



COMMUNITY DEVELOPMENT COMMITTEE & COMMITTEE OF THE WHOLE HYBRID MEETING

Monday, August 21, 2023, at 6:00 PM

Snoqualmie City Hall, 38624 SE River Street & Zoom

COMMITTEE MEMBERS

Chair: Jolyon Johnson

Councilmembers: Cara Christensen and James Mayhew

Join by Telephone at 6:00 PM: To listen to the meeting via telephone, please call **253.215.8782** and enter Webinar ID **860 6728 7531** and Password **1730040121** if prompted.

Press *9 to raise your hand to speak. Raising your hand signals the meeting moderator that you have a comment.

Press *6 to mute and unmute.

Join by Internet at 6:00 PM: To watch the meeting over the internet via your computer, follow these steps:

- 1) Click this [link](#)
- 2) If the Zoom app is not installed on your computer, you will be prompted to download it.
- 3) If prompted for Webinar ID, enter **860 6728 7531**; Enter Password **1730040121**
- 4) Please confirm that your audio works prior to participating.

This meeting will be conducted in person and remotely using teleconferencing technology provided by Zoom.

CALL TO ORDER & ROLL CALL

AGENDA APPROVAL

PUBLIC COMMENTS

MINUTES

1. Approval of the minutes dated August 7, 2023.

AGENDA BILLS

2. Amendments to SMC Chapter 3.10 Multifamily Property Tax Exemption
3. Resolution of Intention to Designate a Residential Targeted Area for the Multi-Family Housing Property Tax Exemption (MFTE) Program and Setting a Public Hearing Date

DISCUSSION ITEMS

4. Introduction of Housing Task Force Roundtable and RFP

ADJOURNMENT

UPCOMING ITEMS

(The following items reference either upcoming projects or issues pertaining to matters of the Community Development Council Committee. There will be no discussion of these items unless there is a change in status.)



COMMUNITY DEVELOPMENT COMMITTEE MINUTES REGULAR HYBRID MEETING

August 7, 2023

This meeting was conducted as a hybrid in-person and remote meeting; the in-person option was in the Council Chambers at Snoqualmie City Hall, and the remote participation option was using teleconferencing technology provided by Zoom.

CALL TO ORDER & ROLL CALL: Chair Johnson called the meeting to order at 6:01 PM

Committee Members:

Chair Jo Johnson, Councilmember James Mayhew and Councilmember Cara Christensen were present.

Mayor Ross was present as well.

City Staff:

Emily Arteche, Community Development Director; Drew Bouta, Budget Manager.

AGENDA APPROVAL

The agenda was approved without objection.

PUBLIC COMMENTS

No comments.

MINUTES

1. Committee approved the minutes for July 17, 2023.

AGENDA BILLS

2. AB23-023 Multi Family Property Tax Exemption

Staff briefly presented the Multi Family Property Tax Exemption. Discussion ensued on making the process separate for the MFTE and Mill Site to obtain clarity. Councilmembers asked for clarity on the 8- 12- 20 year plans regarding landlord payments and the possibility of retaining affordability.

DISCUSSION ITEMS

3. None

ADJOURNMENT

Chair Johnson adjourned the meeting at 6:48 PM

CITY OF SNOQUALMIE

Minutes prepared by Ashley Wragge, Planning Technician

Recorded meeting audio is available on the City website after the meeting.

Minutes approved at the _____ Community Development Meeting.



BUSINESS OF THE CITY COUNCIL CITY OF SNOQUALMIE

AB23-023
September 25, 2023
Ordinance

Item 2.

AGENDA BILL INFORMATION

TITLE:	Amendments to SMC Chapter 3.10 Multifamily Property Tax Exemption	<input checked="" type="checkbox"/> Discussion Only
PROPOSED ACTION:	1 st reading of implementing ordinance repealing and replacing SMC Chapter 3.10	<input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

REVIEW:	Department Director	Emily Arteche	8/11/2023
	Finance	n/a	Click or tap to enter a date.
	Legal	David Linehan	8/13/2023
	City Administrator	Mike Chambless	Click or tap to enter a date.

DEPARTMENT:	Community Development		
	Community Development	COMMITTEE DATE: August 21, 2023	
	<div>1. Ordinance</div> <div>2. Amendments to SMC 3.10</div>		

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUESTED	\$ n/a

SUMMARY

INTRODUCTION

The attached ordinance is a repeal and a replacement of Chapter 3.10 SMC, Multi-Family Housing Property Tax Exemption (MFTE) and accompanying draft amendments. The program began in 1995 and was codified as RCW Chapter 84.14, to incentivize residential development in urban centers by providing property tax exemptions for 8-year, 12-year, and potentially 20-year exemptions if certain criteria are met on new, expanded, or updated multifamily housing. The exemption applies only to the residential portions of newly constructed improvements, not the value of the land, retail space, or existing improvements.

Both 8-year and 12-year exemptions are recommended in the draft amendments. No 20-year exemption is provided as the City does not qualify for this exemption. A 20-year exemption is available when, 1) the targeted residential area is within one mile of high-capacity transit, and 2) mandatory inclusionary zoning has been implemented that ensures that at least 2 percent of the MFTE housing units are affordable for low-income households for a period of at least 99 years. An

alternative type of 20-year exemption is available for multi-family housing developments where at least 25 percent of the units will be built by or sold to a qualified nonprofit or local government agency that will assure permanent affordable home ownership to households earning no more than 80 percent AMI for a period of at least 99 years, with the property subject to a variety of owner resale restrictions and covenants on title.

LEGISLATIVE HISTORY

In 2013, the City Council passed Ordinance 1115 that established a multifamily property tax exemption to encourage multi-family housing development in designated residential targeted areas; Ord. 1115 § 1, 2013.

BACKGROUND

The statewide MFTE legislation was adopted in 1995, codified as RCW Ch. 84.14, to incentivize residential development in urban centers. In 2021, the State Legislature adopted Engrossed Second Substitute Senate Bill (ESSB) 5287, amending chapter 84.14 RCW to, among other things, authorize local jurisdictions to extend multifamily property tax exemptions for an additional 12 years if certain conditions are met, and provide new 20-year exemptions for qualifying housing in certain jurisdictions.

ANALYSIS

The City Council approved a Development Agreement (DA) with Snoqualmie Mill Ventures LLC in October 2022. The DA, Section 7 requires the City to approve a Multifamily Property Tax Exemption (“MFTE”) resolution and/or ordinance prior to January 1, 2024, designating the property as a residential targeted area pursuant to Chapter 84.14 RCW and amending Chapter 3.10 SMC, as necessary to allow the value of new housing construction in mixed-use buildings with the specific affordable units required by the MFTE statutes to qualify for the 12-year property tax exemption under RCW 84.14.020(1)(a)(ii)(B).

The statutes specifically states that a payment is due in the last month of the rent-restricted tenant’s lease. The statute does allow cities to impose additional requirements or greater restrictions on MFTE housing units, such as by lowering the income thresholds even more, or increasing the percentage of units that must be affordable to tenants in the designated income brackets. The timing of the payment is not considered an additional restriction or “more restrictive”.

BUDGET IMPACTS

The approval of this agenda bill does not result in any expenditures.

NEXT STEPS

Discussion and recommendation for City Council first reading on September 25, 2023.

PROPOSED ACTION

Recommend a City Council 1st reading on September 25, 2023.

ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY OF SNOQUALMIE,
WASHINGTON REPEALING AND REPLACING CHAPTER
3.10 OF THE SNOQUALMIE MUNICIPAL CODE WITH A
NEW CHAPTER 3.10**

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

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

WHEREAS, in 2013, the City Council passed Ordinance 1115 that established a multifamily property tax exemption program to encourage multi-family housing development in designated residential targeted areas; and

WHEREAS, since the passage of Ordinance 1115, the City has not implemented the multifamily property tax exemption by designating any residential target areas or approving any MFTE developments; and

WHEREAS, in 2021, the State Legislature adopted Engrossed Second Substitute Senate Bill (ESSB) 5287, amending chapter 84.14 RCW to, among other things, authorize local jurisdictions to extend multifamily property tax exemptions for an additional 12 years if certain conditions are met, and provide for 20-year exemptions for qualifying housing in locations meeting certain criteria; and

WHEREAS, the City seeks to encourage and promote increased opportunity for low- and moderate-income multifamily housing within the City, and to increase the supply of such housing; and

WHEREAS, the City seeks to incorporate the amendments to Chapter 84.14 RCW by repealing SMC Chapter 3.10 and replacing it with a new Chapter 3.10.

NOW, THEREFORE, BE IT HEREBY ORDAINED by the City Council of the City of Snoqualmie, Washington, as follows:

Section 1. Chapter 3.10 of the Snoqualmie Municipal Code is hereby repealed in its entirety and replaced with a new Chapter 3.10 as shown in Exhibit A attached hereto.

Section 2. Severability. If any one or more section, subsection or sentence of this ordinance or the Snoqualmie Municipal Code amendments adopted in Section 1 herein are held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portion of this ordinance or the Snoqualmie Municipal Code sections, and the same shall remain in full force and effect.

Section 3. Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, or the City Clerk, as applicable, code revisers are authorized to make necessary corrections to this ordinance and Snoqualmie Municipal Code sections, including the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; or ordinance or Snoqualmie Municipal Code section numbering and section/subsection numbering.

Section 4. Effective Date. This ordinance shall be effective five (5) days after passage and publication, as provided by law.

PASSED by the City Council of the City of Snoqualmie, Washington, this ____ day of _____, 2023.

City of Snoqualmie

Katherine Ross, Mayor

Attest:

Deana Dean, City Clerk

Approved as to form:

Interim City Attorney

Chapter SMC 3.10

MULTIFAMILY PROPERTY TAX EXEMPTION

Sections:

SMC 3.10.010	Purpose
SMC 3.10.020	Definitions
SMC 3.10.030	Tax exemption
SMC 3.10.040	Extension of tax exemption
SMC 3.10.050	Residential targeted areas
SMC 3.10.060	Project eligibility
SMC 3.10.070	Application procedure
SMC 3.10.080	Application review
SMC 3.10.090	Final certificate
SMC 3.10.100	Annual certification
SMC 3.10.110	Cancellation

SMC 3.10.010 Purpose

As provided for in Chapter [84.14](#) RCW, the purpose of this chapter is to provide limited eight (8) and twelve- (12) year exemptions from ad valorem property taxation for qualified multifamily housing located in residential target areas to:

- A. Encourage increased opportunity for multifamily affordable housing for low-income and very low-income households, within the city;
- B. Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for multifamily housing in targeted residential areas to increase and improve affordable housing opportunities;
- C. Increase the supply of mixed-income multifamily housing opportunities within the city;
- D. Accomplish the planning goals required under the Growth Management Act, chapter 36.70A RCW, as implemented from time to time by the City's current and future comprehensive plans.

SMC 3.10.020 Definitions

29 A. "Affordable housing" means residential housing that is rented by an eligible
30 household whose monthly housing costs, including utilities other than telephone, do not
31 exceed thirty percent (30%) of the household's monthly income. For the purposes of
32 housing intended for owner occupancy, "affordable housing" means residential housing that
33 is within the means of income-qualified households.

34 B. "Area median income" means the annual median family income for the metropolitan
35 statistical area, as published from time to time by the United States Department of Housing
36 and Urban Development (HUD), with adjustments according to household size, which
37 adjustments shall generally be based upon a method used by HUD to adjust income limits
38 for subsidized housing, which for purposes of determining affordability of rents or sale
39 prices shall be based on the average size of household that corresponds to the size and type
40 of the housing unit.

41 C. "Contract" means the standard form agreement between the owner or, for permanently
42 affordable homeownership, a qualified non-profit organization and the city that contains the
43 terms and conditions, including for each MFTE unit as designated according to the Final
44 Certificate, for the duration of the compliance period as a condition of eligibility of the
45 property tax exemption according to this Chapter.

46 D. "Director" means the director of the Community Development department, or his or
47 her designee.

48 E. "Eligible household" means a household that certifies that their household income does
49 not exceed the applicable percentage of the area median income, adjusted for household
50 size, and who certify that they meet all qualifications for eligibility including, if applicable,
51 any requirements for recertification on income eligibility.

52 F. "Household" means a single person, family, or unrelated persons living together.

53 G. "Low-income household" means a household whose adjusted income is at or
54 below eighty percent (80%) of the area median income adjusted for family size, for
55 King County, as reported by the United States Department of Housing and Urban
56 Development.

57 H. "MFTE" means multifamily housing property tax exemption.

58 I. "Moderate-income household" means a single person, family, or unrelated persons
59 living together whose adjusted income is more than eighty percent (80%) but is at or
60 below one hundred fifteen percent (115%) of the area median income adjusted for
61 family size, for King County, as reported by the United States Department of Housing
62 and Urban Development.

J. “Multifamily housing” means a building or group of buildings having four (4) or more dwelling units designated for permanent residential occupancy resulting from new construction or rehabilitation or conversion of vacant, underutilized, or substandard buildings.

K. “Owner” means the property owner of record.

L. “Permanent residential occupancy” means multifamily housing that provides either rental or owner occupancy for a period of at least one (1) month. This excludes hotels and motels that offer rental accommodation on a daily or weekly basis.

M. “Project” means the multifamily housing or portion of the multifamily housing that is to receive the tax exemption.

N. “Residential targeted area” means an area within an urban center or urban growth area that has been designated by the council as a residential targeted area in accordance with, and within the meaning of, Chapter 84.14 RCW.

SMC 3.10.030 Tax exemption

The value of new housing construction, conversion, and rehabilitation improvements qualifying under this chapter is exempt from ad valorem property taxation, as follows:

- A. Eight-year MFTE option: For eight (8) successive years beginning January 1st of the year immediately following the calendar year of issuance of the final certificate if the property otherwise qualifies for the exemption.
- B. 12-year MFTE option: For twelve (12) successive years beginning January 1st of the year immediately following the calendar year of issuance of the final certificate if the property otherwise qualifies for the exemption and meets the conditions in this subsection. For the property to qualify for the twelve-year exemption under this subsection, the applicant must commit to renting or selling at least twenty percent (20%) of the multifamily housing units as affordable housing units to eligible low- and moderate-income households, and the property must satisfy that commitment. In the case of projects intended exclusively for owner occupancy, the minimum requirement of this subsection may be satisfied solely through housing affordable to eligible moderate-income households.
- C. Additional provisions
 - 1. Permanently affordable homeownership units or permanently affordable rental units must be sold or rented to eligible low-income households.
 - 2. If, in calculating the minimum proportion of the multi-family housing units in the project for affordable housing in this section, the number contains a fraction, then the

98 minimum number of multi-family housing units for affordable housing shall be
99 rounded up to the next whole number.

100 3. For any affordable units required in this section, the following shall apply:

- 101 a. The mix and configuration of affordable units (e.g., studio, one-bedroom, etc.)
102 shall be substantially proportional to the mix and configuration of the total
103 housing units in the project unless approved by council, or an administrative
104 official or commission authorized by the council;
- 105 b. Affordable housing units shall be intermingled with all other units in the
106 development; and
- 107 c. The quality of construction and finish materials in those affordable units used
108 to qualify for the exemption shall be the same as other housing units in the
109 project.
- 110 d. At the end of both the tenth and eleventh years of a twelve-year exemption
111 under SMC 3.10.030(B), the applicant (or the property owner at that time)
112 must provide eligible tenants of affordable units with notification of the
113 applicant's (or property owner's) intent to provide the tenant with relocation
114 assistance in an amount equal to one (1) month's rent within the final month
115 of the tenant's lease.
- 116 e. For any twelve-year exemption authorized under this chapter, at the expiration
117 of the exemption the applicant must provide tenant relocation assistance in an
118 amount equal to one (1) month's rent to a qualified tenant within the final
119 month of the qualified tenant's lease. To be eligible for tenant relocation
120 assistance under this subsection, the tenant must occupy an income-restricted
121 unit at the time the exemption expires and must qualify as a low-income
122 household under this chapter at the time relocation assistance is sought.
- 123 f. If affordability requirements consistent with those required for an exemption
124 under SMC 3.10.030(B) remain in place for the unit after expiration of the
125 exemption, relocation assistance in an amount equal to one month's rent must
126 be provided to a qualified tenant within the final month of a qualified tenant's
127 lease if occupying an income-restricted unit at the time those additional
128 affordability requirements cease to apply to the unit.

129
130 4. The exemption does not apply to the value of land or to the value of non-residential
131 improvements not qualifying under this chapter, nor does the exemption apply to
132 increases in assessed valuation of land and nonqualifying improvements.

133 5. No new exemptions may be granted under this section after December 31, 2031.

134 **SMC 3.10.040 Extension of tax exemption**

A. The owner of property that received a tax exemption pursuant to SMC 3.10.030 may apply for an extension for an additional twelve successive years.

B. Only one (1) extension may be granted.

C. Failure to timely apply for an extension shall be deemed a waiver of the extension.

D. For the property to qualify for an extension:

1. The property must have qualified for, satisfied the conditions of, and utilized the eight- or twelve-year exemption sought to be extended;

2. The owner must timely apply for the extension on forms provided by the city within eighteen (18) months of expiration of the original exemption;

3. The property must meet the requirements of this chapter for the property to qualify for an exemption under SMC 3.10.030(B) as applicable at the time of the extension application; and

4. The applicant for extension must commit to rent or sell at least twenty percent (20%) of the multifamily housing units as affordable housing units for low-income households for the extension period.

E. If an extension is granted by the city, at the end of both the tenth and eleventh years of a twelve-year extension, the applicant (or the property owner at that time) must provide tenants of affordable units with notification of the applicant's (or property owner's) intent to provide the tenant with relocation assistance in an amount equal to one (1) month's rent within the final month of the tenant's lease as provided in RCW 84.14.020, as amended.

F. After the expiration of the extension, the applicant (or the property owner at the time) must provide tenant relocation assistance in an amount equal to one (1) month's rent to a qualified tenant within the final month of the qualified tenant's lease. To be eligible for tenant relocation assistance under this subsection, the tenant must occupy an affordable unit at the time the exemption expires and must qualify as an eligible household under this chapter at the time relocation assistance is sought.

G. No extensions under this section may be granted after December 31, 2045.

SMC 3.10.050 Residential targeted areas

Following notice and public hearing as prescribed in RCW 84.14.040, the council may designate one or more residential targeted areas upon a finding by the council that the residential targeted area meets the following criteria:

A. The residential targeted area is within an urban center as defined by Chapter 84.14 RCW;

- 169 B. The residential targeted area lacks sufficient available, desirable, and convenient
170 residential housing to meet the needs of the public who would be likely to live in
171 the urban center if affordable, desirable, attractive, and livable residences were
172 available; and
- 173 C. Providing additional housing opportunity in the residential targeted area will
174 assist in achieving one or more of the following purposes:
- 175 1. Encouraging increased residential opportunities within the city; or
- 176 2. Stimulating the construction of new multifamily housing; or
- 177 3. Encouraging the rehabilitation of existing vacant and underutilized
178 buildings for multifamily housing.
- 179 D. In designating a residential targeted area, the council may also consider other
180 factors, including:
- 181 1. Whether additional housing in the residential targeted area will attract and
182 maintain an increase in the number of permanent residents;
- 183 2. Whether providing additional housing opportunities for low- and
184 moderate-income households would meet the needs of citizens likely to
185 live in the area if affordable housing were available;
- 186 3. Whether an increased permanent residential population in the residential
187 targeted area will help to achieve the planning goals mandated by the
188 Growth Management Act under Chapter 36.70A RCW, as implemented
189 through the City's comprehensive plan; or
- 190 4. Whether encouraging additional housing in the residential targeted area
191 supports significant public investment in public transit or a better jobs and
192 housing balance.
- 193 E. Amending or removing designations as residential targeted areas. At any time, the
194 council may amend or rescind the designation of a residential targeted area pursuant to the
195 same procedural requirements as set forth in this chapter for original designation.
196
- 197 F. Designation of residential targeted areas
- 198
- 199 1. The council has adopted the residential target area as indicated on the map.
200 [figure attached]

201 **SMC 3.10.060 Project eligibility**

202 An owner of property applying under this chapter must meet the following
203 requirements:

A. Location. The new or rehabilitated multiple-unit housing must be located in designated residential targeted area.

B. Construction details:

1. The project must be multifamily housing consisting of at least four (4) dwelling units within a residential structure or as part of a mixed-use development, in which at least fifty percent (50%) of the space within such residential structure or mixed-use development is intended for permanent residential occupancy.

2. For new construction, a minimum of four (4) new dwelling units must be created; for rehabilitation or conversion of existing occupied structures, a minimum of four additional dwelling units must be added.

C. Requirements for units to be rehabilitated:

1. Property proposed to be rehabilitated must fail to comply with one or more standards of the City's building or housing codes.

2. Property proposed to be rehabilitated with existing multifamily housing that has been vacant for twelve (12) months or more does not have to provide additional multifamily units.

3. If the property proposed to be rehabilitated is not vacant, an applicant must provide each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate.

D. Deadlines:

1. The project shall be completed within three (3) years from the date of approval of the contract by the council as provided in SMC 3.10.080(D) or by any extended deadline granted by the director as provided in SMC 3.10.080(E)(2).

E. Requirements for contract:

1. As per RCW 84.14.030(6), the applicant must enter into a contract approved by the council, under which the applicant has agreed to the implementation of the development on terms and conditions satisfactory to the council.

SMC 3.10.070 Application procedure

A property owner who wishes to propose a project for a tax exemption shall comply with the following procedures as per RCW 84.14.050:

A. Application package requirements:

1. Prior to the application for any building permit therefor, the applicant shall submit an application to the Community Development Department on a form established by the director along with the required fees., as established under SMC 3.10.070(C).
2. A complete application shall contain such information as the director may deem necessary or useful, and shall include:
 1. A written description of the project and preliminary schematic site and floor plans of the multifamily units and the structures in which they are proposed to be located setting forth the grounds for the exemption;
 2. A statement setting forth the grounds for qualification for exemption, and identifying the income-restricted units in the proposed project, if applicable;
 3. A statement from the owner acknowledging the potential tax liability when the project ceases to be eligible under this chapter; and
 4. Verification by oath or affirmation of the information submitted.
- B. Proof that rehabilitation projects are to be unoccupied. For rehabilitation projects, the applicant shall secure verification of property noncompliance, and that it must fail to comply with one with the building or housing ordinances or after July 23, 1995, and shall also submit an affidavit that existing dwelling units have been unoccupied for a period of twelve (12) months prior to filing the application, or that relocation support has been provided to tenants under SMC 3.10.040(E) or and (F).
- C. Application fees. At the time of application, the owner shall pay an initial application fee of \$500.00 plus any at cost time associated with process the application.

Application review

- A. Conditions. The director may certify as eligible an application which is determined to comply with the requirements of this chapter. An application may be approved subject to such terms and conditions as deemed appropriate by the director to ensure the project meets all applicable land use regulations.
- B. Deadline. A decision to approve or deny an application shall be made within ninety (90) days of receipt of a complete application.
- C. Requirements for covenant and contract:
 1. If an application is approved by the director, the approval, together with a contract and covenant between the applicant and the city regarding the terms and conditions

- 273 under this chapter, signed by the applicant, shall be presented to the council for
274 action.
- 275 2. The director is authorized to cause the contract to be recorded, or require the owner to record
276 the contract, in the real property records of the county recorder's office.
277
- 278 D. Provision of conditional certificate. Once the contract is approved by the council and fully
279 executed, the director shall issue a conditional certificate of acceptance of tax exemption.
- 280 E. Expiration of conditional certificate:
- 281 1. The conditional certificate expires three (3) years from the date of approval unless
282 an extension is granted as provided in this chapter.
- 283 2. The conditional certificate may be extended by the director for a period not to
284 exceed twenty-four (24) consecutive months. The applicant must submit a written
285 request stating the grounds for the extension, accompanied by any applicable
286 processing fee. An extension may be granted if the director determines that:
- 287 a. The anticipated failure to complete construction or rehabilitation
288 within the required period is due to circumstances beyond the control
289 of the owner;
- 290 b. The owner has been acting and could reasonably be expected to
291 continue to act in good faith and with due diligence; and
- 292 c. All the conditions of the original contract between the applicant and
293 the City will be satisfied upon completion of the project.
- 294 F. Denial and appeal
- 295 1. If the application is denied, the director shall state in writing the reasons for
296 denial and shall send notice to the applicant at the applicant's last known
297 address within ten (10) days of the denial.
- 298 2. An applicant may appeal a denial to the council by filing a written appeal with
299 the city clerk within thirty (30) days of notification that the application has
300 been denied. The appeal will be based upon the record made before the
301 director with the burden of proof on the applicant to show that there is no
302 substantial evidence on the record to support the director's decision. The
303 decision of the council in denying or approving the application is final.
- 304 **SMC 3.10.090 Final certificate**
- 305 A. Final certificate – approval
- 306
- 307 1. Upon completion of the improvements provided in the contract and issuance of a
308 temporary or permanent certificate of occupancy, the applicant may request a final

certificate of tax exemption. The applicant must file with the Community Development Department such information as necessary or useful to evaluate eligibility for the final certificate and shall include:

- a. A statement of the amount of rehabilitation or construction expenditures made with respect to each housing unit and the total expenditures made in the rehabilitation or construction of the entire property;
- b. A description of the work that has been completed and a statement that the rehabilitation improvements or new construction on the owner's property qualify the property for limited exemption under this chapter;
- c. If applicable, a statement that the project meets the affordable housing requirements as described in RCW 84.14.020 and SMC 3.10.030; and
- d. A statement that the work was completed within the required three-year period or any authorized extension.

2. Within thirty (30) days of receipt of all materials required for a final certificate, the director shall determine whether the work completed and the affordability of the units, if applicable, satisfy the requirements of the application and the conditional contract approved by the city and is qualified for a limited tax exemption under Chapter 84.14 RCW. The city shall also determine which specific improvements completed meet the intent of this chapter and the required findings of RCW 84.14.060.

B. Issuance of certificate. If the director determines that the project has been completed in accordance with this chapter and the contract between the applicant and the city and has been completed within the authorized period the city shall, within ten (10) calendar days of the expiration of the thirty-day review period above, file a final certificate of tax exemption with the county assessor.

C. Denial and appeal. The director shall notify the applicant in writing that a final certificate will not be filed if the director determines that:

1. The improvements were not completed within the authorized period;
2. The improvements were not completed in accordance with the contract between the applicant and the City;
3. The owner's property is otherwise not qualified under this chapter; or

- 345 4. The owner and the director cannot come to an agreement on the allocation of the
346 value of the improvements allocated to the exempt portion of rehabilitation
347 improvements, new construction, and multi-use new construction.

348 Within thirty (30) days of notification by the city to the owner of a denial of a final
349 certificate of tax exemption, the applicant may file a written appeal with the city clerk
350 specifying the factual and legal basis for the appeal. The appeal shall be heard by the
351 hearing examiner.

352 **3.10.100 Annual certification**

353 A. Within thirty (30) days after the first anniversary of the date of filing the final
354 certificate of tax exemption and each year thereafter, for the applicable tax exemption
355 period, the property owner shall file a notarized declaration with the Community
356 Development Department indicating the following:

- 357 1. A statement of occupancy and vacancy of the rehabilitated or newly
358 constructed property during the twelve (12) months ending with the
359 anniversary date;
- 360 2. A certification by the owner that the property has not changed use and, if
361 applicable, that the property has been in compliance with the contract with the
362 City;
- 363 3. A description of changes or improvements constructed after issuance of the
364 certificate of tax exemption;
- 365 4. The total monthly rent of each unit;
- 366 5. Information demonstrating compliance with the affordability requirements of
367 SMC 3.10.030 and SMC 3.10.040, and other applicable requirements under
368 SMC 3.10.060;
- 369 6. For the affordable units, the income of each household at the time of initial
370 occupancy and their current income; and
- 371 7. Any additional information requested regarding the units receiving a tax
372 exemption and meeting any reporting requirements under Chapter 84.14
373 RCW.

374 **3.10.110 Cancellation**

375 A. Conditions:

- 376 1. The director may cancel the tax exemption if the property owner breaches any term of
377 the MFTE contract, covenant, or any part of this chapter. Reasons for cancellation
378 include but are not limited to the following:

- 379 a. The property no longer complies with the terms of the contract or with the
380 requirements of this chapter, including the provision of affordable units;
- 381 b. The use of the property is changed or will be changed to a use that is other than
382 residential;
- 383 c. The project violates applicable zoning requirements, land use
384 regulations or building code requirements; or
- 385 d. The property for any other reason no longer qualifies for the tax exemption.
- 386 B. Process:
- 387 1. Upon determining that a tax exemption shall be canceled, the director shall notify
388 the property owner or qualified non-profit organization, if applicable, by certified
389 mail with a return receipt requested.
- 390 2. The property owner or qualified non-profit organization, if applicable, may
391 appeal the determination within thirty (30) days by filing a notice of appeal
392 with the city clerk, specifying the factual and legal basis on which the
393 determination of cancellation is alleged to be erroneous. The council may hear
394 the appeal pursuant to City's policy.
- 395 3. The City Clerk shall notify the county assessor of the cancelation of the tax
396 exemption thirty (30) days after the notification of the property owner or qualified
397 non-profit organization, or upon an unsuccessful appeal under subsection (2).
- 398 4. If the owner intends to convert multifamily housing receiving a tax exemption
399 under this chapter to another use, the owner must notify the director and the
400 county assessor within sixty (60) days of the change in use. Upon such change
401 in use, the tax exemption shall be canceled.

	Deleted	Added	Modified	Staff Comments
Purpose		x		Added new purpose statement and increase the supply of mixed-income multifamily housing opportunities within the city;
Definitions	x	x		Added Area median income, contracts, Eligible household, Project (Deleted Mixed use center, Moderate-income household, Very low-income household)
Tax exemption			x	Modified to administration including, no new exemptions after December 31, 2031. New less stringent regulations on 12-year exemptions, from 100 to 20% of the multifamily housing units as affordable housing units to eligible low- and moderate-income households and tenant relocation assistance for the 12-year exemption.
Extension of tax exemption vs. Extension of Conditional tax exemption	x	x	x	Added tenant relocation assistance in an amount equal to one (1) month's rent, no extensions after December 31, 2045, additional twelve successive years.. (Deleted Conditional Provisions)
Residential Targeted Area			x	Added the residential target area as indicated on the map
Project eligibility		x		Added location, Construction details, requirements for units to be rehabilitated, deadlines, requirements for contract
Application procedure			x	Modified pursuant to RCW 84.14.050
Final certificate			x	Modified provisions related to information to evaluate eligibility for the final certificate and Issuance of certificate (previously in a separate section)
Annual certification			x	Modified provisions related to items owner shall file a notarized declaration annually
Cancellation	x	x	x	Added provision to appeal to the City Council. (Deleted provisions that require owner who intends to convert the multifamily housing to another use, to notify King County assessor in writing within 60 calendar days of the change in use, and by filing a notice of hearing examiner appeal and appeal fee of \$1,000.)



BUSINESS OF THE CITY COUNCIL CITY OF SNOQUALMIE

AB23-107
August 28, 2023
Discussion

Item 3.

AGENDA BILL INFORMATION

TITLE:	Resolution of Intention to Designate a Residential Targeted Area for the Multi-Family Housing Property Tax Exemption (MFTE) Program and Setting a Public Hearing Date	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed:
PROPOSED ACTION:	Approval a resolution announcing the City's intention to designate the Mill Site as a residential targeted area for the MFTE program and setting a date for the required public hearing.	<input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

REVIEW:	Department Director Finance Legal City Administrator	Emily Arteche Drew Bouta David Linehan Mike Chambless	8/15/2023 Click or tap to enter a date. 8/15/2023 Click or tap to enter a date.
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DEPARTMENT:	Community Development		
STAFF:	Emily Arteche		
COMMITTEE:	Community Development	COMMITTEE DATE: August 21, 2023	
EXHIBITS:	1. Draft Resolution		

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUESTED	\$ n/a

SUMMARY

INTRODUCTION

This resolution is intended to announce the City's intent to designate the Mill Site as a residential targeted area for a Multi-Family Housing Property Tax Exemption (MFTE). The program began in 1995 and was codified as RCW Chapter 84.14, to incentivize residential development in urban centers, designated as "residential targeted areas". The Mill Site will be the City's first residentially targeted area. A subsequent public hearing is forthcoming on this matter. After consideration of public testimony, the City may, by resolution designate the targeted area for an exemption

LEGISLATIVE HISTORY-

None

BACKGROUND

The City Council approved a Development Agreement (DA) with Snoqualmie Mill Ventures LLC in October 2022. The DA, Section 7 requires the City to approve a Multifamily Property Tax Exemption (“MFTE”) resolution and/or ordinance prior to January 1, 2024, designating the property as a residential targeted area pursuant to Chapter 84.14 RCW and amending Chapter 3.10 SMC, as necessary to allow the value of new housing construction in mixed-use buildings with the specific affordable units required by the MFTE statutes to qualify for the 12-year property tax exemption under RCW 84.14.020(1)(a)(ii)(B).

ANALYSIS

The project involves 160 rental units with a mix of 10% of the total number of units in each building at 80% AMI and 12% of the total number of units at 60% AMI. All the units are to be in a multi-family development situated on the upper floors of a mixed-use buildings in Planning Area 1.

The number of affordable units of each type of rental unit developed (i.e., studios, 1-, 2- and 3-bedroom units) shall be proportional to the total number of that type of market rate unit. Rental prices must be set at levels that are no more than 30% of the income of a household earning the specified AMI. Additionally, income eligibility must be verified for each tenant household on application for rental, and an annual report must be filed with the Community Development Director on or before the first business day of each calendar year, identifying the affordable units, their rental prices, and their occupancy by qualified households.

Prior to approval of final civil engineering plans or building permit for the buildings in which residential units are proposed, the owner is required to record against the property an affordable housing rental covenant, assuring that the property will be developed with and used for rental apartment housing, with rental rates priced to be affordable to households earning less than the specified income level for King County for a period of at least 50 years from the date of first occupancy; and any rental rate increases will be limited to the same percentage increases as the annual median income for King County as a whole during the period of the affordable housing rental covenant.

BUDGET IMPACTS

The approval of this agenda bill does not result in any expenditures.

The MFTE is an effective way of incentivizing and producing market-rate and affordable housing options and the assessed valuation of the residential improvements would not be added to the City of Snoqualmie’s total assessed valuation. It is relatively uncertain when the Mill Site multi-family housing will be built or what the assessed valuation of the units will be. The City may wish to consider offsetting tax impacts by reducing the levy rate equal to the amount of increase shared by the other property owners, until the exemption expires, so that their property tax burden remains neutral.

NEXT STEPS

Recommend approval of the resolution for the upcoming August 28, 2023, City Council meeting. A subsequent public hearing will be held on September 11, 2023, followed by the adoption of a second resolution designating the residential targeted area.

PROPOSED ACTION

Discussion and recommendation for City Council approval.

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF SNOQUALMIE, WASHINGTON,
NOTIFYING THE PUBLIC OF ITS INTENT TO
DESIGNATE THE MILL SITE PROPERTY AS A
RESIDENTIAL TARGETED AREA FOR THE
PURPOSE OF ESTABLISHING A MULTI-FAMILY
PROPERTY TAX EXEMPTION PROGRAM AS
PROVIDED FOR BY RCW 84.14, AND SETTING THE
REQUIRED PUBLIC HEARING**

WHEREAS, Chapter 84.14 of the Revised Code of Washington provides for special valuations for eligible improvements associated with multi-family housing and for the purpose of creating additional affordable housing; and

WHEREAS, on October 24, 2022, the City Council passed Resolution No. 1630, approving the Development Agreement between the City of Snoqualmie and Snoqualmie Mill Ventures, LLC for the Snoqualmie Mill Planned Commercial/Industrial Plan (“Development Agreement”); and

WHEREAS, the Development Agreement concerned the property in the City located to the north of Borst Lake and to the east of Mill Pond Road that is commonly known as the former Weyerhaeuser Mill site (“Mill Site Property”); and

WHEREAS, under the Development Agreement, the Mill Site Property will be developed in three phases, over a period of 20 years, with a total of approximately 1.83 million gross square feet of light industrial/manufacturing, warehouse, office, retail and residential uses; and

WHEREAS, under the Development Agreement, the authorized residential uses for the initial phase of the development include up to 160 multi-family rental apartment units, in a mix of studios, 1-, 2- or 3-bedroom units with a maximum average size of 835 square feet, constructed on floors two through five in three mixed-use buildings and subject to the affordable housing requirements outlined in the Development Agreement; and

WHEREAS, pursuant to RCW 84.14.010, the Mill Site Property meets the criteria to be defined as an urban center; and

WHEREAS, in order to establish a multifamily property tax exemption (“MFTE”) program the City must designate one or more residential targeted areas within an urban center that are consistent with the criteria in RCW 84.14.040 and within which property tax exemption projects may be considered; and

WHEREAS, the Mill Site Property is within an urban center lacking sufficient available, desirable, and convenient residential housing to meet the needs of the public who would be likely to live there if there was sufficient housing available; and

WHEREAS, RCW 84.14.040(2) states that a governing authority may adopt a resolution of intent to designate one or more areas, thereby notifying the public of its intent; and

WHEREAS, in accordance with RCW 84.14.040(2), the resolution must state the time and place of a hearing to be held by the governing authority to consider the designation of the area(s); and

WHEREAS, notice of the public hearing shall be published once each week for two consecutive weeks, not less than seven days, nor more than thirty days before the date of the hearing in a paper having a general circulation in the City in accordance with RCW 84.14.040(3);

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SNOQUALMIE, WASHINGTON, AS FOLLOWS:

Section 1. The City Council intends to designate the Mill Site Property, as shown in Exhibit A attached to this resolution, as a residential targeted area for the purpose of establishing a multi-family property tax exemption program as provided for by Ch. 84.14 RCW and Ch. 3.10 SMC.

Section 2. A public hearing to seek public comment on and consider the designation of the Mill Site Property as a residential targeted area will be held at a regular meeting of the City Council on _____ at _____, or as soon thereafter as possible, at the Snoqualmie City Hall, located at 38624 SE River St, Snoqualmie, WA 98065. The hearing will be noticed in accordance with RCW 84.14.040(3).

PASSED by the City Council of the City of Snoqualmie, Washington, this _____ day of _____, 2023.

Katherine Ross, Mayor

Attest:

Deana Dean, City Clerk

Approved as to form:

Interim City Attorney