

## **CITY COUNCIL ITEM 90.4-C**

### **CITY OF LYNNWOOD Economic Development**

**TITLE: Ordinance: Amend the Multi-Unit Residential Property Tax Exemption Program for City Center**

**DEPARTMENT CONTACT: David Kleitsch**

#### **SUMMARY:**

On May 29, 2007, the City Council adopted Ordinance 2681 pursuant to RCW 84.14, establishing the Multi-Unit Residential Property Tax Exemption Program for the City Center. The program was authorized for an initial period of five years, expiring on December 31, 2012. At such time the program could be reauthorized by Council or allowed to sunset.

Due to the decline in economic and real estate conditions beginning in 2008, no projects have been submitted for an exemption pursuant to this ordinance. With improving market conditions, but increased difficulty for development funding, the program provides an incentive to implement the City Center Plan goals. Various communities throughout Washington state have adopted this exemption to encourage development.

The proposed amendments to the ordinance remove the program expiration date; and increase program flexibility by changing project eligibility requirements to remove the provision that 50% of the units must be provided for ownership occupancy.

#### **POLICY QUESTION(S) FOR COUNCIL CONSIDERATION:**

Should the City continue to promote housing and affordable housing in the City Center residential target area with the state authorized property tax exemption; and should the city increase program flexibility by changing project eligibility requirements to remove the provision that 50% of the units must be provided for ownership occupancy?

#### **ACTION:**

Adopt the ordinance amending Ordinance No. 2681 to remove the December 31, 2012 expiration date of the City Center Multi-Unit Residential Property Tax Exemption Program; and change project eligibility requirements to remove the provision that 50% of the units must be provided for ownership occupancy.

#### **BACKGROUND:**

The Multi-Unit Residential Property Tax Exemption Program is intended as an incentive to achieve the policy goals and objectives of the City Center Plan and accommodate growth in the urban core. The state of Washington established this exemption pursuant to Chapter 84.14 RCW as an incentive for multi-unit residential development in designated urban centers. The purpose of this program is to help implement the City Center Plan through private investment, new housing, mixed-use development, and affordable housing.

The attached documents pertain to this action:

1. Proposed Amendments to Ordinance 2681
2. Original 2681, May 29, 2007
3. Program Summary, 2007
4. City Center Residential Target Area Boundary

### **PREVIOUS COUNCIL ACTIONS:**

March 26, 2007, the City Council adopted Resolution No. 2007-09 stating intent to designate a targeted area for the Multi-unit housing tax exemption program and scheduling a public hearing for May 14, 2007.

May 14, 2007, the City Council conducted a public hearing on the proposed ordinance and target area.

May 29, 2007, Council adopted Ordinance 2681 establishing exemption from real property taxation for the development of multiple unit housing in the City Center (designated residential target area)

### **FUNDING:**

The Multi-Unit Residential Property Tax Exemption Program provides a property tax exemption for eligible residential development within designated urban centers. Financial implications of this incentive are included in the program summary.

The program was initially adopted for a period of five years expiring in 2012, after which the program could be reauthorized by Council or allowed to sunset. The program has been available, but not utilized to date due to difficult economic and real estate conditions following the recession beginning in 2008.

### **ADMINISTRATION RECOMMENDATION:**

Adopt the ordinance amending Ordinance No. 2681 to remove the December 31, 2012 expiration date of the City Center Multi-Unit Residential Property Tax Exemption Program; and change project eligibility requirements to remove the provision that 50% of the units must be provided for ownership occupancy.

### **DOCUMENT ATTACHMENTS**

#### **Description:**

- [Proposed Amendments to Ordinance 2681](#)
- [Original Ordinance \(May 29, 2007\)](#)
- [Program Summary \(from 2007 original Council adoption\)](#)
- [City Center Residential Target Area boundary](#)

#### **Type:**

- Ordinance
- Backup Material
- Backup Material
- Backup Material

1 **DRAFT**

2  
3 **CITY OF LYNNWOOD**

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5 **ORDINANCE NO. \_\_\_\_\_**

6 AN ORDINANCE OF THE CITY OF LYNNWOOD,  
7 WASHINGTON, AMENDING LMC SECTION 3.82.150  
8 DELETING THE TERMINATION DATE OF THE MULTIPLE-  
9 UNIT HOUSING PROPERTY TAX EXEMPTION PROGRAM,  
10 AMENDING THE PROGRAM ELIGIBILITY  
11 REQUIREMENTS, PROVIDING FOR SEVERABILITY, AN  
12 EFFECTIVE DATE, AND SUMMARY PUBLICATION

13 WHEREAS, the City of Lynnwood is a municipal corporation organized under the laws  
14 of the State of Washington; and,

15 WHEREAS, the City Council is authorized by RCW 35A.11.020 to adopt and enforce  
16 ordinances of all kinds relating to municipal affairs and appropriate to the good government of  
17 the City; and,

18 WHEREAS, Chapter 84.14 RCW authorizes cities to provide for exemptions from  
19 property taxation for multiple-unit housing development located in designated residential target  
20 areas; and,

21 WHEREAS, the City's Comprehensive Plan establishes the Lynnwood Subregional  
22 Center; and,

23 WHEREAS, on March 14, 2005, the Lynnwood City Council passed Ordinance No. 2553  
24 as an amendment to the City of Lynnwood Comprehensive Plan, adopting the City Center Sub-  
25 Area Plan which establishes within the Lynnwood Subregional Center, a mixed-use urban center  
26 that includes multiple-unit housing development; and,

27 WHEREAS, the development of additional housing units in the Subregional Center will  
28 cause a significant increase in the number of City residents, which will in part achieve the  
29 planning goals mandated by the Growth Management Act under RCW 36.70A.020; and,

30 WHEREAS, the tax incentive provided by Chapter 84.14 RCW will stimulate the  
31 creation of new multiple-unit housing within the Subregional Center, and will benefit and  
32 promote public health, safety and welfare by encouraging residential development and  
33 redevelopment of that area of the City; and,

34 WHEREAS, the tax incentive program would promote further economic development in  
35 the Subregional Center by creating an influx of new residents who will utilize retail and personal  
36 services and stimulate urban development; and,

37 WHEREAS, on May 29, 2007 the Lynnwood City Council passed Ordinance No. 2681,  
38 effective August 1, 2007, adopting the multiple-unit housing property tax exemption, adding  
39 Chapter 3.82 to Lynnwood Municipal Code Title 3; and,

40 WHEREAS, due to difficult economic conditions since 2008 just after Ordinance No.  
41 2681 took effect, no applications have been made to utilize the multiple-unit housing property  
42 tax exemption as provided for in LMC Chapter 3.82; and,  
43

44 WHEREAS, due to difficult economic conditions, amending the project eligibility  
45 requirements will provide greater flexibility regarding the provision of ownership and rental  
46 housing; and,  
47

48 WHEREAS, LMC Section 3.82.150 provides a termination date for the tax exemption  
49 program of December 31, 2012; and,  
50

51 WHEREAS, based on these findings, it is appropriate to amend the City of Lynnwood LMC  
52 Section 3.82.150, now therefore,  
53

54 THE CITY COUNCIL OF THE CITY OF LYNNWOOD, WASHINGTON, DO  
55 ORDAIN AS FOLLOWS:

56 **Section 1.** LMC Section 3.82.150 Termination of tax exemption program is deleted in  
57 entirety.  
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59 **Section 2.** LMC Section 3.82.060. D. Project Eligibility. 4. is amended as follows:  
60

61 *“4. Permanent Residential Housing. The proposed multiple-unit housing units must be*  
62 *constructed to standards established for condominium construction or better and must be*  
63 *provided for permanent residential occupancy, as defined in LMC 3.82.030(E). Such housing*  
64 *shall be of high quality and finish materials appropriate to the design standards in the city center*  
65 *plan. Only that portion of the space designated for multiple-unit housing shall be eligible for the*  
66 *exemption provided for herein.”*  
67

68 **Section 3.** If any section, sentence, clause or phrase of this ordinance should be held to  
69 be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or  
70 unconstitutionality shall not affect the validity or constitutionality of any other section, sentence,  
71 clause or phrase of this ordinance.  
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73 **Section 4.** This ordinance or a summary thereof consisting of the title shall be published  
74 in the official newspaper of the City, and shall take effect and be in full force five (5) days after  
75 publication.

76 PASSED BY THE CITY COUNCIL, the \_\_\_<sup>rd</sup> day of August, 2012 and approved by the  
77 Mayor this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

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79 APPROVED:

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83 Don Gough  
84 Mayor

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92 ATTEST/AUTHENTICATED:

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96 \_\_\_\_\_  
97 Lorenzo Hines  
98 Finance Director

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100  
101 APPROVED AS TO FORM:

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104 \_\_\_\_\_  
105 Rosemary Larson  
106 City Attorney

107  
108 FILED WITH ADMINISTRATIVE SERVICES: \_\_\_\_\_  
109 PASSED BY THE CITY COUNCIL: \_\_\_\_\_  
110 PUBLISHED: \_\_\_\_\_  
111 EFFECTIVE DATE: \_\_\_\_\_  
112 ORDINANCE NUMBER: \_\_\_\_\_

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