



Legislation Details (With Text)

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Title:	AN ORDINANCE relating to taxes; creating a new sales and use tax deferral for the conversion of underutilized commercial property to housing; and adding a new Chapter 5.75 to the Seattle Municipal Code.				
Sponsors:	Mark Solomon, Sara Nelson				
Indexes:					
Attachments:	1. Summary and Fiscal Note, 2. Director's Report, 3. Public Hearing Notice, 4. Central Staff Memo				

Date	Ver.	Action By	Action	Result
2/14/2025	1	City Clerk	attested by City Clerk	
2/14/2025	1	Mayor	returned	
2/14/2025	1	Mayor	Signed	
2/14/2025	1	City Clerk	submitted for Mayor's signature	
2/11/2025	1	City Council	passed	Pass
1/28/2025	1	City Council	referred	
1/24/2025	1	Council President's Office	sent for review	
12/26/2024	1	City Clerk	sent for review	
12/26/2024	1	Mayor	Mayor's leg transmitted to Council	

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to taxes; creating a new sales and use tax deferral for the conversion of underutilized commercial property to housing; and adding a new Chapter 5.75 to the Seattle Municipal Code.

WHEREAS, during the 2024 Washington State legislative session, the legislature passed and Governor Inslee signed Engrossed Second Substitute Senate Bill 6175 (E2SSB 6175), codified in chapter 82.59 RCW, which authorizes The City of Seattle to take legislative action to establish a sales and use tax deferral program to promote the redevelopment of underutilized commercial property in urban areas; and

WHEREAS, E2SSB 6175 promotes the redevelopment of underutilized commercial property into housing and affordable housing by allowing deferral of sales and use tax for would-be developers of such housing; and

WHEREAS, there are significant areas of underutilized commercial properties in Seattle’s urban centers, especially in downtown; and

WHEREAS, there is a lack of affordable housing in Seattle, including within or proximate to areas with underutilized commercial properties, as documented in the housing cost burden section of the housing appendix to the One Seattle Plan Comprehensive Plan; and

WHEREAS, The City of Seattle desires to create a program pursuant to E2SSB 6175 to encourage the redevelopment of underutilized commercial property into additional housing and affordable housing to help meet strong demand for housing in the region and for economic development and downtown activation purposes; and

WHEREAS, in June 2023, Mayor Bruce Harrell released a Downtown Activation Plan that identified numerous strategies and actions to support downtown recovery, including actions that increase residential uses in downtown; and

WHEREAS, additional housing in downtown Seattle and other locations where underutilized commercial space may be converted to housing would further City objectives for economic development, revitalization and activation; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. A new Chapter 5.75 of the Seattle Municipal Code is added to Subtitle II of Title 5 as follows:

Chapter 5.75 SALES AND USE TAX DEFERRAL FOR CONVERSION TO HOUSING

5.75.010 Definitions

The definitions in this Section 5.75.010 apply throughout this Chapter 5.75.

“Affordable housing” means:

1. Homeownership housing intended for owner occupancy to low-income households whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income; or

2. Rental housing for low-income households whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income.

“Applicant” means an owner of commercial property.

“Conditional recipient” means an owner of commercial property granted a conditional certificate of program approval under this Chapter 5.75, which includes any successor owner of the property.

“Director” means the Director of the Office of Planning and Community Development or designee.

“Eligible investment project” means an investment project that is located in Seattle and receiving a conditional certificate of program approval.

“Investment project” means an investment in multifamily housing, including labor, services, and materials incorporated in the planning, installation, and construction of the project, and includes facilities related to the project such as playgrounds and sidewalks as well as facilities used for business use for mixed-use development.

“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, city, or metropolitan statistical area, where the project is located, as reported by the United States Department of Housing and Urban Development.

“Underutilized commercial property” means an entire property, or portion thereof, currently used or intended to be used by a business for retailing or office-related or administrative activities.

5.75.020 Application

An owner of underutilized commercial property seeking a sales and use tax deferral for conversion of a commercial building to provide housing and affordable housing under this Chapter 5.75 on an investment

project must apply to the Director in writing, on forms provided by the Office of Planning and Community Development. The application must contain:

- A. Information setting forth the grounds supporting the requested deferral;
- B. A description of the investment project and site plan;
- C. A statement of the expected number of affordable housing units to be created and the total number of dwelling units created due to the conversion of underutilized commercial property;
- D. A statement that the applicant is aware of the potential tax liability involved if the investment project ceases to be used for eligible uses under this Chapter 5.75;
- E. A statement that the applicant is aware that the investment project must be completed within three years from the date of issuance of a conditional certificate of program approval;
- F. A statement that the applicant is aware that the Director may extend the deadline for completion of construction or rehabilitation for a period not to exceed 24 consecutive months;
- G. A statement that the applicant would not have built in this location but for the availability of the tax deferral under this Chapter 5.75;
- H. Documentation of submittal of a construction or land use permit pre-application with the Seattle Department of Construction and Inspections; and
- I. An oath or affirmation by the applicant that the statements and information provided are true.

5.75.030 Approval

A. The Director may approve the application and grant a conditional certificate of program approval if the Director finds that:

1. The investment project consists primarily of multifamily residential use and the applicant commits to renting or selling at least ten percent of the dwelling units as affordable housing. In a mixed-use project, only the ground floor of a building may be used for commercial purposes with the remainder dedicated to multifamily residential use;

2. The investment project is, or will be at the time of completion, in conformance with all local plans and regulations that apply at the time of the conditional certificate of program approval;
3. The investment project will occur on land that constitutes, at the time of the conditional certificate of program approval, underutilized commercial property;
4. The area where the investment project will occur is located within an area zoned for residential or mixed uses;
5. The terms and conditions of the implementation of the development meets the requirements of this Chapter 5.75;
6. The land where the investment project will occur was not acquired through a condemnation proceeding under Title 8 RCW; and
7. All other requirements this Chapter 5.75 appear to be satisfied in the best estimation of the Director.

5.75.040 Appeals

A. The Director must approve or deny an application filed under this Chapter 5.75 within 90 days after receipt of the application.

B. If the application is approved, the Director must issue the applicant a conditional certificate of program approval. The conditional certificate of program approval shall be in a letter, and the letter must contain a statement that the investment project as described in the application will comply with the required criteria of this Chapter 5.75.

C. If the application is denied the Director must state in writing in a letter the reasons for denial and send the notice to the applicant at the applicant's last known address within ten days of the denial.

D. Upon denial of an application, an applicant may appeal the denial to the City's Hearing Examiner within 30 days after receipt of the denial. The appeal before the Hearing Examiner must be based upon the record made before the City with the burden of proof on the applicant to show that there was no substantial

evidence to support the City's decision. The decision of the Hearing Examiner on appeal is final.

5.75.050 Additional requirements, conditions, and obligations

A. Within 30 days of the issuance of a certificate of occupancy by the City for an eligible investment project, the conditional recipient must file with the Director:

1. A description of the work that has been completed and a statement that the eligible investment project qualifies the property for a sales and use tax deferral under this Chapter 5.75;

2. A statement of the new affordable housing to be offered as a result of the conversion of underutilized commercial property to multifamily residential use including identification of the specific dwelling units to be offered as affordable housing and the monthly rent charged for each, and a statement of the total number of dwelling units to be offered as a result of the conversion of underutilized commercial property to multifamily residential use; and

3. A statement that the work has been completed within three years of the issuance of the conditional certificate of program approval.

B. Within 30 days after receipt of the statements required under subsection 5.75.050.A, the Director must determine and notify the conditional recipient in a letter as to whether the work completed and the affordable housing to be offered are consistent with the application and the conditional certificate of approval, and the investment project continues to qualify for a tax deferral under this Chapter 5.75. The conditional recipient must notify the Washington State Department of Revenue within 30 days from receiving the determination from the Director that the investment project continues to qualify for a tax deferral under this Chapter 5.75.

C. The Director must notify the conditional recipient within 30 days after receipt of the statements required under subsection 5.75.050.A that a tax deferral under this Chapter 5.75 is denied if the Director determines that:

1. The work was not completed within three years of the conditional certificate of program

approval;

2. The work was not constructed consistent with the application or other applicable requirements;

3. The affordable housing units to be offered are not consistent with the application and criteria of this Chapter 5.75; or

4. The owner’s property is otherwise not qualified for a sales and use tax deferral under this Chapter 5.75.

D. If the Director finds that the work was not completed within the required time period due to circumstances beyond the control of the conditional recipient and that the conditional recipient has been acting and could reasonably be expected to act in good faith and with due diligence, the Director may extend the deadline for completion of the work for a period not to exceed 24 consecutive months, and must notify the Washington State Department of Revenue of the extension.

E. If the Director determines the conditional recipient is not entitled to a sales and use tax deferral under subsection 5.75.050.C, the conditional recipient may appeal the decision to the City’s Hearing Examiner within 30 days after receipt of the denial. The appeal before the Hearing Examiner must be based upon the record made before the City with the burden of proof on the applicant to show that there was no substantial evidence to support the City’s decision.

F. Upon denial of the sales and use tax deferral under subsection 5.75.050.C the Director shall notify the Washington State Department of Revenue, upon which taxes deferred under this Chapter 5.75 are immediately due and payable, subject to any appeal by the conditional recipient.

5.75.060 Annual report

A. Thirty days after the anniversary of the date of issuance of the certificate of occupancy and each year thereafter for ten years, the conditional recipient must file with the Director an annual report indicating the following:

1. A statement of the affordable housing offered as a result of the conversion of underutilized commercial property to multifamily residential use including identification of the specific dwelling units offered as affordable housing and the rent charged for each, and a statement of the total number of dwelling units offered as a result of the conversion of underutilized commercial property to multifamily residential use;

2. A certification by the conditional recipient that the property has not changed use; and

3. A description of changes or improvements constructed after issuance of the certificate of occupancy.

B. The conditional recipient of a deferral of taxes under this Chapter 5.75 must file a complete annual tax performance report with the Washington State Department of Revenue pursuant to RCW 82.32.534 beginning the year the certificate of occupancy is issued and each year thereafter for ten years.

C. If the City issues a certificate of program approval under this Chapter 5.75, it shall report annually by December 31 of each year, beginning in 2025, to the Washington State Department of Commerce the following information:

1. The number of program approval certificates granted;

2. The total number and type of buildings converted;

3. The number of affordable housing units resulting from the conversion of underutilized commercial property to multifamily residential use; and

4. The estimated value of the sales and use tax deferral for each investment project receiving a certificate of program approval and the total estimated value of sales and use tax deferrals granted.

5.75.070 Voluntary discontinuance

A. If a conditional recipient voluntarily opts to discontinue compliance with the requirements of this Chapter 5.75, the recipient must notify the Director and the Washington State Department of Revenue within 60 days of the change in use or intended discontinuance.

B. If, after the Washington State Department of Revenue has issued a sales and use tax deferral

certificate and the conditional recipient has received a certificate of occupancy, the City finds that a portion of an investment project is changed or will be changed to disqualify the recipient for sales and use tax deferral eligibility under this Chapter 5.75, the Office of Planning and Community Development must notify the Washington State Department of Revenue and all deferred sales and use taxes are immediately due and payable.

C. This Section 5.75.070 does not apply after ten years from the date of the certificate of occupancy.

5.75.080 Transfer of ownership

Transfer of investment project ownership does not terminate the deferral. The deferral is transferred subject to the successor meeting the eligibility requirements of this Chapter 5.75. The transferor of an eligible project must notify the Director and the Washington State Department of Revenue of such transfer, in writing and whereupon the Director will certify to the Washington State Department of Revenue whether the successor meets the requirements of the deferral. The transferor must provide the information necessary for the Washington State Department of Revenue to transfer the deferral. If the transferor fails to notify the Director and the Washington State Department of Revenue, all deferred sales and use taxes are immediately due and payable.

5.75.090 Combination with multi-family tax exemption

An owner of underutilized commercial property claiming a sales and use tax deferral under this Chapter 5.75 may also apply for the Multifamily Housing Property Tax Exemption under Chapter 5.72 or Chapter 5.73 and chapter 84.14 RCW. For applicants receiving a property tax exemption under Chapter 5.72 or Chapter 5.73 and chapter 84.14 RCW, the amount of affordable housing units required for eligibility under this Chapter 5.75 is in addition to the affordability conditions in Chapter 5.72 or Chapter 5.73 and chapter 84.14 RCW.

5.75.100 Applications no longer accepted

New applications for the sales and use tax deferral shall not be accepted beginning ten years from the effective date of this ordinance. Investment projects that receive a conditional certificate of approval based on an application submitted before this date shall remain eligible for the sales and use tax deferral subject to the terms

and conditions in this Chapter 5.75.

Section 2. The provisions of this ordinance are declared to be separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of this ordinance, or the invalidity of its application to any person or circumstance, does not affect the validity of the remainder of this ordinance or the validity of its application to other persons or circumstances.

Section 3. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2025, and signed by me in open session in authentication of its passage this _____ day of _____, 2025.

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2025.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2025.

Scheereen Dedman, City Clerk

(Seal)