

**MEMORANDUM**

**To:** Affordable Housing, Neighborhoods & Finance Committee  
**From:** Aly Pennucci, Legislative Analyst  
**Date:** September 1, 2016  
**Subject:** CB 118747 - Ballard Business Improvement Area (BIA)

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On September 7 the Affordable Housing, Neighborhoods, and Finance (AHNF) Committee will have an initial discussion and conduct a public hearing on Council Bill (CB) 118747, which would establish a Business Improvement Area (BIA) in Ballard. BIAs are economic development funding mechanisms that allow property and business owners to assess themselves to fund enhanced services, programming, and management for a business district.

This memo (1) describes city policy and state statutes governing formation of a BIA, (2) summarizes the content of CB 118747, and (3) sets out some issues and potential amendments for Committee discussion.

**Procedure Steps to establish a new BIA**

City BIA policies are established by resolution and were most recently amended by [Resolution 31567](#). Additionally, procedures for establishing and operating a BIA are governed by [RCW Chapter 35.87A](#). BIAs are initiated either by a petition from prospective ratepayers who would pay at least 60 percent of the BIA assessments or by resolution. There are multiple pieces of legislation and many procedural steps required to establish a BIA.

In July 2016, the Council started the process to consider creating a BIA in Ballard by introducing three pieces of legislation:

1. [Resolution 31686](#), which initiates BIA consideration;
2. [Resolution 31685](#), which establishes the intent to establish a BIA and sets a date for a public hearing on the proposed BIA; and
3. CB 118747, which would establish the Ballard BIA and levy the special assessment to fund BIA activities.

On August 1, 2016, the Council adopted Resolution 31686 and Resolution 31685. These resolutions get the process underway and set the public hearing date for September 7, 2016. Proponents of the proposed BIA will be at the September 7 committee meeting to describe the background, outreach, intent, and scope of the proposed BIA.

Per state law, the resolutions of intention to establish, which provides information on the public hearing, was published in the Daily Journal of Commerce and mailed to all ratepayers. The chair anticipates a Committee vote at the September 21 meeting. The proponents are aiming to have the new BIA take effect on January 1, 2017.

**CB 118747**

CB 118747, would establish the Ballard BIA . The focus of the public hearing will be on CB 118747. Among other things, the bill:

- Establishes the geographic boundaries of the Ballard BIA;

- describes the BIA assessment schedule (the annual rates assessed for various property use categories);
- describes the programs that would be funded by the assessments;
- establishes a Ratepayers Advisory Board; and
- authorizes the Department of Finance and Administrative Services (FAS) to contract for program management.

The proposed Ballard BIA would have a seven-year life, after which the proponents may recommend that it be extended. In attachment 1, the proposed geographic boundaries are shown.

**Discussion items and amendments for consideration:**

Planning and outreach for the proposed Ballard BIA preceded adoption of Resolution 31567, which amended BIA policies. Consequently, some elements of the proposed BIA are inconsistent with current policy. The Council could make amendments to the proposed BIA now to improve consistency. Alternatively, in recognition of the planning work that preceded changes to BIA policies, the Council could defer consideration of changes.

**1. Technical Amendment**

- a. CB 118747 as introduced includes a recital meant to note the results of staff’s calculation of the percentage of special assessments that were reflected in signed petitions, however, the actual percentage was omitted. The proposed amendment would add that information as follows:

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WHEREAS, to gauge the percentage of special assessments that were reflected in signed petitions, City staff followed RCW 35.87A.010, and calculated the dollar amount of the special assessment that each business, multi-family residential, or mixed-use property would pay, and compared the dollar amount represented by signed petitions and letters of support to the estimated total for the entire proposed Ballard Business Improvement Area, including the Ballard Blocks, and the result was nearly 63 percent, which exceeds the threshold of 60 percent stated in RCW 35.87A.010; and

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- b. In Section 13 of CB 118747, the Ballard Partnership is named as the recommended organization to act as the Program Manager for the BIA. The organization has since decided to change the name from the Ballard Partnership to the Ballard Alliance. The proposed amendment would reflect that change as follows:

Section 13. Contract for Program Management. The FAS Director is authorized to contract with any local non-profit entity to act as the Program Manager. The Program Manager’s duties, subject to the approval of the ratepayers at each annual meeting, will be to manage the day-to-day operations of the Ballard Business Improvement Area and to administer the projects and activities. It is the intent of the City Council that the FAS Director contract with the Ballard Partnership Alliance as the initial Program Manager.

## 2. Proposed Boundaries<sup>1</sup>

Policy 3 of the BIA policies states that “[p]ublic streets and alleys are typically the clearest way of demarcating boundary lines. The boundaries can specify if properties adjoining both sides of a street are included. If only the properties on one side of the street are included, the boundaries can be set at the midpoint of the street. A decision to put a boundary down the middle of the street must have a basis in benefits received.”

The proposed boundaries are inconsistent with this policy for multiple reasons: (1) the boundary along NW Market on the west side between 28<sup>th</sup> Ave NW and 26<sup>th</sup> Ave NW includes only the south side of that block; and, on the east end between 17<sup>th</sup> Ave NW and 15<sup>th</sup> Ave NW only the north side of the block is included; (2) several areas use parcel lines rather than a street or alley to demarcate the boundary; and (3) it is not clear from the proponents application materials or the Office of Economic Development’s (OED) review and analysis that this decision was based on how these properties will receive benefits. Rather, it appears that certain properties are not included because of difficulty reaching property owners and/or confirming support. The proponents provided some explanation for the boundary choices that run along property lines (see attachment 2).

While this is inconsistent with the adopted Policies, the state statute is not specific about how boundaries are drawn and the proponents started this process well in advance of adoption of the new Policies. ***Councilmembers could require additional analysis by the proponents and OED and/or could request that OED works to ensure that all future BIA proposals are developed and analyzed to better meet the policies.***

## 3. Advisory Board

Policy 4 of the BIA policies call for a BIA advisory board and not specifically a ratepayers advisory board; this was intentional to allow for the inclusion of business tenants (who are tenants of ratepayers) and representatives from multi-family residential buildings (where the homeowners association is the ratepayer) on the board. The proposed legislation to establish the Ballard BIA does not include language that specifically allows for the inclusion of business tenants or representatives from multi-family residential buildings. ***Council could amend Section 11 of the proposed bill as follows to specify this:***

### Section 11.

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The composition of the Board shall be representative of the entire geographic area of the Ballard Business Improvement Area, as well as representative of all ratepayer classifications and sizes [as well as residential representatives and commercial tenants](#). Specifically, no less than one-third of the members shall represent commercial ratepayers and no less than one-third of the members shall represent multi-family residential ratepayers.

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<sup>1</sup> The proposed boundaries for the Ballard BIA are included in attachment 1.

#### 4. Assessments

a. *Residential Ceiling: Assessment capped at \$90/unit*

The proposed assessment methodology caps the assessment for multi-family residential properties at \$90 per unit. This was designed to account for the services that do not directly benefit residential properties, such as marketing and promotion, based on the mandate to impose assessments on the basis of benefit received (See RCW 35.87A.080). However, based on the submitted materials, hotels are eligible for the residential ceiling. Because hotels are more like commercial properties than residential properties and do benefit from services such as marketing and promotion, it would make more sense to apply the standard base assessment and apply the building square footage ceiling (if applicable) to hotels. **Council could consider amending the bill to specify this.** [Note, this would require a new initiation resolution, additional notice and another public hearing on changes to assessment rates]

b. *Tax-Exempt Property Ceiling: assessed at 25% of standard base assessment rate*

Tax-exempt properties will be assessed at 25% of the standard assessment rate (partially tax-exempt properties will get the discount on the tax-exempt portion of the property). This is based on the idea that tax-exempt properties do not benefit from many of the proposed services, such as marketing and promotion, but do benefit from cleaning and safety services.

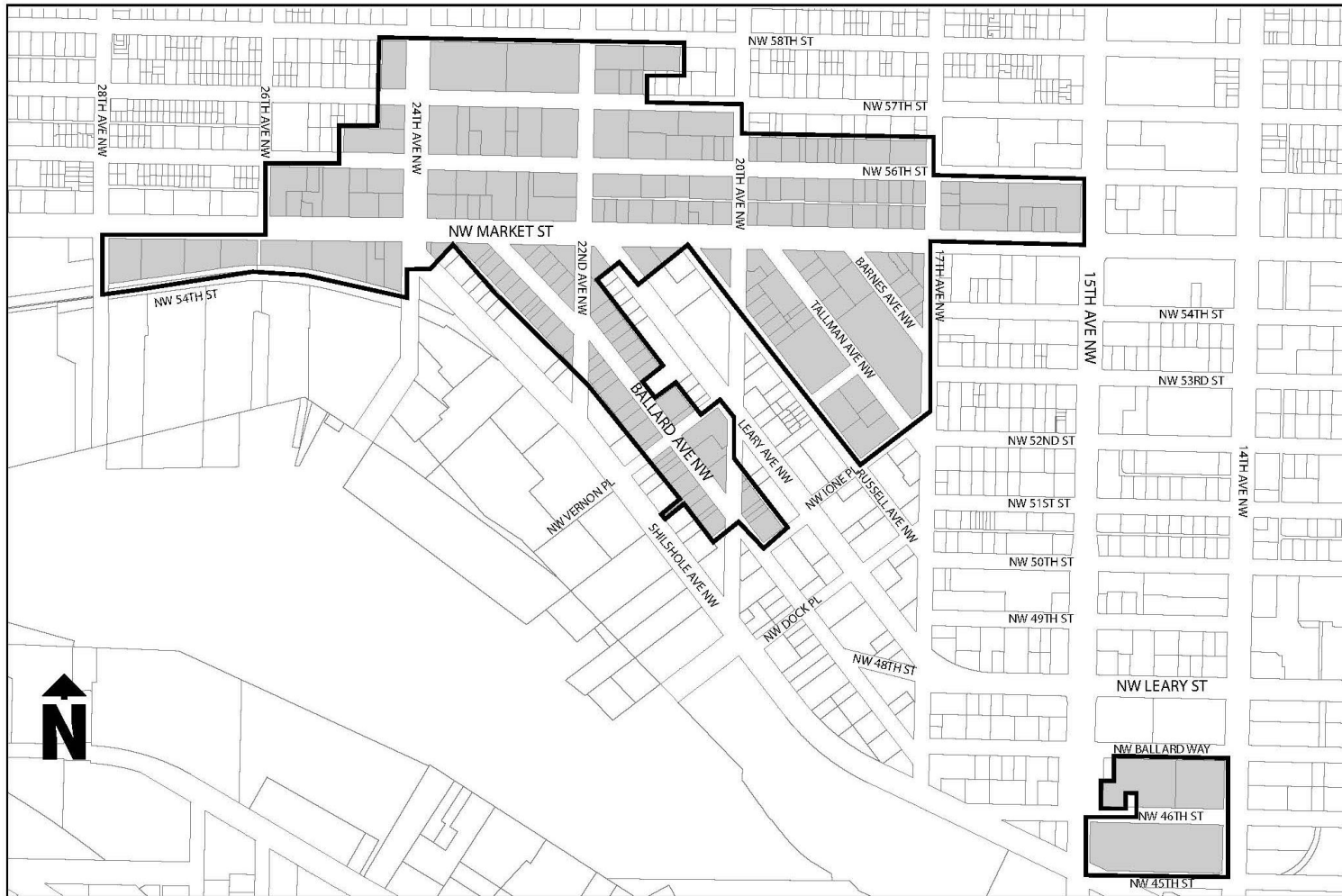
Together, the “clean environment” and “public safety/public health” line items make up almost 50% of the proposed BIA budget. If tax-exempt properties benefit from these services to the same degree as taxable properties, requiring tax-exempt properties to pay only one quarter of the standard assessment rate may not be appropriate. Policy 6 of the BIA policies states that “[w]hen taxable value is used in assessment formulas, an alternative basis should be considered that reasonably measures benefit to the property, such as using size/area of the property, linear or front footage of the property, an alternate valuation, or square footage of improvements to the property.” More information and analysis may be needed to justify the proposed discount. It may be more appropriate to evaluate each property that is fully or partially tax exempt individually to evaluate benefits received (i.e. a museum versus a non-profit social service agency office). **Council could request that OED and the Ballard BIA proponents return with additional information that justifies the proposed methodology for tax-exempt properties (this could also include a recommendation to modify the proposed methodology for tax exempt properties).** [Note, as above, this would require a new initiation resolution, additional notice and public hearing on changes to assessment rates]

#### Attachments

1. Proposed Ballard BIA Boundary
2. Boundary Line Choices

cc: Kirstan Arestad, Central Staff Executive Director  
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# Attachment 1: Proposed Ballard BIA Boundary



**BDS**  
PLANNING & URBAN DESIGN

 Ballard BIA Area

*This map is for illustrative purposes only and is not intended to modify anything in the legislation*



## Attachment 2: Boundary Line Choices

The boundary line that runs South from NW 58<sup>th</sup> to Market Street is intended to capture the major commercial and residential corridor that is 24<sup>th</sup> Avenue NW and NW Market Street but avoids those areas that contain a high rate of non-assessable residential parcels (e.g. townhomes, triplexes, duplexes etc.) that are NW of the boundary line.

This boundary line allows for the inclusion of St. Luke's Episcopal Church property, which spans six parcels, and is an important fixture in Central Ballard.

This boundary line allows for the capture of large scale residential development as well as commercial buildings on the North side of NW 56<sup>th</sup>. It avoids non-assessable residential parcels on the South side of NW 57<sup>th</sup>.

The boundary line that runs along NW Market Street from 26<sup>th</sup> Ave NW to 28<sup>th</sup> Ave NW includes three parcels that are critical to Ballard's future, owned by the Nordic Heritage Museum. These parcels represent Ballard's tie to its Nordic Heritage as well as a significant asset for marketing, promotions and business development going forward.



## Ballard Improvement Area Boundary Map

(includes description of boundaries along property lines)

This boundary line allows for the capture of large scale residential development on the North side of NW Market Street and avoids a non-assessable government building and large parcels with out-of-state ownership.