City of Kenmore

City of Kenmore - 18120 68th Avenue NE - PO Box 82607, Kenmore WA 98028
Phone: 425-398-8900 - Fax: 425-481-3236 - Email: cityhall@kenmorewa.gov

CITY OF KENMORE

CITY COUNCIL SPECIAL MEETING

5:30 p.m., Monday, October 1, 2012

Kenmore City Hall

18120 68th Ave. NE, Kenmore, WA 98028

If you have any questions or to confirm agenda items prior to the meeting, or if you require special accommodations, please call the City Clerk at 425-398-8900. You may also stop by City Hall at 18120 68th Avenue NE, Kenmore. Council agendas are also available on our website at www.kenmorewa.gov.

I. CALL MEETING TO ORDER

II. ADJOURN TO EXECUTIVE SESSION - PURSUANT TO RCW 42.30.110(1)(i) - POTENTIAL LITIGATION (Expected to last for 90 minutes.)

III. KENMORE VILLAGE DISCUSSION

A. Proposed Mechanism to Market the Kenmore Village Property - Rob Karlinsey, City Manager

B. Property Tax Abatement - Debbie Bent, Community Development Director

IV. COUNCILMEMBER COMMENTS/REPORTS

V. ADJOURNMENT

City Of Kenmore, Washington

MEMO

Date: September 28, 2012

To: Mayor & City Council

From: Rob Karlinsey, City Manager Rob

RE: Proposed "Take To Market" Strategy for Kenmore Village Properties

From the spectrum of options for taking the Kenmore Village properties to market, we recommend going forward with a hybrid RFQ/proposal process. This process will lead to a list of qualified potential buyers that will then be short-listed for negotiation between a handful of candidates. While we propose to manage the process, we recommend we hire a broker to assist us in scouring the field for prospects. We hope to have a buyer selected by February or March next year or even earlier, and to be under contract by April or May. The process itself should not be long in total elapsed time. The primary unknown is what kind of response we will get from the market.

This recommended RFQ/proposal option is a product of the many community meetings with the public and the numerous discussions with the business community, including potential tenants, buyers, brokers, and developers.

As proposed, this process will be different from the 2007 RFP process, mainly because of the shift in responsibility to the buyer to purchase and take the property off of the City's books quickly. This expectation will still be connected with the City's goals for a quality Kenmore Village end product that will raise the bar and act as a catalyst for other parts of the downtown.

<u>The RFQ/ Proposal Process</u>

The following is a brief outline of our recommended process:

1. Select a broker to scour the field of prospects and assist in future negotiation. The broker will be experienced and regionally known, and her/his firm will be known for its depth and capacity for both residential (condos/apartments) and commercial real estate brokering.
2. Create a short, two-to-four page information summary on the properties. We will be offering both the residential and the retail land. The information summary will include the Position Statement and goals as well as "must haves" and the "nice to haves". "Must haves" include:

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- alignment with the Position Statement and goals
- a town green or town square
- speedy purchase of the property
- near-term development of the property
- keeping the US Post Office on the site
- Working cooperatively with Kenmore Camera and linking/coordinating all of the remaining city-owned parcels, including the upper and lower parcels (shopping center and old park & ride). This does not necessarily mean the same buyer will purchase both parcels (upper and lower).

"Nice to haves" will include:

- retail portion
- the desire for new buildings (as opposed to re-occupying the old ones)
- including existing tenant(s) and other locally-based businesses
- ties to the local community

3. Request prospective buyers to submit their qualifications. We will give primary weight to their reputation and recent experience owning or developing similar properties.
4. Short-list four or five prospects to be interviewed. The interview team will include the city manager, two or three of his management team members, and Rod Stevens.
5. Invite two or three of the top prospects to submit proposals and monetary offers for the property. Criteria for consideration will include alignment of the proposal with the City's Position Statement and goals, amount of the monetary offer, financial wherewithal/solvency of the buyer/developer, experience, and commitment/ability to move forward in a timely manner.
6. Evaluate and engage in negotiations with the top proposers, assessing who is the one most likely to reinvest in the property in the near-term.
7. Enter into a letter-of-intent with the selected buyer, leading to a purchase-and-sale agreement with limited contingencies.
8. Close the sale.

<u>Hiring A Broker</u>

We propose hiring a broker, less to manage the process than to scour the field for prospects. While we have already identified several interesting and capable developers, we cannot be sure we will find all of the good prospects without involving a broker.

The broker's commission will be about five percent, which we will pay on closing but not before. Without their mailing lists and contacts, we would spend at least a portion of this in time and money researching buyers and getting word out. The broker is an insurance policy in making sure the property is fully exposed to the market. Hopefully a good portion of the commission will come back in a higher purchase price coming from competition between buyers.

In the final bid process, Step #6 above, the broker will play an important role in signaling to buyers what they need to do to get the property.

Public Involvement and Public Information

We plan on keeping the community informed during the property sale process. The past few months have seen very productive discussions in community forums, Town Hall meetings focused on Kenmore Village, and numerous informal meetings and conversations that have yielded important considerations and viewpoints on the future of the property. We will keep all of this prior public input at the forefront as we move forward through the process. We will routinely inform the public about where the process stands and what comes next, and we will rely on recent discussions and past planning efforts to set priorities about what should happen with the property.

In partnership with the selected buyer, we propose a robust yet focused public discourse in planning the public square, with added effort to include a diverse group of new participants in the discussion. (We would also want to refer back to the community discussions several years ago on the "gathering space" planned at that time for Kenmore Village). We do not propose starting a detailed effort on this now, but in the next two or three months we should set out parameters for how we want the public square to perform so that we know this when we begin negotiating with the developer about how much land to reserve and where. By the way, the City's commitment to creating this square has already proven to be an attraction to several developers.

Sale Priorities

Our first goal is to sell the retail property and get it off the City's books. We think it is quite likely that we will be able to sell the residential land to the same buyer as the shopping center, but it is possible that the City will get better proposals and pricing for residential land if we sell it several years from now. We will not get a sense of this until we take it to market.

Overall, we are looking for a buyer who will be a good long term partner with the City, one who steadily improves the property and makes significant investment in it that draws in other investment nearby. We can propose penalties for not redeveloping or reinvesting in the property by a certain date, but if market conditions are not right for the new owner's intended uses, penalties will not get them to build. The best guaranty of reinvestment is pre-qualifying a buyer whose plans are financially feasible today.

Decision Points

We will discuss this proposed process with the City Council on Monday October 1, and, subject to the Council's consensus or modification, come back to you with a more detailed flow chart and schedule showing key decision points for you. Our recent discussions with developers have been very positive. We think you will have good news to tell the community over the next six months.

Attachment 1

City Of Kenmore, Washington

September 10, 2012

TO: Rob Karlinsey, City Manager

FR: Nancy Ousley, Assistant City Manager

RE: Kenmore Village: Potential City Actions

The series of Council and community discussions on Kenmore Village have provided a perspective on the current development environment and a renewed look at community aspirations for the City's downtown. We have also acknowledged the challenges Kenmore faces in attracting development to this site; the importance of the context, especially the issue of reinvestment throughout the downtown; and competition for quality development with nearby cities. At the September 6 Council meeting, Council reviewed potential actions the City should commit to taking before putting the property on the market. Council noted the importance of continuing dialogue with the post office and the last sentence in #4 below reflects council comments. As an outcome of discussion related to #1 below, Council directed staff to proceed with drafting code provisions that allow for regulatory development agreements and staff anticipates bringing these forward for Council consideration in October. Council also requested staff bring back information about multi-family tax abatement to assist in Council discussion about potential amendments to the current provisions.

We propose five types of action to proceed with now:

1. Regulatory changes and incentives.
2. Amenities incorporated in Kenmore Village and in nearby areas.
3. Marketing and messaging for the city as a whole.
4. Dialogue with neighboring users about their needs.
5. Reaching out to potential tenants.

1. Regulatory Changes and Incentives

These could include new code provisions that allow for regulatory development agreements for certain properties, as allowed by State law. These kinds of agreement provide more flexibility to amend development requirements for design, use, affordability, parking and other regulatory standards for a specific project. Other cities have enacted similar regulations. The Council could also consider amending provisions for property tax abatement for multi-family development or look at other incentives for development. The new code language could be proposed this year for Council action.

2. City Investment in Amenities and Infrastructure

The Council has discussed the possibility of a park, gathering space or town green that would be a signature center for the city, increase both the attractiveness of the area and value of adjoining property. To be successful, the design for such a place should allow for different kinds of activities, year-round, as well as informal meetings and gatherings. We would leave the details of size, location and design until later, when we have a clearer disposition strategy. It is important that the City determine its priorities and level of financial commitment to improving this space not just to facilitate this transaction, but as part of a larger strategy for encouraging reinvestment downtown, both at Kenmore Village and in other properties.

The City's strategy for encouraging reinvestment downtown could include other actions as well, such as streetscape improvements, subsidies for downtown events like a farmer's market, and parking. Both as part of the Kenmore Village disposition and in our ongoing economic development efforts, we need to articulate a broader strategy for the downtown, including the rationale and level of public investment. This public strategy will be important to showing private investors that the City is committed to the revitalization of this area.

3. Marketing/Messaging

The 2009 Economic Development Strategy prioritized promoting Kenmore's image and community marketing. We have embarked on creating a set of central, key marketing messages for Kenmore in our work with Frause Full Spectrum Communications and we will integrate the Kenmore Village positioning statement the Council discussed at the July 30 meeting with these key messages. This will emphasize the positive assets of the community such as proximity to higher education and welcoming quality development, particularly in downtown. The Kenmore Village positioning statement as a walkable face-to-face place with the public improvements reinforces the central Kenmore messages and will send the right signals to potential investors.

4. Dialogue with Neighboring Users About Their Needs

We already have several anchor uses which bring people to the area, including City Hall, the Library, the US Post Office, Kenmore Camera, and nearby stores and restaurants. We need to be in closer touch with these neighbors to identify the synergies of use and how a public square and other public improvements can make the entire area livelier and better for each individual organization. Kenmore Camera will also be a partner on site improvements in the immediate area. It is important to prioritize and ensure that the US Post Office continues to operate from the Kenmore Village property because it is essential to business and resident convenience, and it continues to be a successful branch office when many other post office facilities are operating at a deficit.

5. Reach Out to Potential Tenants

Rather than leaving the marketing of Kenmore Village (or the broader downtown) to some unknown future developer or investor, we can begin these outreach efforts now, making contact with such possible users like Bastyr University (who has indicated an interest in having a presence in downtown Kenmore) , other health care providers, grocers, restaurants and social service organizations. We expect this kind of outreach to become part of the city's regular efforts at economic development.

Next Steps

Council will continue to discuss these items at the upcoming October 1, 2012 meeting. Staff and consultant Rod Stevens will also suggest a path or strategy for setting priorities for these other actions, with a work plan to follow at a future date.

Attachment 2

City Of Kenmore, Washington

Positioning Statement

"Kenmore Village is a walkable place with a public square where Kenmore-area residents and workers can meet their daily needs and see one another face-to-face."

Definition and Discussion

"Kenmore Village": This refers to the former portions of the shopping center and the park-and-ride lot now owned by the City and the park. This positioning statement envisions a commercial area with a public square, with residential uses adjacent to and possibly above the commercial areas.

"Walkable Place": "Walkable" here has two meanings: both walkable within and walkable to. While most standard shopping centers are walkable in the sense that distances are not so great that shoppers have to get in their cars and drive between stores, the monotony of the parking lots and the fact of walking down drive lanes discourages most people from going more than several hundred feet. In a truly walkable place, pedestrians feel safe and there are interesting things along the route that draw them forward. The second meaning of "walkable", "walkable to", means that Kenmore Village is perceived to be a walkable destination, that it is either within walking distance of neighborhoods or work places or other stores, or that the route itself is interesting enough to make the walk.

The second word here, "place", implies not just that this is a piece of property or real estate or a destination for day-to-day needs, but that it has a sense of place, an interesting character and personality that comes as much from what goes on there as from the buildings and layout.

"Public square": This will be a place the public owns and controls, where people can sit down without worrying about when the stores or shopping center close. It is a public place at the center of things, where people from different backgrounds can strike up a conversation. It is important that this square be integrated with other uses so that it has life day to day. Just because it is a public square and carries the civic identity does not mean that it cannot have less formal and more active uses on the side, like a skateboard park or pea patches.

"Kenmore area residents and workers": While the users may initially be mostly nearby residents, over time this should serve as amenity for nearby businesses, so workers can walk to coffee, take a break from work and hold business meetings there either outside or in restaurants and coffee shops. Things like a gym will also serve draw worker use.

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It is also important to define residents inclusively, to include not just middle-income families but seniors, low-income families, latch-key kids, single people, the elderly, teens hanging out together, childless couples, empty nesters, and those who speak a foreign language at home. Recognizing the variety of these different kinds of people will lead to more interesting design and programming. One of the best prospects for animating this space is meeting the needs of the large number of people already living nearby who do not now have much improved outdoor space to enjoy.

"Daily Needs": This is in contrast to comparison goods purchased in Lynwood, Northgate or University Village. As used here, "daily needs" includes cash and non-cash goods, services and experiences.

On the commercial side, this could include food stores, restaurants, coffee houses, hair salons, pet stores, toy stores, banks, wealth managers, realtors, title companies, insurance firms, gyms, yoga parlors, clothing and shoe stores, stationery and specialty paper stores, knitting and quilting stores, rug and furnishing stores, tutoring and test preparation, ice cream stores, art and framing, optometrists, medical clinics, dentists, pet care, and mailing stores. The key distinction is between high volume/ low service establishments found in the malls and low-volume/ high service establishments found more locally, where convenience, staff training and customer relationships are critical to success.

On the public service side this will or could include reading at the library, book check out and meetings held at the library; visits to the post office, license renewal at a DMV office, and picking up permits at City Hall.

On the civic and non-profit side, this could include a community center, a re-located senior center, a youth club, and garden-club maintenance of the public square or nearby arbors.

At the personal and individual level, this could mean making Kenmore Village a destination for a walk, sitting in the park and watching kids or other people, meeting there as a starting point for rides with a bicycling group, or joining an exercise group in the park.

"See One Another Face to Face": Two people passing in a supermarket parking lot may glance at one another or, if they know one another, stop briefly to talk, but Kenmore Village will provide a place where people can slow down enough to talk and even sit down if they want to. The promise of the place is that you will regularly run into someone you know or even make new friends there.

KENMORE VILLAGE ACTION PLAN

Objective for Kenmore Village: Bring the remaining Kenmore Village property to market in a way that advances the City's downtown goals. This objective was affirmed by Council on 6/14/12.

Downtown Goals: The following downtown goals were reaffirmed by Council on 6/14/12.

- Integrate existing businesses and add new commercial businesses which include local shopping and dining opportunities. Encourage businesses that draw patrons during both the day and evening.
- Promote high density residential development including housing opportunities meeting the housing needs of a variety of income levels and which also support transit.
- Strengthen connections (particularly pedestrian connections) between the downtown quadrants, neighborhoods and waterfront. Capture pass through traffic on SR 522 and the Burke-Gilman trail.
- Create a destination, unique community gathering space and promote community events that bring residents together and meet the needs of a range of ages and interests.
- Improve ("beautify") the physical environment through design guidelines, sidewalks, landscaping, street trees, public art and signage.
- Provide a development that is responsive to the market and is fiscally responsible.

Kenmore Village Positioning Statement: "Kenmore Village is a walkable place with a public square where Kenmore area residents and workers can meet their daily needs and see one another face-to-face." Council affirmed the positioning statement on 9/6/12.

Potential Actions the City Should Take or Commit to: On 9/6/12 Council reviewed specific actions the City should take or commit to before putting the property on the market. Potential actions include: regulatory changes and incentives; investment in amenities and infrastructure; marketing/messaging; dialogue with neighboring users about their needs; and reaching out to potential tenants.

Mechanism for Selling Kenmore Village: On 10/1/12 Council will review and determine which mechanism the City should use to sell the property. Once Council makes this determination, the process for selling the property will begin.

KENMORE VILLAGE KEY ACTIONS AND DATES

- **6/11/12**: The City and Kenmore Camera approved a Purchase and Sale Agreement for 1.24 acres of the Kenmore Village property.

- **6/14/12**: Council approved the action plan for Kenmore Village and reaffirmed downtown goals. The Action Plan and Goals, including the schedule of public meetings, was announced, posted, and distributed through various communication channels.

- **7/10/12**: Developer/Council Panel and Public Forum.

- **7/24/12**: Community meeting.

- **7/30/12**: Council developed a "draft" positioning statement for Kenmore Village.

- **9/6/12**: Council reviewed specific actions the City should take or commit to before putting the property on the market.

- **9/24/12**: Town Hall meeting.

- **10/1/12**: Council reviews and determines which mechanism the City should use to sell the property.

- **10/2/12:** Begin the process for placing the property on the market.

- **10/8/12:** Public Hearing on development agreement code provisions. On 9/6/12 Council directed staff to proceed with drafting code provisions that allow for development agreements that give some flexibility in development standards for future development at Kenmore Village.

City Of Kenmore, Washington

Memo

To: Rob Karlinsey, City Manager

From: Debbie Bent, Community Development Director DB.

Date: 9/26/12

Subject: Multi-Family Housing Property Tax Exemption

Staff Recommendation: Staff recommends that Council keep the current multi-family tax abatement provisions in place on the Kenmore Village property. The abatement policy provisions are consistent with several City comprehensive plan policies and goals that speak to encouraging a diversity of housing for a range of incomes with City incentives as one approach for encouraging such development. The exemption program is working for other Cities that are using it, meeting both State policy goals of producing both market rate and affordable housing in targeted areas. The abatement provisions are also a direct benefit to multi-family housing developers especially in terms of financing a project.

Background: At the 9/6/12 Council meeting, Council discussed potential actions the City should commit to before placing the Kenmore Village property on the market. At that meeting Council requested additional information with regard to multi-family tax abatement to assist in Council discussion about potential amendments to current provisions.

City Regulations: The City of Kenmore adopted provisions in December 2007 which are codified in the Municipal Code Chapter 3.65 (see Attachment #1) and which designate the 9.6 acre Kenmore Village site as the designated residential target area eligible for multi-family housing property tax exemption. The Disposition and Development Agreement (DDA) in place in 2007 between the City and Kenmore Partners LLC for the Kenmore Village property noted that if the City did not enact a tax exemption program by 12/31/07, the developer had the option to either terminate the agreement or proceed with the development. The DDA was in place prior to enactment of the legislation.

The City's exemption provisions allow for an 8 year property tax exemption for multi-family housing and a 12 year exemption when at least 20% of multifamily housing units meet affordable income and eligibility requirements. The exemption applies to the assessed value of new housing construction and rehabilitation improvements. The exemption does not apply to the land, non-residential, and other non-qualifying improvements.

Affordable housing is defined for owner-occupied households as housing reserved for moderate income households, meaning a household whose adjusted income is 80% of King County median income. For renter occupied units, affordable housing is defined for occupancy by a moderate income household whose monthly housing costs do not exceed 30% of the household's monthly income.

The Municipal Code (KMC 18.77) also requires affordable housing for development in downtown (which includes Kenmore Village), on property zoned Downtown Commercial or Downtown Residential, located west of 68th Ave NE, that is 4 or more acres in size and provides more than 20 multi-family dwelling units. Development must provide 25% affordable units with rents affordable to those who make equal to or less than 50% of the King County median income or ownership units affordable to 80% of the median income rate.

State Law: State law (RCW 84.14) authorizes cities to provide temporary exemptions from ad valorem property taxation for the value of eligible improvements as an incentive to provide multi-family housing development in urban areas, in a designated "residential target area" where more housing choices are desired. The 8 year exemption provision in the original legislation passed in the early 1990's was limited to large cities (population of 30,000 or more). In 2007 the legislation was amended to expand the range of cities and to also allow a 12 year exemption for projects that included at least 20% of units that met defined affordability requirements. For rental housing affordable units must be affordable to low income and for ownership housing to low and moderate income. Low income defined as up to 100% of the area median income in high cost counties (such as King County) and moderate income households up to 150% of the area median income. Cities can establish different affordability requirements.

Frequently Asked Questions Related to the Multi-Family Tax Abatement Program:

1. **Are other cities using the program and are the programs successful?** Many jurisdictions are using the program, including: Seattle, Kirkland, Everett, Kent, and Burien. The Department of Commerce report (Attachment #2) concluded that the tax exemption program for the period between 2007 and 2010 is working for local governments that are using it and meeting both policy goals of producing both market rate and affordable housing in targeted areas.

2. **Does the program translate into lower rents for a renter or house/condo prices for the homeowner or do the benefits go to the developer?** For rental units, the abatement results in a direct savings to the building developer as a reduction to a line item on the proforma which also assists in the project financing and cash flow. This gives the developer more flexibility to present a competitive alternative to other rental options by way of reduced rents or could also offset the higher development costs associated with high density housing (e.g. structured parking) to remain competitive with existing housing. For ownership units, the abatement results in a direct savings to the buyer which also may increase a project's appeal leading to increases in sales absorption and thus reducing the developer's carrying costs and cash outlay.

3. **What is the fiscal impact of the program to the City and other taxing jurisdictions?** Attachment #3 is a summary of potential impact to the City and other taxing jurisdictions based on examples of assessed value of new construction. For example, a $10 million value of new construction would result in a total $1,580,369 impact to all taxing jurisdictions for a 12 year exemption. The primary impact on City revenues is to defer for 8 or 12 years the property taxes resulting from the improvement value of eligible new housing. At the end of the

exemption period, all of the improvements become taxable and are counted as new construction. The amount of financial impact to the City depends on the value of eligible improvements and also whether the assessed value of the new non-residential space is greater or less than the existing improvements that are demolished. The City would continue to receive property taxes on the land value of properties, which often is a high portion of the assessed value of properties prime for redevelopment. The City would also receive property taxes on the non-residential portion of the project (e.g. ground floor commercial).

The main source of revenue for the Fire District is from property taxes and so the impact is similar to the City except the Fire District would not benefit from additional sales tax or utility taxes or franchise fees that the City would received from additional construction and households. The Library District is similar to the Fire District but due to the county-wide district boundaries the costs are spread across the whole district. The school district ability to levy property taxes is not directly impacted by the tax exemption. School districts do receive local property taxes but the levy amounts are all voter approved and not directly impacted by new construction values.

4. **To qualify for the 12 year exemption requires 20% of the housing units to be affordable. What does affordability mean in terms of income and how does Kenmore compare to other Cities?** Information in Attachment #4 was provided by A Regional Coalition for Housing (ARCH).
   - Attachment #4a shows corresponding incomes and affordable rents and sales prices for different percentages of median income and different household sizes. For example, at 80% of King County median income, to qualify for 1- bedroom housing (two people), requires a household income of $56,320, with a maximum affordable rent of $1,352 and purchase price of $191,531.
   - Attachment 4b shows sample salaries which are graphically shown on Attachment 4c. Many jobs (e.g. bank teller, medical assistant) have low at 50% of median income and others have moderate (e.g. physical therapist, firefighter) at 80% of median income) wage rates.
   - Attachment #4d indicates that average salaries for six major employment sectors are lower in Kenmore than countywide averages.
   - Attachment 4e shows household income for eastside cities relative to different affordability levels which shows that in Kenmore 19% of households have income less than 50% of King County median income and an additional 17% have incomes between 50% and 80% of King County median income.
   - Attachment #4f shows a report of rental housing cost by market area. Kenmore is included in the Bothell market area. Rents in the Bothell/Kenmore area are slightly lower than the countywide average. If for example, 20-25% of total units were affordable to 50% of median income it would essentially be replicating the City's current income profile.
   - Attachment #4g shows cost burdened households (paying more than 30% of income for housing). In Kenmore 33% (renters and owners combined are considered cost-burdened households.

Attachments:

1. Kenmore Municipal Code Chapter 3.65, Multifamily Housing Property Tax Exemption
2. Report prepared by the Department of Commerce "Multi-Unit Housing Tax Incentives 2007-2010"

3. Summary of the impact on taxing jurisdictions
4. Affordable housing information
   a. 2012 King County Income and Housing Affordability Guidelines
   b. 2011 Sample Salaries
   c. 2011 Graph of Sample Salaries
   d. 2008 Average wage by sector
   e. 2009 Household Income Relative to County Median Income
   f. 1990-2012 Rental Housing Costs
   g. Cost Burdened Households

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Chapter 3.65

MULTIFAMILY HOUSING PROPERTY TAX EXEMPTION*

Sections:

*Code reviser's note: Ord. 07-0271 added these provisions as Chapter 3.60 KMC. They have been editorially renumbered to avoid duplication.

3.65.010 Purpose.

A. The purposes of this chapter are:

1. To encourage more multifamily housing opportunities, including affordable housing, within the city;

2. To stimulate the construction of new multifamily housing, including affordable housing, and the rehabilitation of existing vacant and underutilized buildings for multifamily housing;

3. To increase the supply of multifamily housing opportunities within the city for low and moderate income households; and

4. To accomplish the planning goals required under the Growth Management Act, Chapter 36.70A RCW, as implemented by the city's comprehensive plan.

B. Any one or a combination of these purposes may be furthered by the designation of a residential targeted area under this chapter. [Ord. 07-0271 § 1.]

3.65.020 Definitions.

A. "Affordable housing" means: (1) for an owner-occupied dwelling unit, housing reserved for occupancy by moderate income households, and (2) for a renter-occupied dwelling unit, housing reserved for occupancy by a moderate income household and whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income.

B. "Assessor" means the King County assessor.

C. "Director" means the director of the city's community development department, or any other city office, department or agency that shall succeed to its functions with respect to this chapter, or the director's designee.

D. "Eligible household" means a household that certifies that its household monthly income or household annual income at time of initial occupancy, as applicable, does not exceed the income maximums, and that certifies that it meets all qualifications for eligibility, including, if applicable, any requirements for recertification on income eligibility.

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

F. "Household annual income" means the aggregate annual income of all persons in the household over 18 years of age for a period of at least four months.

G. "Moderate income household" means a household whose adjusted income is 80 percent of the King County median family income adjusted for family size, as reported by the United States Department of Housing and Urban Development. If HUD no longer publishes median family income figures for King County, the city may use or determine such other method as it may choose to determine the King County family median income adjusted for household size.

H. "Multifamily housing" means a building or townhouse project having four or more dwelling units designed for permanent residential occupancy resulting from new construction or rehabilitation or conversion of vacant, underutilized, or substandard buildings.

I. "Owner" means the owner of the real property on which the project proposed for tax exemption is located, and its successors and assigns. If tax exemption is requested or authorized for 12 years pursuant to this chapter, "owner" also means a nonprofit corporation that will own or owns the affordable housing units.

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

K. "Rehabilitation improvements" means:

1. Modifications to an existing structure, the residential portion of which has been vacant for at least 12 months prior to application for exemption under this chapter, that are made to achieve a condition of substantial compliance with the applicable building and construction codes contained in KMC Title 15; or

2. Modifications to an existing occupied residential structure or mixed use structure that contains occupied residential units and that adds at least four multifamily dwelling units.

L. "Residential targeted area" means an area within an urban center as defined by Chapter 84.14 RCW that has been so designated by the city council pursuant to this chapter.

M. "Substantial compliance" means compliance with the applicable building and construction codes contained in KMC Title 15 that is typically required for rehabilitation as opposed to new construction. [Ord. 07-0271 § 1.]

3.65.030 Residential targeted areas – Criteria – Designation – Rescission.

A. Following notice and public hearing as prescribed in RCW 84.14.040, the city council may designate one or more residential targeted areas, in addition to the area stated in subsection (D) of this section, upon a finding by the city council that the residential targeted area meets the following criteria:

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

2. The residential targeted area lacks sufficient available, desirable and convenient residential housing, including affordable housing, to meet the needs of the public who would be likely to live in the urban center if affordable, desirable, attractive and livable residences were available; and

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

a. Encourage increased residential opportunities, including affordable housing opportunities, within the city; or

b. Stimulate the construction of new multifamily housing; or

c. Encourage the rehabilitation of existing vacant and underutilized buildings for multifamily housing.

B. In designating a residential targeted area, the city council may also consider other factors, including:

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

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

3. Whether an increased permanent residential population in the residential targeted area will help to achieve the planning goals mandated by the Growth Management Act under Chapter 36.70A RCW, as implemented through the city's comprehensive plan; or

4. Whether encouraging additional housing in the residential targeted area supports better jobs and housing balance.

C. At any time the city council may, by ordinance, amend or rescind the designation of a residential targeted area pursuant to the same procedural requirements as set forth in this chapter for original designation.

D. The parcels lying northwest of the intersection of Northeast 181st Street and 68th Avenue Northeast, which are shown on the map attached to the ordinance codified in this chapter, meet the criteria of this chapter on residential targeted areas and are designated as such. [Ord. 07-0271 § 1.]

3.65.040 Project eligibility.

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

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

B. A building or buildings in the project on the property shall have at least four dwelling units. Any project may be proposed in phases. If applicable, the affordable housing units may be located in all or some of the buildings in the project.

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

D. Existing dwelling units proposed for rehabilitation shall have been unoccupied for a minimum of 12 months prior to submission of an application and shall fail to comply with one or more requirements the building code as set forth in KMC Title 15.

E. No application may result in the net loss of existing affordable housing which receives housing assistance through federal low or moderate income housing programs (e.g., HUD Section 8 program).

F. Prior to issuing a certificate of occupancy, an agreement in a form acceptable to the city attorney that addresses eligible household qualifications and any other applicable topics of the affordable housing units shall be recorded with King County department of records and elections. This agreement shall be a covenant running with the land and shall be binding on the assigns and successors of the owners.

G. The project shall comply with all applicable zoning, land use, building and housing requirements contained in this code.

H. New construction of multifamily housing and rehabilitation improvements shall be scheduled to be completed within three years from the date of approval of the application, or within an authorized extension of this time limit. [Ord. 07-0271 § 1.]

3.65.050 Application procedure – Fee.

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

1. A brief written description of the project, including phasing if applicable, and preliminary schematic site and floor plans of the multifamily units and the structure(s) in which they are proposed to be located;

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

3. In the case of rehabilitation of an existing vacant structure, verification of noncompliance with applicable building and housing codes, and an affidavit from the owner verifying that the existing dwelling units have been vacant for a period of 12 months prior to filing the application; and

4. If tax exemption for 12 years is proposed, and the owner of the affordable housing units will be different from the owner applying for the exemption, a description of the person or entity that will own the affordable housing units and an explanation of the financing plan for such units.

B. At the time of application under this section, the owner shall pay an initial application fee as established by resolution and pursuant to the provisions of RCW 84.14.080. In addition, at the time of application under this section, the owner shall pay a fee of $150.00 to cover the county assessor's administrative costs. If the director approves the application, the city shall forward the fee for the county assessor's administrative costs to the county assessor. If the director denies the application, the city shall refund the fee for the assessor's administrative costs to the applicant.

C. The director shall notify the owner within 28 days of the application being filed if the director determines that an application is not complete, and shall identify what additional information is required before the application will be complete. Within 14 days of receiving additional information, the director shall notify the owner in writing if the director determines that the application is still not complete, and what additional information is necessary. An application shall be deemed to be complete if the director does not notify the applicant in writing by the deadlines in this section that the application is incomplete; however, a determination of completeness does not preclude the director from requiring additional information during the review process if more information is needed to evaluate the application according to the criteria in this chapter.

D. The application shall be submitted any time before, but no later than, the date the building or other construction permit is issued under KMC Title 15. [Ord. 07-0271 § 1.]

3.65.060 Application review – Issuance of conditional certificate – Denial – Appeal.

A. The director shall approve or deny an application under this chapter. If the application is approved, the owner shall enter into a contract with the city, subject to approval by resolution of the city council regarding the terms and conditions of the project and eligibility for exemption under this chapter. If tax exemption for 12 years is requested, the owner of the affordable housing units, if different from the owner of the other multifamily housing units, also shall enter into such contract. The city council's resolution to approve the owner's contract with the city shall be adopted within 90 days of the director's receipt of the completed application. Upon city council approval of the contract, the director shall execute the contract which shall be substantially in the form of the contract as approved by the city council, and shall issue a conditional certificate of acceptance of tax exemption. The conditional certificate shall expire three years from the date of approval unless an extension is granted as provided in this chapter.

B. If the application is denied, the director shall state in writing the reasons for the denial and send notice of denial to the owner's last known address within 10 days of the denial.

C. An owner may appeal the director's denial of the application to the city council by filing a notice of appeal with the city clerk along with the appeal fee as established by resolution within 30 days of the date of the denial. The appeal before the city council shall be based upon the record before the director, and the director's decision shall be upheld unless the owner can show that there is no substantial evidence on the record to support the director's decision. The city council's decision on appeal is final. [Ord. 07-0271 § 1.]

3.65.070 Amendment of contract.

A. Any owner seeking an amendment to the contract may do so by submitting a request in writing to the director at any time within three years of the date of the city council's approval of the contract.

B. The director shall have authority to approve amendments to the contract that are reasonably within the scope and intent of the contract approved by the city council. Amendments that are not reasonably within the scope and intent of the approved contract, as determined by the director, shall be submitted to the city council for approval by resolution.

C. Any owner seeking amendments to the contract, which in the sole discretion of the director require approval by the city council, shall pay to the city an amendment application fee as established by resolution.

D. The date for expiration of the conditional certificate shall not be extended by contract amendment unless: (1) all the conditions for extension set forth in KMC 3.65.080 are met, or (2) the conditions set forth in KMC 3.65.080(A) and (B) are met and the city council specifically approves the extension. [Ord. 07-0271 § 1.]

3.65.080 Extension of conditional certificate.

The conditional certificate may be extended by the director for a period not to exceed 24 consecutive months. The owner shall submit a written request stating the grounds for the extension together with a fee as established by resolution. The director may grant an extension if the director determines that:

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

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

C. All the conditions of the original contract between the applicant and the city will be satisfied upon completion of the project. [Ord. 07-0271 § 1.]

3.65.090 Final certificate – Application – Issuance – Denial and appeal.

A. Upon completion of the rehabilitation improvements or new construction as provided in the contract between the applicant and the city, and upon issuance of a certificate of occupancy, the owner may request a final certificate of tax exemption. The owner shall file with the director such information as the director may deem necessary or useful to evaluate eligibility for the final certificate, and shall include:

1. A statement of expenditures made with respect to each multifamily housing unit and to each affordable housing unit, and the total expenditures made with respect to the entire property;

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

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

4. If applicable, a statement that the project meets the affordable housing unit requirements.

B. Within 30 days of receipt of all materials required for a final certificate, the director shall determine whether the completed work is consistent with the application and contract approved by the city council and is qualified for exemption under Chapter 84.14 RCW, and which specific

IIIB. Property Tax Abatement - Debbie Bent, Community Development Director

improvements completed meet the requirements of this chapter and the required findings of RCW 84.14.060.

C. If the director determines that the project has been completed in accordance with subsection (A) of this section, the city shall file a final certificate of tax exemption with the assessor within 10 days of the expiration of the 30-day period provided under subsection (B) of this section.

D. The director is authorized to cause to be recorded, or to require the owner to record, in the real property records of the King County department of records and elections, the contract with the city required under KMC 3.65.060(A), and such other documents as will identify such terms and conditions of eligibility for exemption under this chapter as the director deems appropriate for recording, including requirements under this chapter relating to affordability of units.

E. The director shall notify the owner in writing that the city will not file a final certificate if the director determines (1) that the project was not completed within the required three-year period or any approved extension or was not completed in accordance with subsection (B) of this section or (2) that the owner's property is not otherwise qualified under this chapter.

F. Within 30 days of the date of notice of denial of final certificate, the owner may file a notice of appeal with the city clerk along with the appeal fee as established by resolution specifying the factual and legal basis for the appeal. The appeal shall be heard by the city's hearing examiner pursuant to KMC 3.65.120. [Ord. 07-0271 § 1.]

3.65.100 Exemption – Duration – Limits.

A. The value of new housing construction and rehabilitation improvements qualifying under this chapter shall be exempt from ad valorem property taxation:

1. For eight successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate; or

2. For 12 successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate, if (a) the owner commits to renting or selling at least 20 percent of the multifamily housing units as affordable housing units and (b) the owners and renters of the affordable housing units meet the income and eligibility requirements of this chapter. If the original owner of the property transfers title to the portion of the property on which the affordable housing units are located to the nonprofit corporation that owns such units, such transfer shall not affect the 12-year tax exemption for the new housing construction and rehabilitation improvements qualifying under this chapter.

B. The exemptions in subsections (A)(1) and (2) of this section do not apply to the value of land or to the value of improvements not qualifying under this chapter, to increases in assessed valuation of land and nonqualifying improvements, or to increases made by lawful order of the King County board of equalization, Washington State Department of Revenue, State Board of Tax Appeals, or King County, to a class of property throughout the county or a specific area of the county to achieve uniformity of assessment or appraisal as required by law. In the case of rehabilitation of existing buildings, the exemption does not include the value of improvements constructed prior to submission of the completed application required under this chapter. [Ord. 07-0271 § 1.]

3.65.110 Annual certification – Cancellation of exemption.

A. A property that receives a tax exemption under this chapter shall continue to comply with the contract and the requirements of this chapter in order to retain its property tax exemption.

B. Thirty days after the anniversary of the date the city filed the final certificate of tax exemption and each year for the tax exemption period, the owner shall file a certification with the director, verified upon oath or affirmation, which shall contain such information as the director may deem necessary or useful, and shall include the following information:

1. A statement of occupancy and vacancy of the rehabilitated or newly constructed property during the previous year;

2. Information demonstrating compliance of the owners and renters of the affordable housing units with the requirements of KMC 3.65.100(A)(2), this chapter and the contract with the city, if applicable;

3. A certification that the property has not changed use since the date of filing of the final certificate of tax exemption;

4. A description of any improvements or improvements constructed after the filing of the final certificate or last declaration;

5. The income of each renter household at the time of initial occupancy and the income of each initial purchaser of owner-occupied units at the time of purchase for each of the units receiving a tax exemption; and

6. Any additional information requested by the city in regards to the units receiving a tax exemption.

C. Failure to submit the annual declaration may result in cancellation of the tax exemption.

D. For the duration of the exemption granted under this chapter, the property shall have no violation of applicable zoning, land use and building and housing code requirements of this code for which the designated city department or contract agency shall have issued a notice of violation or notice of civil infraction that is not resolved by a certificate of compliance, certificate of release, or withdrawal within the time period for compliance provided in such notice of violation or notice of civil infraction and any extension of the time period for compliance granted by the director.

E. For owner-occupied affordable housing units, in addition to any other requirements in this chapter, the affordable owner-occupied units must continue to meet the income eligibility conditions of this chapter. In the event of a sale of an affordable owner-occupied unit to a household other than an eligible household, the property tax exemption for that affordable owner-occupied unit shall be cancelled pursuant to this section.

F. For renter-occupied affordable housing units, in addition to any other requirements in this chapter, the affordable renter-occupied units must continue to meet the income eligibility conditions of this chapter. In the event of a rental of an affordable renter-occupied unit to a household other than an eligible household, the property tax exemption for the property shall be cancelled pursuant to this section.

G. If the owner converts the multifamily housing to another use, the owner shall notify the director and the assessor within 60 days of the change in use. Upon such change in use, the tax exemption shall be cancelled and additional taxes, interest and penalty imposed pursuant to state law.

H. The director shall cancel the tax exemption for any property or individual unit that no longer complies with the terms of the contract or with the requirements of this chapter. Upon cancellation, additional taxes, interest and penalties may be imposed pursuant to state law. Upon determining that a tax exemption shall be cancelled, the director shall notify the owner by certified mail, return receipt requested. The owner may appeal the determination by filing a notice of appeal with the city clerk along with the appeal fee established by resolution within 30 days of the date of notice of cancellation, specifying the factual and legal basis for the appeal. The appeal shall be heard by the hearing examiner pursuant to KMC 3.65.120. [Ord. 07-0271 § 1.]

3.65.120 Appeals to hearing examiner.

A. The city's hearing examiner is provided jurisdiction to hear appeals of the decisions of the director on the final certificate of tax exemption and cancellation thereof.

B. The hearing examiner's procedures shall apply to hearings under this chapter to the extent they are consistent with the requirement of this chapter and Chapter 84.14 RCW. The hearing examiner shall give substantial weight to the director's decision and the burden of overcoming the weight shall be on the appellant. The decision of the hearing examiner constitutes the final decision of the city. An aggrieved party may appeal the decision to superior court under RCW 34.05.510 through 34.05.598 if the appeal is properly filed within 30 days of the date of the notification by the city to the appellant of that decision. [Ord. 07-0271 § 1.]

3.65.130 Annual reporting.

A. If the city issues tax exemption certificates pursuant to this chapter, the director shall submit annually by December 31st of each year to the Department of Community, Trade and Economic Development the report required by RCW 84.14.100.

B. Annually, beginning in 2010, the director shall review the program established by this chapter and provide a report to the city council outlining development activity, types and numbers of units produced and their locations, rent and sales prices, information regarding the number of moderate income households benefiting from the program, and other appropriate factors. The report may include recommendations on whether any neighborhoods should be added or removed and whether affordability limits should be changed in certain areas, and shall analyze any issues related to the use of the program for home-ownership units. The annual report shall be submitted to the city council no later than March 30th of each year the program is in effect, starting in 2010. Each report shall include information for the previous year. [Ord. 07-0271 § 1.]

Chapter 3.70

BIENNIAL BUDGET

Sections:

3.70.010 Biennial budget established.

Pursuant to Chapter 35A.34 RCW, the city council hereby establishes, beginning January 1, 2009, a two-year biennial budget for the city of Kenmore. The 2009-2010 biennial budget and all subsequent budgets shall be prepared, considered, and adopted under the provisions of this chapter and Chapter 35A.34 RCW. [Ord. 08-0281 § 1.]

3.70.020 Mid-biennial review.

Pursuant to Chapter 35A.34 RCW, the city council hereby provides for a mid-biennial review and modification of the biennial budget which shall occur no sooner that September 1st nor later than the conclusion of the first year of the fiscal biennium. The city manager shall prepare the proposed budget modifications which shall be distributed to members of the city council, shall make copies available to the public, shall provide for publication of notice of hearings consistant with publication of notices for adoption of other city ordinances, and shall provide for public hearings on the proposed budget modifications. The budget modification shall be by ordinance approved in the same manner as other ordinances of the city. [Ord. 08-0281 § 2.]

Attachment 2

Department of Commerce
Innovation is in our nature.

Multi-Unit Housing Tax Incentives 2007-2010

Report to the Governor
Rogers Weed, Director

ACKNOWLEDGEMENTS

Washington State Department of Commerce
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Special thanks to the cities and counties who participated in this study.

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To obtain a copy of this report in an alternate format, please call (360) 725-3066

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Introduction

The purpose of this report is to evaluate the uses and the effects of the multi-unit housing tax incentives approved by the 2007 Legislature as Engrossed Second Substitute House Bill 1910 (ESSHB 1910). It later was codified as RCW 84.14. This report was requested by the Governor in her partial veto of the legislation.

Background Information

The Washington Growth Management Act (GMA) was passed by the Washington State Legislature in 1990. The GMA sets out 14 goals to guide planning in Washington State. Among the top goals are reduction of urban sprawl, concentrated urban growth, economic development and affordable housing (RCW 36.70A.020).

In 1995 the Legislature found that planning solutions to solve the problems of urban sprawl often lack incentive and implementation techniques needed to encourage residential redevelopment in urban centers. Subsequently, they authorized a 10-year property-tax exemption (RCW 84.14). The tax incentive created by this legislation intends to help stimulate new or enhanced residential opportunities in urban centers and achieve the housing goal mandated by the GMA.

In 2007 the Legislature modified the law to allow the tax break to run for eight years, or twelve years if the development contains twenty percent affordable housing[1]. The Legislature also lowered the population requirement for cities to be eligible for the program from 30,000 to 15,000. They added a reporting requirement. The changes were intended to become effective immediately.

When the legislation reached the Governor's desk, she expressed concerns that the program was expanded to include more cities without any evidence of its effectiveness in increasing affordable housing and was done without including counties in the decision making. She signed the bill but vetoed Section 12 which would have made the legislation effective immediately. She also asked the Department of Commerce to analyze the required annual reports from cities to evaluate its use and effects and assess the need for legislation to alter the exemption program. (Appendix #1)

ESSHB 1910 (2007)

This tax incentive program adopted by the 2007 Legislature was titled "AN ACT relating to tax incentives for certain multiple-unit dwellings in urban centers that provide affordable housing." It became effective on July 22, 2007 following the Governor's signature and partial veto. The following is a summary of the changes made by the Legislature and their stipulations:

- Cities eligible to offer the multi-unit housing property tax exemption are those with a population of at least 15,000 people. If there is no city with a population of at least 15,000 in a county planning under the GMA, then the largest city or town located in that

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[1] "Affordable Housing" is defined in the legislation as 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.

county is eligible. The legislation also allows cities with populations of at least 5,000 to participate, if they are located within "buildable lands" counties (King, Pierce, Snohomish, Kitsap, Thurston and Clark).

- Participating cities may offer a 12-year tax exemption if the developer chooses to build, develop, or rehabilitate at least 20 percent of the units as affordable housing. Developers choosing not to include affordable housing receive only 8 years of tax exemption.

- New, rehabilitated or converted multifamily housing projects in targeted residential areas are eligible for the property tax exemption. The property tax exemption may be applied to new housing construction and the increased value of a building due to rehabilitation. The exemption does not apply to the land or the non-housing related improvements.

- If the property changes use before the end of the exemption period, or no longer complies with guidelines established by the city for participation in the tax exemption program, then back taxes are recovered based on the difference between the taxes paid and taxes that would have been paid without the tax exemption program.

- All projects receiving tax exemption must be multiple-unit housing of four or more units that is located in a residential targeted area as designated by the city. The housing must meet the guidelines as adopted by the city which may include density, size, parking, low-income occupancy and other adopted requirements. At least fifty percent of the space must be for permanent residential occupancy. New construction must be completed within three years of the application's approval unless an extension of up to two years has been authorized by the local jurisdiction. The property to be rehabilitated must be vacant at least 12 months prior to application. The applicant must enter into a contract with the city to agree to terms and conditions.

Beginning in 2007, all cities issuing tax exemptions must report annually to the Department of Commerce regarding tax exempt properties. The annual report must include the following:

1. Total number of tax exemptions granted and the total value of those exemptions;

2. Total number of units produced and the total development cost of each unit;

3. Total monthly rent of each unit or the total sale price of each unit;

4. Income of each renter at occupancy of a rental unit, and the income of each initial purchaser of a homeownership unit if the project is using the 12-year exemption with at least 20 percent of its units rented or sold to income-eligible tenants.

When this tax exemption program was initially adopted in 1995 (RCW 84.14), only three cities were eligible; those with populations of 150,000 or more (Seattle, Tacoma and Spokane). Three subsequent amendments reduced the minimum city size, thus increasing the number of cities eligible to utilize the tax exemption program. After the program was amended again in 2007 (ESSHB 1910), reducing the population threshold to 15,000, more cities became eligible and by 2010, more than 90 cities were eligible to participate.

Department of Commerce Role: Annual Report

After signing the legislation, the Governor directed Commerce to analyze the required reports from cities and evaluate the tax exemption's use and effects and to assess the need for legislation to alter the program.

After the legislation's effective date of July 22, 2007, Commerce convened an advisory group comprised of staff from the cities of Seattle, Tacoma, Spokane, Lakewood and King County Suburban Cities (represented by ARCH - A Regional Coalition for Housing) to help develop the reporting process. It should be noted that Tacoma has had the tax abatement program in place since it was approved in 1995 and Seattle since 1998. After several meetings and discussions, the "*Department of Commerce, Multi-Unit Housing Tax Exemption Annual Report Form*" (Appendix #2) was developed and approved by the committee. Commerce received the first set of annual reports required under this program in December 2007.

Also, during the four-year period 2007–10, cities participating and/or interested in the tax exemption program sought and received assistance from Commerce staff on several issues related to the program. Most of the assistance requests involved clarification or interpretation of the legislation. Commerce consulted with the appropriate Assistant Attorney General to provide needed assistance. (Appendix #3).

Commerce sent out reminder notices to participating jurisdictions each year about the December 31 deadline for required annual reports . (Appendix #4).

In addition, a survey went to the larger participating cities asking for key information and suggestions that would enhance the review, evaluation and analysis of the program and the resulting recommendations. (Appendix #5)

Annual Report Summary

Many of the eligible cities either chose not to participate or did not file the required annual report. Commerce received 19 reports in 2007, 13 in 2008, 20 in 2009, and 19 in 2010. Most of the reports showed no activity had taken place. A few jurisdictions filed the annual report in one of the four years and some reported in three of the four years. The majority of reporting jurisdictions (mostly larger ones) submitted annual reports in all four years.

The Governor's directive was to analyze and evaluate this tax exemption program for its uses and effects. To accomplish that, Commerce had to focus only on annual reports that included development activities such as approvals or final tax exemption certificate(s) issued under the program. During the Reporting Period 2007-10, 10 jurisdictions submitted such reports: the cities of Seattle, Tacoma, Spokane, Everett, Renton, Shoreline, Wenatchee and Moses Lake, Burien and Kirkland.

The Annual Report Summaries for 2007, 2008, 2009 and 2010 from these jurisdictions are shown here.

2007 Multi Family Tax Exemption Report

	Tax Exemption Information		Development Cost Information			Affordability Requirements	
Cities that Provided Data as Required by RCW 84.14.100	Multi Family Tax Exemption Certificates Issued	Total Value of the Tax Exemptions Issued	Development Cost/Unit	Total Units	Total Development Costs	Number of Affordable/Workforce Rental Units	Number of Units Sold or Rented at Market Rate Prices
Renton	2	1,957,342	159,370	260	41,436,292	0	260
Seattle	4	8,870,011	140,743	484	68,119,612	319	165
Shoreline	1	1,394,277	132,000	88	11,616,000	0	88
Spokane	45	16,368,800	137,197	168	23,049,074	29	139
Tacoma	8	4,440,410	200,211	139	27,829,342	0	139
Wenatchee	1	40,737	19,783	23	455,009	0	23
Moses Lake	0	0	0	0		0	0
Everett	0	0	0	0		0	0
Totals	61	33,071,577		1162	172,505,329	348	814

2008 Multi Family Tax Exemption Report

	Tax Exemption Information		Development Cost Information			Affordability Requirements	
Cities that Provided Data as Required by RCW 84.14.100	Multi Family Tax Exemption Certificates Issued	Total Value of the Tax Exemptions Issued	Development Cost/Unit	Total Units	Total Development Costs	Number of Affordable/Workforce Rental Units	Number of Units Sold or Rented at Market Rate Prices
Renton	2	4,310,638	199,735	245	48,935,075	0	245
Seattle	3	22,651,870	240,908	156	37,581,648	109	47
Shoreline	0	0	0	0	-	0	0
Spokane	11	20,839,100	213,066	222	15,844,884	43	169
Tacoma	16	13,616,830	149,835.00	616	92,298,360	0	616
Wenatchee	0	0	0	0	$ -	0	0
Moses Lake	0	0	0	0	$ -	0	0
Everett	0	0	0	0	$ -	0	0
Totals	32	61,418,438		1239	194,650,967	152	1077

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2009 Multi Family Tax Exemption Report

	Tax Exemption Information		Development Cost Information			Affordability Requirements	
Cities that Provided Data as Required by RCW 84.14.100	Multi Family Tax Exemption Certificates Issued	Total Value of the Tax Exemptions Issued	Development Cost/Unit	Total Units	Total Development Costs	Number of Affordable/Workforce Rental Units	Number of Units Sold or Rented at Market Rate Prices
Renton	2	6,666,649	175,086	532	93,145,648	92	440
Seattle	6	22,488,921	167,392	1,310	166,314,980	657	653
Shoreline	0	0	0	0	-	0	0
Spokane	44	11,676,500	288,702	44	12,702,907	0	44
Tacoma	16	6,224,244	205,470	205	42,121,350	0	205
Wenatchee	0	0	0	0	-	0	0
Moses Lake	1	768,228	??	96	??	96	0
Everett	2	329,061	289,000	31	8,959,000	0	31
Totals	71	48,153,603		2218	323,243,885	845	1373

2010 Multi Family Tax Exemption Report

	Tax Exemption Information		Development Cost Information			Affordability Requirements	
Cities That Provided Data as Required by RCW 84.14.100	Multi Family Tax Exemption Certificates Issued	Total Value of the Tax Exemptions Issued	Development Cost/Unit	Total Units	Total Development Costs	Number of Affordable/Workforce Rental Units	Number of Units Sold or Rented at Market Rate Prices
Renton	1	45,530,100	194,518	440	85,587,920	0	440
Seattle	7	17,586,163	211,478	1,023	216,341,994	261	762
Shoreline	0	-	-	0	-	0	0
Spokane	17	4,001,850	364,914	19	6,933,366	6	13
Tacoma	1	14,036,200	180,000	8	1,440,000	0	8
Wenatchee	0	-	-	0	-	0	0
Moses Lake	0	-	-	0	-	0	0
Everett	1	447, 965.62	350,905	40	14,036,200	8	32
Kirkland	1	402,538	230,760	52	11,999,520	5	47
Burien	1	31,555,903	192,976	124	23,929,024	0	124
Totals	29	113,560,720		1582	360,268,024	280	1426

These Annual Report Summaries show that these 10 cities issued 193 tax exemption certificates during the reporting period. The projected value of the exemptions over the 8, 10 or 12-year term is more than $255 million. They produced 6,326 housing units, of which 1,625 are considered affordable housing.

ANALYSIS/EVALUATION

The Governor requested a report on the effectiveness of property tax exemptions in general and the effect of changes provided in ESSHB 1910 in particular. The response to her request focuses on four questions:

1. Do property tax exemptions generate new housing?
2. Do property tax exemptions generate affordable housing?
3. Did ESSHB1910 increase the number of cities that provide property tax exemptions?
4. Is consultation with counties necessary in tax exemption decision making?

1. Do property tax exemptions generate new housing?

This question focuses on the general effectiveness of property tax exemptions as an incentive to generate housing, particularly in high-cost areas and within the downtown of relatively large cities. One way to answer the question is by comparing the number of housing units created using tax exemptions to the total number of new housing units in each of the participating cities.

Table 1 below compares the number of housing units generated using property tax exemptions to the total number of new housing units produced from 2007 to 2010 in the participating cities. The numbers of tax exemption housing units are provided in the annual reports from participating cities. The number of total new housing units[2] was derived from the State of Washington's Office of Financial Management (OFM). Each year, OFM updates the population estimate of Washington cities. Their estimate is based on the number of housing units in each city. The data is available online at *http://www.ofm.wa.gov/pop/april1/default.asp.*

[2] Some of the total new housing units derived from the OFM website were adjusted by the reporting cities

Table 1

Comparison of New Housing Units in Cities Using Property Tax Exemptions 2007 to 2010

	Total New Housing	Housing Without Tax Exemptions	Housing With Tax Exemptions	% Housing Without Tax Exemptions	% Housing With Tax Exemptions
Renton	3,775	2,298	1,477.00	61%	39%
Seattle	16,549	13,576	2,973.00	82%	18%
Shoreline	738	650	88	88%	12%
Spokane	1,712	1,259	453	74%	26%
Tacoma	2,426	1,458	968	60%	40%
Everett	1,161	1,090	71	94%	6%
Wenatchee	310	287	23	93%	7%
Kirkland	1,123	1,071	52	95%	5%
Burien	529	405	124	77%	23%
Total	28,323	22,094	6,229	78%	22%

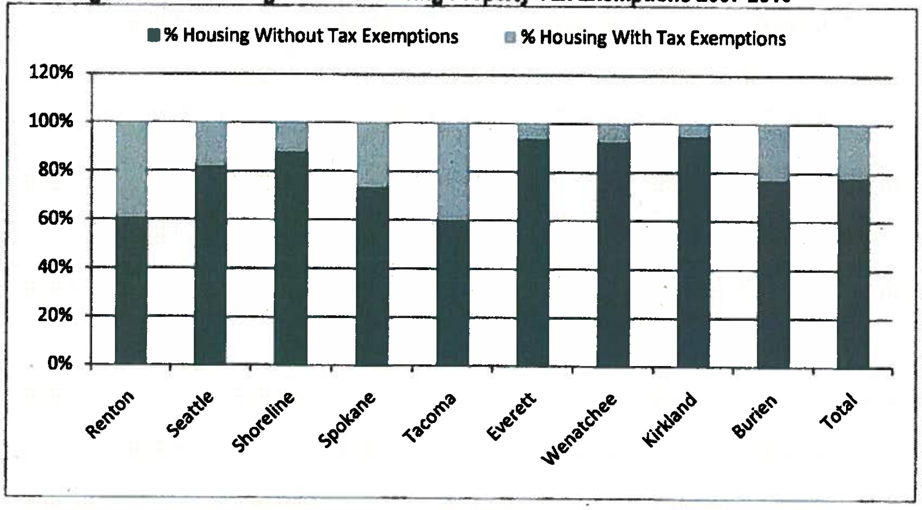
It should be noted that Moses Lake did not report additional data; therefore, only data from the other nine jurisdictions were used in the following evaluation.

Between 2007 and 2010, nine cities provided property tax exempt certificates. These certificates include over 6,000 housing units. During that same period, these cities added more than 28,000 housing units. The number of housing units created using property-tax exemptions represents 22 percent of the total new housing units generated in the nine participating cities from 2007 to 2010.

Between 2007 and 2010 approximately 100,978 housing units were added in Washington overall, according to OFM's estimate. Approximately 28 percent of all these new housing units were built in the nine participating cities. The number of units produced using property tax exemptions represents more than 6 percent of the total new housing units produced in the state of Washington during the same four-year period.

Table 2 below illustrates the percentage of new housing units built using property tax exemptions. The gray portion of each column is the percentage of the total new housing units built using property tax exemptions. The black portion represents the percentage of new housing units built *without* exemptions. Large portions of the new housing units built in Renton and Tacoma from 2007 to 2010 were built using property tax exemptions.

Table 2
Percentage of Total Housing Units Built Using Property Tax Exemptions 2007-2010



Property tax exemptions appear to have some impact on the generation of new housing units. At least in the participating cities, about one in five housing units built between 2007 and 2010 relied upon property tax exemptions.

On average, new housing units exempt from property taxes represent 22 percent of the total new housing units in the participating cities. The impact is particularly noticeable in Renton and Tacoma, where housing with tax exemptions account for nearly 40 percent of the total housing units constructed from 2007 to 2010. In Spokane and Burien, it accounts for 26 percent and 23 percent, respectively. In Seattle it accounts for 18 percent and in Everett and Kirkland it accounts for less than 10 percent of the total new housing units.

2. <u>Do property tax exemptions generate new affordable housing?</u>

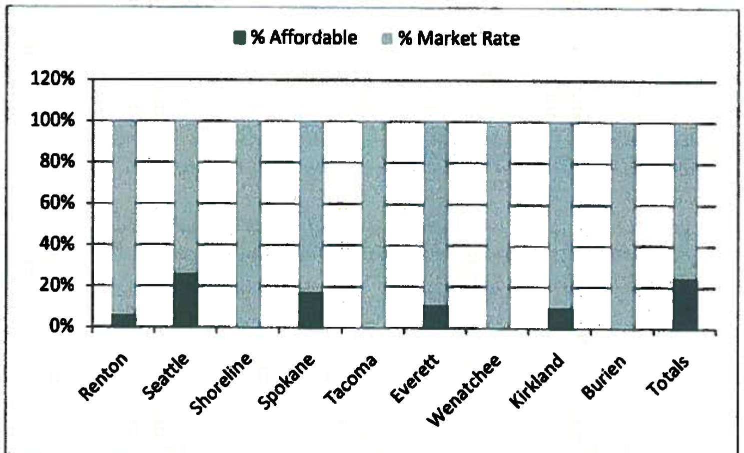
Property tax exemptions appear to generate affordable housing units only when municipal ordinances require that they do and with additional incentives added. Seattle requires affordable housing to be provided in both the 8-year and the 12-year programs (the 8-year exemption only applies to homeownership projects with less than 20 percent affordable units, but they still must be sold to an income-qualified buyer). The other jurisdictions do not have those requirements. As a result, 26 percent of the housing units built in Seattle using property tax exemptions were affordable. In Spokane and Everett, the numbers of affordable units were lower - 17 percent and 11 percent, respectively. Kirkland reported that 10 percent of the units were affordable, and in Renton only 6 percent. The other cities did not report any affordable units during the 2007-10 period. Table 3 below compares the number of affordable and market rate housing units. The information was derived from the annual reports submitted by each of the participating cities.

Table 3
Comparison of Affordable and Market Rate Housing Units 2007 - 2010

	Total Units	Affordable	Market Rate	% Affordable	% Market Rate
Renton	1477	92	1385	6%	96%
Seattle	2,973	1346	1627	26%	74%
Shoreline	88	0	88	0	100%
Spokane	453	78	375	17%	83%
Tacoma	968	0	968	0%	100%
Everett	71	8	63	11%	89%
Wenatchee	23	0	23	0	100%
Kirkland	52	5	47	10%	90%
Burien	124	0	124	0%	100%
Totals	6,118	1524	4589	25%	75%
Seattle	2,973	1346	1627	45%	55%
Remainder	3,145	178	2962	6%	94%

Table 4 below illustrates the percentage of affordable housing units to market rate housing units in each of the participating cities. The gray portion of each column represents the percentage of housing units that were rented or sold at market rate prices. The black portion represents the percentage rented or sold that was affordable to lower-income households.

Table 4
Percentage of Affordable vs. Market Rate Housing Units 2007-2010



Approximately 87 percent of the total affordable housing units are located within the city of Seattle. In the other cities, only 6 percent of the housing units were affordable. This fact underscores the point that property tax exemptions generate affordable housing units only when municipal ordinances require that they do – Seattle requires affordable housing for both the 8-year and the 12-year.

3. <u>Did ESSHB 1910 increase the number of cities that provide property tax exemptions?</u>
ESSHB 1910 decreased the population threshold for cities to qualify for property tax exemptions from 30,000 people to 15,000 people. The reduction made 19 cities eligible to participate in the incentive program, only two of which provided property tax exemptions during the first three years: Wenatchee and Moses Lake. During the fourth year, none of the 19 cities provided exemptions.

Based on the annual reports, reducing the population threshold to 15,000 did not have a significant impact on the number of cities participating in the property tax incentive program. A variety of factors may have impeded the participation of smaller cities. For instance, the changes took effect amidst a national housing crisis. This undoubtedly had an impact on the number of property tax exemptions that were issued. Additionally, it has only been four years since the new law was passed and some of these smaller jurisdictions may not have had time and resources to review, design and approve the tax exemption program for use in their jurisdictions.

4. <u>Is consultation with counties necessary in tax exemption decision making?</u>
The tax exemption program affects tax revenues of the state, county, and districts such as library, park, and school districts. Involving all governmental entities affected by the exemption program would help ensure full consideration of their perspectives. This issue of consultation with counties was discussed by the Advisory Group convened by Commerce to develop the process for annual report. The need to involve counties was vital, the group concluded.

However, it was pointed out that informal coordination was happening at staff level and it is the county assessor that processes the tax exemptions.

Survey responses from key cities indicate that some informal consultation with counties took place. Everett reported that they did consult Snohomish County when the program was initially established. The county supported the program, because they agreed that it would lead to construction of housing that eventually would be paying property taxes, and without it, the housing would not be built. Everett also pointed out that since the city would be providing services to the housing, there was very little impact on the county from the program.

Seattle similarly reported good coordination with King County and Renton informally consulted with the King County Department of Assessments when the Multi-Family Housing Property Tax Exemption program was established there in 2003.

RECOMMENDATIONS/CONCLUSIONS

Establish a formal process in statute for early notification regarding this tax exemption.
A formal early notification process should be established and added to the legislation even though an informal process was undertaken by participating jurisdictions. This would require any jurisdiction participating in the tax exemption program to officially notify their county of their intention to offer property tax exemption as authorized under RCW 84.14. This early notification should include the projected amount of the tax exemption and the sunset date.

Is the property tax exemption effective?
(a) Housing as Economic Development Tool - The Case for Market Rate Housing:
Housing (especially multi-unit) - affordable or not - provides a broad range of benefits to the communities in which it is located. It can enrich these communities, fill diverse and significant market needs and most importantly, provide economic benefits through its construction. Jurisdictions benefit from the construction of new housing units or rehabilitation of existing properties through the jobs created to produce or rehabilitate them. Economic benefits also result from the creation of the products that go into these buildings and the jobs related to the design, finance and management of the projects.

In addition to the job creation and tax revenue benefits at the local level, new multi-unit construction also produces "ripple effects" as the construction wages generated by the project are spent on local goods and services and as the new residents begin spending in the local economy.

According to the National Association of Homebuilders, a typical 100-unit housing development project generates, over 10 years, 445 jobs, $15.5 million in local income, and $2.6 million in local taxes. Once the project is completed, ongoing economic benefits are generated in the form of property taxes, employment for people who work to manage and maintain the units, and consumer spending by the occupants.

Benefits are also generated by the more efficient delivery of services from both the public and private sectors because of the greater densities associated with multi-unit developments. The multi-unit housing authorized under this legislation is required to be located in designated centers within the Urban Growth Areas (UGAs). If these UGAs are appropriately sized and designated, and services and facilities provided effectively and efficiently, additional benefits and efficiencies would be realized depending on the scale of the development. These include sprawl reduction, more efficient land uses resulting in greater densities, more efficient multi-modal traffic/transportation (transit, light rail, pedestrian), lower carbon footprint, more efficient infrastructure and utilities (cost effective sewer, roads, water, gas) and other services such as parks, schools, library, police and fire.

In a mixed-use project in a town center as authorized in this legislation, new businesses, retail, restaurants and professional services attracted to these new mixed used buildings would generate significant revenues for the community in the form of sales tax and business and occupation licenses and fees. This is in addition to the benefits from construction activities.

In Everett, the downtown is the only center in which the multi-unit property tax exemption is allowed, unlike some other cities where the exemption is much more broadly available across their communities. Everett purposely kept the area narrow to encourage market rate housing in their downtown. The downtown had experienced very little housing development over the preceding 20 years, most of which was subsidized low income housing. The city had been successful in getting low income housing without the tax exemption program, and really needed market-rate housing to create more balance in the downtown center. This program successfully attracted developers to the area. Each of the developers who has used the program, either with or without the affordable housing option, indicated they could not have developed their projects without the benefit of the tax exemption.

According to the City of Everett, the program as amended in 2007 is producing both market rate and affordable housing: "*We believe this is one of the best innovations ever to come out of the legislature in support of GMA. The intent was to stimulate housing development in centers. The 8/12 year compromise bill was a win for both the cities that need more affordable housing, and the cities that need housing of all types in their urban centers. Our recommendation is to leave the program alone with respect to the affordable housing issue. It has worked well in Everett to encourage both affordable and market rate housing that would never have been built without the property tax exemption. The program has tipped the balance so that housing can be viable as part of the redevelopment of our downtown*"[3].

Seattle has noticed significantly more program interest by private developers due to the economic downturn. The program helps projects reach financial feasibility in the current economic climate.

<u>(b) Workforce Housing – The Case for Affordable Housing:</u>
In her veto message and directives to Commerce, the Governor emphasized the need for "evidence of the effectiveness of the tax exemption program in increasing affordable housing". The 2007 – 2010 Multi Family Tax Exemption Tables on pages 7-8 show that a total of 6,201 housing units were produced under the program and 1,625 of these were affordable housing. Most of these affordable units are located in Seattle, Renton and Spokane.

[3] Information contained in a report submitted by Allan Giffen, Director of Planning and Community Development, City of Everett.

All eight cities that issued tax exemption certificates adopted ordinances providing for the 8-year and the 12-year tax exemption program. ESSHB 1910 requires 20 percent affordable housing set-aside for the 12-year exemption but not for the 8-year. Seattle, however, requires affordable housing be provided in both the 8-year and the 12-year programs.

It is important to point out that Seattle, Renton, Spokane, Everett and Kirkland produced affordable housing during this reporting period and the other jurisdictions did not. In Seattle, the explanation is that only projects with affordable housing are eligible to participate in either the 8 or 12 year program. Additionally, a number of Seattle non-profit housing developers have used the tax exemption along with other public funds, and these funding sources require greater affordability than the tax exemption program. Finally, Seattle granted a tax exemption certificate to the Linden 143, a for-profit project financed with low income housing tax credits. This project has 476 units, all of which are affordable to households at or below 60% of median income.

Since July 22, 2007 (the effective date of the 8-year and 12-year exemptions under RCW 84.14), Renton has received two exemption applications. One (Second & Main Apartments) was for the 8-year exemption and the other (Liberty Square Apartments) was for the 12-year exemption. The city noted that Liberty Square would not have been possible without other public funds such as equity tax credit investors and below-market rate financing (including federal low-income housing tax credits, tax-exempt bond financing, Washington State Housing Trust Fund, King County housing development funds and City of Renton CDBG funds).

According to the City of Renton, no developer has expressed an interest in using the 12-year exemption by itself without other significant public subsidies. The primary reason is that the value of the additional 4-year exemption does not adequately offset the projected lost revenue associated. For example, meeting the affordable housing requirements for at least 20 percent of the units for 12 years, the exemption benefit is too "shallow" to facilitate affordable housing by itself. There is also the obvious reality that development in general is significantly lower due to the national housing crisis and economic recession.

It should be noted, however, that jurisdictions such as Burien and possibly others in which no affordable housing was produced during this reporting period may have projects with affordable units in the pipeline. These units will be reported when the projects are completed and tax exemption certificates issued. Everett did not produce any affordable housing until this reporting period.

Based on the information reported to Commerce by the participating cities, the tax exemption program is producing housing in a few, mostly larger jurisdictions (see Table 3 above). Both market rate and affordable housing are being produced but market rate housing production outpaces affordable housing during this reporting period (see Table 4). This could change next reporting period if the affordable units now in the pipeline are completed and included in the next annual report to Commerce.

It is our conclusion that the tax exemption program is working for these local governments and they are using it as needed to achieve different objectives. Some, including Renton, Tacoma and Burien, are developing market rate housing in targeted areas and others, like Seattle, are producing affordable housing. The program is achieving both policy goals included in the 2007 legislation (ESSHB 1910).

ACTION OPTIONS:

1. To continue providing for both policy goals, no change to the legislation is currently needed. Leave the tax exemption program as amended, which allows participating jurisdictions the option to use the 8 year program for market rate housing, the 12 year program that requires some affordable housing, or both for a mix of housing.

2. If the policy goal of achieving affordable housing units is considered a higher priority, the legislation could be amended to require that to receive the 8-year tax exemption, a minimum percentage of the housing units within a development (perhaps 10 or 15 percent) be affordable units. However, it should be noted that this approach could have an adverse impact on achieving market rate housing in some areas.

IIIB. Property Tax Abatement - Debbie Bent, Community Development Director

Attachment 3

	Taxing District	City of Kenmore	King County	King County Library	Northshore Fire District	Northshore School District	Northshore Park & Recreation District	Port of Seattle	EMS	State	Ferry District	King County Flood District	Evergreen Hospital	
One Year	Tax Rate per 1,000 Assessed Value	1.59704	1.41588	0.56992	1.25033	4.75315	0.01614	0.22982	0.30000	2.42266	0.00372	0.11616	0.49492	13.16974
Assessed Value of New Construction														TOTAL
$ 1,000,000		$ 1,597	$ 1,416	$ 570	$ 1,250	$ 4,753	$ 16	$ 230	$ 300	$ 2,423	$ 4	$ 116	$ 495	$ 13,170
$ 10,000,000		$ 15,970	$ 14,159	$ 5,699	$ 12,503	$ 47,532	$ 161	$ 2,298	$ 3,000	$ 24,227	$ 37	$ 1,162	$ 4,949	$ 131,697
$ 30,000,000		$ 47,911	$ 42,476	$ 17,098	$ 37,510	$ 142,595	$ 484	$ 6,895	$ 9,000	$ 72,680	$ 112	$ 3,485	$ 14,848	$ 395,092
$ 50,000,000		$ 79,852	$ 70,794	$ 28,496	$ 62,517	$ 237,658	$ 807	$ 11,491	$ 15,000	$ 121,133	$ 186	$ 5,808	$ 24,746	$ 658,487
$ 80,000,000		$ 127,763	$ 113,270	$ 45,594	$ 100,026	$ 380,252	$ 1,291	$ 18,386	$ 24,000	$ 193,813	$ 298	$ 9,293	$ 39,594	$ 1,053,579
Tax rates are 2012 as published by the county assessor.														
Multiple Year Estimate														
Assumes no increase in taxes, no change in bond issue tax rates or change in share of total assessed value.														
Also assumes continuation of Fire District Benefit charge.														
8	Years													
$ 1,000,000		$ 12,776	$ 11,327	$ 4,559	$ 10,003	$ 38,025	$ 129	$ 1,839	$ 2,400	$ 19,381	$ 30	$ 929	$ 3,959	$ 105,358
$ 10,000,000		$ 127,763	$ 113,270	$ 45,594	$ 100,026	$ 380,252	$ 1,291	$ 18,386	$ 24,000	$ 193,813	$ 298	$ 9,293	$ 39,594	$ 1,053,579
$ 30,000,000		$ 383,290	$ 339,811	$ 136,781	$ 300,079	$ 1,140,756	$ 3,874	$ 55,157	$ 72,000	$ 581,438	$ 893	$ 27,878	$ 118,781	$ 3,160,738
$ 50,000,000		$ 638,816	$ 566,352	$ 227,968	$ 500,132	$ 1,901,260	$ 6,456	$ 91,928	$ 120,000	$ 969,064	$ 1,488	$ 46,464	$ 197,968	$ 5,267,896
$ 80,000,000		$ 1,022,106	$ 906,163	$ 364,749	$ 800,211	$ 3,042,016	$ 10,330	$ 147,085	$ 192,000	$ 1,550,502	$ 2,381	$ 74,342	$ 316,749	$ 8,428,634
12	Years													
$ 1,000,000		$ 19,164	$ 16,991	$ 6,839	$ 15,004	$ 57,038	$ 194	$ 2,758	$ 3,600	$ 29,072	$ 45	$ 1,394	$ 5,939	$ 158,037
$ 10,000,000		$ 191,645	$ 169,906	$ 68,390	$ 150,040	$ 570,378	$ 1,937	$ 27,578	$ 36,000	$ 290,719	$ 446	$ 13,939	$ 59,390	$ 1,580,369
$ 30,000,000		$ 574,934	$ 509,717	$ 205,171	$ 450,119	$ 1,711,134	$ 5,810	$ 82,735	$ 108,000	$ 872,158	$ 1,339	$ 41,818	$ 178,171	$ 4,741,106
$ 50,000,000		$ 958,224	$ 849,528	$ 341,952	$ 750,198	$ 2,851,890	$ 9,684	$ 137,892	$ 180,000	$ 1,453,596	$ 2,232	$ 69,696	$ 296,952	$ 7,901,844
$ 80,000,000		$ 1,533,158	$ 1,359,245	$ 547,123	$ 1,200,317	$ 4,563,024	$ 15,494	$ 220,627	$ 288,000	$ 2,325,754	$ 3,571	$ 111,514	$ 475,123	$ 12,642,950

Attachment 4a

KING COUNTY INCOME AND HOUSING AFFORDABILITY GUIDELINES
2012

	Studio (1 Person)	1-Bedroom (2 People)	2-Bedroom (3 People)	3-Bedroom (4 People)
POVERTY				
Average poverty thresholds for 2012 by size of family*				
Household Income	$11,170	$15,130	$19,090	$23,050
Pct of County Median Income	18%	21%	24%	26%
VERY LOW INCOME: 30% of Median Income				
Household Income	$18,480	$21,120	$23,760	$26,400
Max. Affordable Rent	$425	$472	$520	$567
LOW INCOME: 50% of Median Income				
Household Income	$30,800	$35,200	$39,600	$44,000
Max. Affordable Rent	$733	$824	$916	$1,007
Max. Affordable Purchase**	$94,339	$107,816	$121,293	$134,770
MODERATE INCOME: 80% of Median Income				
Household Income	$49,280	$56,320	$63,360	$70,400
Max. Affordable Rent	$1,195	$1,352	$1,510	$1,667
Max. Affordable Purchase**	$167,590	$191,531	$215,473	$239,414
MEDIAN INCOME				
Household Income	$61,600	$70,400	$79,200	$88,000
Max. Affordable Rent	$1,503	$1,704	$1,906	$2,107
Max. Affordable Purchase**	$216,424	$247,342	$278,259	$309,177

* Source: U.S. Health and Human Services poverty guidelines.

King County Median Family Income: $88,000

Source: U.S. Housing and Urban Development Income Limits

Rents are net of deducting for a utility allowance.

**Assuming 10% down payment, 5% 30-year fixed rate mortgage.

Attachment 4b

Exhibit 1 -- 2011 Sample Salaries

Median Income (for family of four) $86,800 = $41.73/hour
Median Income (for family of one) $60,800 = $29.23/hour

	FAMILY OF FOUR	ONE PERSON
80% Median Income	$69,400 = $33.37/hour	$48,600 = $23.37/hour
50% Median Income	$43,400 = $20.87/hour	$30,400 = $14.62/hour
30% Median Income	$26,000 = $12.50/hour	$18,200 = $8.75/hour

Job Category	Hourly Wages[1]	Annual Wages (rounded)[2]
GENERAL		
Minimum Wage [6]	$8.67	$18,030
SSDI Recipient[3] (disability)	N/A	$12,770
Social Security Recipient (retirement)	N/A	$8,090
SERVICES		
Teller	$13.28	$27,620
Butcher and Meat Cutter	$19.36	$40,270
Hairstylist	$18.13	$37,710
Food Prep Worker	$11.61	$24,150
Maids and Housekeeping	$11.98	$24,920
RETAIL		
Retail Salesperson	$13.91	$28,930
Retail Manager	$21.41	$44,530
Cashier (Grocery Clerk)	$12.22	$25,420
EDUCATION[4]		
Teacher (entry level)	$19.71	$41,000
Teacher (top)	$37.78	$78,580
CITY[5]		
Firefighter (entry level)	$31.04	$64,560
Police (entry level)	$26.56	$55,240
Administrative Assist. (entry level)	$22.49	$46,780
TRADES		
Electrician	$33.44	$69,560
Carpenter	$25.46	$52,960
Equipment Operators	$28.63	$59,550
Mechanic (auto)	$19.54	$40,640
OFFICE		
Office Manager	$27.58	$57,370
Bookkeeping, Accounting	$19.49	$40,540
Accountant (advanced)	$33.13	$68,910
File Clerk	$15.94	$33,160
Customer Service Representative	$17.83	$37,090
Office Machine Repairer	$18.29	$38,040
HEALTH CARE		
Medical Assistant	$17.19	$35,760
RN	$37.68	$78,370
Physical Therapist	$37.90	$78,830
Dental Assistant	$19.19	$39,920

Attachment 4c

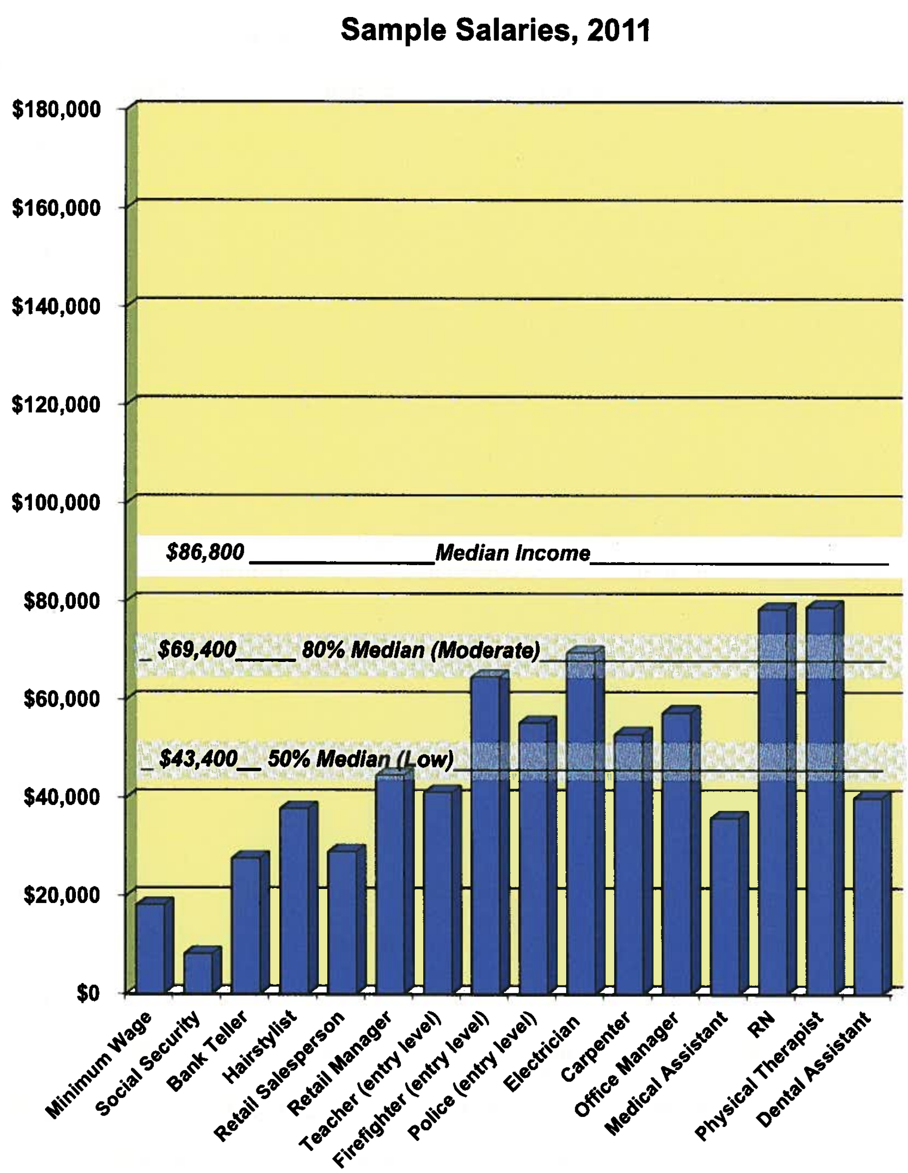


Exhibit J-2: Average Wage by Sector, 2008

	Const/Res	FIRE	Manufac-turing	Retail	Services	WTU	Total
Beaux Arts	*	$0	$0	$0	*	$0	$33,987
Bellevue	$67,719	$74,115	$78,421	$34,236	$62,306	$86,111	$63,278
Bothell	$53,381	$58,778	$82,343	$35,366	$56,680	$94,268	$60,323
Clyde Hill	$33,269	$82,153	*	*	$28,081	$93,053	$34,733
Hunts Point	$0	*	$0	$0	$45,471	*	$54,708
Issaquah	$53,704	$48,790	$72,878	$28,941	$55,069	$77,946	$52,481
Kenmore	$47,332	$26,436	$53,769	$25,615	$29,057	$46,389	$34,428
Kirkland	$58,556	$64,122	$64,066	$35,819	$57,653	$106,587	$58,055
Medina	*	$58,389	$0	*	$39,330	$103,838	$41,837
Mercer Island	$57,906	$74,186	$41,726	$27,879	$34,313	$86,888	$47,749
Newcastle	$33,244	$37,732	*	$31,124	$26,998	$62,240	$31,827
Redmond	$58,020	$54,112	$71,927	$28,990	$122,529	$72,981	$105,479
Sammamish	$37,882	$39,577	$20,257	$26,382	$33,634	$96,520	$37,506
Woodinville	$60,418	$43,186	$45,666	$26,826	$34,277	$57,346	$44,228
Yarrow Point	*	$0	*	$0	$69,569	*	$49,658
EKC cities	***$60,333***	***$68,432***	***$70,578***	***$32,262***	***$80,164***	***$81,314***	***$72,530***
Seattle	$67,299	$87,905	$66,409	$42,916	$53,594	$66,103	$58,594
King County	$58,316	$74,509	$71,213	$35,008	$58,132	$62,694	$58,703

* suppressed for confidentiality.

"Const/Res:" construction and resource industries; "FIRE:" finance, insurance, and real estate industries; "WTU:" wholesale, transportation, and utilities industries.

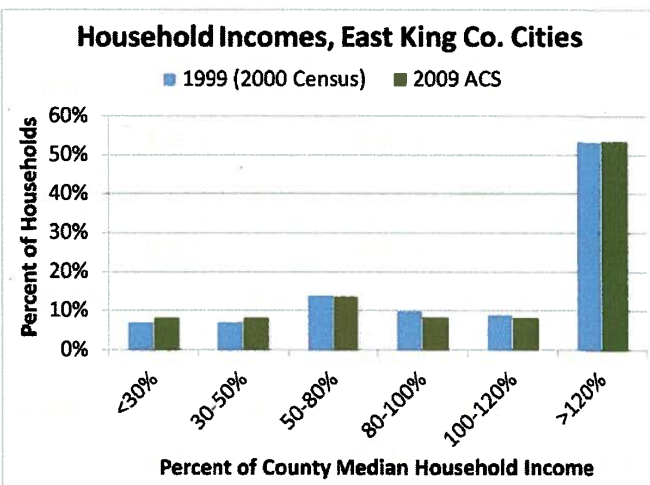
Source: Puget Sound Regional Council (2009).

Exhibit F-1: Household Income Relative to County Median Income, 2009 (ACS)

Income category:		Less than $20,200	$20,200 to $33,599	$33,600 to $53,799	$53,800 to $67,199	$67,200 to $80,699	$80,700 and greater	
Pct of County's median income:	Total households	<30%	30-50%	50-80%	80-100%	100-120%	>120%	Median income
Beaux Arts	106	4%	2%	19%	10%	6%	59%	$106,250
Bellevue	50,619	9%	9%	14%	9%	9%	51%	$80,350
Bothell	13,438	10%	11%	19%	11%	9%	41%	$66,510
Clyde Hill	878	3%	4%	4%	3%	4%	82%	$192,000
Hunts Point	168	10%	2%	9%	4%	5%	70%	$197,500
Issaquah	9,874	8%	9%	14%	10%	9%	50%	$81,966
Kenmore	7,779	9%	10%	17%	8%	8%	49%	$79,371
Kirkland	22,642	9%	10%	15%	9%	8%	48%	$78,328
Medina	1,117	6%	4%	5%	3%	4%	77%	$169,196
Mercer Island	9,532	6%	7%	11%	6%	6%	65%	$118,017
Newcastle	3,706	8%	5%	14%	8%	8%	58%	$96,989
Redmond	21,345	8%	7%	13%	9%	9%	54%	$87,194
Sammamish	13,550	3%	4%	7%	5%	5%	76%	$129,583
Woodinville	4,188	4%	10%	16%	8%	9%	53%	$86,207
Yarrow Point	382	4%	3%	6%	2%	4%	80%	$169,167
EKC cities	***159,324***	***8%***	***8%***	***14%***	***8%***	***8%***	***54%***	***n/a***
Seattle	277,014	17%	12%	17%	9%	8%	37%	$58,990
King County	767,486	13%	11%	16%	10%	8%	42%	$67,246
Washington	2,512,327	15%	13%	19%	11%	9%	33%	$56,384

Source: U.S. Census Bureau (2010).

Exhibit F-2:



Source: U.S. Census Bureau (2002, 2010).

Attachment 4f

Rental Housing Costs, 1990-2012

Market Area		1990	2000	2010	2012	Pct Change 2000 - 2010	Pct Change 2010-2012
Bellevue- East	Avg Rent	$535	$845	$1,039	$1,154	23.0%	11.1%
	Vacancy	3.0%	3.6%	3.2%	2.7%		
Bellevue- West	Avg Rent	$640	$1,114	$1,416	$1,596	27.1%	12.7%
	Vacancy	2.8%	4.3%	3.2%	3.3%		
Bothell	Avg Rent	$532	$826	$976	$1,050	18.2%	7.6%
	Vacancy	3.4%	3.1%	3.6%	3.8%		
Factoria	Avg Rent	$595	$948	$1,136	$1,245	19.8%	9.6%
	Vacancy	3.2%	4.0%	5.3%	3.4%		
Issaquah	Avg Rent	$635	$1,141	$1,253	$1,302	9.8%	3.9%
	Vacancy	5.6%	5.6%	4.1%	4.2%		
Juanita	Avg Rent	$571	$934	$1,084	$1,127	16.1%	4.0%
	Vacancy	3.2%	4.3%	5.5%	4.2%		
Kirkland	Avg Rent	$624	$1,122	$1,403	$1,441	25.0%	2.7%
	Vacancy	5.2%	6.3%	6.0%	4.2%		
Mercer Island	Avg Rent	$539	$941	$1,443	$1,442	53.3%	-0.1%
	Vacancy	0.8%	2.4%	4.5%	4.1%		
Redmond	Avg Rent	$589	$1,010	$1,207	$1,287	19.5%	6.6%
	Vacancy	5.2%	4.1%	4.4%	4.2%		
Woodinville-TL	Avg Rent	$546	$866	$1,040	$1,128	20.1%	8.5%
	Vacancy	5.1%	4.5%	3.8%	4.7%		
EKC cities	***Avg Rent***			***$1,192***	***$1,288***		***8.1%***
	Vacancy			***4.1%***	***3.7%***		
King County	Avg Rent	$501	$792	$1,033	$1,098	30.4%	6.3%
	Vacancy	4.4%	3.7%	4.9%	4.1%		
KC Median Income		$41,500	$65,800	$85,600		30.1%	2.8%

Sources: Central Puget Sound Real Estate Research Report (2007), Dupre+Scott (2010-2012)

Attachment 4g

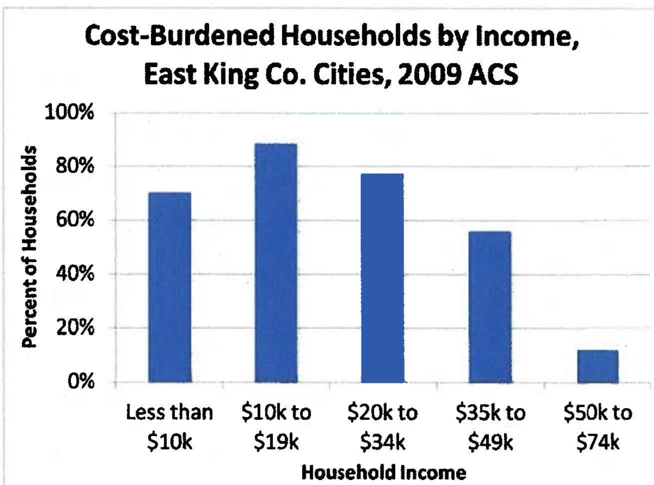
Exhibit H-1: Cost-Burdened* Households, East King County

	Renter households			Owner households			Renters & Owners Combined		
	1990	2000	2009 ACS	1990	2000	2009 ACS	1990	2000	2009 ACS
Beaux Arts	0%	0%	54%	14%	23%	32%	13%	23%	35%
Bellevue	41%	39%	38%	18%	25%	30%	28%	31%	33%
Bothell	36%	36%	47%	21%	27%	31%	27%	30%	37%
Clyde Hill	47%	44%	47%	18%	23%	26%	20%	24%	28%
Hunts Point	0%	48%	9%	32%	21%	38%	28%	25%	34%
Issaquah	40%	39%	40%	19%	25%	36%	31%	32%	37%
Kenmore	29%	36%	43%	23%	25%	30%	25%	29%	33%
Kirkland	35%	33%	36%	20%	26%	37%	27%	30%	37%
Medina	34%	26%	30%	21%	27%	35%	22%	27%	34%
Mercer Island	36%	35%	42%	18%	27%	26%	22%	29%	30%
Newcastle	n/a	32%	41%	n/a	26%	33%	n/a	27%	35%
Redmond	34%	35%	30%	18%	24%	30%	25%	29%	30%
Sammamish	n/a	36%	40%	n/a	27%	30%	n/a	28%	31%
Woodinville	37%	46%	50%	27%	28%	34%	29%	33%	40%
Yarrow Point	24%	50%	18%	22%	30%	34%	22%	31%	33%
EKC Cities	**37%**	**36%**	**38%**	**20%**	**26%**	**31%**	**27%**	**30%**	**34%**
Seattle	41%	40%	44%	17%	27%	36%	30%	34%	40%
King County	38%	38%	44%	18%	27%	35%	27%	32%	39%
Washington	37%	39%	46%	16%	26%	33%	25%	31%	37%

"Housing cost-burdened" means a household spending more than 30 percent of its income on housing costs.

Source: U.S. Census Bureau (1992, 2002, 2010).

Exhibit H-2:



Source: U.S. Census Bureau (2010)