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**CITY OF SEATTLE**

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

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

..title

AN ORDINANCE relating to the Central Waterfront Improvement Program and the LID Improvements identified herein; establishing Local Improvement District No. 6751 (“Waterfront LID”) and ordering the carrying out of the proposed LID Improvements, as a component of the Seattle Central Waterfront Improvement Program in accordance with Resolution 31812; providing that payment for the LID Improvements be made in part by special assessments upon the property in the Waterfront LID, payable by the mode of “payment by bonds”; creating a local improvement fund; authorizing the issuance of local improvement bonds; and providing for interfund loans and for the issuance and sale of short-term financing instruments, and ratifying and confirming certain prior acts, all by a two-thirds vote of the City Council at a regular meeting.

..body

WHEREAS, in January 2011, the City Council (“Council”) of The City of Seattle (the “City”) adopted Resolution 31264, creating the Central Waterfront Committee (CWC) to oversee development of the waterfront conceptual design and framework plan (“Concept Design and Framework Plan”), to ensure robust and innovative public engagement, to identify public and private funding sources, and to establish the foundation for a lasting civic partnership for the implementation of improvements to the central waterfront area of Seattle upon the removal of the Alaskan Way Viaduct; and

WHEREAS, by Ordinance 123761, originally passed in November 2011 and as amended by Ordinance 125188, the Council authorized creation of the Central Waterfront Improvement Fund and authorized an interfund loan to that fund to allow the Seattle Department of Transportation (SDOT) to incur pre-construction costs of planning and design for improvements that could be financed in part by a future local improvement district to be formed and known as the “Waterfront LID”; and

WHEREAS, by Resolution 31399, adopted in August 2012, the Council expressed the City’s support for the Concept Design and Framework Plan, which was developed based on

1 broad and inclusive public engagement over two years by the City and the CWC, and  
2 endorsed a Central Waterfront Strategic Plan (“Strategic Plan”), which established a  
3 funding plan and called for leveraging a mix of public, private, and philanthropic sources,  
4 including formation of the Waterfront LID, to achieve the vision described in the Concept  
5 Design and Framework Plan; and

6 WHEREAS, the Council subsequently established the “Central Waterfront Improvement  
7 Program” to incorporate elements of the Concept Design and Framework Plan into the  
8 City’s annual Capital Improvement Plans, pursuant to which the City is planning to invest  
9 approximately \$248 million from a range of local funding sources; and

10 WHEREAS, in addition to the local funding sources, the State of Washington has committed  
11 approximately \$194 million toward the completion of various components of the Central  
12 Waterfront Improvement Program; and

13 WHEREAS, a portion of the Central Waterfront Improvement Program includes those  
14 improvements identified in Section 1 of this ordinance (the “LID Improvements”), which  
15 are intended to be financed through the formation of the Waterfront LID; and

16 WHEREAS, by Resolution 31768, adopted in September 2017, the Council reaffirmed the  
17 funding plan (including local improvement district formation) for the Central Waterfront  
18 Improvement Program and outlined a process for formation of the Waterfront LID; and

19 WHEREAS, by Resolution 31812 (“Intent-to-Form Resolution”) adopted in May 2018, the  
20 Council declared its intent to order the construction of the LID Improvements and to  
21 create the Waterfront LID to assess a part of the cost and expense of carrying out those  
22 LID Improvements against the property specially benefited thereby; and

1 WHEREAS, it is the intention of this Council that, after confirmation of a final assessment roll  
 2 and the expiration of the 30-day period for prepayment of such assessments without  
 3 interest or penalty, the City will finance the unpaid portion of the assessment roll by the  
 4 issuance of local improvement district bonds (“LID Bonds”) which will provide for a  
 5 deposit of bond proceeds into the City’s Local Improvement Guaranty Fund in an amount  
 6 to be set pursuant to the ordinance authorizing issuance of the LID Bonds (but not to  
 7 exceed a maximum of 10 percent of the amount of the LID Bonds issued) and that those  
 8 proceeds, when released from that fund in accordance with state law, will be earmarked  
 9 to pay for major maintenance of the LID Improvements or other identified needs related  
 10 to the Improvements. This Council further intends that persons who pay their assessments  
 11 in full during the 30-day prepayment period will not be responsible for these financing  
 12 costs (i.e., the costs of issuing the LID Bonds and making a Guaranty Fund deposit); and

13 WHEREAS, all of the preliminary proceedings for the establishment of the Waterfront LID have  
 14 been taken as provided by law, all as further described in Section 2 of this ordinance;  
 15 and

16 WHEREAS, the Council has determined it to be in the best interests of the City that the LID  
 17 Improvements as hereinafter described be carried out and that the Waterfront LID be  
 18 created in connection herewith; NOW, THEREFORE,

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

20 Section 1. LID Improvements. The LID Improvements consist of those  
 21 improvements within the Central Waterfront Improvement Program that are identified with  
 22 particularity on Exhibit A to this ordinance, which is incorporated herein by reference.

1           Section 2.     LID Formation Steps Taken. The City has taken the required preliminary  
2 steps to the formation of an LID, including:

3           (a)     Formation Hearings. By adopting the Intent-to-Form Resolution in May 2018, the  
4 City Council declared its intention to order the LID Improvements and fixed the times and places  
5 for hearing all matters relating to the proposed LID Improvements and all comments thereon and  
6 objections thereto (the “Formation Hearings”).

7           (b)     LID Improvements Estimated Cost Certified. The Director of the Office of the  
8 Waterfront and Civic Projects (OWCP), on behalf of the Director of Transportation, Seattle  
9 Department of Transportation, caused an estimate to be made of the cost and expense of the  
10 proposed LID Improvements and certified that estimate to the City Council on June 1, 2018,  
11 together with all papers and information in the Director’s possession touching the proposed LID  
12 Improvements; a description of the boundaries of the proposed LID; and a statement of what  
13 portion of the cost and expense of the LID Improvements should be borne by the property within  
14 the proposed Waterfront LID. The Director’s estimate is accompanied by a diagram of the  
15 proposed Waterfront LID area showing the lots, tracts, parcels of land, and other property which  
16 will be specially benefited by the proposed LID Improvements and the estimated cost and  
17 expense thereof to be borne by each lot, tract and parcel of land or other property.

18           (c)     Notice Provided and Public Hearings Conducted. The City caused due notice of  
19 the Formation Hearings to be given in the manner provided by law and as described in the  
20 recitals to this ordinance. The Formation Hearings were held on the dates and at the times  
21 described in the Intent-to-Form Resolution, and all objections to the proposed LID  
22 Improvements were duly considered by the Seattle Hearing Examiner or the Hearing Examiner’s  
23 designee, and all persons appearing at such hearing and wishing to be heard were heard.

1           (d)     Hearing Examiner Report Received by Council. The Seattle Hearing Examiner  
2 has submitted a report to the City Council, which contains the Hearing Examiner’s report on the  
3 comments received during the Formation Hearings on the City’s intention to form the LID (the  
4 “Hearing Examiner’s Report”).

5           Section 3.     LID Improvements Ordered. Having completed the foregoing preliminary  
6 proceedings and in consideration of the Hearing Examiner’s Report, the City Council determines  
7 it to be in the best interests of the City that the LID Improvements as herein described be carried  
8 out and that a local improvement district be created in connection herewith. Therefore, pursuant  
9 to RCW 35.43.040, the City Council orders the construction of the LID Improvements. The LID  
10 Improvements shall be in accordance with plans and specifications prepared by the Director of  
11 the OWCP, on behalf of the Director of Transportation of the Seattle Department of  
12 Transportation, and on file in the City Clerk’s office, and may be modified by the City Council  
13 as long as such modifications do not affect the purpose of the LID Improvements or constitute  
14 materially different improvements; provided, however, that changes in detail of such plans that  
15 do not significantly alter the scope or costs of the LID Improvements will not require further  
16 approval.

17           Section 4.     Local Improvement District Created. There is created and established a  
18 local improvement district, to be known as Local Improvement District No. 6751 of the City  
19 (interchangeably, “LID 6751” or the “Waterfront LID”). The boundaries of the Waterfront LID  
20 are described in Exhibit B attached hereto and by this reference incorporated herein. It is hereby  
21 found that the above-described boundaries embrace as nearly as practicable all the property  
22 specially benefited by the LID Improvements.

1           Section 5.     Allocation of Costs. The total estimated cost and expense of design and  
2 construction of the Central Waterfront Improvement Program is estimated to be approximately  
3 \$712 million. Notwithstanding the provisions of any other ordinance of the City, the total cost of  
4 (a) the LID Improvements, including the planning, design, and construction of the  
5 improvements, and (b) the estimated costs of creation and administration of the Waterfront LID  
6 (together, the “LID Expenses”), and the estimated financing costs (i.e., the costs of issuing the  
7 LID Bonds and estimated amounts necessary to fund a deposit to the LID Guaranty Fund), is  
8 declared to be approximately \$346.57 million, all as described in Exhibit C to this ordinance.

9           The portion of the LID Expenses that shall be borne by and assessed against the property  
10 within the Waterfront LID specially benefited by the LID Improvements shall not exceed  
11 \$160 million plus the amounts necessary to pay the costs of financing (including the costs of  
12 issuing the LID Bonds and making a deposit to the LID Guaranty Fund). Assessments shall be  
13 made against the property within the Waterfront LID in accordance with the special benefits  
14 accruing to such property. The balance of the cost and expense of the LID Improvements shall be  
15 paid from other amounts available to the City, including philanthropic donations from  
16 individuals and organizations, consistent with the City’s overall funding plan for the Central  
17 Waterfront Improvement Program.

18           Section 6.     Method of Assessment. In accordance with the provisions of RCW  
19 35.44.047, the City may use any method or combination of methods to compute assessments that  
20 may be deemed to fairly reflect the special benefits to the properties being assessed.

21           Section 7.     Final Assessment Roll. Upon approval of this ordinance, an assessment  
22 roll shall be prepared and, after notice and hearing in the manner provided by law, the  
23 assessment roll shall be confirmed. The final confirmed assessment roll will be limited to an

1 amount equal to \$160 million plus the amounts necessary to pay the costs of financing and to  
2 make a deposit to the LID Guaranty Fund. All remaining costs and expenses of the LID  
3 Improvements and the Central Waterfront Improvement Program are to be paid from the sources  
4 identified in Section 5 of this ordinance or other amounts budgeted for this purpose in the future.  
5 It is the City's intent not to pursue any future supplemental assessments to cover additional costs  
6 accrued during construction.

7           Section 8.     Mode of Payment. In accordance with the provisions of SMC 20.04.050,  
8 the mode of payment for the Waterfront LID is "payment by bonds." Assessments not paid  
9 within the 30-day prepayment period provided by law shall be payable in installments of  
10 principal and interest with terms to be fixed by future ordinance.

11           Section 9.     Deferral of Assessments for Economically Disadvantaged Property  
12 Owners. The collection of an assessment upon property assessed by a local improvement district,  
13 or any installment thereof, may be deferred as provided in RCW 35.43.250 and 35.54.100, as  
14 now existing or hereafter amended, upon the application of a person responsible for the payment  
15 of an assessment, who is economically disadvantaged. The City shall establish, in the ordinance  
16 confirming the assessment roll, the terms and conditions for the deferral of collection of such  
17 assessments, the persons eligible therefor, the rate of interest, the duties of the respective City  
18 officials and the obligations of the City's previously created Local Improvement Guaranty Fund  
19 with respect thereto, all in accordance with chapter 20.12 SMC and RCW 35.43.250 and  
20 35.54.100.

21           Section 10.    Local Improvement Fund Created. The Local Improvement District No.  
22 6751 Fund ("Waterfront LID Fund") is created and established in the City Treasury for the  
23 purpose of paying the cost of the LID Improvements provided for in this ordinance and into

1 which shall be paid all of the assessments collected in the Waterfront LID as and when directed  
2 by the ordinance confirming the assessment roll. The proceeds of interfund loans or other short-  
3 term obligations drawn against the fund which may be issued and sold by the City, and the  
4 collections of assessments, interest and penalties thereon, shall be deposited in the Waterfront  
5 LID Fund. Notwithstanding any other ordinance of the City (including provisions of the Seattle  
6 Municipal Code), the Director of the Finance Division of the Department of Finance and  
7 Administrative Services (“City Finance Director”) is authorized and directed to create within the  
8 Waterfront LID Fund such accounting designations as may be necessary to segregate the  
9 amounts available to be used to pay the costs of the LID Improvements from the assessments  
10 collected for repayment of the LID Bonds.

11 Section 11. Construction of Improvements; Payment for LID Improvements.

12 Notwithstanding the foregoing or the provisions of any other ordinance of the City, unless the  
13 authority to proceed is restrained by protest under RCW 35.43.180, the LID Improvements may  
14 be carried out in whole or in part under the provisions of RCW 35.51.020, Chapter 39.10 RCW,  
15 Article VII of the City Charter, Chapter 20.04 SMC or as otherwise authorized by law.

16 Section 12. Authorization of LID Bonds and Interim Financing.

17 (a) Bonds. The City is authorized to issue LID Bonds, in one or more series, for the  
18 Waterfront LID, which shall bear interest at a rate and be payable on or before a date or dates to  
19 be hereafter fixed by ordinance. The LID Bonds may be issued (i) to pay costs of the LID  
20 Improvements (including repayment of interfund loans or refunding of any and all short-term  
21 obligations issued to pay such costs), (ii) to pay the costs of creation and administration of the  
22 Waterfront LID, (iii) to pay the costs of financing, and (iv) to make a deposit to the LID  
23 Guaranty Fund. The LID Bonds shall be paid and redeemed by the collection of assessments to



1 be levied and assessed against the property within the Waterfront LID, payable in annual  
2 installments, with interest at a rate to be hereafter fixed by ordinance under the mode of  
3 “payment by bonds,” as defined by law and the ordinances of the City. The form, amounts, dates,  
4 interest rates and denominations of such bonds hereafter shall be fixed pursuant to ordinance of  
5 the City Council.

6 (b) Interim Financing. In anticipation of the issuance of the LID Bonds, the City  
7 Finance Director or the Finance Director’s designee has previously been authorized in Ordinance  
8 125188 to loan funds from the City’s Transportation Master Fund or its participating funds to the  
9 Central Waterfront Improvement Fund, for a period beginning December 30, 2011. Pending  
10 issuance of the LID Bonds, the City may provide for the extension of this or additional interfund  
11 loans to pay for costs of the LID Improvements or for the issuance of short-term obligations  
12 pursuant to chapter 39.50 RCW or local improvement district notes in accordance with  
13 applicable law and ordinances of the City.

14 (c) Expenditures and Reimbursement. The City on December 23, 2013, declared its  
15 official intent to reimburse itself for expenditures to be made for the LID Improvements (other  
16 than for any cost or expense expected to be borne by the City) prior to the date that any short-  
17 term obligations or local improvement district bonds are issued to finance the LID  
18 Improvements, from proceeds of interfund loans or other funds that are not, and are not  
19 reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside to pay  
20 the cost of the LID Improvements.

21 Section 13. Restraint by Protest. The jurisdiction of the Council to proceed with the  
22 LID Improvements shall be divested by a protest filed with the Council within 30 days from the  
23 date of passage of this ordinance, all in accordance with RCW 35.43.180.

1           Section 14.   Filing of Preliminary Assessment Roll. The Director of OWCP, on behalf  
2 of the Director of Transportation, filed the preliminary assessment roll and other information  
3 required by SMC 20.04.060 with the City Clerk on June 1, 2018. Notwithstanding the provisions  
4 of any other ordinance of the City, not later than 15 days after the passage of this ordinance, the  
5 Director of Finance and Administrative Services (FAS) shall post the preliminary assessment roll  
6 for Local Improvement District No. 6751 upon the Director’s index of local improvement  
7 assessments against the properties affected by the local improvement.

8           Section 15.   Section Headings. The section headings in this ordinance are used for  
9 convenience only and shall not constitute a substantive portion of this ordinance.

10          Section 16.   Ratification. Any act consistent with the authority of this ordinance taken  
11 prior to its effective date is ratified and confirmed.



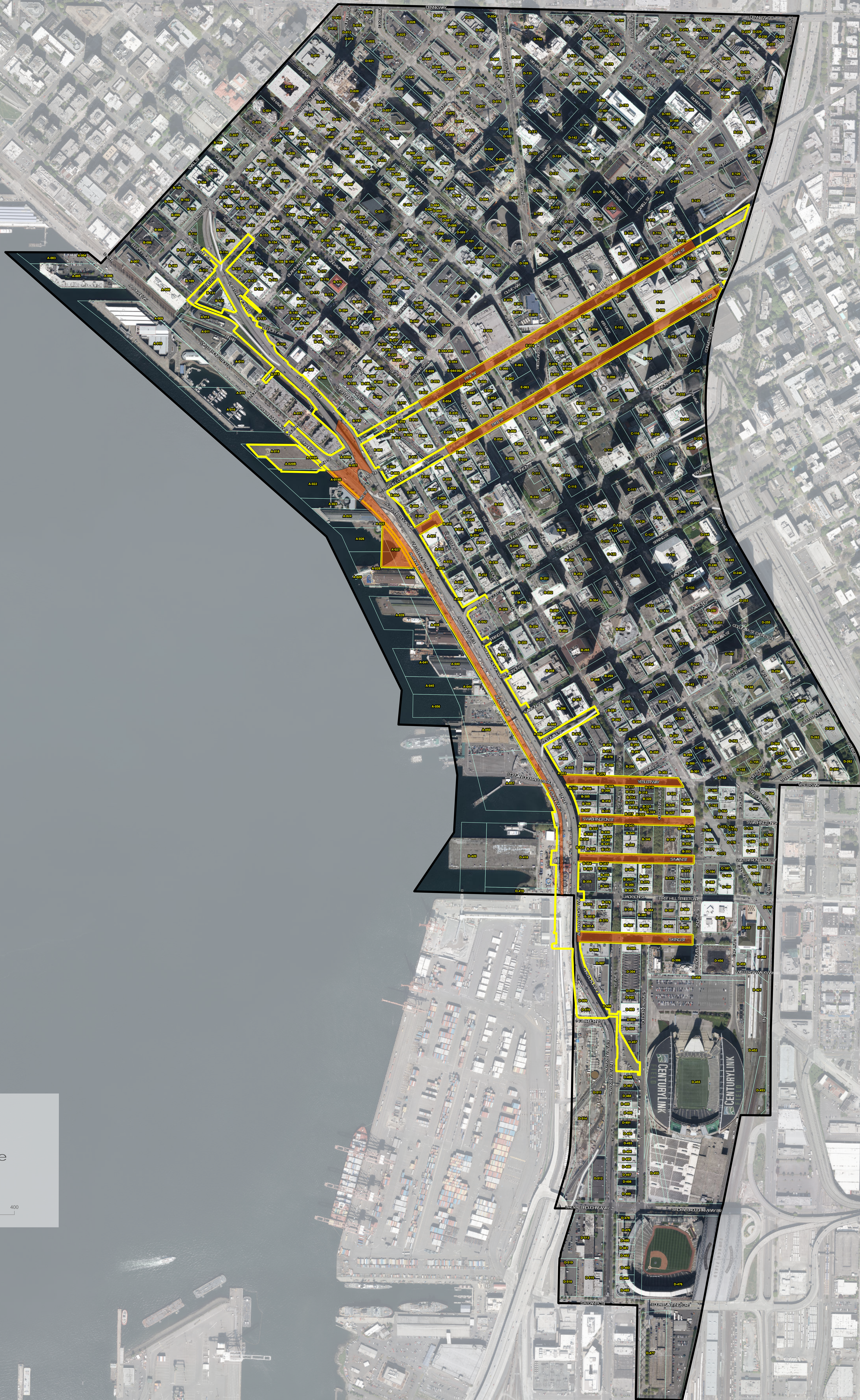
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| Element                            | Description  |
|------------------------------------|--|
| Promenade                          | A continuous public open space extending along the west side of Alaskan Way from King Street to Pine Street.   |
| Overlook Walk                      | An elevated pedestrian bridge situated at the terminus of the Pike/Pine corridor, would include several buildings, an elevated lid over the surface street, open space with excellent view amenities, and an accessible pedestrian pathway with many connections between the Pike Place Market and the waterfront. |
| Pioneer Square Street Improvements | Streetscape and new roadway/ sidewalk improvements to portions of S Main Street, S Washington Street, Yesler Way and S King Street from Alaskan Way/First Avenue east to 2nd Avenue S. The improvements would create pedestrian-friendly links from Pioneer Square to the waterfront.                              |
| Union Street Pedestrian Connection | A universally accessible pedestrian link between the new waterfront and Western Avenue. An elevated pedestrian walkway and elevator extends from the southwest corner of Union Street and Western Avenue to the eastern side of Alaskan Way.   |
| Pike/Pine Streetscape Improvements | Pedestrian improvements along Pike and Pine streets from First Avenue to Ninth Avenue, providing enhanced pedestrian access to and from the Pike Place Market and waterfront.  |
| Waterfront Park                    | A rebuilt pier park located at the base of Union Street, would provide a unique atmosphere for social gathering/performance spaces with excellent view amenities.  |

## **LID Boundary Description**

The area circumscribed by the boundary beginning at the northwest corner of the intersection of Alaskan Way and Wall Street, continuing northeast along Wall Street to the intersection of Wall Street and Denny Way. Continuing east along Denny Way to Interstate-5. Continuing south along Interstate-5 to its intersection with Seneca Street, continuing southwest along Seneca Street to the intersection of Seneca Street and Sixth Avenue, then continuing southeast along Sixth Avenue to the intersection of Sixth Avenue and Yesler Way. Then traveling west along Yesler Way to the intersection of Yesler Way and Fourth Avenue South, then south along Fourth Avenue South to a point approximately 700 feet south of the intersection of Seattle Boulevard South (Airport Way South) and Fourth Avenue South. From this point west along the southern boundary of King County Assessor Parcel 7666204856 to the west edge of the Burlington Northern Santa Fe railroad tracks. Following the west edge of the Burlington Northern Santa Fe railroad tracks south to their intersection with South Massachusetts Street. From this point west across the railroad tracks and along South Massachusetts Street to its intersection with Occidental Avenue South, continuing north to the intersection of Occidental Avenue South and Edgar Martinez Drive South. From the intersection of Occidental Avenue South and Edgar Martinez Drive South/South Atlantic Street, continue west along Edgar Martinez Drive South/South Atlantic Street to the intersection of Edgar Martinez Drive South/South Atlantic Street and East Frontage Road South. Then continuing north along East Frontage Road South to the intersection of East Frontage Road South and South Royal Brougham Way, then continue north along State Route 99/Alaskan Way Viaduct to South Jackson Street. Continue west along South Jackson Street to the east boundary of the Jackson Street Landing (King County Assessor Parcel 7666202631). Continue west on the southern boundary of the Jackson Street Landing to the west boundary of the Seattle Tidelands (King County Assessor Parcel 7666202632), then continuing northwest along the westernmost boundaries of the Seattle Tidelands to the northwest corner King County Assessor Parcel 7666202312 (Pier 68) and every property in-between, then continuing east along the north boundary of Parcel 7666202312 to Alaskan Way, then continuing southeast along Alaskan Way to the intersection of Alaskan Way and Wall Street.

# Recommended Waterfront Seattle Project LID Boundary



- LID Analysis Parcels
- LID Construction Areas
- Waterfront Seattle Project Area
- Recommended Waterfront Seattle Project LID Boundary

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**Waterfront Seattle Program - Waterfront LID Improvements  
 Project Cost Estimate Summary**

| <b>Projects/Cost Element</b>   | <b>Estimated<br/>Total Cost</b> | <b>Waterfront<br/>LID Principal<br/>Assessment</b> |
|--|---------------------------------|--|
| <i>*Dollars displayed in millions</i>                                      |                                 |  |
| Promenade  | \$62.88                         |  |
| Overlook Walk  | \$100.18                        |  |
| Pioneer Square   | \$20.00                         |  |
| Pike/Pine  | \$20.00                         |  |
| Union Street   | \$13.94                         |  |
| Waterfront Park  | \$65.24                         |  |
| 1% for Art   | \$4.91                          |  |
| AWPOW Environmental Impact Statement                                       | \$3.74                          |  |
| Main Corridor Program Contingency  | \$16.41                         |  |
| Overlook Walk & E/W Connections Program Contingency                        | \$15.00                         |  |
| LID Admin  | \$8.27                          |  |
| <b>Total Project/Cost Elements funded by Waterfront LID</b>                | <b>\$330.57</b>                 | <b>\$160.00</b>                                    |
| Estimated Financing Costs & Guaranty Fund Deposit *                        | \$16.00                         | \$16.00  |
| <b>Total Capitalized Cost Waterfront LID Improvements/Total Assessment</b> | <b>\$346.57</b>                 | <b>\$176.00</b>                                    |

\* For assessments paid over time in installments. Interest on outstanding principal to be fixed by future ordinance.

**SUMMARY and FISCAL NOTE\***

| <b>Department:</b> | <b>Dept. Contact/Phone:</b> | <b>CBO Contact/Phone:</b> |
|--------------------|-----------------------------|---------------------------|
| SDOT/OWCP/FAS      | Dorinda Costa 5-0765        | Michael McVicker 4-5339   |

*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

**1. BILL SUMMARY**

**1. Legislation Title:** AN ORDINANCE relating to the Central Waterfront Improvement Program and the LID Improvements identified herein; establishing Local Improvement District No. 6751 (“Waterfront LID”) and ordering the carrying out of the proposed LID Improvements, as a component of the Seattle Central Waterfront Improvement Program in accordance with Resolution 31812; providing that payment for the LID Improvements be made in part by special assessments upon the property in the Waterfront LID, payable by the mode of “payment by bonds”; creating a local improvement fund; authorizing the issuance of local improvement bonds; and providing for interfund loans and for the issuance and sale of short-term financing instruments, and ratifying and confirming certain prior acts, all by a two-thirds vote of the City Council at a regular meeting.

**2. Summary and background of the Legislation:**

Summary

- This legislation establishes a Local Improvement District (LID) to be known as “LID 6751” or “Waterfront LID” to fund a portion of the Central Waterfront Improvement Program. The Waterfront LID would assess property in the area determined to be specially benefitting from the LID Improvements.
- The legislation also orders the construction of the LID Improvements as described in Exhibit A to this Ordinance and authorizes the sale of local improvement bonds and provides for short-term financing instruments as needed to carry-out the improvements.
- This legislation also creates a Waterfront LID Fund in the City Treasury for paying the cost of the LID Improvements. All of the assessments collected will be deposited into the Waterfront LID Fund as and when directed by the ordinance confirming the assessment roll.

Resolution of Intent to Form Waterfront LID

On May 21, City Council approved Resolution 31812 declaring its intention to form an LID to fund a portion of the Central Waterfront Improvement Program. The preliminary total assessment amount provided in the Resolution was \$200 million plus the amounts necessary to pay the costs of financing.

Since passage of the resolution of intent to form the Waterfront LID, the City has held several public hearings, conducted by the Seattle Hearing Examiner, and staff have engaged with a large group of property owners within the district. The results of these



opportunities for input on the Waterfront LID have been used to develop this ordinance and revise the proposed preliminary total assessment amount, reducing the amount from \$200 million to \$160 million, subject to Council approval of a concurrent Protest Waiver Agreement pursuant to RCW 35.43.180 through a companion ordinance.

### Budget

The most recent adopted budget, which Council passed in November 2018, assumed a \$200 million LID (plus the amounts necessary to pay the costs of financing) as this was the preliminary amount per the Resolution. With the LID now estimated to be \$160 million (plus the amounts necessary to pay the costs of financing) per this ordinance, the City updated its plan with new amounts for estimated costs, public resources, and philanthropic resources. However, these appropriation and revenue changes are not currently reflected in the most recent adopted budget or CIP; appropriation changes will be subsequently made either in a standalone ordinance or as part of the 2020 budget process once the LID is formed and final amount known.

The current cost estimate for the Central Waterfront Improvement Program capital improvements is approximately \$712 million, including the cost to form and administer the LID. Approximately 62%, or \$442 million, of the \$712 million Central Waterfront Improvement project budget will be funded through public funding sources. The remaining \$270 million will be raised through a combination of private sources, including philanthropic contributions to be raised by Friends of Waterfront Seattle, and funding through LID assessments. The Friends of the Waterfront is committed to raising \$110 million in philanthropy, and the formation of the LID through Council passage of this ordinance would allow for the collection of no more than \$160 million in LID assessments plus the amounts necessary to pay the costs of financing and to make a deposit to the LID Guaranty Fund\* (not to exceed 10% of the amount of LID Bonds issued). In addition to the \$712 million project budget, the City is investing approximately \$100 million in other funds to relocate and improve public utilities along the Central Waterfront.

*\* The LID Guaranty Fund protects lenders financing LID Bonds and the City from defaults of payment of LID assessments. Provision of a Guaranty Fund typically results in lower interest rates for LID property owners paying assessments over 20 years, rather than during the initial payment period. It also helps assure that defaults of payment by LID property owners does not impact the City's credit worthiness.*

### Preliminary Special Benefit Study

In 2017, FAS engaged the services of an independent licensed real estate appraiser to perform a feasibility study for the LID. Following completion of the feasibility study, the same independent real estate appraiser completed a preliminary special benefit study for the LID in April 2018. A special benefit is the difference in estimated market value resulting from the LID-funded improvements. To calculate the special benefit for each property, the appraiser considered the characteristics of each property, including zoning and the property's highest and best use. The appraiser looked at how LID improvements would affect property value and determined the special benefit based on several factors including how similar improvements have affected property values in other projects

nationwide, market trends, and the individual property's proximity to the improvements. The preliminary study estimated the total special benefit to the 6,130 parcels within the proposed LID boundary to be approximately \$414 million.

#### Final Special Benefit Study & Final Assessment Roll

State law requires a property's LID assessment not exceed the total special benefit the property receives from the LID-funded improvements and requires all property in the LID boundary to be assessed at a uniform rate. Following Council formation of the LID, the independent appraiser will complete a final special benefit study to determine the final total special benefit. The final assessment ratio will be applied uniformly to each property in the LID boundary determined to receive a special benefit from the improvements.

The Executive recommends that the final assessment roll be limited to an amount equal to \$160 million plus the amounts necessary to pay the costs of financing and to make a deposit to the LID Guaranty Fund. The ordinance confirming the final assessment roll will define the proportion of assessments representing financing costs and the Guaranty Fund deposit; the amount to be deducted, forgiven, or rebated to any property owner paying all of the assessment during the 30-day prepayment period.

Once a final assessment roll is established the City will be obligated to deliver the LID improvements. This formation ordinance states the City's intent not to pursue any future supplemental assessments to cover additional costs accrued during construction as described in Section 7.

#### Authorization of LID Bonds

The legislation identifies the payment method for the LID to be "payment by bonds" and authorizes the City to issue LID bonds or interim financing in order to pay the costs of the LID Improvements. After confirmation of the final assessment roll, and the expiration of the 30-day period for prepayment of assessments by property owners without interest or penalty, the City will finance the unpaid portion of the assessment roll by the issuing of the LID bonds. As described in Section 12 of the ordinance, the LID Bonds may be issued (i) to pay costs of the LID Improvements (including repayment of interfund loans or refunding of any and all short-term obligations issued to pay such costs), (ii) to pay the costs of creation and administration of the Waterfront LID, (iii) to pay the costs of financing, and (iv) to make a deposit to the LID Guaranty Fund. The amount deposited in the Guaranty Fund will be set pursuant to a future ordinance authorizing issuance of the LID Bonds but not to exceed a maximum of 10% of the amount of the LID Bonds issued. LID Guaranty Fund proceeds, when released from that fund in accordance with state law, will be earmarked to pay for major maintenance of the LID Improvements or other identified needs related to the Improvements.

#### Operating Partnership with Friends of Waterfront Seattle

Ensuring the completed Waterfront improvements are well-maintained and have the support of a strong public/non-profit partnership has been central to the City's goals and policies for the Waterfront Seattle program and a key interest of stakeholders who will be

paying an assessment as part of the LID. For this reason, a parallel, companion ordinance authorizing the City to enter into an operations and maintenance agreement with the Friends of Waterfront Seattle has been submitted. This agreement ensures a high level of on-going maintenance, programming, and security for the Waterfront, maximizing the long-term value of the Waterfront improvements. The Executive anticipates this ordinance being acted on in parallel with the LID Formation ordinance.

#### Next Steps

The formal protest period for LID Formation began on May 21, 2018, when the Seattle City Council passed the Resolution of Intent to Form the Waterfront LID and continues until 30 days after the Council's passage of this ordinance forming the LID. If property owners representing 60% or more of the value of the total assessment make a formal protest, then the City is divested of its authority to form the LID.

After the protest period closes, property owners then have an additional 30 days to file an appeal of the LID formation with the King County Superior Court. If there is no successful protest of the LID formation, the City will engage the same independent real estate appraiser that developed the preliminary special benefit assessment study to complete a final special benefit study. The independent appraiser will review the status of individual properties and any changes that have taken place since the development of the preliminary assessment roll, consider materials submitted by property owners and any updated data from the King County Assessor's Office to develop a final special benefit study to determine the final assessment roll.

A resolution setting the time, date and place of the assessment roll hearing is anticipated to be introduced at Council in spring 2019, with approval of the final assessment roll ordinance anticipated for fall 2019.

## **2. CAPITAL IMPROVEMENT PROGRAM**

- a. Does this legislation create, fund, or amend a CIP Project?     \_\_\_ Yes X No

## **3. SUMMARY OF FINANCIAL IMPLICATIONS**

- a. Does this legislation amend the Adopted Budget?             \_\_\_ Yes X No

- b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

This ordinance forms the Waterfront LID, which funds a portion of the Central Waterfront Improvement Program consistent with Council direction in Resolution 31812 and establishes the Waterfront LID Fund. If the LID is formed, the City will be legally committed to complete the projects as outlined in the formation ordinance. In addition, if the LID is formed, as an owner of property within the defined LID boundary area, the City will incur costs associated with assessments on City properties estimated to be \$1.6 to \$2 million based on special benefit amounts identified in the preliminary special

benefit study. The City may also incur costs related to administering the deferral programs (see Section 4-f below).

**c. Is there financial cost or other impacts of *not* implementing the legislation?**

If this ordinance is not approved, the formation of the Waterfront LID cannot move forward. This could potentially impact the schedule for construction, increasing capital costs through escalation, delaying the replacement of capital infrastructure. Not implementing the legislation would require the City to find other revenues to offset the LID proceeds or change the scope of the Central Waterfront program. The City has an interfund loan obligation for LID eligible costs that have been incurred to date that is intended to be paid by the LID bond proceeds upon issuance of LID bonds.

#### 4. OTHER IMPLICATIONS

**a. Does this legislation affect any departments besides the originating department?**

Yes. Parks, SCL and SPU all have infrastructure being built, improved or replaced as part of the Central Waterfront program. FAS is responsible for administering the LID.

**b. Is a public hearing required for this legislation?**

No.

**c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

Yes, upon formation of the LID, sellers of real property will be required to share information on any outstanding LID assessments owed to the City.

**d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No, not for this ordinance. Publication of notice was required following the Resolution of Intent-to-Form and will be required prior to consideration of the final assessment roll.

**e. Does this legislation affect a piece of property?**

Yes, a map is included as an exhibit to the ordinance.

**f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**

LID proceeds will be used to pay debt service on LID bonds that will partially fund the provision of 20 acres of improved parks and public spaces along Seattle's Waterfront. These spaces have been designed to encourage use by people of all ages, incomes, and abilities and supports free expression. Construction contracts associated with the waterfront improvements will meet the City's WMBE and priority hire program requirements. Employment associated with operating and maintaining waterfront parks and public spaces will provide living-wage jobs to local citizens regardless of their age, ethnicity, gender, or sexual orientation.

Passage of this legislation forms the Waterfront LID. If the LID is formed, confirmation of the LID final assessment roll is anticipated to take place in fall 2019 and notice of final assessments will be sent to each property. Upon receiving notice of final assessment amounts due, property owners will have the option to either make a single payment within 30 days for the entirety of their assessment or to finance the assessment over 20 years, paying in installments with interest and financing costs over that period as required by law. Only federal property, housing authority property and land designated for agricultural or timberland use are exempt from LID assessments. The impact to property owners providing low-income housing and human services to vulnerable and historically disadvantaged communities is anticipated to be low given that many of these properties have deed restrictions or existing recorded agreements with the City or other government agencies limiting how the property can be used. Properties with these types of long-term limitations often receive no special benefit from the LID improvements.

A number of State and City authorized deferral programs exist as an option for property owners experiencing economic hardship as a result of the LID.

- **Washington State:** State statute allows limited deferrals for low-income senior and low-income disabled adult property owners who may experience economic hardship as a result of the LID assessment. The State's special assessment deferral program is not a reduction in the amount owed. The program postpones payment of special assessments for up to 20 years. The amount deferred, plus interest per year, becomes a lien on the property by the state until the total amount deferred is paid. In addition, payments are subject to interest. Principal and accumulated interest are due upon sale or change of ownership, or at end of the deferral term. Due to the lien requirement, qualifying low-income property owners may still be impacted by the creation of the LID.
- **City of Seattle:**  
As defined in state statute, the City may provide an additional assessment deferral program to support property owners of low-income status receiving a LID assessment. Like the State deferral programs, the deferred amount plus interest per year becomes a lien on the property until the total amount deferred is paid. The City currently allows qualifying property owners to defer up to two installments, and the City's lien on the property is limited to the amount of two installments plus interest. Due to the lien requirement and the short-term nature of the City deferral program, qualifying low-income property owners may still be impacted by the creation of the LID. The Executive recommends authorizing this hardship deferral program and will define recommended economic hardship qualifications in the ordinance confirming the assessment roll.

- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**

This legislation forms Local Improvement District to fund a portion of the cost of the improvements transform Seattle's central waterfront. The Waterfront Improvement

Program spans the waterfront from Pioneer Square to Belltown. It includes improved connections between center city neighborhoods and Elliott Bay, critical utility infrastructure, and new Alaskan Way and Elliott Way surface streets to serve all modes of travel and twenty acres of new and improved public space.