

**CITY CENTER SUB-AREA
MULTI-UNIT DWELLING PROPERTY TAX EXEMPTION**

**PROGRAM SUMMARY
August 1, 2007**

INTRODUCTION

The Washington State Legislature adopted Chapter 84.14 RCW, New and Rehabilitated Multiple-Unit Dwellings in Urban Centers to simulate new or enhanced residential opportunities through a property tax incentive. Various cities within Washington have taken advantage of this incentive, including Burien, Everett, Kirkland, Puyallup, Renton, and Tacoma. This incentive may be adopted by the City of Lynnwood for the implementation of the Lynnwood City Center Plan.

Implementation of this program, in pursuant to City of Lynnwood Ordinance No. 2681, will help Lynnwood achieve the policy objectives of the City Center Plan by encouraging private investment in multiple-unit residential developments. The community will benefit from new private investment, construction sales tax from new development, improved variety of housing options and cost, and economic vitality from new residents and associated commercial activity.

BACKGROUND

The State Legislature adopted legislation creating RCW 84.14, as amended, to allow a property tax exemption for new or enhanced multi-unit housing developed within urban centers. The intent of the legislation is to support the goals of the Growth Management Act, Chapter 36.70 RCW, by stimulating housing in urban centers through a property tax incentive. Lynnwood qualifies for the provisions of this program as a city with a population of at least thirty thousand with an urban center.

The State of Washington amended RCW 84.14 during the 2007 legislative session to include provisions for affordable housing for low and moderate income households. Households are defined as a single person, family, or unrelated persons living together. Affordable housing is defined as residential housing units that are rented or purchased by a household whose monthly housing costs, including utilities other than telephone, do not exceed thirty percent of the household's monthly income. The following household income levels are established in the legislation.

1. ***Low Income Household:*** *A household whose adjusted income is at or below eighty percent (80%) of the median family income adjusted for family size, for the county*

- where the project is located as reported by the United States Department of Housing and Urban Development.*
2. ***Moderate Income Household:*** *A household whose adjusted income is more than eighty percent (80%) but is at or below one hundred fifteen percent (115%) of the median family income, adjusted for family size for the county where the project is located as reported by the United States Department of Housing and Urban Development.*

Multi-unit housing developments may be eligible for the following tax exemptions:

- 1) ***Housing developments that do not include a designated percentage of units for affordable housing are eligible for a tax exemption of eight (8) successive years.***
- 2) ***Housing development with at least 20% of the units for rent or sale as affordable housing units will be eligible for a tax exemption of twelve (12) successive years. However, for projects intended exclusively for owner occupancy, this minimum requirement is satisfied solely through housing that is affordable to moderate income households.***

These provisions address affordable housing, while maintaining flexibility to address a variety of housing needs and income levels within the City Center.

The City of Lynnwood implemented this program through the adoption of Ordinance No. 2681.

POLICY

On March 14, 2005, the City Council approved Ordinance No. 2553 adopting the City Center Subarea Plan. The City Center Plan implements policy of the City's Comprehensive Plan that designated a subregional urban center. The City Center Plan identifies specific policies for housing development. These policies include the development of multi-unit dwellings (CCH 1) and state legislation to induce development in the City Center (CCE 5). The City Center Plan identifies tax incentives for the development of multi-unit dwelling development as a recommended program to implement the City Center Plan.

On March 14, 2005, the City Council approved Ordinance No. 2554 adopting zoning and design guidelines for the Lynnwood City Center, including development standards for residential development projects.

On July 10, 2006, the City Council approved Ordinance No. 2625 amending the official zoning map of the City of Lynnwood and establishing use districts for the City Center.

On May 29, 2007, the City Council adopted Ordinance No. 2681 establishing the Multiple-unit Housing Property Tax Exemption Program.

FINANCIAL

The property tax exemption applies to the value of new multi-unit dwelling housing construction, conversion, and rehabilitation improvements from ad valorem property taxation, for periods of 8 or 12 successive years. The exemption begins on January 1 of the year immediately following the calendar year of issuance of the certificate of tax exemption eligibility by the local jurisdiction. The exemption does not include the value of land or nonhousing-related improvements. The exemption may be limited to dwelling units that meet guidelines established by local government.

IMPLEMENTATION PROCESS

The following process is required to implement the program:

1. The City has designated the residential targeted area as the City Center Sub-Area Plan Boundary, and finds that the criteria for adoption within RCW 84.14 have been met. The City Center Plan and its supporting documents provide for the information to satisfy these criteria. The criteria are:
 - a. The target area must be within an urban center as determined by the governing authority
 - b. The target area must lack sufficient, available, desirable, and convenient residential housing to meet the needs of the public who would likely live in the urban center
 - c. Providing additional housing opportunity in the area will assist in achieving one or more of the stated purposes of Chapter 84.14.
2. The City Center Plan and its implementation documents provide for applicable development standards and building design guidelines. ***In addition, application must also comply with the following requirements:***
 - a. ***Projects are to be designed to the LEED™ Silver Standard as established by the U.S. Green Building Council (USGBC).***
 - b. ***Projects that result in the demolition of properties that are listed on the City of Lynnwood's historic register are not eligible for the program.***
3. Project review and approval actions. The following items are required for each project and will be undertaken pursuant to documents prepared by the City.
 - a. Application for exemption to the City of Lynnwood for construction of new and rehabilitated multi-family housing, pursuant to Ordinance No. 2681.
 - b. Conditional Certificate of Acceptance of Tax Exemption.

- c. Form for contract entered into between owner and City regarding terms and conditions of the project and eligibility for tax exemption.
 - d. Filing forms and requirements for owner to complete after construction is completed.
 - e. Certificate of Tax Exemption. The Certificate of Tax Exemption may be revoked, if the property owner does not comply with filing an annual notarized declaration with the Community Development Director which will include the following:
 - State the occupancy and vacancy of the multiple-unit housing units during the previous year.
 - Certify that the property continues to be in compliance with the contract with the City, and if applicable, in compliance with the affordable housing requirements.
 - Give a description of any subsequent improvements or changes to the property, which the Director will verify with on-site inspections.
 - Submit any other information requested by the City in regards to the units receiving a tax exemption.
- Or, if the owner intends to convert the multi-unit housing to another use, or if applicable, the owner intends to discontinue compliance with the affordable housing requirements, the owner shall notify the Community Development Director and the Snohomish County Assessor within 60 days of the change in use or intended discontinuance. Upon such change in use, the tax exemption shall be canceled and additional taxes, interest and penalties shall be imposed pursuant to State law.
- f. Contract between the City and applicant agreeing to the terms and conditions of the exemption. ***Each contract is reviewed and approved by City Council, and entered into prior to issuance of conditional certification of acceptance of tax exemption.***
 - g. Owner's annual report form.