



**BUSINESS OF THE CITY COUNCIL
CITY OF SNOQUALMIE**

**AB23-023
September 25, 2023
Ordinance**

AGENDA BILL INFORMATION

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

REVIEW:	Department Director	Emily Arteche	10/9/2023
	Finance	n/a	Click or tap to enter a date.
	Legal	David Linehan	9/20/2023
	City Administrator	Mike Chambless	9/20/2023

DEPARTMENT:	Community Development		
STAFF:			
COMMITTEE:	Community Development	COMMITTEE DATE: August 21, 2023	
EXHIBITS:	1. Ordinance with Amendments to SMC 3.10		

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

SUMMARY

INTRODUCTION

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

Both 8-year and 12-year exemptions are recommended in the draft amendments. A 20-year exemption is also available under two different scenarios under state law. The City does not qualify for the 20-year exemption that is available for multi-family rental units where 1) the targeted residential area is within one mile of high-capacity transit, and 2) mandatory inclusionary zoning has been implemented that ensures that at least 2 percent of the MFTE housing units are affordable for low-income

households for a period of at least 99 years. However, a second type of 20-year exemption is available for multi-family housing developments where at least 25 percent of the units will be built by or sold to a qualified nonprofit or local government agency that will assure permanent affordable home ownership to households earning no more than 80 percent AMI for a period of at least 99 years, with the property subject to a variety of owner resale restrictions and covenants on title. The City could add this 20-year exemption to Chapter 3.10 if the Council wishes to provide this option for qualified government agencies or nonprofits to build or acquire multi-family units for ownership by households under the 80% of AMI threshold, with permanent affordability conditions.

LEGISLATIVE HISTORY

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

BACKGROUND

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

ANALYSIS

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

Under the new state law, a twelve-year extension of the MFTE designation is available under certain conditions. At the end of both the tenth and eleventh years of an extension, applicants must provide tenants of rent-restricted units with notification of intent to provide the tenant with rental relocation assistance at the expiration of the affordability restrictions. During the last month before expiration of the affordability restriction, the statute requires the landlord to pay one month’s rent for relocation assistance to the rent-restricted tenant. The statute does allow cities to impose additional requirements or greater restrictions on MFTE housing units, such as by lowering the income thresholds even more, or increasing the percentage of units that must be affordable to tenants in the designated income brackets. The timing of the relocation assistance payment, however, is specifically established by statute as due during the final month of the rent-restricted lease.

BUDGET IMPACTS

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

NEXT STEPS

Recommend adoption at the October 9, 2023, council meeting.

PROPOSED ACTION

Recommend adoption at the October 9, 2023, council meeting.