

April 6, 2023

## MEMORANDUM

**To:** Economic Development, Technology, and City Light Committee  
**From:** Jasmine Marwaha, Analyst  
**Subject:** Metropolitan Improvement District – Council Bill 120537

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On April 12, 2023, the Economic Development, Technology, and City Light Committee (Committee) will hold a public hearing and have an initial briefing and discussion on [Council Bill \(CB\) 120537](#) that would establish a Business Improvement Area (BIA) called the Metropolitan Improvement District (MID), replacing the MID established in 2013 that will sunset on June 30, 2023. Staff from the Office of Economic Development (OED) and proponents of the proposed MID BIA will be at the Committee meeting to describe the background, outreach, intent, and scope of the proposal.

This memorandum: (1) provides general background about BIAs; (2) describes City policy and State law governing the formation of a BIA; (3) summarizes the content of CB 120537; and (4) identifies next steps. Attachment 1 shows the boundaries of the proposed 2023 MID BIA.

### Background

BIAs are economic development funding mechanisms that allow businesses, multifamily residential developments, and mixed-use developments located within the geographic boundaries of the area to assess themselves to fund enhanced services, programming, and management for the area.

OED provides staff support to BIAs, and the Department of Finance and Administrative Services (FAS) collects assessment revenues from ratepayers and disburses the funds. There are currently 11 [established BIAs](#) in Seattle, including the 2013 MID BIA.

### Establishing a New BIA

Procedures for establishing and operating a BIA are governed by [Chapter 35.87A RCW](#). BIAs may be initiated either by a petition from prospective ratepayers who would pay at least 60 percent of the BIA assessments or by resolution. The City has its own non-binding BIA policies, most recently amended by [Resolution 31567](#) in 2016. Per the adopted policies, the City will consider a new BIA when presented with a petition by those who represent 60 percent or more of the total assessment in the proposed BIA.

In March 2022, the proponents submitted to the City petitions (Clerk File 322591) in support of the 2023 MID BIA from potential ratepayers representing 65.5 percent of the total assessment, above the recommended minimum threshold of 60 percent. The proponents have received one petition in opposition to the new 2023 MID BIA, representing 0.03 percent of the total assessments.

On March 28, 2023, the Council began the process to consider the 2023 MID BIA by introducing and adopting three resolutions:

1. [Resolution 32089](#) that initiated consideration of the 2023 MID BIA;
2. [Resolution 32090](#) that stated the City's intent to establish the 2023 MID BIA and set a date and location for a public hearing on the proposal; and
3. [Resolution 32091](#) that expressed intent to formally disestablish the 2013 MID BIA and set a date and location for a public hearing on the disestablishment.

Resolutions 32090 and 32091 set the date of the public hearing for April 12, 2023. Comments will be accepted in one public hearing for both the establishment of the proposed 2023 MID BIA, and the disestablishment of the 2013 MID BIA. The hearing will be held in person and remotely in Committee. As required by State law, Resolutions 32090 and 32091 were published in the Daily Journal of Commerce and mailed to all potential ratepayers at least 10 days prior to the hearing.

On March 28, 2023, the Council introduced a fourth piece of legislation (CB 120537) that would establish the new 2023 MID BIA and levy the special assessment to fund MID BIA activities.

### **CB 120537**

CB 120537 would establish a new 2023 MID BIA beginning on July 1, 2023. Among other things, the bill:

- Establishes the geographic boundaries of the 2023 MID BIA;
- Describes the assessment schedule (the annual rates assessed for various property use categories);
- Describes the programs that would be funded by the assessments;
- Establishes an Advisory Board;
- Authorizes OED to contract for program management; and
- Allows for all remaining funds in the 2013 MID BIA Account to be transferred to the 2023 MID BIA Account.

### **Boundaries**

The new 2023 MID BIA boundaries would differ from the 2013 MID BIA by expanding south, encompassing 20 additional parcels along either side of 1<sup>st</sup> Avenue South until Royal Brougham Way, congruent with the Pioneer Square Historic District. Please see Attachment 1 for more details.

Term

The new MID BIA would be established for a period of 10 years, beginning on July 1, 2023. Prior to expiration of this term, proponents may recommend that the BIA be renewed.

Assessments

The rate is proposed to be 37 cents per \$1,000 of total appraised value (TAV), plus 45 cents for every lot square foot, subject to limitations, or “ceilings” summarized in Table 1 below.

*Table 1. Maximum assessment rate by category*

<b>Category</b>	<b>Maximum Assessment</b>	<b>Notes</b>
Small buildings (Floor Area Ratio of less than 0.5)	\$0.24 x Building Square Feet	-
Hotel Rooms	\$125 x number of hotel rooms	Phased in over two years – Year 1 rate ceiling will be \$112 per room, and Year 2 rate ceiling will be \$125.
Residential Units	\$195 x number of units	Phased in over two years – Year 1 rate ceiling will be \$175 per unit, and Year 2 rate ceiling will be \$195.
Surface Parking	\$0.81 per \$1,000 TAV	-
Nonprofit Reduced Rate	25% of basic formula	Nonprofit rate will apply only if the property is being used for a nonprofit use.

The rate of assessments for years one through five (beginning on July 1, 2023) will be based on the King County Assessor’s 2022 property data. Property valuations will be updated in year five based on the King County Assessor’s 2028 property data for years six through ten. Rates and ceilings will be adjusted annually based on the Consumer Price Index, but shall be no less than 2.5 percent, and not more than 5 percent. Properties that are redeveloped or substantially expanded during the 10-year term of the MID BIA will be assessed using their new appraised value and be subject to the same annual inflation factor.

Residential and hotel room maximum assessments will not apply to a mixed-use property unless at least 75 percent of the property’s total net building square footage is designated for hotel or residential use.

## Programs

The new MID BIA would fund the following programs and services:

- Cleaning and Maintenance Services;
- Community Safety, Hospitality, and Outreach Services;
- Public Events and Beautification of Public Spaces;
- Economic Development, Advocacy, and other Planning Services;
- Promotion, Marketing and Communication Services;
- Transportation and Parking Support; and
- Program Management.

Compared to the 2013 MID BIA, the new 2023 MID BIA is proposed to be similar in scope, with expanded cleaning services and higher labor costs anticipated. The [Metropolitan Improvement District 2023-2033 Business Plan](#) provides a more detailed description of the proposed budget and program activities.

## Program Manager

OED would be authorized to contract with a local non-profit entity operating primarily within the City, with experience in BIA management, to act as the Program Manager. The Program Manager of the current MID BIA, the Downtown Seattle Association, would fulfill this criteria and is anticipated to continue in this role with the new MID BIA.

## BIA Advisory Board

Within 30 days of the effective date of the legislation, OED would appoint an interim MID BIA Advisory Board (Board) that would, in turn, recommend membership of an inaugural Board within 90 days of the effective date of the legislation. The Board would be comprised of “representative of the varying sizes and types of property owners, residents, and business tenants, within the geographic area of the Metropolitan Improvement District.” The Board would be required to have residents and business tenants, and may include public agencies.

In addition to appointing Board members from the list recommended by the interim Board, OED may appoint additional members beyond those recommended to ensure broad representation on the Board.

The Board shall be responsible for: adopting bylaws consistent with the City’s BIA policies; adopting policy guidelines; recommending approval of budgets, expenditures, and programs; and providing advice and consultation to the OED and Treasury Directors and to the Program Manager.

**Next Steps**

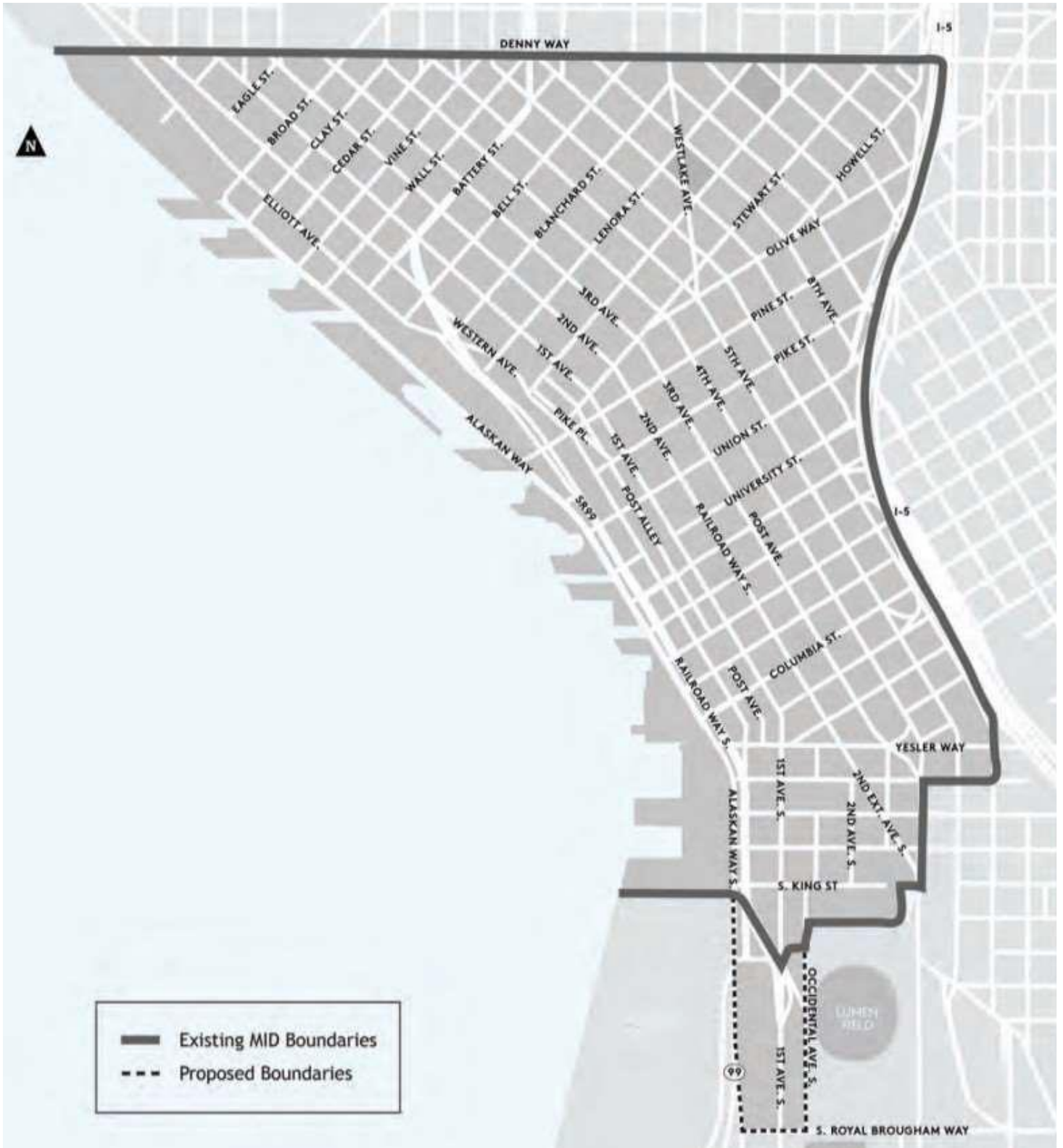
At the next meeting on April 12, 2023, the Committee will hold a public hearing and have an initial briefing and discussion on [CB 120537](#). At the following Committee meeting on April 26, 2023, the Committee will consider any proposed amendments and possibly vote on CB 120537. If the Committee votes to recommend passage of CB 120537 on April 26, the City Council will likely consider the legislation at its meeting on May 2, 2023.

**Attachments:**

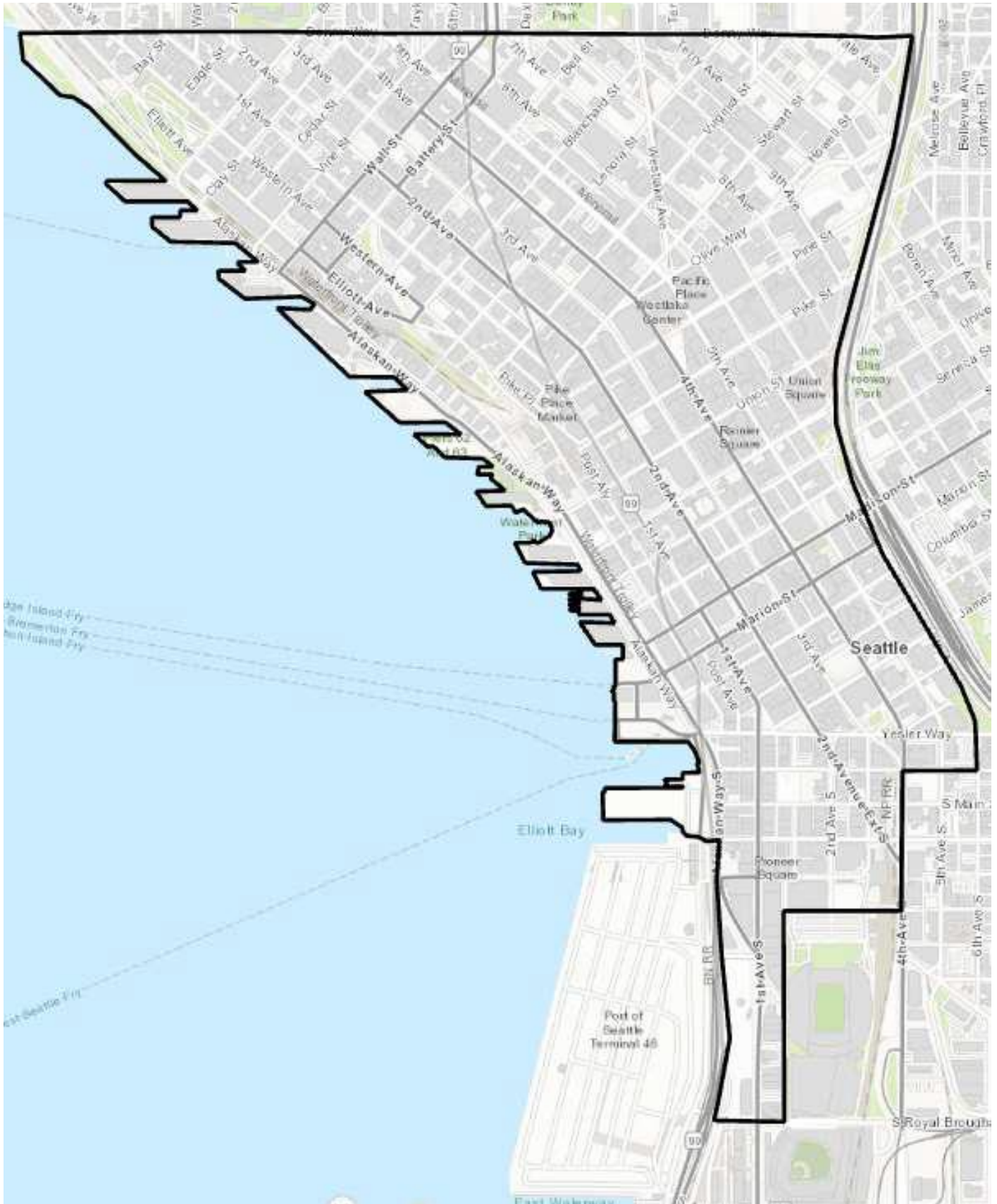
1. Proposed 2023 Metropolitan Improvement District Boundary Maps

cc: Esther Handy, Director  
Aly Pennucci, Deputy Director  
Yolanda Ho, Supervising Analyst

Attachment 1 – Proposed 2023 Metropolitan Improvement District Boundary Maps  
V1



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Southern Boundary Detail:

