

# COUNCIL AGENDA SYNOPSIS



-----Initials-----				<i>ITEM No.</i>
Meeting Date	Prepared by	Mayor's review	Council review	<b>5 &amp; 6.A.</b>
<b>7/24/23</b>	<b>DCS</b>			
<b>8/14/23</b>	<b>DCS</b>			

## ITEM INFORMATION

	STAFF SPONSOR: <b>DEREK SPECK</b>	ORIGINAL AGENDA DATE: <b>7/24/23</b>
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AGENDA ITEM TITLE      **Multi-family Property Tax Exemption Resolution of Intent**

CATEGORY	<input checked="" type="checkbox"/> <i>Discussion</i> <small>Mtg Date 7/24/23</small>	<input type="checkbox"/> <i>Motion</i> <small>Mtg Date</small>	<input checked="" type="checkbox"/> <i>Resolution</i> <small>Mtg Date 7/24/23</small>	<input checked="" type="checkbox"/> <i>Ordinance</i> <small>Mtg Date 8/21/23</small>	<input type="checkbox"/> <i>Bid Award</i> <small>Mtg Date</small>	<input checked="" type="checkbox"/> <i>Public Hearing</i> <small>Mtg Date 8/14/23</small>	<input type="checkbox"/> <i>Other</i> <small>Mtg Date</small>
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SPONSOR	<input checked="" type="checkbox"/> <i>Council</i>	<input type="checkbox"/> <i>Mayor</i>	<input type="checkbox"/> <i>Admin Svcs</i>	<input type="checkbox"/> <i>DCD</i>	<input type="checkbox"/> <i>Finance</i>	<input type="checkbox"/> <i>Fire</i>	<input type="checkbox"/> <i>PC&amp;R</i>	<input type="checkbox"/> <i>Police</i>	<input type="checkbox"/> <i>PW</i>
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SPONSOR'S SUMMARY      **The Council is being asked to hold a public hearing and consider an ordinance designating the Southcenter area as a residential targeted area and amending the multi-family property tax exemption program.**

REVIEWED BY	<input type="checkbox"/> Trans&Infrastructure Svcs	<input type="checkbox"/> Community Svcs/Safety	<input type="checkbox"/> Finance & Governance	<input checked="" type="checkbox"/> Planning & Community Dev.
	<input type="checkbox"/> LTAC	<input type="checkbox"/> Arts Comm.	<input type="checkbox"/> Parks Comm.	<input type="checkbox"/> Planning Comm.
DATE:	<b>7/17/23</b>		COMMITTEE CHAIR: <b>HOUGARDY</b>	

**RECOMMENDATIONS:**  
 SPONSOR/ADMIN. **Mayor's Office/Economic Development Division**  
 COMMITTEE **Unanimous Approval; Forward to Committee of the Whole**

### COST IMPACT / FUND SOURCE

EXPENDITURE REQUIRED	AMOUNT BUDGETED	APPROPRIATION REQUIRED
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Fund Source:  
 Comments:

MTG. DATE	RECORD OF COUNCIL ACTION
<b>7/24/23</b>	<b>Approved a Resolution of Intent</b>
<b>8/14/23</b>	
<b>8/21/23</b>	

MTG. DATE	ATTACHMENTS
<b>7/24/23</b>	<b>Informational Memorandum dated 7/11/23</b>
	<b>Resolution with Exhibit A - Southcenter Residential Targeted Area map</b>
	<b>Minutes from the 7/17 PCD Committee meeting</b>
<b>8/14/23</b>	<b>Informational Memorandum dated 8/8/23</b>
	<b>Draft Ordinance with Exhibit A - Southcenter Residential Targeted Area map</b>
<b>8/21/23</b>	





## **INFORMATIONAL MEMORANDUM**

TO: **City Council**

FROM: **Derek Speck, Economic Development Administrator**  
**Brandon Miles, Business Relations Manager**

CC: **Mayor Ekberg**

DATE: **August 8, 2023**

SUBJECT: **Multi-Family Property Tax Exemption (MFTE)**

### **ISSUE**

This item is intended to enable the Council to adopt an ordinance to designate the Southcenter area as a residential targeted area and make other revisions to the multi-family property tax exemption program.

### **BACKGROUND**

In 2014 the City adopted a multi-family property tax exemption (MFTE) program and designated a portion of the Tukwila Urban Center's Transit Oriented Development district as the eligible area (a "residential targeted area"). In 2017 and 2021 the City amended the program to extend the application period and add additional criteria. The application period expired on December 31, 2022. No applications are currently pending.

On February 6, 2023 the Planning and Community Development Committee (PCD) reviewed the Economic Development Division's 2023 workplan and requested to expedite discussion on the City's efforts related to the MFTE program.

In response to PCD's request, at the PCD meeting on April 17 staff provided a report that described the State's requirements for cities to enact MFTE programs and included a discussion of potential costs, benefits, considerations, and criteria of such a program. The Committee asked staff to develop amendments to the Tukwila Municipal Code (TMC) to implement the MFTE for Tukwila South, and to consider including other portions of the Tukwila Urban Center, in the simplest way possible to reduce the amount of staff time needed for the amendments. On July 17 staff provided an overview to PCD of the revisions and process if the Council would like to adopt the revisions. On July 24 the Council adopted a resolution of intent and scheduled a public hearing for August 14.

### **DISCUSSION**

If the Council would like to include Tukwila South in the MFTE program, staff has attached a draft ordinance with the necessary revisions shown in track changes. Those revisions are:

- (1) **Residential Targeted Area:** The current residential targeted area would need to be amended to include the area covered by the Tukwila South Overlay zone and staff would recommend also including all of the area covered by the Tukwila Urban Center (TUC) zone. Staff believes including the remainder of the TUC is important because State law requires the residential targeted area to be within an "urban center," as determined by the governing authority (City Council). RCW 84.14.010 defines an urban center as "a

compact, identifiable district where urban residents may obtain a variety of products and services. An urban center must contain:

- a. Several existing or previous, or both, business establishments that may include but are not limited to shops, offices, banks, restaurants, governmental agencies;
- b. Adequate public facilities including streets, sidewalks, lighting, transit, domestic water, and sanitary sewer systems; and
- c. A mixture of uses and activities that may include housing, recreation, and cultural activities in association with either commercial or office, or both, use.”

Including the entire TUC in the residential targeted area increases Tukwila’s South’s ability to qualify as an urban center.

- (2) **Application Period:** Staff recommends extending the application period to December 31, 2028.
- (3) **Limit on Number of Eligible Units:** Because a property tax exemption would, for eight or twelve years, either shift property taxes to other taxpayers or would attract development without increasing tax revenues, the City may want to be limit the number of units that would qualify. Previously, the City’s way to manage that risk was to set a time limit on the application period, effectively a sunset clause. Staff recommends continuing the sunset clause but adding an additional protection of a specific limit (or cap) on the number of eligible units at 800.
- (4) **Building Permit Application Deadline:** Our process to apply for the MFTE is fairly easy and relatively low cost to the developers. Because of that, if we limit the number of units that qualify for the exemption, we could receive applications from developers who don’t have viable projects which would block other qualified developers from applying. To address this, we recommend requiring applicants to submit a complete building permit application within 18 months of receiving their “Conditional Certificate of Acceptance of Tax Exemption”.
- (5) **Housekeeping:** The State law has changed from when Tukwila first adopted the MFTE and this would be an appropriate time to revise our TMC to match current state law.
- (6) **Tracking Procedure:** At the July 17 PCD meeting, the Committee requested staff include a procedure for tracking applications and notifying the Council before the number of housing units in the applications exceeds the limit.

### **FINANCIAL IMPACT**

No budget adjustments are necessary for this item. There is insufficient information to estimate a financial impact.

### **RECOMMENDATION**

The Council is being asked to consider the ordinance establishing the Southcenter MFTE area at the August 14, 2023 Committee of the Whole and the August 21, 2023 Regular Meeting.

### **ATTACHMENTS**

Draft Ordinance with Exhibit A – Southcenter Residential Targeted Area

# DRAFT

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, AMENDING ORDINANCE NO. 2462, AS CODIFIED IN VARIOUS SECTIONS OF TUKWILA MUNICIPAL CODE (TMC) CHAPTER 3.90, AND ORDINANCE NOS. 2538 §1 AND 2665 §2, AS CODIFIED IN TMC SECTION 3.90.060; ESTABLISHING TMC SECTION 3.90.120; TO EXPAND THE RESIDENTIAL TARGETED AREA, AMEND ELIGIBILITY CRITERIA, AND ALLOW A NEW APPLICATION PERIOD FOR MULTI-FAMILY RESIDENTIAL PROPERTY TAX EXEMPTIONS; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, chapter 84.14 RCW authorizes cities to provide for exemptions from ad valorem property taxation on qualified multi-family housing developments located in designated residential targeted areas in order to encourage more desirable and convenient residential units in urban centers; and

**WHEREAS**, the King County Countywide Planning Policies (KCCPP), developed pursuant to the Washington State Growth Management Act, have established standards for cities to plan for their share of regional growth and affordable housing; and

**WHEREAS**, in order to establish a multi-family property tax exemption program, the City must designate one or more residential targeted areas within which qualified projects may apply for tax exemption; and

**WHEREAS**, the Southcenter area includes the Tukwila South Overlay zone, which has capacity for new development, and the Tukwila Urban Center zone, which is one of the region's designated urban growth centers and has access to high capacity transit; and

**WHEREAS**, the City intends to assist in achieving its residential growth targets and goals in the City's Housing and Urban Center Element of the City's Comprehensive Plan by encouraging new multi-family housing in the Southcenter area; and

**WHEREAS**, the Southcenter area currently lacks sufficient available, desirable, and convenient residential housing available to all ages, including affordable housing, to meet the needs of the public who would be likely to live and work in the area, if affordable, desirable, attractive, and livable places were available; and

**WHEREAS**, thousands of people who work in the Southcenter area are unable to live near their jobs due to a lack of quality workforce housing and, as a result, these individuals commute to and from work, resulting in additional vehicles on regional roadways and adding more greenhouse gas emissions to the atmosphere; and

**WHEREAS**, the tax incentive provided by chapter 84.14 RCW encourages increased residential opportunities, including affordable housing opportunities, and will stimulate the construction of new multi-family housing within the residential targeted area and will benefit and promote public health, safety, and welfare by encouraging residential development and redevelopment of that area of the City; and

**WHEREAS**, a limited multi-family property tax exemption program in the Southcenter area may assist in allowing workers to live closer to their jobs; and

**WHEREAS**, the City's multi-family property tax incentive regulations were adopted by the Tukwila City Council in Ordinance No. 2462 on December 1, 2014, and amended by the City Council on May 15, 2017 by Ordinance No. 2538 and on December 6, 2021 by Ordinance No. 2665; and

**WHEREAS**, the City Council passed Resolution No. 2075 on July 24, 2023, stating its intent to expand the boundaries of the residential targeted area within the Tukwila Urban Center zone to include all of the Tukwila Urban Center zone and designate the Tukwila Urban Center zone and the Tukwila South Overlay zone as the "Southcenter residential targeted area," for the purposes of establishing a multi-family property tax exemption program per chapter 84.14 RCW; and

**WHEREAS**, on August 14, 2023, the Tukwila City Council, after giving public notice consistent with RCW 84.14.040, held a public hearing to consider adoption of the proposed ordinance;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY ORDAINS AS FOLLOWS:**

**Section 1. Designation of Residential Targeted Area.** The City Council hereby designates the boundaries of the Tukwila Urban Center zone and the Tukwila South Overlay zone, as shown on maps attached hereto and incorporated herein by reference as Exhibit A and as further specified in Tukwila Municipal Code (TMC) Section 3.90.030, as the Southcenter residential targeted area.

**Section 2. TMC Section 3.90.010 Amended.** Ordinance No. 2462 §3, as codified at Tukwila Municipal Code (TMC) Section 3.90.010, "Purpose," is hereby amended to read as follows:

### 3.90.010 Purpose

The purposes of this chapter are:

1. To encourage increased residential opportunities, including affordable housing opportunities, and to stimulate the construction of new multi-family housing within ~~a portion of the Tukwila Urban Center's Transit Oriented Development district~~ the Southcenter area.
2. To accomplish the planning goals required under the Washington State Growth Management Act, ~~Chapter~~ chapter 36.70A RCW, and the King County Countywide Planning Policies as implemented by the City's Comprehensive Plan.

**Section 3. TMC Section 3.90.020 Amended.** Ordinance No. 2462 §4, as codified at Tukwila Municipal Code (TMC) Section 3.90.020, "Definitions," is hereby amended to read as follows:

### 3.90.020 Definitions

As used in this chapter, unless the context or subject matter clearly requires otherwise, the words or phrases defined in this section shall have the indicated meanings:

A. "Administrator" shall mean the Economic Development Administrator of the City of Tukwila or his/her designee.

B. "Affordable housing" means residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed 30 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.

~~C. "High-cost area" means a county where the third quarter median house price for the previous year as reported by the Washington Center for Real Estate Research at Washington State University is equal to or greater than 130 percent of the statewide median house price published during the same time period.~~

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

~~E.~~ E. "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is at or below 80 percent of the median family income, adjusted for family size, for the county where the project is located, as reported by the United States Department of Housing and Urban Development. ~~For cities located in high-cost areas, "low-income household" means a household that has an income at or below 100 percent of the median family income adjusted for family size, for the county where the project is located.~~

~~F.~~ F. "Moderate-income household" means a single person, family, or unrelated persons living together whose adjusted income is more than 80 percent but is at or below 115 percent of the median family income, adjusted for family size, for the county where the project is located, as reported by the United States Department of Housing and Urban Development. ~~For cities located in high-cost areas, "moderate-income household" means~~

~~a household that has an income that is more than 100 percent, but at or below 150 percent, of the median family income adjusted for family size, for the county where the project is located.~~

~~GF.~~ "Multi-family housing" means a building having four or more dwelling units not designed or used as transient accommodations and not including hotels and motels. Multi-family units may result from new construction or rehabilitation or conversion of vacant, underutilized, or substandard buildings to multi-family housing.

~~HG.~~ "Owner" means the property owner of record.

~~IH.~~ "Owner occupied" means a residential unit that is rented for fewer than 30 days per calendar year.

~~JJ.~~ "Permanent residential occupancy" means multi-family housing that is either owner occupied or rented for periods of at least one month.

~~KJ.~~ "Residential targeted area" means the area within the boundary as designated by TMC Section 3.90.030.

~~LK.~~ "Urban Center" means a compact, identifiable district where urban residents may obtain a variety of products and services. An urban center must contain:

1. Several existing or previous, or both, business establishments that may include but are not limited to shops, offices, banks, restaurants, governmental agencies;
2. Adequate public facilities including streets, sidewalks, lighting, transit, domestic water, and sanitary sewer systems; and
3. A mixture of uses and activities that may include housing, recreation, and cultural activities in association with either commercial or office or both uses.

**Section 4. TMC Section 3.90.030 Amended.** Ordinance No. 2462 §5, as codified at Tukwila Municipal Code (TMC) Section 3.90.030, "Residential Targeted Area – Criteria – Designation – Recession," is hereby amended to read as follows:

### **3.90.030 Residential Targeted Area — Criteria — Designation — Recession**

A. The ~~boundary~~boundaries of the residential targeted area ~~are~~is that portion of the Tukwila Urban Center zone ~~and the Tukwila South Overlay zone,~~'s Transit Oriented Development district that lies west of the Green River as shown in ~~Figure A~~Figure 3-1.

B. If a part of any legal lot is within the residential targeted area, then the entire lot shall be deemed to lie within such residential targeted area.

**Section 5. TMC Section 3.90.060 Amended.** Ordinance Nos. 2462 §8, 2538 §1, and 2665 §2, as codified at TMC Section 3.90.060, "Application Procedure – Fee," are hereby amended to read as follows:

### **3.90.060 Application Procedure—Fee**

A. The owner of property applying for exemption under this chapter shall submit an application to the Administrator, on a form established by the Administrator. The owner



shall verify the contents of the application by oath or affirmation. The application shall contain the following information:

1. A brief written description of the project, including phasing if applicable, that states which units are proposed for the exemption and whether the request is for 8 or 12 years.
2. Preliminary schematic site and floor plans of the multi-family units and the structure(s) in which they are proposed to be located.
3. A table of all units in the project listing unit number, square footage, unit type (studio, one bedroom, etc.), and indicating those proposed for the exemption.
4. If applicable, information describing how the applicant will comply with the affordability requirements in TMC Sections 3.90.040 and 3.90.050.
5. A statement from the owner acknowledging the potential tax liability when the property ceases to be eligible for exemption under this chapter.
6. Any other information deemed necessary or useful by the Administrator.

B. At the time of application under this section, the applicant shall pay to the City an initial application fee of ~~\$1,000~~ 500 or as otherwise established by ordinance or resolution. If the application is denied, the City may retain that portion of the application fee attributable to its own administrative costs and refund the balance to the applicant.

C. The complete application shall be submitted any time before, but no later than, the date the certificate of occupancy is issued under Title 16 of the Tukwila Municipal Code.

D. ~~After December 31, 2022, the~~ The City will no longer accept applications after December 31, 2028, or if the total number of proposed units in pending and approved applications exceeds 800.

**Section 6. TMC Section 3.90.070 Amended.** Ordinance No. 2462 §9, as codified at TMC Section 3.90.070, "Application Review – Issuance of Conditional Certificate – Denial – Appeal," **subparagraph A**, is hereby amended to read as follows:

**3.90.070 Application Review — Issuance of Conditional Certificate — Denial — Appeal**

A. The Administrator shall approve or deny an application under this chapter within 90 days of receipt of the complete application. The Administrator shall use the criteria listed in TMC Chapter 3.90 and Chapter 84.14 RCW to review the proposed application. If the application is approved, the owner shall enter into a contract with the City regarding the terms and conditions of the project and eligibility for exemption under this Chapter. The Mayor shall be the authorized signatory to enter into the contract on behalf of the City. Following execution of the contract, the Administrator shall issue a conditional certificate of acceptance of tax exemption. The certificate must contain a statement by the Administrator that the property has complied with the required finding indicated in RCW 84.14.060. The conditional certificate shall expire 18 months from the date of

approval if the applicant has not submitted a complete building permit application (as determined by the City) and shall expire 3 years from the date of approval unless an extension is granted as provided in this chapter.

**Section 7. Regulations Established.** TMC Section 3.90.120 is hereby established to read as follows:

**3.90.120 Reporting**

The Administrator shall maintain a list of all applications and shall notify the City Council if the number of proposed housing units in all pending and approved applications exceeds the limit established in TMC Section 3.90.060.D.

**Section 8. Corrections by City Clerk or Code Reviser Authorized.** Upon approval of the City Attorney, the City Clerk and the code reviser are authorized to make necessary corrections to this ordinance, including the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering.

**Section 9. Severability.** If any section, subsection, paragraph, sentence, clause or phrase of this ordinance or its application to any person or situation should be held to be invalid or unconstitutional for any reason by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of the remaining portions of this ordinance or its application to any other person or situation.

**Section 10. Effective Date.** This ordinance or a summary thereof shall be published in the official newspaper of the City and shall take effect and be in full force five days after passage and publication as provided by law.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, at a Regular Meeting thereof this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

ATTEST/AUTHENTICATED:

\_\_\_\_\_  
Christy O'Flaherty, MMC, City Clerk

\_\_\_\_\_  
Allan Ekberg, Mayor

APPROVED AS TO FORM BY:

Filed with the City Clerk: \_\_\_\_\_

Passed by the City Council: \_\_\_\_\_

Published: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Ordinance Number: \_\_\_\_\_

\_\_\_\_\_  
Office of the City Attorney

Exhibit A: Figure 3-1, "City of Tukwila multi-family property tax exemption residential targeted area – Southcenter Residential Targeted Area."

# Southcenter Residential Targeted Area

