



The City of Kenmore

6700 NE 181ST STREET PO Box 82607
KENMORE, WASHINGTON 98028

MULTI-FAMILY HOUSING PROPERTY TAX ABATEMENT FACT SHEET

BACKGROUND: The multi-family property tax abatement is being considered by Council at the request of Kenmore Partners, the Kenmore by the Lake developer. The multi-family property tax abatement is an economic development tool made available to local governments by the State to serve as an incentive for multi-family mixed use development, including affordable housing, in urbanized areas. House Bill 1910 adopted by the Legislature during its 2007 session expanded the use of this economic development tool to cities with a population of 15,000 or greater (or cities of 5000 or greater in Counties that plan under the Growth Management Act. Prior to this 2007 action, this economic development tool was available only to those cities of 30,000 or more population.

WHAT IT DOES: The new legislation provides that cities may abate property taxes on the multi-family improvements for a period of eight years (8) if there is no affordable housing component of 20% or more of the units, or for 12 years if there are 20% or more of the units meeting the definition of affordable. The property tax abatement does not extend to the land nor to the retail component of the mixed use development. Once the abatement period has expired, the residential portion of the assessed value will be placed on the tax roll.

KENMORE VILLAGE BY THE LAKE: The developer's conceptual design includes between 77,000 and 102,000 square feet of retail space and between 400 to 500 units of multi-family housing. The developer has requested Council grant a property tax abatement to the multi-family portion of the proposed development. The developer has consistently requested this be part of the terms of development even though the City did not meet the population requirement until the Legislature changed the law this past session. During spring of the Council's year-long negotiations with the developer on the Development Disposition Agreement (DDA), the developer requested that the DDA include a provision that the Council would consider the multi-family property tax abatement request and make a decision by December 31, 2007. The Council approved the DDA at its July 9, 2007 meeting. The November 19th public hearing is required to be held to seek public input on this matter. A decision is expected to be reached at the December 10th Council meeting.

PROS/CONS: The benefits accrue to the community, the customer and the developer. The community gets a mixed-use development which includes a retail component. The community also gets another source of affordable housing. The customer gets the opportunity to purchase a dwelling unit, or rent a dwelling unit, without an improvement property tax component. Land and the retail improvements continue to be taxed. And the customer pays all other taxes, e. g., sales tax, utility tax, impact fees, real estate excise tax, etc. The developer gains a competitive marketing edge for units that have no property tax liability on the improvement for a period of eight or 12 years. A downside is the potential shift of the property tax burden to other properties in the city and to other property tax payers in other taxing districts. The potential shift is dependent upon the timing of the abatement.

DOLLARS: If Council grants the request, the estimated cost to other tax payers ranges from \$0 to approximately \$34 per year, again dependent upon the timing of the abatement and when the assessor increases the tax rolls by the improvement value. The City's financial analysis indicates that the net cost to the City over 12 years on 300 units (100 units are affordable and therefore are not included) will be \$800,000 in property tax with a net present value return of between \$8.6M and \$10.9M. The citizens of Kenmore will realize a net gain of between \$7.8M and \$10.1M during that 12 year period.