



Multifamily Property Tax Exemption Program

Frequently Asked Questions (FAQs)

What is the purpose of the PTE Program?

The State of Washington established the PTE program (see RCW 84.14) in order to encourage the development of multi-family housing in areas that would not occur without such an incentive, offset the costs of structured parking, offset the risk of higher density and mixed use development, provide incentives for more affordable housing, and steer development to designated target areas close to transit and neighborhood services to promote sustainable communities.

When was the City of Shoreline's Property Tax Exemption (PTE) Program established?

The City of Shoreline's PTE Program was initially established in November of 2002.

How does the tax exemption work?

The tax exemption period commences January 1st of the year after a project is completed and is issued a Final Certificate for tax exemption by the City to the King County Assessor's Office. The exemption period lasts for 5, 8 or 12-years, depending on location and affordability compliance. The tax exemption applies to property taxes on the value of the residential improvements alone. The exemption does not apply to land, retail space, other commercial space, utility or impact fees, or any residential units that were in existence at the time of application.

Where is the PTE program offered?

The PTE program is offered in areas of Shoreline that are already zoned for multifamily housing and that already exhibit the synergies needed for clustered development.

Will a typical homeowner's taxes go up to pay for the PTE program?

No! The King County Assessor confirmed that no one's taxes increase as a result of PTE programs. The program simply delays the collection of taxes; it does not shift the collection to others.

What is the effect on the City's tax revenue?

The City continues to collect property tax on the land value during the exemption period, but it does not collect property taxes on the value of the multifamily improvements until after the 5 year exemption has expired. Once year six arrives, the City will collect approximately \$200 more per unit built.

What will be the effect on the school's tax revenue?

Each year the school district collects a specific levy amount no matter how many tax payers are shouldering the burden. Therefore, the school district is unaffected by the PTE program and will collect the same amount whether or not there is new construction, tax exempt or not.

Will the typical homeowner's taxes go down as a result of new construction?

Yes, although not significantly. As soon as the exemption expires and the owner of the multifamily building begins paying taxes on the improvements, all other Shoreline tax payers will see a very small *decrease* in taxes. The decrease is caused by a reduction in the amount current tax payers are charged to cover their portion of the fixed levy taxes such as those collected by the school district. Since the fixed levy tax is a set amount, adding more tax payers who are contributing to this fixed amount will result in a reduction. Another way to illustrate the effect is to consider what happens when eight guests are invited to Thanksgiving one year, and nine guests are invited the second year; if the pie is the same size both years, the second year serving will be slightly smaller since more people are enjoying it. In the case of fixed levy taxes, the decrease is quite small since so many are involved; it is estimated that the decrease expected by a property owner with a home valued at \$275,000 will be less than 3¢ per year per new unit built under the PTE program.

Why has the area that Property Tax Exemptions (PTE) are offered been expanded?

By expanding the area in which the PTE incentive program is offered, the City improves its chances that development will be stimulated somewhere in the City. For example, for a number of years the City of Seattle has offered PTE incentives in 39 separate areas which encompass the vast majority of multifamily property in Seattle. On average, less than two projects qualifying projects per area have taken advantage of the PTE program, and the projects have been widely scattered throughout the city. A second reason to expand the PTE program is related; without an expansion, Shoreline properties are at a competitive disadvantage with those just over the border in Seattle and in other similar cities that offer PTE. The expansion helps to attract investors who otherwise would build under a PTE program elsewhere.

Does the PTE expansion allow for more height or more units?

No. Height and density are controlled by zoning, and the expansion of the PTE program changes no zoning, nor does it change what or how much can or cannot be built in any area.

Why offer only different lengths of exemption periods?

State law limits property tax exemptions to 12 years for affordable projects and 8 years for market-rate housing. When the Council expanded the PTE program in early 2012, it concluded that limiting the length of the exemption to 5 years in the new PTE area provides just enough incentive for the investor to make a project viable while generating increased tax revenue for city services 3 to 7 years sooner. However, both North City and Ridgecrest's PTE programs which were already in place continue to provide 8 or 12 year exemption periods with affordability requirements.

How is affordability determined in North City and Ridgecrest?

To qualify for either the 8-year or 12-year tax exemption, the applicant must commit to renting or selling affordable housing units to low-income households. For the 8-year exemption, at least 10% of the project's multi-family housing units must be rented or sold as affordable housing, and for the 12-year tax exemption, 20% of the project's multifamily housing units must be rented or sold as affordable housing. "Affordable housing" means residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed thirty percent of the household's monthly income. For the purposes of housing intended for owner occupancy, "affordable housing" means residential housing that is within the means of low or moderate-income households. In the North City Business District target area, eligible household incomes cannot exceed 70% of the King County area median income (KCAMI), adjusted for family size, for studio and 1-bedroom units, and cannot exceed 80% of the KCAMI, adjusted for family size, for two or more bedroom units. In the Ridgecrest

Commercial District target area, eligible household incomes cannot exceed 90% of the KCAMI, adjusted for family size, regardless of the unit size.

What does an applicant need to submit to the City for their project to be considered for a tax exemption?

To apply for the PTE Program, the applicant must first submit an application for Conditional Certificate of Tax Exemption to the City of Shoreline Planning and Development Services Department. In addition to the application, a processing fee, equal to three times the current hourly rate for processing land use permits, a site plan, and floor plan of the housing units must also be submitted.

How is an application for Conditional Certificate of Tax Exemption approved?

Once a Conditional Certificate application is received, City staff will review the application to determine if it is complete and if the project meets the criteria of the PTE Program. If denied, the applicant may work with City staff to amend the application, or may appeal the denial to the City Council. If approved, the application, together with a contract between the applicant and the City regarding the terms and conditions of the project, signed by the applicant, will be presented to the City Council for final approval. Upon City Council approval, City staff will sign the contract and issue the Conditional Certificate of Tax Exemption. A decision to approve or deny certification of a conditional application and approval of the development contract by the City Council shall be made within 90 days of receipt of a complete application.

How long is the Conditional Certificate of Tax Exemption valid for?

The Conditional Certificate expires three years from the date it was signed unless an extension is granted.

How is a Conditional Certificate of Tax Exemption extended?

To extend a Conditional Certificate, an applicant must fill out an application for Extension of Conditional Certificate of Tax Exemption. A Conditional Certificate may be extended for a period not to exceed 24 months by City staff.

How does an applicant apply for a Final Certificate of Tax Exemption?

Once the project has been completed within three years of receipt of the Conditional Certificate of Tax Exemption, the applicant may request a Final Certificate for Tax Exemption. To apply for the Final Certificate, the applicant must submit an application for Final Certificate of Tax Exemption to the City of Shoreline Planning and Development Services Department. In addition to the application for Final Certificate, a King County Assessors fee for administering the Multiple Family Tax Exemption program, a statement of expenditures made with respect to each multi-family housing unit, and the total expenditures made with respect to the entire property must also be submitted.

How is an application for Final Certificate of Tax Exemption approved?

Once a Final Certificate application is received, City staff will review the application to determine if it is complete and if it meets the criteria for a Final Certificate. Staff will also determine if the project was completed in accordance with the contract between the applicant and the City and within the authorized time period. If the project was completed in accordance with these criteria, the City will file a Final Certificate of Tax Exemption with the King County

Assessor's Office within 40 days. The tax exemption period will commence on January 1st of the year following the year the Final Certificate is approved.

Can a property tax exemption be cancelled?

Yes. If at any time during the exemption period City staff determine that the owner has not complied with the terms of the contract or the requirements of the PTE Program, or that the property no longer complies with the terms of the contract of the requirements of the PTE Program, or for any reason no longer qualifies for the tax exemption, the tax exemption will be cancelled, and additional taxes, interest and penalties may be imposed on the property.

Further questions?

Please feel free to contact Dan Eernisse in Shoreline's Office of Economic Development at deernisse@shorelinewa.gov.