

RESOLUTION NO. 2017-18

A RESOLUTION of the City Council of the City of Lakewood, Washington, authorizing the issuance of Conditional Certificate of Acceptance of Tax Exemption within a Tax Incentive Urban Use Center Development to Two Ironmen, LLC

WHEREAS, pursuant to chapter 84.14 RCW and chapter 3.64 of the Lakewood Municipal Code; municipalities may identify Tax Incentive Urban Use Centers, and Residential Target Areas. Such areas are designed to spur economic development and developments within those areas may be allowed certain tax benefits; and

WHEREAS, the City of Lakewood has received an application from Two Ironman, LLC, proposing a project within a Residential Target Area; and

WHEREAS, the project meets the requirements, relative to location, size, housing and compliance with other guidelines meriting conditional approval for tax purposes; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAKEWOOD, WASHINGTON HEREBY RESOLVES, AS FOLLOWS:

Section 1. The City Council approves the application from for a Two Ironmen, LLC for a Conditional Certificate of Acceptance of Tax Exemption ("Conditional Certificate").

Section 2. The City Manager or designee is authorized to issue a Conditional Certificate of Acceptance of Tax Exemption and to execute any appropriate documents relative to the issuance of the Conditional Certificate, Exhibit "A," and including the agreement in the form attached hereto as Exhibit "B," to this Resolution and incorporated by reference. This Conditional Certificate and Agreement shall expire three years from the effective date of this resolution. The City Manager or designee is authorized to extend or revoke the Conditional Certificate and Agreement as permitted in chapter 3.64 of the Lakewood Municipal Code.

Section 3. Any actions taken by the City Manager or designee to-date in connection with the Conditional Certificate of Acceptance of Tax Exemption and Agreement be and hereby are ratified.

Section 4. That this Resolution shall be in full force and effect upon passage and signatures hereon.

PASSED by the City Council this 2nd day of October, 2017.

CITY OF LAKEWOOD



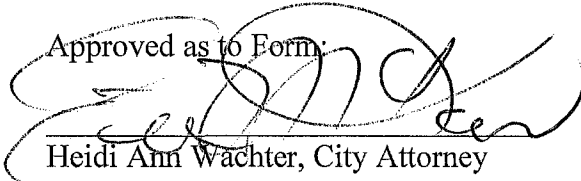
Don Anderson, Mayor

Attest:



Alice M. Bush, MMC, City Clerk

Approved as to Form:



Heidi Ann Wachter, City Attorney

EXHIBIT "A"

CONDITIONAL CERTIFICATE OF ACCEPTANCE FOR TAX EXEMPTION

The City of Lakewood issues a Conditional Certificate of Acceptance of Tax Exemption to Ross Drangsholt and Michael Boyle, Two Ironmen, LLC. This issuance is based upon the information provided by the applicant. The Conditional Certificate will be effective for not more than three (3) years, but may be extended for an additional 24 months under certain circumstances. The City will issue a Final Certificate of Tax Exemption upon completion of the project, satisfactory fulfillment of all contract terms, a final inspection and issuance of a Certificate of Occupancy.

PROJECT DESCRIPTION

The applicants, Ross Drangsholt and Michael Boyle, Two Iron Men, LLC, are proposing to construct a 30 unit multi-family residential development on approximately .7197 acres located at 5903, 5909, & 5915 Lake Grove Street SW in the City of Lakewood, Washington Pierce County Assessor's Parcel (APN's) #0219022106, #0219022120, and #0219022125. The properties are located southeast of the Lake Grove St SW and 59th St SW intersection.

The project site currently has two single family residences and a surface level parking lot. Prior to construction, all structures located on the property will be removed. The new development will consist of two (2) structures containing six (6) one bedroom units intended for permanent residential occupancy and twenty-four (24) two (2) bedroom units intended for permanent residential occupancy. Six (6) of the thirty (30) units will be affordable housing units.

STATEMENT OF ADDITIONAL TAX, INTEREST, AND PENALTY DUE UPON CANCELLATION OF MULTI-FAMILY HOUSING EXEMPTION

If the exemption is canceled for noncompliance, an additional tax shall be imposed as follows:

- a. The difference between the tax actually paid and the tax which would have been due for the pro rata portion of the tax year following cancellation, and for each tax year thereafter, if the improvements had been valued without exemption, (not to exceed 3 years before discovery of the noncompliance); plus
- b. A penalty of 20 percent of the difference, plus
- c. Interest at the statutory rate on (a) or (b) or (c) is due within the times provided by RCW 84.40.350-84.40.390, and the total bears interest thereafter at the rate provided for delinquent property taxes.

The additional tax, penalty and interest constitute a lien by the City of Lakewood upon the land which attaches at the time the property is no longer eligible for exemption, and has priority to and must be fully paid and satisfied before a recognizance, mortgage, judgment, debt, obligation, or responsibility to or with which the land may become charged or liable.

AFFIRMATION

As owner(s) of the land described in this application, I hereby indicate by my signature that I am aware of the additional tax liability to which the property will be subject if the exemption authorized by Chapter 3.64 (LMC) is cancelled.

Signed at _____, Washington, this _____ day of _____, 20 ____

Signature(s) of all Owner(s) and Contract Purchaser(s)

By: _____
Ross Drangholt, Applicant
Two Ironmen, LLC

Signed at _____, Washington, this _____ day of _____, 20 ____

Signature(s) of all Owner(s) and Contract Purchaser(s)

By: _____
Michael Boyle, Applicant
Two Ironmen, LLC

This conditional certificate of tax exemption is hereby **approved**.

John Caulfield, City Manager
City of Lakewood, Washington

EXHIBIT “B”

AGREEMENT REGARDING TAX INCENTIVE URBAN USE CENTER DEVELOPMENT

THIS STIPULATED AGREEMENT is entered into on the date signed below between Two Ironmen, LLC, hereinafter referred to as “Applicant,” and the City of Lakewood, Washington, a municipal corporation, hereinafter referred to as “City”.

PROJECT DESCRIPTION

The applicant is proposing to construct a 30 unit multi-family residential development on approximately .7197 acres located at 5903, 5909, and 5915 Lake Grove Street SW in the City of Lakewood, Washington Pierce County Assessor’s Parcel (APN’s) #0219022106, #0219022120, and #0219022125. The properties are located southeast of the Lake Grove St SW and 59th St SW intersection.

The proposed development use type, Multifamily Residential, Level 2, is a primary permitted use in the applicable Central Business District (CBD) zoning district. The applicant will apply for a boundary line adjustment in order to combine the three parcels prior to being issued a final certificate.

The project site currently has two single family residences and a surface level parking lot. Prior to construction, all existing structures located on the property will be removed. The new development will consist of two (2) structures containing six (6) one bedroom units intended for permanent residential occupancy and twenty-four (24) two (2) bedroom units intended for permanent residential occupancy. Six (6) of the thirty (30) units will be affordable housing units.

New building number one will have fourteen (14) two (2) bedroom units. New Building number two will have ten (10) two (2) bedroom units and six (6) one bedroom units. The two buildings will total approximately 29,800 square feet. The project is proposing that six (6) of the thirty (30) units are reserved for affordable housing. The applicants have committed to renting twenty percent of the multifamily housing units as affordable housing to low and moderate income households.

An application for tax exemption was filed with the City of Lakewood in August 2017. The application supports the following determinations:

- 1) The target area is located within a designated Tax Incentive Urban Use Center;
- 2) The target area lacks sufficient available, desirable, and convenient residential housing, including affordable housing, to meet the needs of the public who would likely live in the Urban Use Center if desirable, attractive and livable places were available; and

- 3) The providing of additional housing opportunity, including affordable housing, in the target area will assist in achieving at least one the following purposes:
 - (a) Encourage increased residential opportunities within the target area; or
 - (b) Stimulate the construction of new multi-family housing and the rehabilitation of existing vacant and under-utilized buildings for multi-family housing.

CONDITIONS OF TAX EXEMPTION APPROVAL

The applicant may, upon completion of the multifamily housing and upon issuance by the City of a temporary or permanent certificate of occupancy, request a Final Certificate of Tax Exemption. The request shall be in writing directed to the City Manager and be accompanied by the following:

1. A statement of expenditures made with respect to each multi-family housing unit and the total expenditures made with respect to the entire property;
2. A description of completed work and a statement of qualification for the exemption; and
3. A statement that the work was completed within the required three-year period or any authorized extension.
4. In order to be issued building permits, the proposed development will require SEPA, design review and the buildings must comply with all local plans and regulations.
5. The City requires that building permits must be submitted for this project within 12 months of the date the conditional certificate is issued.
6. The applicant will apply for a boundary line adjustment to combine APN #0219022106, #0219022120, and #0219022125 prior to, or in conjunction with, the submission of any building plans. If the applicant chooses not to combine the three properties, they will notify City staff as soon as possible so the conditional agreement and project description can be amended.
7. The parties to this agreement acknowledge and agree that at the time of completion of this project, the project shall be constructed in conformity with all local plans and regulations that applied to this project at the time the application was approved.

TAX EXEMPTION

Pursuant to RCW 84.14.020, the value of the new residential construction for the project described above shall be exempt from ad valorem property taxation for a period of twelve successive years beginning January 1 of the year immediately following the calendar year or issuance of the final certificate of tax exemption. The applicant must commit to renting or selling at least twenty percent of the multifamily housing units as affordable housing units to low

and moderate income household and the property must satisfy that commitment and any additional affordability and income eligibility conditions adopted by the local government. The exemption does not include the value of land or non-housing-related improvements. This exemption does not apply to increases in assessed valuation made by the assessor on non-qualifying portions of building and value of land nor to increases made by lawful order of a county board of equalization, the department of revenue, or Pierce County to a class of property throughout the county or specific area of the county to achieve the uniformity of assessment or appraisal required by law. At the conclusion of the exemption period, the new or rehabilitated housing cost shall be considered as new construction for the purposes of chapter 84.55 RCW.

STATEMENT OF ADDITIONAL TAX, INTEREST, AND PENALTY DUE UPON CANCELLATION OF MULTI-FAMILY HOUSING EXEMPTION

If the exemption is canceled for noncompliance, an additional tax shall be imposed as follows:

- a. The difference between the tax actually paid and the tax which would have been due for the pro rata portion of the tax year following cancellation, and for each tax year thereafter, if the improvements had been valued without exemption, (not to exceed 3 years before discovery of the noncompliance); plus
- b. A penalty of 20 percent of the difference, plus
- c. Interest at the statutory rate provided for delinquent property taxes is due within the times provided by RCW 84.40.350-84.40.390.

The additional tax, penalty and interest constitute a lien by the City of Lakewood upon the land which attaches at the time the property is no longer eligible for exemption, and has priority to and must be fully paid and satisfied before a recognizance, mortgage, judgment, debt, obligation, or responsibility to or with which the land may become charged or liable.

AFFIRMATION

As owner(s) of the land described in this application, I hereby indicate by my signature that I am aware of the additional tax liability to which the property will be subject if the exemption authorized by Chapter 3.64 (LMC) is cancelled. I declare under penalty of perjury under the laws of the State of Washington that this application and any accompanying documents have been examined by me and that they are true, correct and complete to the best of my knowledge.

AGREEMENT REQUIRES APPROVAL OF CITY COUNCIL

In accordance with Lakewood Municipal Code 3.64.030(F), this agreement is subject to approval by the Lakewood City Council. If this agreement is approved, the City of Lakewood shall issue a Conditional Certificate of Acceptance of Tax Administration. If this agreement is rejected by the City Council, both parties shall be discharged of their obligations under this agreement.

Signed at _____, Washington, this _____ day of _____, 20 ____

Signature(s) of all Owner(s) and Contract Purchaser(s)

By: _____

Ross Drangholt, Applicant
Two Ironmen, LLC

Signed at _____, Washington, this _____ day of _____, 20 ____

Signature(s) of all Owner(s) and Contract Purchaser(s)

By: _____

Michael Boyle, Applicant
Two Ironmen, LLC

This conditional certificate of tax exemption is hereby **approved**.

John Caulfield, City Manager
City of Lakewood, Washington