

**CITY OF SEATTLE**

**ORDINANCE \_\_\_\_\_**

**COUNCIL BILL \_\_\_\_\_**

..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.

..body

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

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

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

7 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

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

10 **Chapter 5.75 SALES AND USE TAX DEFERRAL FOR CONVERSION TO HOUSING**

11 **5.75.010 Definitions**

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

13 “Affordable housing” means:

14 1. Homeownership housing intended for owner occupancy to low-income  
15 households whose monthly housing costs, including utilities other than telephone, do not exceed  
16 30 percent of the household's monthly income; or

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

20 “Applicant” means an owner of commercial property.

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

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

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

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

9           “Low-income household” means a single person, family, or unrelated persons living  
10 together whose adjusted income is at or below 80 percent of the median family income adjusted  
11 for family size, for the county, city, or metropolitan statistical area, where the project is located,  
12 as reported by the United States Department of Housing and Urban Development.

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

16 **5.75.020 Application**

17 An owner of underutilized commercial property seeking a sales and use tax deferral for  
18 conversion of a commercial building to provide housing and affordable housing under this  
19 Chapter 5.75 on an investment project must apply to the Director in writing, on forms provided  
20 by the Office of Planning and Community Development. The application must contain:

21           A. Information setting forth the grounds supporting the requested deferral;

22           B. A description of the investment project and site plan;

1 C. A statement of the expected number of affordable housing units to be created and the  
2 total number of dwelling units created due to the conversion of underutilized commercial  
3 property;

4 D. A statement that the applicant is aware of the potential tax liability involved if the  
5 investment project ceases to be used for eligible uses under this Chapter 5.75;

6 E. A statement that the applicant is aware that the investment project must be completed  
7 within three years from the date of issuance of a conditional certificate of program approval;

8 F. A statement that the applicant is aware that the Director may extend the deadline for  
9 completion of construction or rehabilitation for a period not to exceed 24 consecutive months;

10 G. A statement that the applicant would not have built in this location but for the  
11 availability of the tax deferral under this Chapter 5.75;

12 H. Documentation of submittal of a construction or land use permit pre-application with  
13 the Seattle Department of Construction and Inspections; and

14 I. An oath or affirmation by the applicant that the statements and information provided  
15 are true.

16 **5.75.030 Approval**

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

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

1                   2. The investment project is, or will be at the time of completion, in conformance  
2 with all local plans and regulations that apply at the time of the conditional certificate of program  
3 approval;

4                   3. The investment project will occur on land that constitutes, at the time of the  
5 conditional certificate of program approval, underutilized commercial property;

6                   4. The area where the investment project will occur is located within an area  
7 zoned for residential or mixed uses;

8                   5. The terms and conditions of the implementation of the development meets the  
9 requirements of this Chapter 5.75;

10                  6. The land where the investment project will occur was not acquired through a  
11 condemnation proceeding under Title 8 RCW; and

12                  7. All other requirements this Chapter 5.75 appear to be satisfied in the best  
13 estimation of the Director.

14 **5.75.040 Appeals**

15                  A. The Director must approve or deny an application filed under this Chapter 5.75 within  
16 90 days after receipt of the application.

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

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

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

6 **5.75.050 Additional requirements, conditions, and obligations**

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

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

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

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

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

1 Department of Revenue within 30 days from receiving the determination from the Director that  
2 the investment project continues to qualify for a tax deferral under this Chapter 5.75.

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

6 1. The work was not completed within three years of the conditional certificate of  
7 program approval;

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

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

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

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

20 E. If the Director determines the conditional recipient is not entitled to a sales and use tax  
21 deferral under subsection 5.75.050.C, the conditional recipient may appeal the decision to the  
22 City's Hearing Examiner within 30 days after receipt of the denial. The appeal before the

1 Hearing Examiner must be based upon the record made before the City with the burden of proof  
2 on the applicant to show that there was no substantial evidence to support the City’s decision.

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

7 **5.75.060 Annual report**

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

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

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

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

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



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

- 4 1. The number of program approval certificates granted;
- 5 2. The total number and type of buildings converted;
- 6 3. The number of affordable housing units resulting from the conversion of  
7 underutilized commercial property to multifamily residential use; and
- 8 4. The estimated value of the sales and use tax deferral for each investment  
9 project receiving a certificate of program approval and the total estimated value of sales and use  
10 tax deferrals granted.

11 **5.75.070 Voluntary discontinuance**

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

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

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

1 **5.75.080 Transfer of ownership**

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

10 **5.75.090 Combination with multi-family tax exemption**

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

17 **5.75.100 Applications no longer accepted**

18 New applications for the sales and use tax deferral shall not be accepted beginning ten years  
19 from the effective date of this ordinance. Investment projects that receive a conditional certificate  
20 of approval based on an application submitted before this date shall remain eligible for the sales  
21 and use tax deferral subject to the terms and conditions in this Chapter 5.75.

22 Section 2. The provisions of this ordinance are declared to be separate and severable. The  
23 invalidity of any clause, sentence, paragraph, subdivision, section, or portion of this ordinance,

1 or the invalidity of its application to any person or circumstance, does not affect the validity of  
2 the remainder of this ordinance or the validity of its application to other persons or  
3 circumstances.

4

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

3           Passed by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2025,  
4 and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of  
5 \_\_\_\_\_, 2025.

6 \_\_\_\_\_  
7           President \_\_\_\_\_ of the City Council

          Approved /   returned unsigned /   vetoed this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

8 \_\_\_\_\_  
9           Bruce A. Harrell, Mayor

10          Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

11 \_\_\_\_\_  
12          Scheereen Dedman, City Clerk

13 (Seal)