such invalidity or unconstitutionality shall not affect the validity or constitutionality of the
6 remaining portions of this Ordinance and the 2004 Multifamily Housing Property Tax Exemption
7 Program. If any section, subsection, paragraph, clause or any portion of any part is adjudged
8 invalid or unconstitutional as applied to a particular building, project or property, the application
9 of such portion to other buildings, projects or properties shall not be affected.
10

11
12 Section 5. This ordinance shall take effect and be in force thirty (30) days from and after
13 its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days
14 after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.
15

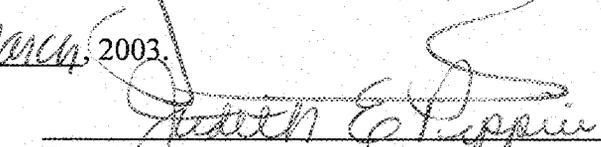
16 Passed by the City Council the 15th day of March, 2003, and signed by me in open
17 session in authentication of its passage this 15th day of March, 2003.
18

19 
20 _____
President _____ of the City Council

21 Approved by me this 19 day of March, 2003

22 
23 _____
Gregory J. Nickels, Mayor

24 Filed by me this 19 day of March, 2003.

25 
26 _____
City Clerk

27 (Seal)
28



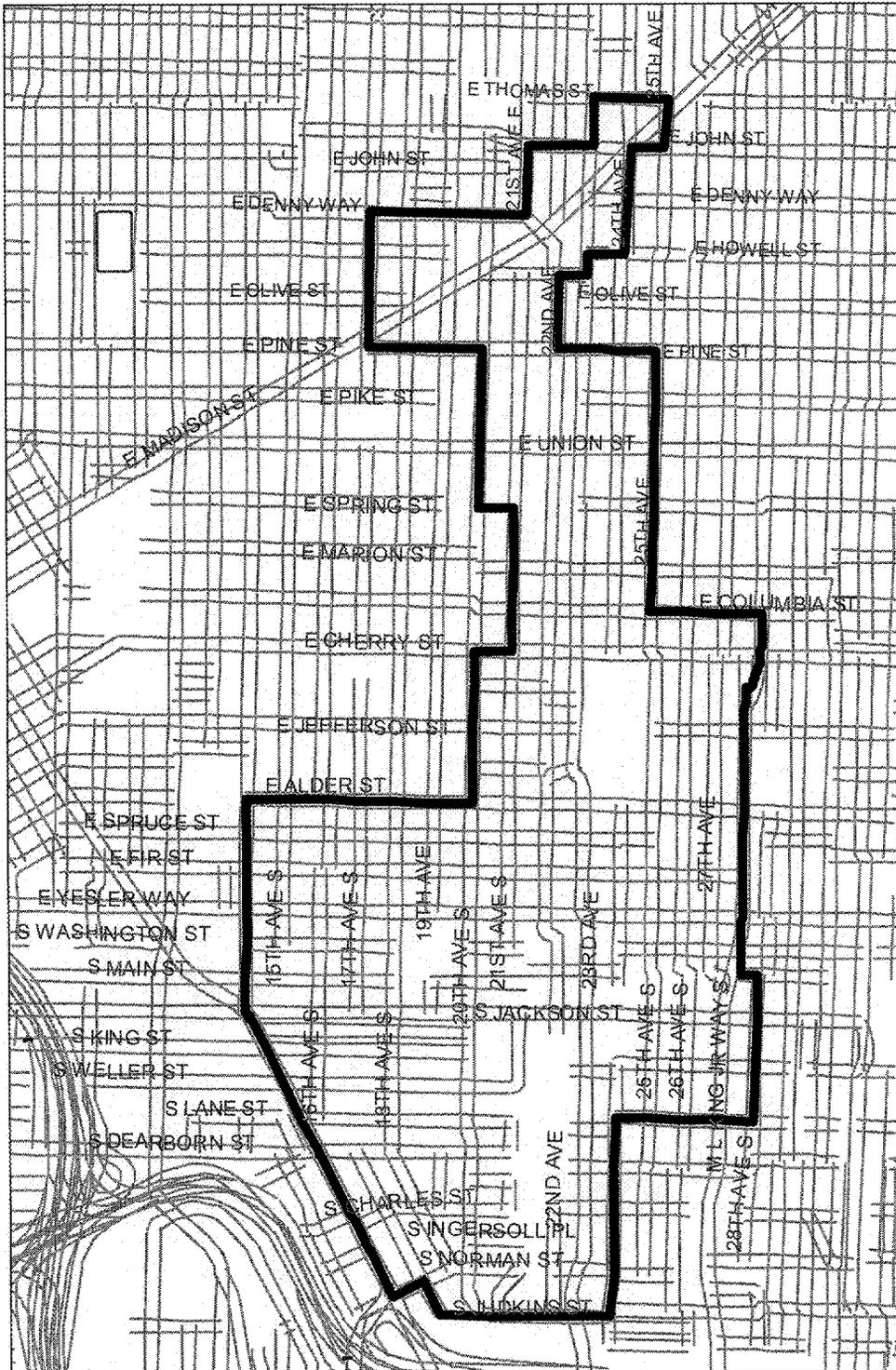
Attachments

- 1
- 2 Attachment A – Maps of Residential Targeted Areas
- 3 Attachment B – Form of Application for MFTE
- 4
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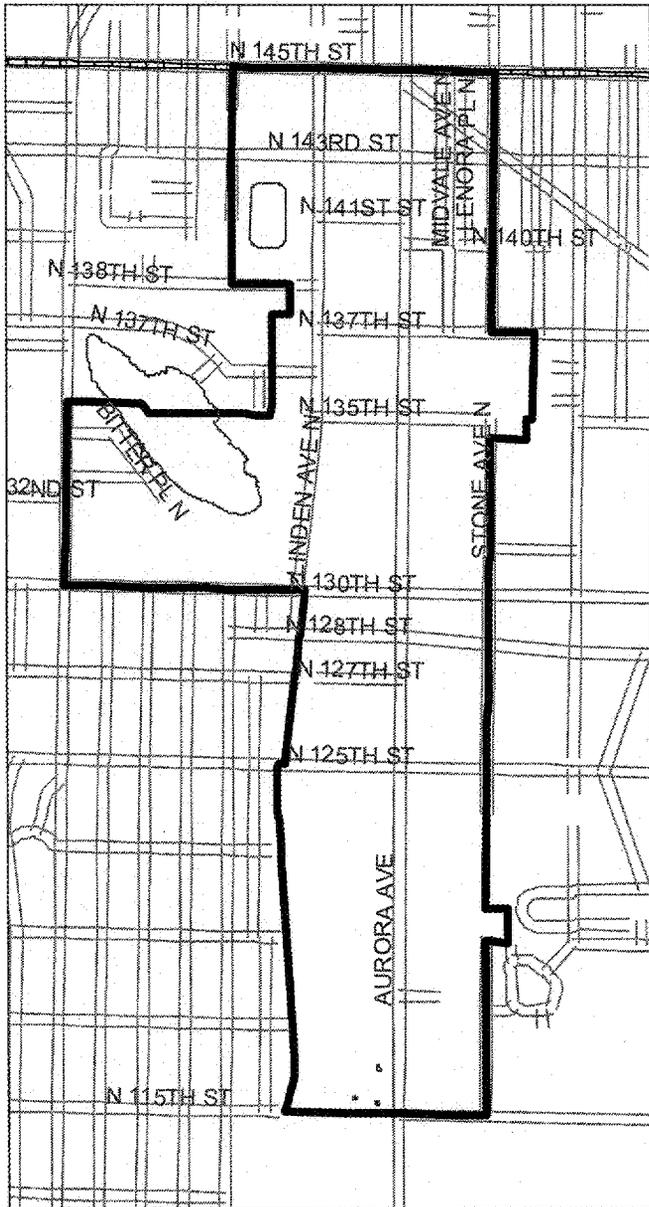


Attachment A: Maps 1-17

Map #1: 23rd @ Union - Jackson revised

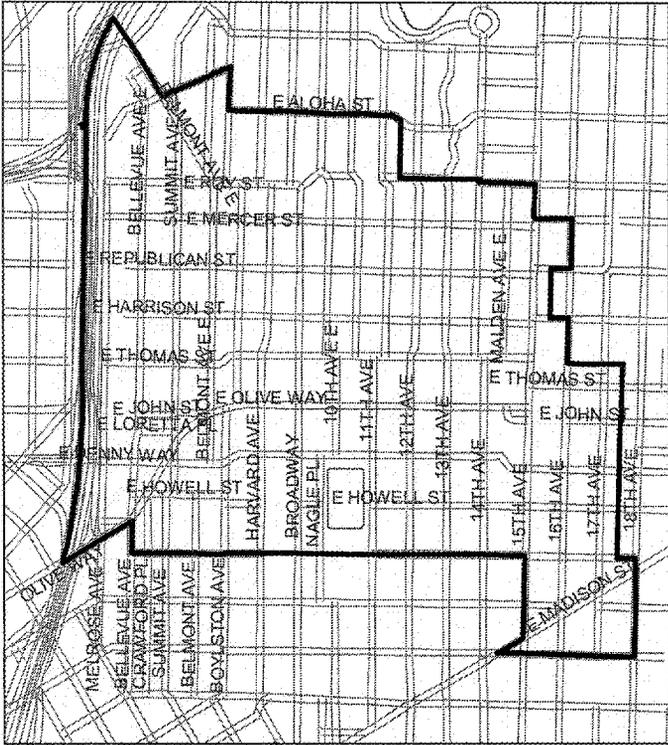


Map #2: Bitterlake

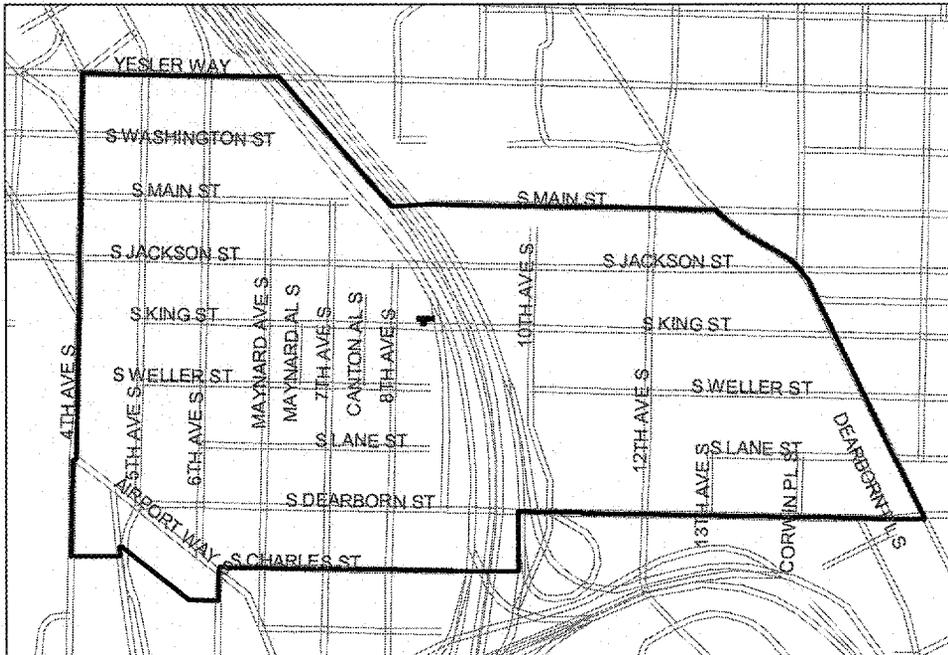


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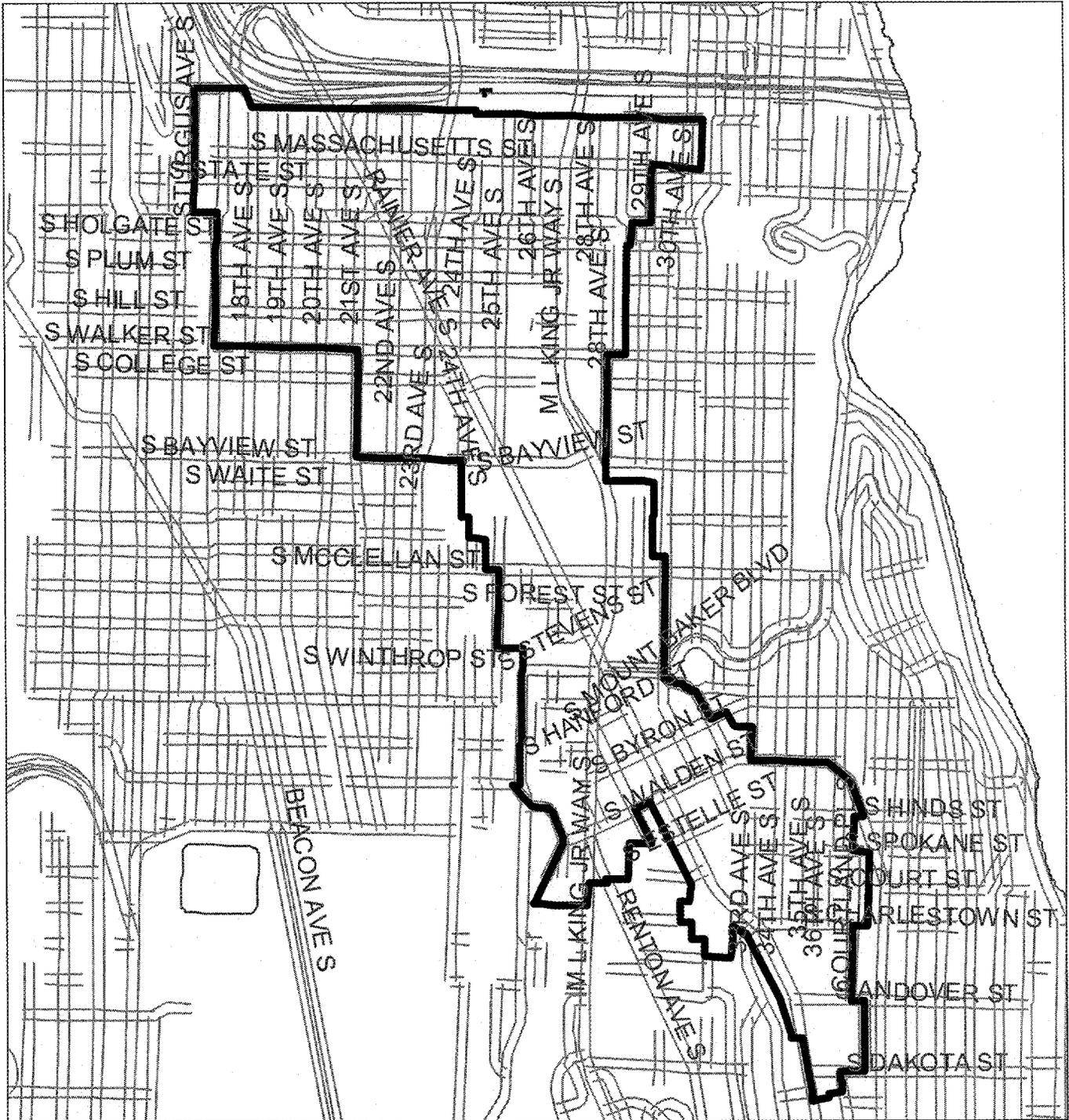
Map #3: Capitol Hill,



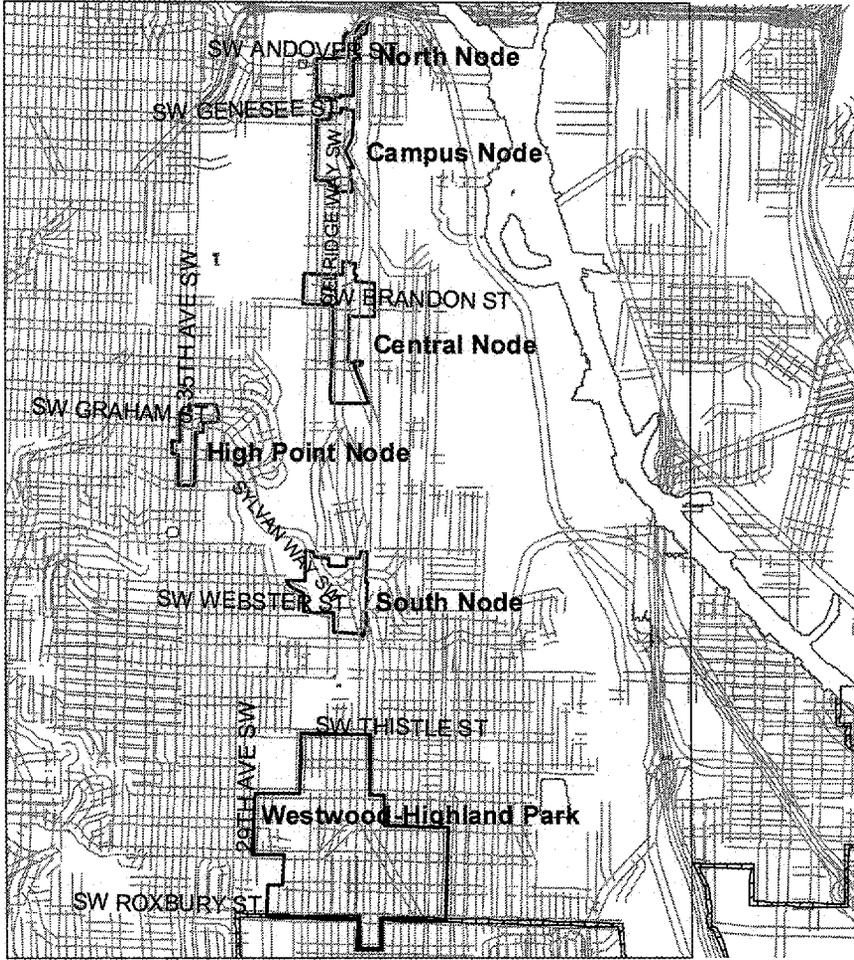
Map #4: Chinatown / International District



Map #11: North Rainier



Map #17: Delridge/Westwood-Highland Park



ACTING
CITY
CLERK

ATTACHMENT B

APPLICATION

Property Tax Exemption for Multifamily Housing

(Pursuant to Chapter 5.73 of the Seattle Municipal Code)

Applicant's Information

Owner: _____

Address: _____

Phone: _____ FAX: _____

e-mail: _____

Owner's
Representative: _____

(if applicable)

Address: _____

Phone: _____ FAX: _____

e-mail: _____

Note: This application is intended to be signed by the building owner of record or designee. The application may be rejected or additional documentation required if the signer is other than the building owner of record.

Property Information

Interest in property:
[] Fee Simple [] Contract purchase [] Other (describe) _____



1 County Assessor's parcel account number(s): _____

2 Street Address: _____

3 Legal Description (Attach separate sheet if needed): _____

4 _____

5 _____

6 _____

7 _____

8 Residential Target Area (See SMC 5.73.030(D)): _____

9 _____

10 _____

11 **Project Information**

12 Project Name or Designation: _____

13 Brief written description of the project (preliminary conceptual design, description of unit finishes, site plan and
14 floor plans of the units and structure must be submitted with this application): _____

15 _____

16 _____

17 _____

18 Type of Project (check all that apply):

19 Residential Rental Residential For-Sale Mixed Use

20 Number of Dwelling Units Proposed: Rental _____ For Sale _____ Total _____

21 Floor area: Building total (sq. ft.) _____ For permanent residential occupancy (sq.
22 ft.)* _____

23
24 *Include residential common areas, circulation and mechanical space, and residential parking in calculation of residential square
25 footage. Exclude residential units offered for rent for periods of less than one month. "Residential parking" includes: (1)



1 **List permits and approvals obtained as of the date of tax exemption application:**

2 _____
3 _____
4 _____
5 **CHECK ALL THAT APPLY:**

6 **New Construction.** Will any occupied housing units be demolished? YES

7 NO

8 Were any occupied housing units demolished in the past 12 months on this site? YES

9 NO

10 Date of demolition (if known): _____

11 # of existing units to be demolished _____ # of units demolished in past twelve months _____

12 _____
13 **Rehabilitation of Vacant Units.** # of vacant housing units _____

14 _____
15 Date units last occupied: _____ Building is is not in compliance with applicable
16 building and housing codes (DPD verification required—please attach).

17 _____
18 **Rehabilitation of Occupied Units.** Will four or more additional units be created as part of a
19 rehabilitation project? YES NO

20 If yes, will any residents be displaced as part of this project? YES NO

21 _____
22 **Attachments to Application**

23 _____
24 Please attach and check the following:

25 Preliminary conceptual design, including site plan and floor plans of the multifamily units
26 and the overall structure.

27 Preliminary development budget (Form 1 or equivalent)



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- Rentals only.* Preliminary operating pro forma. (Form 2 or equivalent)
- Representative photographs of site and exterior of any existing structures (color photocopy is acceptable)
- For rehabilitation of an existing vacant structure, verification from DPD of non-compliance with applicable building and housing codes.
- Application fee of \$3,800 for residential use building, or \$4,900 for mixed residential and non-residential use building. Checks should be made payable to the City of Seattle.



Traci Ratzliff
MFTE Ordinance.doc
3/15/04
version #3

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Print Name

Title

Owner's Signature

Date

Print Name

Title



1 Supplemental Information

2
3 *The following information is requested for overall program evaluation purposes, and will not be*
4 *considered in the decision to approve or reject your application.*

5
6
7 1. Please list, by street address, other multifamily housing projects you have developed in
8 the past ten years. Indicate number of units in each project. (Attach separate sheet if
9 needed.)

10
11
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17 2. Please list any public financial assistance or incentive programs (grants, loans, tax credits,
18 bonus FAR, TDR, etc.) you intend to use to help finance the proposed project.

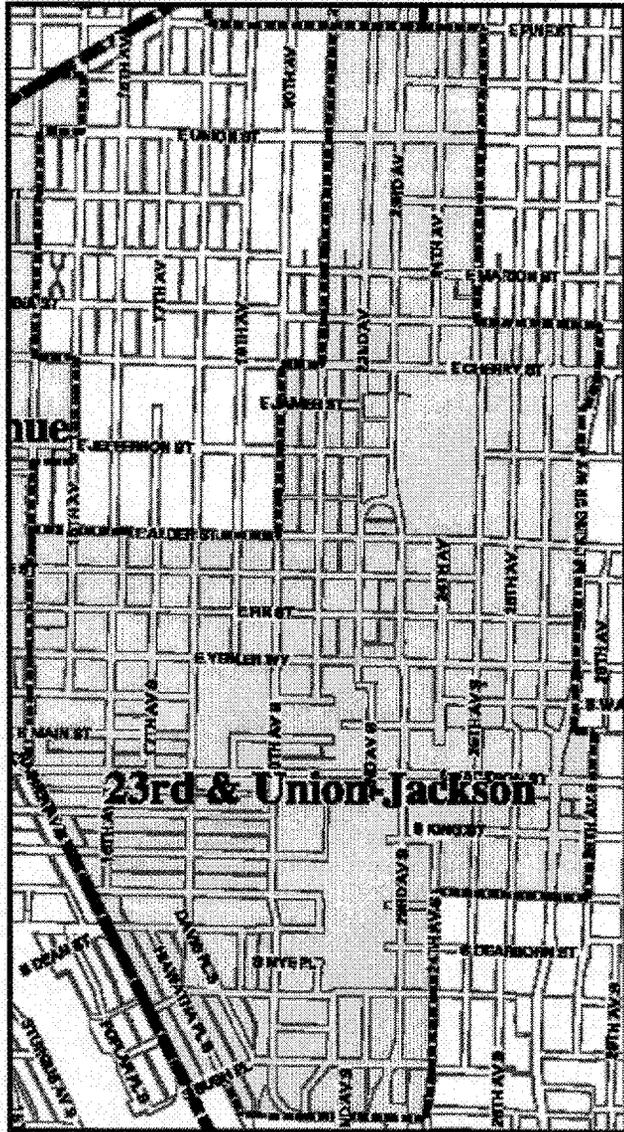


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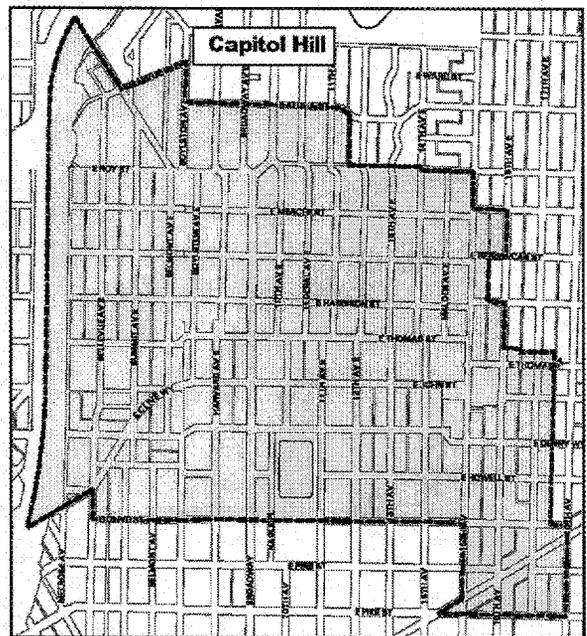
3. Did the ability to obtain a property tax exemption for your project make a difference in your decision to develop the project? If so, in what way?



Attached Maps: 1 through 16

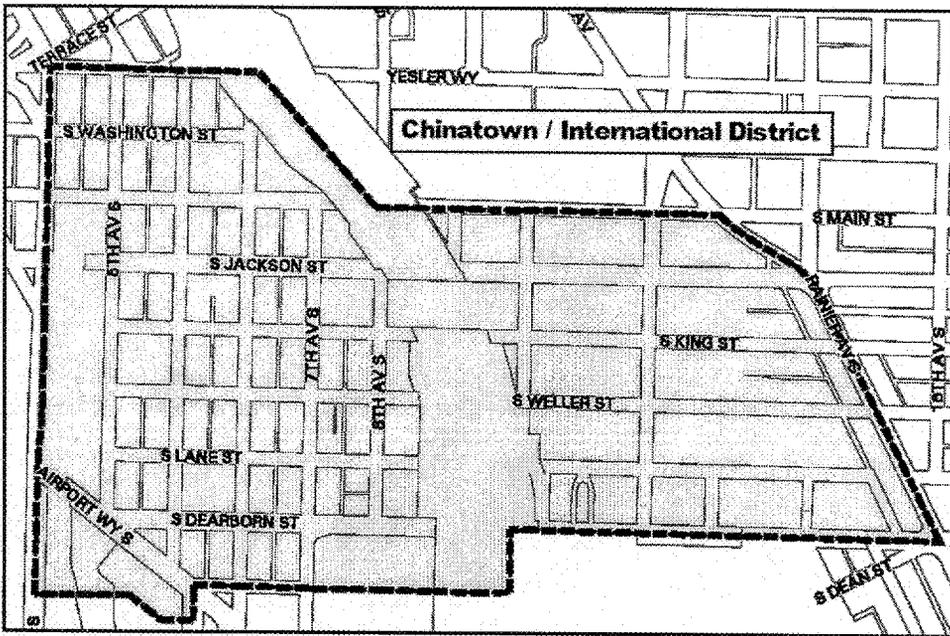


Map #1: 23rd @ Union - Jackson

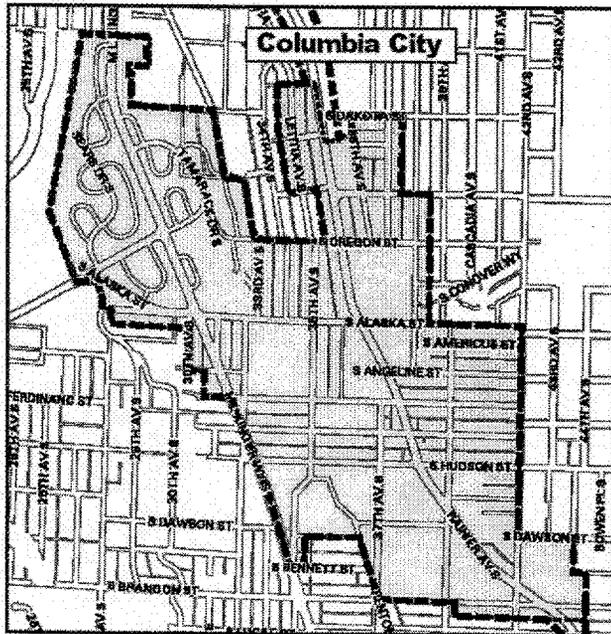


Map #2: Capitol Hill

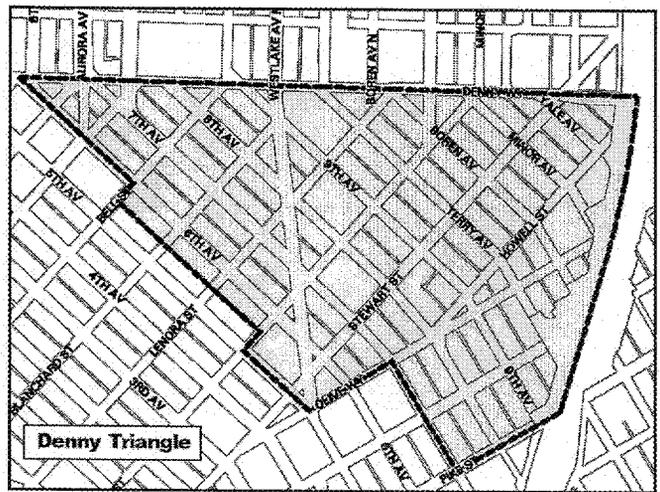




Map #3: Chinatown / International District



Map #4: Columbia City

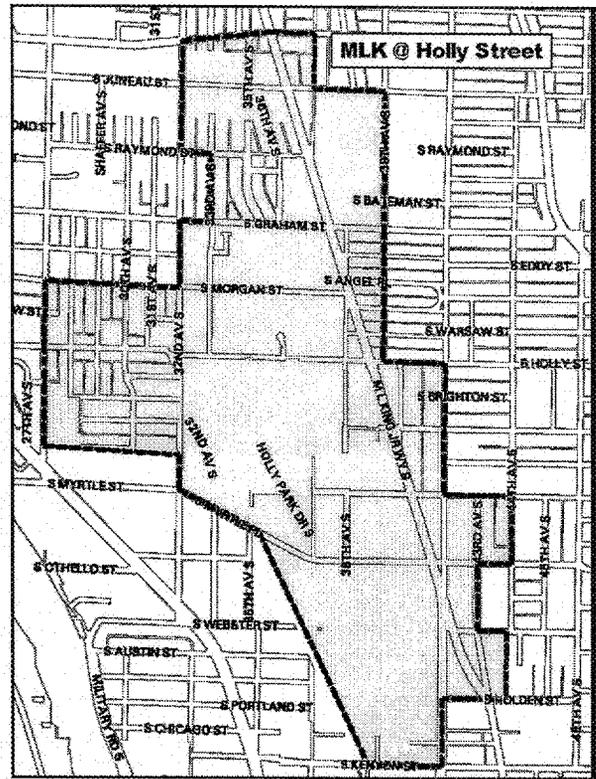


Map #5: Denny Triangle

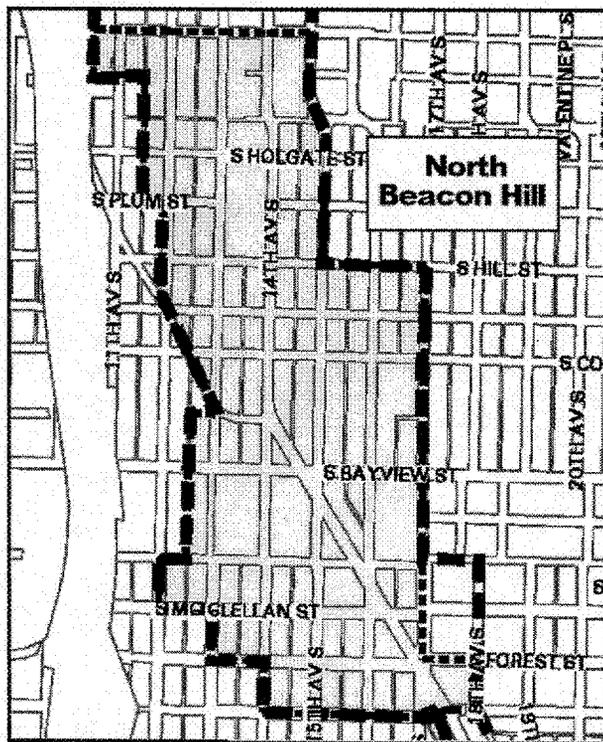




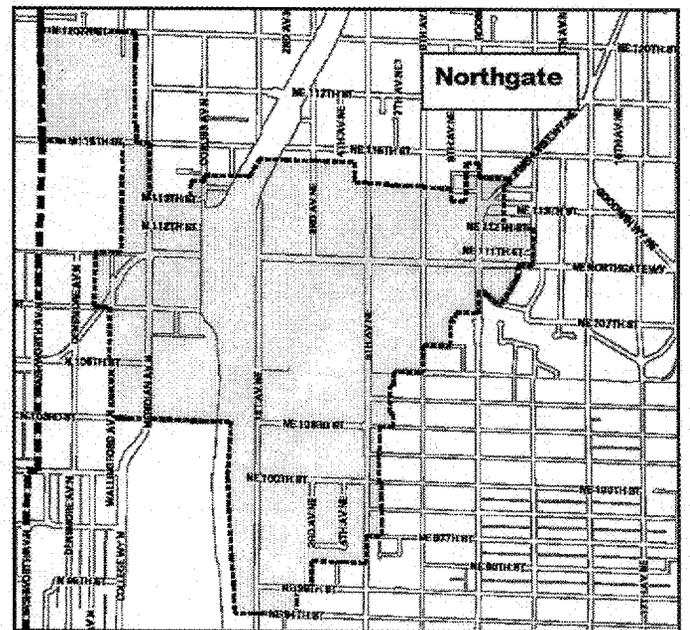
Map #6: First Hill



Map #7: MLK @ Holly

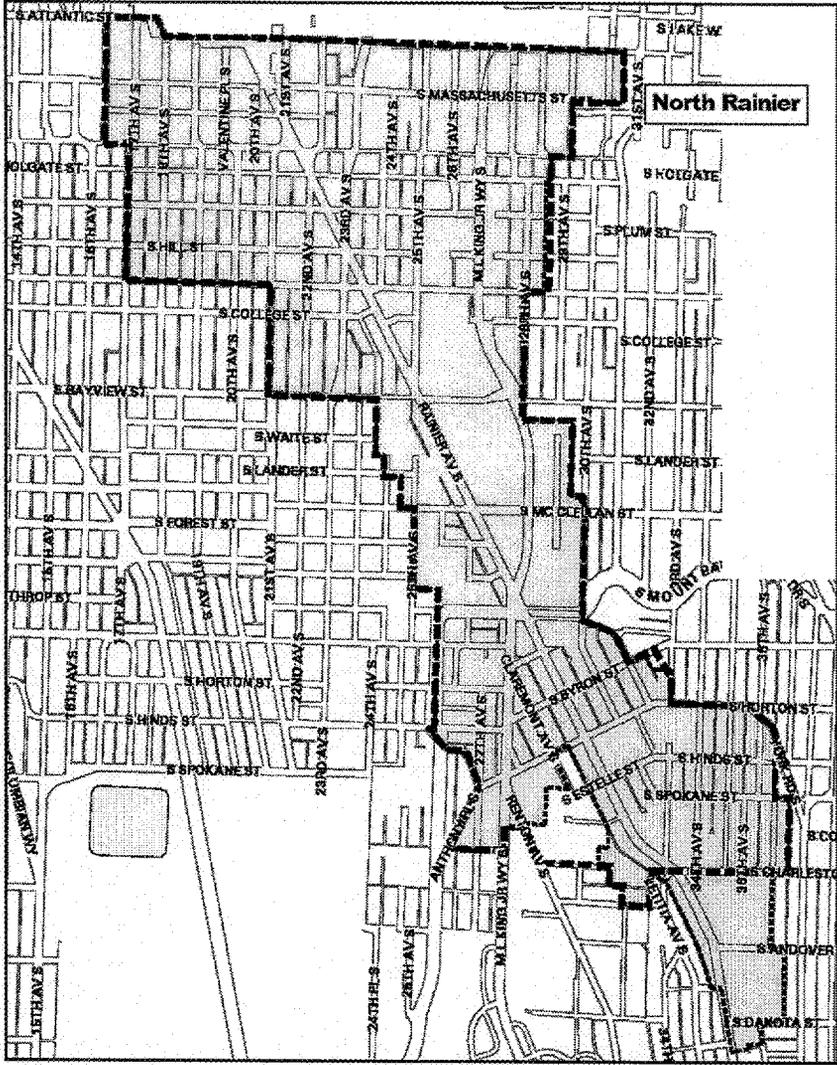


Map #8: North Beacon Hill



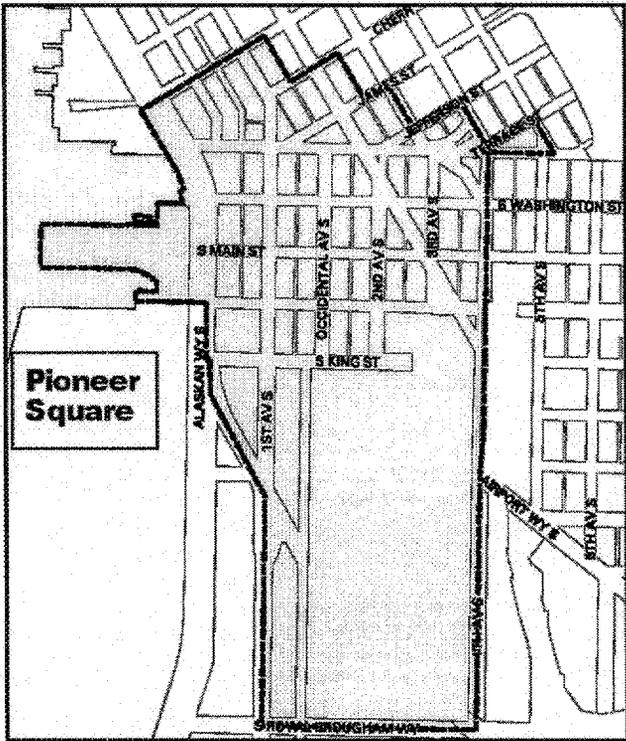
Map #9: Northgate



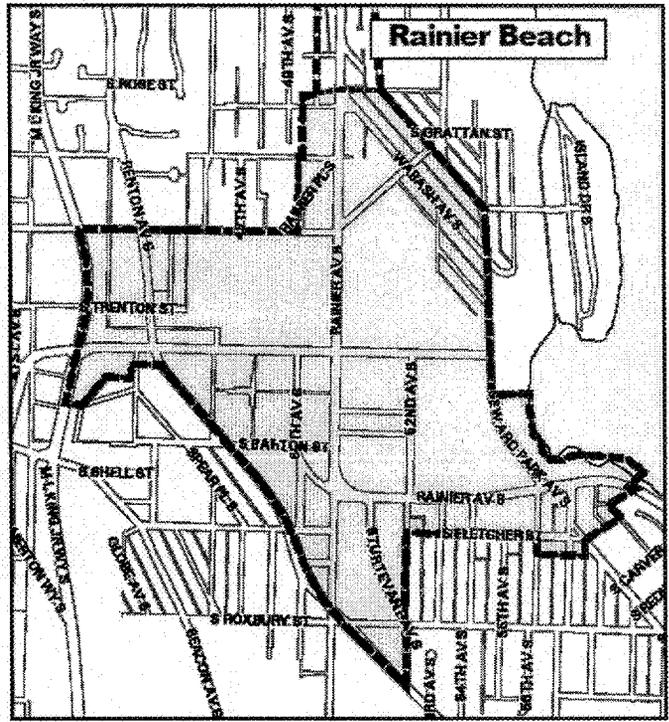


Map #10: North Rainier

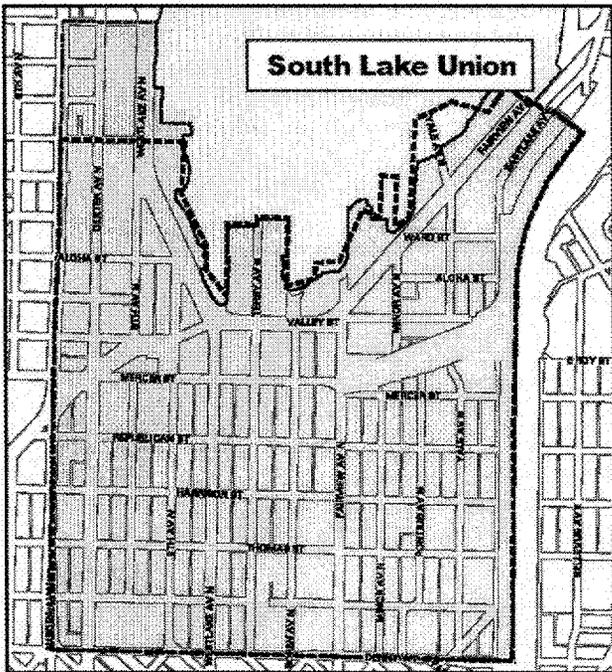




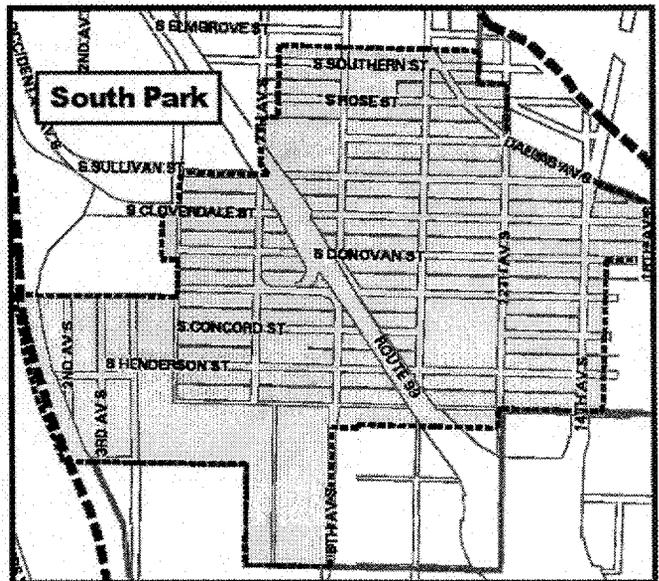
Map #11: Pioneer Square



Map #12: Rainier Beach

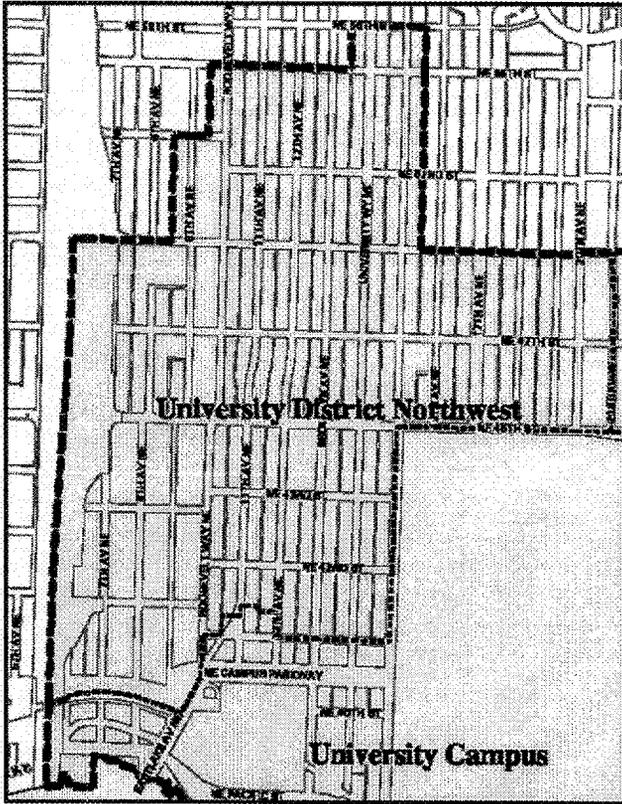


Map #13: South Lake Union

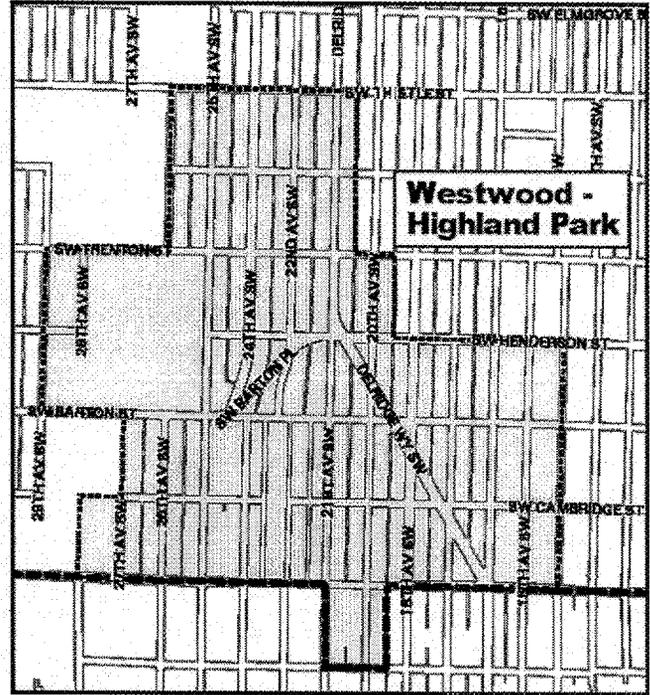


Map #14: South Park





Map 15: University District NW



Map 16: Westwood-Highland Park





City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

July 22, 2003

Honorable Peter Steinbrueck
President
Seattle City Council
Municipal Building, 11th Floor

Dear Council President Steinbrueck:

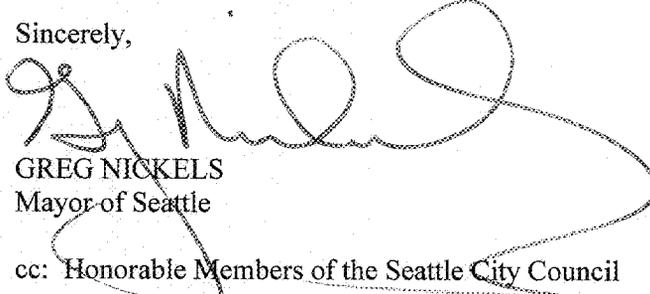
The attached ordinance readopts the Multifamily Property Tax Exemption Program as a tool to stimulate housing production in targeted neighborhoods in order to achieve goals established through neighborhood plans. Legislation originally setting up the program in 1998 included a four-year sunset clause, ending in December 2002. New legislation is needed to continue the program.

The Office of Housing has issued a detailed Evaluation Report at Council's request. That report provides a thorough analysis of program accomplishments and costs vs benefits. It makes a number of recommendations for program changes to help improve program use and efficiency. The attached legislation incorporates these changes.

Recently, City Council has discussed the need for more housing in certain neighborhoods in need of revitalization. In particular, the need for increased housing production has been identified by Council for Northgate, South Lake Union and the University District. The Multifamily Property Tax Exemption Program is an important program incentive tool that can help stimulate needed housing in these neighborhoods, as well as for other revitalization areas.

Thank you for your consideration of this legislation. Should you have any questions, please contact Katie Hong at 615-1561.

Sincerely,



GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 12th Floor, Seattle, WA 98104-1873

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, E-mail: mayors.office@ci.seattle.wa.us

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FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Office of Housing	Eric Pravitz/4-0362	Janet Credo/4-8687

Legislation Title:

AN ORDINANCE relating to the development of multi-family housing; creating a new Chapter 5.73 of the Seattle Municipal Code to implement 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, designating certain areas as residential targeted areas, and providing for annual program reporting.

• **Summary of the Legislation:**

This legislation will create a new chapter of the Seattle Municipal Code to provide for the renewal of the Multifamily Property Tax Exemption Program. The renewed Multifamily Property Tax Exemption Program will increase the number of residential target areas, standardize the affordability requirement, and change the fee structure to more accurately reflect the cost of administering the program.

• **Background:**

In November 1998 the City Council by Ordinance 119237 created the Multifamily Property Tax Exemption Program. The program expired at the end of 2002. A report to Council was prepared which describes the lessons learned from 1998 through 2002 and provided a list of recommendations for changes to the program. These changes have been incorporated into this legislation.

The purpose of the property tax exemption for multifamily housing development is to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing while meeting the City's goal of increasing the stock of affordable housing.

Developers interested in utilizing the Multifamily Property Tax Exemption Program must have a conceptual project located in a targeted neighborhood, and agree to maintain a minimum of 25% of the units affordable to those earning no more than 80% of area median income adjusted for family size, for the duration of the property tax exemption. Subsequent to approval of their application, execution of a contract with the City, and completion of the project, a certificate of tax exemption may be issued which will exempt the assessed value of the residential portion of the building from property taxes for a period of up to 10 years.

The exempted portion of the assessed value of a project receiving the tax exemption is shifted and spread amongst the taxable properties in the City of Seattle. Assuming that the typical project receiving the property tax exemption has \$6,000,000 in eligible exempt assessed value, the taxes shifted for that year would be \$61,807.80. The effect on the annual property tax bill of an owner of an average value home in Seattle, (\$321,000), would be an additional 24.7 cents. Additional information and analysis on the Multifamily Property Tax Exemption Program can be found in the Evaluation Report dated June 17, 2003.

- Please check one of the following:

 This legislation does not have any financial implications. (Stop here and delete the remainder of this document prior to saving and printing.)

 X **This legislation has financial implications.** (Please complete all relevant sections that follow.)

Appropriations (in \$1,000s): (Please only reflect the dollar amount actually appropriated by this legislation.)

Fund Name and Number	Department	Budget Control Level*	2004 Anticipated Appropriation
Miscellaneous Housing Fund 16460	Office of Housing	XZ460	\$23.4
Office of Housing Operating Fund 16600	Office of Housing	XZ600	\$23.4
TOTAL			

* This is line of business for operating budgets, and program or project for capital improvements (same as table below)

Notes: This anticipated appropriation reflects the projected receipt in 2004 of \$23.4 in application fees into subfund 16460. These funds will then be transferred out of subfund 16460 and deposited into OH's Operating fund 16600 (transfer out reflected in the Spending Table below). This transfer is necessary in order to pay staff since all staff salaries/benefits come out of the Office of Housing Operating Fund.

Anticipated Revenue/Reimbursement (in \$1,000s) Resulting From This Legislation:

Fund Name and Number	Department	Revenue Source	2004 Revenue
Miscellaneous Housing Fund 16460	Office of Housing	Application Fees	\$23.4
Office of Housing Operating Fund 16600	Office of Housing	Interfund from 16460	\$23.4
TOTAL			

Notes: This assumes that in 2004 we will receive five applications, four of which will be mixed use projects. The application fee will be a flat \$4,900 for mixed-use projects and \$3,800 for single-purpose residential projects. Revenue generated by the application fee will be used for actual expenses associated with processing the application, such as application review, contract development, preparation of the legislative package, etc. Any application funds not expended in the administration and processing of an application will be refunded to the applicant in accordance with RCW 84.14.

Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE Impact:

Position Title*	Part-Time/ Full Time	2003 Positions	2003 FTE	2004 Positions**	2004 FTE**
Senior Community Development Spec.					.28
TOTAL					.28

Notes: This legislation would provide a new fund source through MFTE application fees which would provide funding for .28 FTE.

- **Fund Name and Number:** OH Operating Fund 16600
- **Department:** Office of Housing

* List each position separately

** 2004 positions and FTE are total 2004 position changes resulting from this legislation, not incremental changes from 2003.

- **Do positions sunset in the future?** (If yes, identify sunset date): No



Spending/Cash Flow (in \$1,000s): (Please complete this section only in those cases where part or all of the funds will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects.)

Fund Name and Number	Department	Budget Control Level*	2003 Expenditures	2004 Anticipated Expenditures
Miscellaneous Housing Fund 16460	Office of Housing	XZ460		\$23.4
Office of Housing Fund 16600	Office of Housing	XZ600		\$23.4
TOTAL				\$23.4

* This is line of business for operating budgets, and program or project for capital improvements (same \$ amount as revenue)

Notes: The anticipated revenue receipt of \$23.4 in application fees into subfund 16460 will be used to pay staff costs associated with the program. These funds will then be transferred out of subfund 16460 and deposited into Office of Housing's Operating Fund 16600 (transfer in to 16600 reflected in the Revenue Table above). This transfer is necessary in order to pay staff since all staff salaries/benefits come out of Office of Housing's Operating Fund 16600.

- **What is the financial cost of not implementing the legislation?**
 The financial cost of not implementing the legislation would include the potential that some multifamily projects would ultimately not be built, or at best their development would be delayed until economic conditions stimulated their construction without incentive.
- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
 N/A
- **Is the legislation subject to public hearing requirements:**
 Yes
- **Other Issues:**
 N/A



ORDINANCE

1
2
3 AN ORDINANCE relating to the development of multi-family housing; creating a new Chapter
4 5.73 of the Seattle Municipal Code to implement RCW Chapter 84.14 to provide for
5 exemption from ad valorem property taxation for qualifying multi-family housing in
6 designated residential target areas within the City, designating certain areas as residential
7 targeted areas, and providing for annual program reporting.

8
9 WHEREAS, Washington state law, RCW Chapter 84.14, adopted by the legislature in 1995,
10 provides for the exemption from ad valorem property taxation for the value of eligible
11 improvements associated with qualifying multi-unit housing located in residential target
12 areas and authorizes the City to adopt necessary procedures to implement the State law;
13 and

14
15 WHEREAS, the stated purpose of RCW Chapter 84.14 is to increase residential opportunities by
16 stimulating the construction of new multi-family housing and the rehabilitation of
17 existing vacant and underutilized buildings for multi-family housing in areas where the
18 City finds there are insufficient residential opportunities; and

19
20 WHEREAS, the City Council finds that those areas within the City designated as urban center
21 villages, hub urban villages or residential urban villages in the Land Use Element of the
22 City's Comprehensive Plan satisfy the requirements of an "urban center" as defined under
23 RCW 84.14.010(1); and

24
25 WHEREAS, the City Council solicited public comment regarding the additional residential target
26 areas at a public hearing on July 23, 2003; and

27
28 WHEREAS, the City finds that the areas designated as residential targeted areas in this
Ordinance are each located within an urban village as defined in this ordinance, that each
area lacks sufficient available, desirable and convenient residential housing to meet the
needs of the public who would be likely to live in such area if desirable, attractive and
livable residences were available; and that the property tax exemption program
implemented by this Ordinance will encourage increased residential opportunities within
the City and stimulate the construction of new multifamily housing and the rehabilitation
of existing vacant and underutilized buildings for multifamily housing; and

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



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 districts
5 and special review districts; and the property tax exemption program established by this
6 ordinance will support and further the goals and purposes expressed in those provisions
7 of the Code; and

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

11 WHEREAS, Ordinance 119237 passed on November 30, 1998, enacted a property tax exemption
12 program that expired in 2002, and a new ordinance is required to readopt and continue the
13 program; Now, Therefore;

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

15 Section 1. A new Chapter 5.73, to be titled "Multifamily Housing Property Tax
16 Exemption Ordinance" is hereby added to the Seattle Municipal Code, Title 5, Subtitle II, Taxes,
17 to read as follows:

18 **Section 5.73.010 Purpose**

19 A. The purposes of this chapter are:

- 20 1. To encourage more multifamily housing opportunities within the City;
 - 21 2. To stimulate the construction of new multifamily housing and the rehabilitation
22 of existing vacant and underutilized buildings for multifamily housing;
 - 23 3. To increase the supply of multifamily housing opportunities within the City for
24 low and moderate income households;
- 25



1 4. To accomplish the planning goals required under the Growth Management Act,
2 RCW chapter 36.70A, as implemented by the City's Comprehensive Plan;

3 5. To promote community development, affordable housing, and neighborhood
4 revitalization;

5 6. To preserve and protect buildings, objects, sites, and neighborhoods with
6 historic, cultural, architectural, engineering or geographic significance located within the City;
7 and
8

9 7. To encourage additional housing in certain areas to support investment in
10 public transit projects.

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

13
14 **Section 5.73.020 Definitions**

15
16 A. "Affordable" means: (1) for rental housing, that the units shall be rented to person(s)
17 with household annual income, at the time of each tenant's initial occupancy, no greater than the
18 percentage of median income designated in this chapter for the tenant's household size; and (2)
19 for owner-occupied housing, that each owner of the property who occupies the unit after issuance
20 of the final certificate of tax exemption under this chapter shall have a household annual income,
21 at the time of each such owner's initial occupancy of the unit, no greater than the percentage of
22 median income designated in this chapter for the owner's household size adjusted for the
23 presumed family size of the unit as set forth above. A unit shall not cease to be affordable solely
24 because the household annual income of the owner of owner-occupied housing, or tenant of
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1 rental housing, exceeds the annual income limit set forth in this subsection A after the date of
2 initial occupancy.

3 B "Assessor" means the King County Assessor.

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

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

10 E. "Median income" means annual family median income for the Seattle-Bellevue-
11 Everett Primary Metropolitan Statistical Area , as published from time to time by HUD, and as
12 adjusted for household size according to the method used by HUD for income limits in
13 subsidized housing. For purposes of rent limits, median income generally is adjusted according
14 to the presumed family size based on the number of bedrooms in a unit, consistent with HUD
15 rules for the HOME program.
16

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

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

22 H. "Permanent residential occupancy" means multi-family housing that provides either
23 rental or owner occupancy for a period of at least one month. This excludes hotels and motels
24 that predominately offer rental accommodation on a daily or weekly basis.
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1 I. "Rehabilitation improvements" means (1) modifications to an existing structure, the
2 residential portion of which has been vacant for at least 12 months prior to application for
3 exemption under this chapter, that are made to achieve a condition of substantial compliance
4 with the applicable building and construction codes contained in SMC Title 22; or (2)
5 modifications to an existing occupied residential structure or mixed use structure that contains
6 occupied residential units, that add at least four multi-family housing units.
7

8 J. "Residential targeted area" means an area within an urban village that has been so
9 designated by the City Council pursuant to this chapter.
10

11 K. "Substantial Compliance" means compliance with the applicable building and
12 construction codes contained in SMC Title 22 that is typically required for rehabilitation as
13 opposed to new construction.
14

15 L. "Urban village" as used in this chapter means a neighborhood that: (1) is within an
16 area designated as either an urban center village, a hub urban village or a residential urban village
17 in the Land Use Element of the City's Comprehensive Plan; and (2) meets the definition of an
18 "urban center" as defined in RCW 84.14.010.
19

20 **Section 5.73.030 Residential Targeted Areas -- Criteria -- Designation**

21 A. Following notice and public hearing as prescribed in RCW 84.14.040, the Council
22 may designate one or more residential targeted areas upon a finding by the Council in its sole
23 discretion that the residential targeted area meets the following criteria:
24

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

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

- 6 (a) encourage increased residential opportunities within the City; or
7 (b) stimulate the construction of new affordable multifamily housing; or
8 (c) encourage the rehabilitation of existing vacant and underutilized
9 buildings for multifamily housing.
10

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

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

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

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

21 4. Whether encouraging additional housing in the residential targeted area
22 supports plans for significant public investment in public transit and/or a better jobs/housing
23 balance; or
24
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1 5. Whether additional housing may contribute to revitalization of a distressed
2 neighborhood or area within the City.

3 C. At any time the Council may, by ordinance, in its sole discretion, amend or rescind the
4 designation of a residential targeted area pursuant to the same procedural requirements as set
5 forth in RCW 84.14.040 for original designation.

6 D. The following areas, as shown in the attached Maps 1 through 16, are designated as
7 residential targeted areas under this chapter:
8

- 9 1. 23rd & Jackson-Union
- 10 2. Capitol Hill
- 11 3. Chinatown-International District
- 12 4. Columbia City
- 13 5. Denny Triangle
- 14 6. First Hill
- 15 7. MLK @ Holly
- 16 8. North Beacon Hill
- 17 9. North Rainier
- 18 10. Northgate
- 19 11. Pioneer Square
- 20 12. Rainier Beach
- 21 13. South Lake Union
- 22 14. South Park
- 23 15. University District NW



16. Westwood-Highland Park

1
2 E. If a part of any legal lot is within a residential targeted area as shown in Maps 1
3 through 16, then the entire lot shall be deemed to lie within such residential targeted area.
4

5 **Section 5.73.040 Project Eligibility**

6 To be eligible for exemption from property taxation under this chapter, the property must
7 satisfy all of the following requirements:
8

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

10 B. The project must be multi-family housing consisting of at least four dwelling units
11 within a residential structure or as part of a mixed use development, in which at least fifty
12 percent of the space within such residential structure or mixed use development is intended for
13 permanent residential occupancy.
14

15 C. For new construction, a minimum of four new dwelling units must be created; for
16 rehabilitation or conversion of existing occupied structures, a minimum of four additional
17 dwelling units must be added.
18

19 D. For rehabilitation or conversion of an existing vacant building, the residential portion
20 of the building shall have been vacant for at least twelve (12) months before application for a
21 conditional exemption, and the rehabilitation improvements shall achieve a condition of
22 substantial compliance with the applicable building and construction codes contained in Title
23 22.
24

25 E. For rehabilitation or conversion of existing occupied structures, there shall be no
26 "displacement" of existing residential tenants, as such term is defined in Section 22.210.030(E);
27
28

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

7
8 (1) For the first ten calendar years of operation of the replacement units, the
9 replacement units shall be affordable at or below 50% of median income.

10 (2) Replacement may be accomplished either as part of the new construction for
11 which application for exemption is made under this chapter, or through the new construction of
12 additional multiple-unit housing at another location, or through the substantial rehabilitation of
13 vacant multiple-unit housing, or through the preservation of housing that is rented at the time of
14 application to tenants with household annual income at or below 50% of median income, and
15 that the Director determines would otherwise be converted to a use other than rental to tenants
16 with such income.
17

18 (3) The replacement housing shall be completed, and a temporary or permanent
19 certificate of occupancy shall be issued, within three years from the date of approval of the
20 application, provided that the Director may extend the time for completion if the Director finds
21 that: (i) the failure to complete the replacement housing is due to circumstances beyond the
22 owner's control; (ii) the owner has been acting and may reasonably be expected to continue to act
23 in good faith and with due diligence; and (iii) the replacement housing will be completed within
24 a reasonable time.
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1 (4) Projects where the existing rental housing structure was demolished before
2 the effective date of this Chapter 5.73, are not subject to the requirements of this subsection.

3 G. For rental projects, at least 25% of the units shall be affordable at or below 80% of
4 median income for the period of time the property is receiving the tax exemption. If the
5 percentage of affordable units in the project required is a fraction, then the number of affordable
6 units shall be rounded up to the next whole number.

7
8 H. For owner-occupied projects, units shall serve households with income at time of
9 purchase at or below 80 percent of median income.

10 I. The mix and configuration of housing units (e.g., studio, one-bedroom, two-bedroom,
11 etc.) used to meet the requirement for affordable units under subsection (G) shall be substantially
12 proportional to the mix and configuration of the total housing units in the project; provided that
13 all units of two or more bedrooms may be combined into a single category for the purpose of
14 compliance with this provision.

15
16 J. Affordable housing units required under subsection (G) shall be substantially the same
17 interior construction quality as market rate units in the project.

18
19 K. For owner occupied projects, the contract with the City required under Section
20 5.73.060 shall identify those units that shall be eligible per subsection H of this section. For
21 those owner-occupied units, the City shall have and retain, for the life of the exemption granted
22 under this chapter, a written right of first refusal under the terms and conditions approved by the
23 Director, exercisable in the event the owner receives a bona fide offer to buy the property from an
24 owner whose household income exceeds the affordability limits in subsection 5.73.020A, giving
25 the City or its assignee the right to purchase the property on substantially the same terms as such
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1 bona fide offer. Such right of first refusal shall be included within the contract with the City
2 required under subsection 5.73.060A.

3 The right of first refusal shall require that the property owner notify the City in writing of the
4 terms of the offer. Within 30 days, the City shall either enter into a real estate purchase and sales
5 agreement with the owner at the price, terms and conditions of the offer or such other terms and
6 conditions agreed to by the parties, or notify the owner of its refusal.
7

8 L. For new construction of multifamily housing, the applicant shall complete the design
9 review process under Chapter 23.41, whether or not the project would be subject to design
10 review under Chapter 23.41 if the owner had not applied for property tax exemption under this
11 chapter. For projects not subject to mandatory design review under Section 23.41.004A, the
12 applicant shall complete administrative design review under Section 23.41.016.
13

14 M. The applicant shall obtain a certificate of approval, permit, or other approval under
15 Chapter 25.12, Landmarks Preservation Ordinance, Chapter 23.66, Special Review Districts, or
16 those provisions of Chapter 25.16, Chapter 25.20, Chapter 25.22, Chapter 25.24, or Chapter
17 25.28, relating to Landmark or Historical Districts, if such certificate of approval, permit or other
18 approval is required under those chapters. Such certificate of approval, permit or other approval
19 shall satisfy the requirement under subsection L that the applicant complete design review if
20 design review is not mandatory under Section 23.41.004A.
21
22

23 N. The project must comply with all applicable zoning requirements, land use
24 regulations, and building and housing code requirements contained in Title 22, Title 23 and Title
25 25 at the time of new construction, rehabilitation or conversion.
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1 O. For the duration of the exemption granted under this chapter, the property shall have
2 no violations of applicable zoning requirements, land use regulations, and building and housing
3 code requirements contained in Title 22, Title 23 and Title 25 for which the Department of
4 Planning and Development shall have issued a notice of violation that is not resolved by a
5 certificate of compliance, certificate of release, or withdrawal within the time period for
6 compliance provided in such notice of violation and any extension of the time period for
7 compliance granted by the Director of the Department of Planning and Development.
8

9 P. New construction of multifamily housing and rehabilitation improvements must be
10 scheduled to be completed within three years from the date of approval of the application.
11

12 Q. For owner-occupied projects, only the units meeting the conditions of subsection H
13 shall be eligible for the property tax exemption. Upon sale of the owner-occupied unit to a buyer
14 not meeting the income qualification as defined by a household income at or below 80% of area
15 median income, adjusted for household size, as determined by HUD, the property will no longer
16 receive the property tax exemption.
17

18 **Section 5.73.050 Application Procedure -- Fee**
19

20 A. The owner of property applying for exemption under this chapter shall submit an
21 application to the Director, on a form adopted by the City Council. The owner shall verify the
22 application by oath or affirmation. The application shall contain such information as the Director
23 may deem necessary or useful, and shall include:
24

25 1. A brief written description of the project and preliminary schematic site and
26 floor plans of the multifamily units and the structure(s) in which they are proposed to be located;
27
28

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

3 3. Information describing how the applicant will comply with the affordability
4 requirements in Subsection 5.72.040(G) of this chapter; and

5 4. In the case of rehabilitation of an existing vacant structure under Section
6 5.72.020(I)(1), verification from the Department of Planning and Development of non-
7 compliance with applicable building and housing codes as required under Section 5.72.020(I)(1),
8 and an affidavit from the owner verifying that the existing dwelling units have been vacant for a
9 period of 12 months prior to filing the application.
10

11 B. At the time of application under this Section, the applicant shall pay to the City an
12 initial application fee of \$3,800.00 if the project is single-purpose residential, or \$4,900.00 if the
13 project is mixed-use. If the City denies the application, the City will retain that portion of the fee
14 attributable to its actual administrative costs and refund the balance, if any, to the applicant.
15

16 C. The Director shall notify the applicant within twenty-eight (28) days of the application
17 being filed if the Director determines that an application is not complete and shall identify what
18 additional information is required before the application will be complete. Within twenty-eight
19 (28) days of receiving additional information, the Director shall notify the applicant in writing if
20 the Director determines that the application is still not complete, and what additional information
21 is necessary. An application shall be deemed to be complete if the Director does not notify the
22 applicant in writing by the deadlines in this section that the application is incomplete; however, a
23 determination of completeness does not preclude the Director from requiring additional
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1 information during the review process if more information is needed to evaluate the application
2 according to the criteria in this chapter.

3 D. The application shall be submitted any time before, but no later than, the date the
4 building or other construction permit is issued under Title 22.

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6
7 **Section 5.73.060 Application Review -- Issuance of Conditional Certificate -- Denial --**

8 **Appeal**

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

18
19
20 B. If the application is denied, the Director shall state in writing the reasons for the denial
21 and send notice of denial to the applicant's last known address within ten days of the denial.

22
23 C. An applicant may appeal the Director's denial of the application by filing an appeal to
24 the City Council with the City Clerk within thirty (30) days of receipt of the denial. The appeal
25 before the City Council will be based upon the record before the Director, and the Director's
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1 decision will be upheld unless the applicant can show that there is no substantial evidence on the
2 record to support the Director's decision. The City Council's decision on appeal is final.

3
4 **Section 5.73.065 Amendment of Contract**

5 A. Any applicant seeking amendment(s) to the contract approved by the City Council
6 may do so by submitting a request in writing to the Director at any time within three years of the
7 date of the Council's approval of the contract.

8 B. The Director shall have authority to approve amendments to the contract between the
9 applicant and the City that are within the scope and intent of the contract approved by the City
10 Council. Amendments that are not reasonably within the scope and intent of the approved
11 contract, as determined by the Director, shall be submitted to the City Council for approval by
12 resolution.

13 C. Any applicant seeking amendments to the approved contract, which in the sole
14 discretion of the Director require approval by the City Council, shall pay to the City an
15 amendment application fee of \$500.00 . If the City denies the amendment, the City will retain
16 that portion of the fee attributable to its own actual administrative costs and refund the balance, if
17 any, to the applicant.

18 D. The date for expiration of the Conditional Certificate shall not be extended by
19 contract amendment unless (a) all the conditions for extension set forth in Section 5.73.070 are
20 met, or (b) the conditions set forth in Section 5.73.070 A. and B. are met and the City Council
21 specifically approves the extension.
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1 **Section 5.73.070 Extension of Conditional Certificate**

2 The Conditional Certificate may be extended by the Director for a period not to exceed 24
3 consecutive months. The applicant shall submit a written request stating the grounds for the
4 extension together with a fee of \$150.00 for the City's administrative cost to process the request.

5 The Director may grant an extension if the Director determines that:

6
7 A. The anticipated failure to complete construction or rehabilitation within the required
8 time period is due to circumstances beyond the control of the owner; and

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

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

13
14
15 **Section 5.73.080 Final Certificate -- Application -- Issuance -- Denial and Appeal**

16 A. Upon completion of the rehabilitation improvements or new construction as provided
17 in the contract between the applicant and the City, and upon issuance of a temporary certificate of
18 occupancy, or a permanent certificate of occupancy if no temporary certificate is issued, the
19 applicant may request a Final Certificate of Tax Exemption. The applicant shall file with the
20 Director such information as the Director may deem necessary or useful to evaluate eligibility for
21 the Final Certificate, and shall include:
22

- 23 1. A statement of expenditures made with respect to each multi- family housing
24 unit and the total expenditures made with respect to the entire property;
25
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1 2. A description of the completed work and a statement of qualification for the
2 exemption;

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

5 4. Information on the applicant's compliance with the affordability requirements
6 in subsection 5.72.040(G).
7

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

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

19 D. If the Director determines that the project has been completed in accordance with the
20 contract between the applicant and the City and the requirements of this chapter, the City shall
21 file a Final Certificate of Tax Exemption with the Assessor within 10 days of the expiration of
22 the thirty-day period provided under subsection C of this section.
23

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

4 F. The Director shall notify the applicant in writing that the City will not file a Final
5 Certificate if the Director determines that the project was not completed within the required
6 three-year period or any approved extension, or was not completed in accordance with the
7 contract between the applicant and the City and the requirements of this chapter.
8

9 G. The applicant may file an appeal of the Director's decision that a Final Certificate will
10 not be issued to the King County Superior Court within thirty (30) days of receiving notice of
11 that decision.
12

13 **Section 5.73.090 Exemption -- Duration -- Limits**

14 A. The value of new housing construction and rehabilitation improvements qualifying
15 under this chapter will be exempt from ad valorem property taxation for ten (10) successive years
16 as provided in RCW 84.14.020(1).
17

18 B. The exemption does not apply to the value of land or to the value of improvements
19 not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation
20 of land and non-qualifying improvements, or to increases made by lawful order of the King
21 County Board of Equalization, the Washington State Department of Revenue, State Board of Tax
22 Appeals, or King County, to a class of property throughout the county or a specific area of the
23 county to achieve uniformity of assessment or appraisal as required by law. In the case of
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1 rehabilitation of existing buildings, the exemption does not include the value of improvements
2 constructed prior to submission of the completed application required under this chapter.

3
4 **Section 5.73.100 Annual Certification**

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

- 11 1. A statement of occupancy and vacancy of the multi-family units during the
12 previous year;
- 13 2. A certification that the property has not changed use since the date of filing of
14 the Final Certificate of Tax Exemption, and continues to be in compliance with the contract with
15 the City and the requirements of this chapter;
- 16 3. A description of any improvements or changes to the property made after the
17 filing of the Final Certificate or last declaration, as applicable; and
18
- 19 4. Information demonstrating the owner's compliance with the affordability
20 requirements of Subsections 5.72.040(G) .
21

22 B. Failure to submit the annual declaration may result in cancellation of the tax
23 exemption.
24

25 **Section 5.73.110 Cancellation of Tax Exemption -- Appeal**
26
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28

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

5 B. If the owner intends to convert the multi-family housing to another use, the owner
6 must notify the Director and the King County Assessor within 60 days of the change in use.
7 Upon such change in use, the tax exemption shall be canceled and additional taxes, interest and
8 penalty imposed pursuant to State law.
9

10 C. Upon determining that a tax exemption shall be canceled, the Director shall notify the
11 property owner by certified mail, return receipt requested. The property owner may appeal the
12 determination by filing a notice of appeal with the Hearing Examiner within 30 days, specifying
13 the factual and legal basis for the appeal. The Hearing Examiner will conduct a hearing pursuant
14 to Section 3.02.090 at which all affected parties may be heard and all competent evidence
15 received. The Hearing Examiner shall affirm, modify, or reverse the decision to cancel the
16 exemption based on the evidence received. The Hearing Examiner shall give substantial weight
17 to the Director's decision and the burden of overcoming that weight shall be upon the appellant.
18 An aggrieved party may appeal the Hearing Examiner's decision to the King County Superior
19 Court as provided in RCW 34.05.510 through 34.05.598.
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24 Section 2. Annually, beginning in 2005, a committee composed of the Directors, or their
25 designees, of the Office of Housing, the Office of Policy and Management, City Budget Office
26 and Council central staff, or such City departments or agencies that shall succeed to their
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1 functions with respect to this chapter, shall review the program established by this ordinance and
2 provide a report to the City Council outlining development activity, types and numbers of units
3 produced and their locations, rent and sales prices, information regarding the number of low and
4 moderate income households benefiting from the program, and other appropriate factors. These
5 reports may include recommendations on whether any neighborhoods should be added or
6 removed, whether affordability limits should be changed in certain areas, and will analyze any
7 issues related to the use of the program for homeownership units. The annual report shall be
8 submitted to City Council no later than March 30 of each year the program is in effect, starting in
9 2005; each report shall include information for the previous year.
10

11
12 Section 3. The Multifamily Housing Property Tax Exemption Ordinance is declared to be
13 severable. If any section, subsection, paragraph, clause or other portion of any part is for any
14 reason held to be invalid or unconstitutional by any court of competent jurisdiction, such
15 invalidity or unconstitutionality shall not affect the validity or constitutionality of the remaining
16 portions of the Multifamily Housing Property Tax Exemption program. If any section,
17 subsection, paragraph, clause or any portion of any part is adjudged invalid or unconstitutional as
18 applied to a particular project or property, the application of such portion to other projects or
19 properties shall not be affected.
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1 Section 4. This ordinance shall take effect and be in force thirty (30) days from and after
2 its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days
3 after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.
4

5 Passed by the City Council the ____ day of _____, 2004, and signed by me in open
6 session in authentication of its passage this ____ day of _____, 2004.
7

8
9
10 _____
President _____ of the City Council

11 Approved by me this ____ day of _____, 2004.
12

13 _____
Gregory J. Nickels, Mayor

14 Filed by me this ____ day of _____, 2004.
15

16 _____
City Clerk
17

18 (Seal)
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22 Attachments
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**Legislative Department
Seattle City Council
Memorandum**

Peter

Date: March 12, 2004

To: Council members

From: Traci Ratzliff, Central Staff

Subject: Divided Report for Multifamily Tax Exemption (MFTE) Legislation - CB 114775

Attached you will find the Divided Report for the MFTE Program Legislation that was discussed and voted on by the Housing, Human Services and Health Committee on March 2nd. This legislation is scheduled to be voted on at Full Council **this Monday**, March 15, 2004.

I have also attached a brief summary of the substitute ordinance that was voted out of the HHS&H Committee.

Please contact me should you have any questions about the attached documents or if you desire further assistance on this matter.

Attachments

CB 114775 - Multi-Family Tax Exemption Program
Divided Report
For consideration at Full Council on March 15, 2004

In the Fall of 2003 the Mayor submitted to Council his proposed ordinance establishing a Multi-family Tax Exemption Program. After discussion with key Councilmembers, the Mayor modified his proposal and it was introduced as CB 114775 on December 1, 2003. The Mayor's proposal was discussed by the Housing Committee in December, February, and March Committee Meetings. Public hearings were held on December 16th and March 1st. On March 2nd, the Committee considered a substitute to the Mayor's proposed legislation and amendments to the proposed substitute.

The Committee had a divided report on the proposed substitute, as amended, to CB 114775.

Yes 3 (Rasmussen, Drago, Della)
No 2 (McIver, Licata)

The reports on those voting yes and no on the substitute to CB 114775 are as follows.

Majority position (Rasmussen, Drago, Della) on substitute to CB 114775:

Goals/Criteria and Neighborhoods eligible for MFTE: We believe that the goals of the program embodied in the substitute to CB 114775 are appropriate for the MFTE program. The goals (and criteria associated with the goals) are as follows:

1. Create housing units in urban villages that are behind in meeting 20 year residential growth targets (behind is defined as at or below 25% of housing growth target);
2. Create housing units in urban villages that are economically distressed (as defined under the Housing Levy's NHOP and Homeownership Program);
3. Create affordable units (rental and homeownership) not developed by the market (60% - 70% of median income for rental, 80% of median income for homeownership) in economically distressed areas and those areas behind in meeting residential growth targets;
4. Create mixed-income housing, including affordable units, in an area or neighborhood that the City has identified by Resolution as one in which the City wants to encourage development of such housing. Council adopted such Resolutions for South Lake Union (30610) and the University District (30605);
5. Create mixed-income housing, including affordable units, in an area or neighborhood that was designated as a residential targeted neighborhood in the City's prior Multifamily Tax Exemption program, RCW chapter 5.72.

These goals and the criteria would permit 17 neighborhoods in the City to utilize the MFTE program. This program provides a modest subsidy intended to stimulate the development of housing in areas that are not seeing development (economically distressed areas or areas lagging in achieving growth targets) or are seeing development but in which we want to develop mixed-income, workforce housing housing affordable to households at 60% - 70% of median income for rental housing and 80% of median income for homeownership.

Minority Position (Licata & McIver) on substitute to CB 114775:

Goals/Criteria and Neighborhoods eligible for MFTE: We agree with the first three goals/criteria that were included in the substitute proposal offered by CM Rasmussen. We believe there is a need and justification to provide a subsidy program like the MFTE program to stimulate development in economically distressed areas where development is not and will not happen without public subsidy and to provide such assistance in areas that are not economically distressed but are behind in meeting housing growth targets. We believe this program can be a tool to help these areas that are not seeing much if any development.

We do not believe that the MFTE program is needed in areas that are clearly seeing development happen – areas that are exceeding growth targets. These include South Lake Union, University District and Capitol Hill, in particular. All of these areas have seen significant growth and are clearly places where developers are interested in developing. Public subsidy programs, such as the MFTE, should be used in areas that need such assistance not in areas that are doing well on their own, as is the case with the three above mentioned neighborhoods. This is particularly true as it relates to the MFTE program where the tax burden for this particularly program is shifted to other tax payers.

Affordability Requirement & Length of Affordability Requirement For Rental Projects:

We believe the affordability requirement contained in the substitute to CB 114775 does not provide a clear public benefit for the tax benefit provided by the MFTE program. Under the substitute proposal, a developer is allowed to choose between 3 options, 20% of the units at 60% of median income, 25% of the units at 65% of median income or 30% of the units at 70% of median income. Given this range of choices, it is certain that for-profit developers will choose the latter option, the higher affordability requirement. This equates to a rent rate of \$954 a month for a one person household and \$1090 a month for a two person household. This is hardly an "affordable rent". In addition, this rent level is actually the market rent in a number of neighborhoods in the City. It is hard to justify the public benefit that is being derived when a developer is paid a subsidy to develop units that he or she would already create without the subsidy. Furthermore, it is clear that there is an ongoing need to create more units in the low to low-moderate income range of 60% - 65% of median income. This is the housing in which City workers earning \$32,700 - \$35,425 a year can afford (one person household). This equates to a rent rate of \$817 to \$886 a month for a one person household. This is an income range at which the private market will not develop on its own without public subsidy. To justify the subsidy provided, a deeper affordability requirement must be imposed.

Finally, as it relates to the length of the affordability requirement, we believe that 10 years is too short. If we are using this program to create permanent, affordable workforce housing, then we need to extend the time period that affordability is required, or at the end of ten years, the affordability will be gone. This is because at the end of ten years, the project owner is permitted to increase rent rates on the affordable units to market rates. It is likely the market rates will be at a level higher than the affordable rent. We need to assure longer term affordability by lengthening the requirement to 15 or 20 years and not 10 years.

Proposed MFTE Program (based on Recommendation of HHS & H Committee):

A. Key Goals:

1. Create housing units in urban villages that are economically distressed (as defined under Housing Levy NHOP and Homeownership Program).
2. Create housing units in urban villages that are behind in meeting 20 year residential growth targets.
3. Create workforce housing (both rental and homeownership) affordable to households earning 60% to 80% of median income that would not otherwise be developed by the market in economically distressed areas and areas that are behind in meeting growth targets. Also, create mixed-income housing that is affordable to households with a range of incomes.
4. Create mixed-income housing, including affordable units, in an area or neighborhood that the City has identified by Resolution as one in which the City wants to encourage development of such housing. Council adopted such Resolutions for South Lake Union (30610) and the University District (30605).
5. Create mixed-income housing, including affordable units, in an area or neighborhood that was designated as a residential targeted neighborhood in the City's prior Multifamily Tax Exemption program, RCW chapter 5.72.

B. Key Criteria for inclusion of neighborhoods in MFTE Program:

1. Area defined as economically distressed per Housing Levy NHOP & Homeownership Programs;
2. Area is behind in achieving 20 year housing growth target (behind defined as at or below 25% of growth target);
3. City has identified area or neighborhood by Resolution as one in which the City wants to encourage development of mixed-income housing, including affordable housing;
4. The area or neighborhood was designated as a residential targeted neighborhood in the City's prior MFTE program, RCW chapter 5.72, and is one in which the City wants to encourage development of mixed-income housing, including affordable housing.

C. Neighborhoods that would be included in MFTE Program based on above criteria:

1. 23rd & Jackson-Union
2. Bitter Lake
3. Capitol Hill
4. Chinatown-ID
5. Columbia City
6. Denny Triangle
7. First Hill
8. MLK @ Holly

- Replacement units must be completed within three years of exemption approval.

G. Right of First Offer/Right of First Refusal Provisions:

Includes Right of First Offer Provision for rental projects.

Includes Right of First Refusal Provision for homeownership projects.

H. Tax Savings and Tax Shifting

OH estimates the tax savings/shift on a 50 unit building, valued at \$6 million provides about \$60,000 per year in exempted taxes that are shifted to other taxpayers. For every \$60,000 of exempted taxes, the owner of an average assessed valued home would experience a tax increase of about 25 cents. Under the old program, 6 projects have received a total exemption of \$353,073 (first year of exemption) to date. This means the taxes shifted to date for the average homeowner for these 6 projects is a total of \$1.40.

H. Miscellaneous Provisions

- Construction quality of Affordable Units must be substantially the same as all other units.
- The mix and configuration of studio, one-bedroom and two bedroom units used to meet affordability requirements must be substantially proportional to the mix in the project.
- If project contains more than one building all the Affordable Units may not be in the same building.
- The application for exemption must be submitted no later than the date the building permit is issued.
- The City Council must approve by resolution each project's contract for exemption.
- Annual certification of contract compliance must be filed with DPD Director.

I. Sunset of Program and Annual Reports

Program would sunset 5 years from adoption (December 31, 2009). A comprehensive review of the program will be completed by June of 2009 that reviews the effectiveness of the program and makes recommendations regarding its continuation or modification. An annual review and report of the program shall be completed. The first report is due to the City Council no later than March 30 of 2005.

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below

Amendment #5 (CM Licata):

On Page 13 line 17 after "project;" insert the following:

"provided that no more than ten per cent (10%) of the number of units in a project designated as Affordable Units shall be studios; and"

Effect of Amendment:

Caps the % of studios designated as "Affordable Units" at 10% of the total of the Affordable Units in a project.

Proposed Amendments to CB 114775

Amendment # 1 (CM Licata):

On Page 7, beginning on line 11 through line 18, delete Subsections (3) and (4).

On Page 7, beginning on line 23 through line 22 on Page 8, delete Subsections (D) and (E) and insert the following:

D. The following areas, as shown in Attachment A, Maps 1 through 14, are designated as residential targeted areas under this chapter:

1. 23rd & Jackson-Union
2. Bitter Lake
3. Chinatown-International District
4. Columbia City
5. Denny Triangle
6. First Hill
7. MLK @ Holly
8. North Beacon Hill
9. North Rainier
10. Northgate
11. Pioneer Square
12. Rainier Beach
13. South Park
14. Delridge/Westwood-Highland Park

E. If a part of any legal lot is within a residential targeted area as shown in Attachment A, Maps 1 through 14, then the entire lot shall be deemed to lie within such residential targeted area.

Effect of amendment:

Deletes Capitol Hill, South Lake Union, and University District from the list of neighborhoods eligible for the MFTE. The criteria that would allow the inclusion of these neighborhoods in the program are deleted from the legislation, as well.

Amendment # 2 (CM Licata):

On Page 10 line 27 after "following" strike subsections a, b and c and insert the following:

a. If the multifamily rental housing is located in one of the following listed neighborhoods, a minimum of 25% of the units shall be rented at Affordable Rents to Income Eligible Occupants whose household income is at or below 60% of Median Income:

1. 23rd & Union-Jackson;
2. Chinatown-ID;
3. MLK at Holly;
4. South Park;
5. Capitol Hill
6. South Lake Union; or
7. University District.

b. If the multifamily rental housing is located in one of the following listed neighborhoods, either a minimum of 20% of the units shall be rented at Affordable Rents to Income Eligible Occupants whose household income is at or below 60% of Median Income, or a minimum of 25% of the units shall be rented at Affordable Rents to Income Eligible Occupants whose household income is at or below 65% of median income:

1. Bitter Lake;
2. Columbia City;
3. Denny Triangle;
4. First Hill;
5. Northgate;
6. North Beacon Hill;
7. North Rainier;
8. Pioneer Square;
9. Rainier Beach; or
10. Delridge/Westwood-Highland Park.

Effect of Amendment:

Establishes two different affordability requirements for neighborhoods included in the MFTE.

- For the neighborhoods that are exceeding growth targets (23rd & Union-Jackson; Chinatown-ID; MLK at Holly; South Park; Capitol Hill; South Lake Union; and University District) the affordability requirement is a minimum of 25% of the units must be affordable to households at 60% of Median Income.
- For neighborhoods that are behind in meeting growth targets (Bitter Lake; Columbia City; Denny Triangle; First Hill; Northgate; North Beacon Hill; North Rainier; Pioneer Square; Rainier Beach; Delridge/Westwood-Highland Park) the affordability requirement is either a minimum of 20% of the units must be affordable to households at 60% of Median Income or 25% of the units must be affordable to households at 65% of Median Income.

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Amendment # - if amendment # 2 fails (CM Licata):

On Page 10, line 27 after "following" strike Subsections a, b, and c and insert the following:

- a. A minimum of 20% of the units shall be rented at Affordable Rents to Income Eligible Occupants whose household income is at or below 60% of Median Income;

Effect of Amendment:

Establishes an affordability requirement for all areas included in the MFTE program of 20% of the units shall be rented to households at incomes at or below 60% of Median Income.

Amendment # 3 - if amendment # 2 fails (CM Della):

On Page 10, line 27 after "following" strike Subsections a, b, and c and insert the following:

- a. A minimum of 20% of the units shall be rented at Affordable Rents to Income Eligible Occupants whose household income is at or below 60% of Median Income; or
- b. A minimum of 25% of the units shall be rented at Affordable Rents to Income Eligible Occupants whose household income is at or below 65% of Median Income.

Effect of Amendment:

Establishes an affordability requirement for all areas included in the MFTE program of either 20% of the units shall be rented to households at incomes at or below 60% of Median Income, or 25% of the units shall be rented households at incomes at or below 65% of median income.

Amendment #4 (CM Licata):

On Page 11, line 11 after “the” strike “~~life of the exemption granted under this chapter~~” and insert: “length of the affordability restrictions required by this chapter”

On Page 13, line 8 after “in” strike “~~subsections~~” and insert “subsection”

On Page 13, line 8 after “G” strike “~~and H~~”

On Page 13, line 8 after “for” strike “~~the period of time the multifamily housing is receiving the tax exemption.~~” and insert: “fifteen years from the date the Final Certificate of Tax Exemption is filed with the King County Assessor.”

On Page 21, line 27 after “of” delete “~~10~~” and insert “15”

Effect of amendment:

The length of the affordability requirements for rental projects is changed to 15 years from 10 years.

The Right of First Offer provisions are modified to remain in place for 15 years.

PUBLIC COMMENT SIGN-UP SHEET

Date: February 20, 2004

Subject: Council Bill 114775 - Multi-family Tax Exemption Ordinance

INFORMATION ON THIS SIGN-UP SHEET IS PUBLIC RECORD

#	(PLEASE PRINT) NAME	ORGANIZATION	(OPTIONAL) ADDRESS	ZIP	(OPTIONAL) PHONE/FAX
1.	Carolee Colter	Resident of Columbia City	4551 33rd Ave S, Seattle	98118	
2.	Ian Carrick	Habitat for Humanity of Seattle/Sum King Co.	13925 Interurban Ave S, Tukwila, WA	98168	206.292.5240. x109
3.	ARRIS BOFFMAN	LER 16 ASSOC.	2025 1ST AVE	98119	206285 9794
4.	John V Fox	SDC	4554 12th NE	98105	632-0668
5.	DAN PIERORA	Rowan Ridge	1481 EAST MADISON ST	98122	206-595-8702
6.	JULIE CARY	CHHIP	1406-10th Ave #101	98122	329-7303
7.	Carla Okigwe	HDC		98104	
8.	W.G. Thomas Ferguson	lawyer/developer	5037 Beach Drive SE Seattle	98136	933-3100
9.	PAUL LAMBROS	Plymouth Housing Group			
10.	Jim Ferris	Housing Resources Group	1651 Bellevue Ave	98122	623-0506
11.	Mattew Gardner	Gardner Johnson	1571 vesper way, Seattle	98104	2142-9200
12.	ARAGU HOARD	SUOF W		98115	221-7684
13.	Fay Mena	CB Richard Ellis	4550 16th Ave NE #1	98105	206-297-6093

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PUBLIC HEARING SIGN-UP SHEET

Date: February 20, 2004

Subject: Council Bill 114775 - Multi-family Tax Exemption Ordinance

INFORMATION ON THIS SIGN-UP SHEET IS PUBLIC RECORD

#	(PLEASE PRINT) NAME	ORGANIZATION	(OPTIONAL) ADDRESS	ZIP	(OPTIONAL) PHONE/FAX
14.	Teresa Lord Hugel	Greater University Chamber	4710 Uway #212	98105	
	Sydney McComas	Coalition for Healthy Communities	1617 Baylston	98122	
16.	Kerry L. Nicholson	Legacy Partners	#		
17.	Stephen Antupit	SEATTLE HOUSING AUTHORITY			
18.	Martha Barteman	Harbor Properties	500 Union St #200 / Seattle 98101		
19.	Dale Sperlang	UNICO	1301 5th	98101	
20.	PAT MCGURK	"	"	"	
21.	Tony Laughlin Taylor	Affordable Housing Advisor	laughlinitaylor@earthlink.net		
22.	BLAINE WEEFER	WEISER + THOMPSON	425 Pont7th Ave N #200	98109	
23.					
24.					
25.					
26.					



Seattle City Council PLEASE PRINT

PUBLIC HEARING SIGN-UP SHEET

Date: 12-10-03

Subject: Multi-Family Tax Exemption

INFORMATION ON THIS SIGN-UP SHEET IS PUBLIC RECORD

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14.	JEAN TINNEA	UNION ST. BUSINESS CAR WA HOMEOWNERS COOPERATION	9050 1st Ave S, Suite 200	98104	206-323-7872 P - 7916 F
15.	CARL WILSON		1245 Roosevelt Way NE #304	98125	206 361-1114
16.	John V. Fox	Sea the Difference Coalition	4334 125th WE	98105	632-0668
17.	Thomas Lewison	Teamwork Online	6604 Greenwood Ave. Rainier	98133	206-744-1878
18.	DENNIS ROSS		2008 CALIFORNIA AVE SW	98116	935 6153
19.	EARL RICHARDSON	SEED AND	5117 BUNKER AVE SW	98118	206.760.4281
20.	Sheldon Cooper	Homesite 2 Community Land Trust	2017 E. Spruce St	98122	766-323-1227
21.	Cathya Vandenbrink	Artspace Projects	510 6th Ave S. #501	98104	206-271-0380
22.	Marsha Barkman	Harbor Properties	500 Union St #200	98101	206-623-8916
23.	HARRIS HOFFMAN	LOMLG	2025 1ST AVE Suite 480	98119	206 728 7600
24.	Doreen Burt	HABITAT FOR HUMANITY	13925 Interurban S. Suite 200	98168	206-292-5290 m/103
25.	Tim Ferris	Housing Resources Gp	1651 Bellevue Ave	98122	623-0506
26.	Stephen Abbott	GHA			





Seattle City Council

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PUBLIC HEARING SIGN-UP SHEET

Date: 12-16-03

Subject: Multi-Family Tax Exemption

Handwritten note: "I am not a resident of the city of Seattle"

INFORMATION ON THIS SIGN-UP SHEET IS PUBLIC RECORD

#	(PLEASE PRINT) NAME	ORGANIZATION	(OPTIONAL) ADDRESS	ZIP	(OPTIONAL) PHONE/FAX
27. x	MATTHEW AITON	Kings Co Dept of Trans.	201 S. TRINICKSON	98014	263-4724
28.	BRADLEY	BRADLEY	BRADLEY	BRADLEY	BRADLEY
29.	JESSICA KINZIE	Trammell Crow Residential	410 KWA Blvd, Box 351243	98033	(425) 739-9647
30. / x	AARON HOAR	U of W		98195-1245	
31. / x	JANEA LOCKHEED	U District Chamber			
32. / x	LOREN WEDGEMAN	UCUC (Stoumbs)	5263 18th St	98105	524 9335
33. x	Alano hi	XXXXX Homefront			
35.					
36.					
37.					
38.					
39.					



PUBLIC HEARING SIGN-UP SHEET

Date: March 1, 2004

Subject: Multi-family Tax Exemption Program (Council Bill 114775)

INFORMATION ON THIS SIGN-UP SHEET IS PUBLIC RECORD

#	(PLEASE PRINT) NAME	ORGANIZATION	(OPTIONAL) ADDRESS	ZIP	(OPTIONAL) PHONE/FAX
27.	TOMIO MACHIMUNE or ALAN KURIMURA	UWAJIMAYA INC			206-624-3215
28.	Allan Jones	Cap. Hill Stewardship			206-595-1456
29.	Fate Jones	Downtown Seattle			
30.	Blair Wilson	Weber + Dopson			
31.	CINDY RICHARDSON	HERE HERE			
32.	SARA JONES	SAFE			
33.	SOLY MARASCO	Security Properties			
34.	TREVOR GRIFFIN				
35.	Bethy Skinner or Debbie Foley	SEIU 6			
36.	DENNY ONSLOW	HARBOR PROP			
37.	SCOTT BARKAN				
38.					
39.					

STATE OF WASHINGTON – KING COUNTY

--SS.

170210
CITY OF SEATTLE, CLERKS OFFICE

No. ORDINANCE IN FULL W/MAPS

Affidavit of Publication

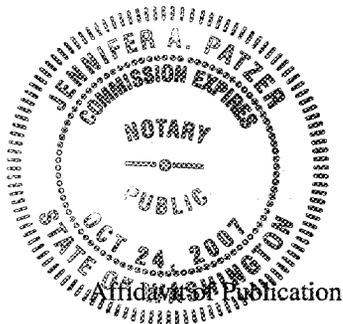
The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published 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:121415 ORD IN FULL

was published on

3/29/2004



Melinda

Subscribed and sworn to before me on

3/29/2004

Jennifer Patzer

Notary public for the State of Washington,
residing in Seattle

