

SUMMARY and FISCAL NOTE*

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* 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:** A RESOLUTION declaring the intention of the City Council of The City of Seattle to order the construction of the Seattle Central Waterfront Improvement Program, and to create a local improvement district to assess a part of the cost and expense of both carrying out certain of those improvements against the properties specially benefited thereby and notifying all persons who desire to object to such improvements to appear and present their objections.
- 2. Summary and background of the Legislation:**

This legislation states the City Council’s intent to create a Local Improvement District (LID) to fund a portion of the Central Waterfront Improvement Program. The LID would assess property owners for a portion of the special benefit to properties in the downtown area benefitting from the improvements included in the LID. A special benefit is the difference in estimated market value resulting from the LID-funded improvements. The legislation also directs SDOT and the Office of the Waterfront to notify the public of the opportunity to present objections and feedback on the improvements and formation of an LID at public hearings to be held in July.

Background

In 2012, the City Council adopted Resolution 31399, which stated the City’s support of the Central Waterfront Concept Design and Framework Plan and endorsed the Central Waterfront Strategic Plan. The Plans were developed based on broad and inclusive public engagement and the advice and leadership of the Central Waterfront Steering Committee. The City Council subsequently adopted the 2013-2018 Capital Improvement Program (CIP) for the City which formally established an overall budget and funding sources for the Waterfront Improvement Program, including funding from a future LID.

Since 2012, the City has advanced the design, environmental approval and cost estimation of the Central Waterfront program consistent with the Central Waterfront Concept Design and the adopted CIP. The Central Waterfront Improvement Program stretches from Charles Street in South Downtown near CenturyLink Stadium to Bell Street in Belltown (*see Attachment 1: Waterfront program map*). The current cost estimate for the Central Waterfront Improvement Program capital improvements is approximately \$700 million, exclusive of public and private utility costs. This includes the estimated cost to form and administer the LID. Approximately 60% of the \$700 million project budget will be funded through public funding sources. The remaining \$300 million will be raised through a combination of private sources, including \$100 million in philanthropic contributions to be raised by Friends of Waterfront Seattle and

\$200 million to be contributed through LID assessments (*see Attachment 2: Waterfront Improvement Program funding chart*).

In September 2017 the City Council adopted Resolution 31768 that reaffirmed the overall funding plan for the Central Waterfront Improvements and the principles guiding the implementation of these improvements and outlined a process to form the LID. Resolution 31768 described that the LID assessments would be determined through a special benefit analysis in which a licensed real estate appraiser would identify the estimated special benefit to properties in the downtown area resulting from the LID-funded improvements. In 2017, FAS engaged the services of a licensed real estate appraiser to perform a feasibility study for the LID. The study estimated a range of special benefit due to the LID-funded elements of the Waterfront Improvement Program totaling between \$300 and \$420 million. Following the feasibility study, the same independent real estate appraiser developed a preliminary special benefit assessment study for the LID for the City that was completed in April 2018.

The preliminary special benefit study used mass appraisal techniques and market sales of land and improved properties, together with lease information on properties within the recommended boundary to estimate the change in market value due to the LID-funded improvements. The preliminary study estimates the total special benefit to the 6,130 parcels within the proposed LID boundary to be approximately \$414 million. Property abutting the waterfront improvements generally reflect the highest range in special benefit.

State law requires that LID assessments do not exceed the total special benefit to properties resulting from the LID-funded improvements. The assessment ratio is the percentage of the identified special benefit each property owner that will be assessed to fund the LID improvements. Each property's preliminary LID assessment is equal to the property's special benefit multiplied by the assessment ratio. The Executive recommends the assessment ratio be set to collect a total of \$200 million of the total special benefit, approximately 48.27% to be applied uniformly to each property in the LID boundary, regardless of use (i.e., commercial, residential, mixed use), that is determined to receive a special benefit from the improvements.

Preliminary assessments are not final but provide property owners with an estimate of the expected final assessment. Actual assessments may vary from estimated assessments as long as they do not exceed the estimated increase in market value the LID improvements add to the property. As described in the accompanying resolution, the City shall not levy a total amount in excess of \$200 million in the confirmed final assessment roll and will not seek any additional or supplemental assessments.

Next Steps

This resolution is the first of several legislative actions required to form the LID, consistent with the LID process outlined in SMC Title 20, Chapter 4. Following passage of this resolution, the City plans the following steps prior to submitting an ordinance to

form the Waterfront LID to City Council. (*See attachment 3: Waterfront LID Legislative Schedule*).

- Provide written notification to property owners and members of the public of public hearings at which all persons can present their views on the LID formation. The written notification will include the preliminary assessment estimated for the parcel.
- Hold public hearings at the Washington State Convention Center and Seattle City Hall over several weeks in July to allow all persons to present their views on the proposed improvements and LID formation to a Hearing Examiner.
- Following conclusion of the public hearings, the Hearing Examiner will prepare and present a report of comments and concerns raised by the public to the City Council for consideration during the public hearings on formation of the LID, anticipated in the third quarter of 2018.

Concurrent with these actions, the Council will also consider a Waterfront Operations and Maintenance agreement and a Construction Funding agreement between Friends of Waterfront Seattle and City. These agreements will outline the timing of philanthropic contributions necessary for delivery of the Waterfront Improvements and the scope of work for operations and maintenance of the Waterfront through a partnership between Seattle Parks and Recreation, Friends and DSA.

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 resolution does not have direct financial impacts to the City of Seattle, however, the resolution is the first step in formation of the Waterfront LID, which funds a portion of the Central Waterfront Improvement Program consistent with Council direction in Resolution 31399. If the LID is formed, the City will be legally committed to complete the project as outlined in the formation ordinance. In addition, if a 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 \$2 million to \$2.5 million based on the preliminary special benefit study. The City may also incur costs related to the administering deferral programs. (see Section 4-f below).

As indicated above, the City will not levy a total amount that is more than \$200 million in the confirmed final assessment roll. Should the confirmed final assessment roll be less than the \$200 million estimated in the Waterfront Budget, the City would need to allocate additional funds to support LID-funded improvements or identify other ways to bridge the funding gap.

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

If this resolution 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 of which most is intended to be repaid by the LID proceeds upon its formation.

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?

Yes, public hearings are required following the adoption of the resolution of intent to form. Public hearings will be held in July 2018 at the Washington State Convention Center in downtown Seattle and Seattle City Hall. A Hearing Examiner will conduct the public hearings and provide a report to the City Council of their findings prior to the introduction of the LID formation ordinance, anticipated in the third quarter of 2018.

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

No, this legislation does not require landlords or sellers of real property to provide information to buyers or tenants. 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?

Yes, notice is required in newspapers of record throughout the LID formation process as described in RCW 35.43. The Office of the Waterfront, FAS and the City Clerk's office are working together to ensure all requirements for publication of notice are being met.

Additionally, the Office of the Waterfront, FAS and the City Clerk's office are working together to prepare for sharing all ordinances, resolutions or policies with the public on the internet and through the Waterfront Seattle website.

e. Does this legislation affect a piece of property?

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

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?

Passage of this legislation begins the process of forming the Waterfront LID, which 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.

Property owners within the LID area that receive a special benefit from the Improvements will be assessed to pay for a portion of the cost of the LID improvements. Federal property, housing

authority property and land designated for agricultural or timberland use are exempt from LID assessments. A number of State and City authorized deferral programs exist currently or may be authorized.

- **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. State deferral programs place a lien on the property and may still be perceived to be a burden by these property owners.
- **City of Seattle:**
 - **Low income property owners.** 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. The City must specify qualifications for its economic hardship deferral program in the ordinance forming the LID. Deferrals through the City established program cannot extend beyond four years and, like the State deferral programs, the City deferral program also places a lien on the property. Due to the lien requirement and the short-term nature of the City deferral program, qualifying low-income property owners may still feel 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 to form the LID.
 - **Property owners providing low-income housing and human services to vulnerable and historically disadvantaged communities.** 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 the majority of these properties have deed restrictions or existing recorded agreements with the City or other government agencies limiting how the property can be used that exempt the properties from LID assessments. However, within the LID boundary area are properties owned by non-profits that provide these services but do not have deed restrictions or recorded agreements. For these properties, the City may authorize a Sale of Development Rights Program in which qualifying property owners would enter into a contract with the City, independent of the LID, restricting the property's development capacity. The property owner would sell the property's development rights to the City and in exchange the City would pay a portion or all of the property's LID assessment. The Sale of Development Rights Program would be authorized through an ordinance separate from the Waterfront LID formation ordinance. The Executive recommends authorizing this program and will bring separate legislation to the City Council to authorize this program.

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 supports the City's long-term goal to improve Seattle's Waterfront and for its operation to provide free public access to high-quality parks and recreation.

Attachments:

Summary Attachment A – Waterfront Area Map
Summary Attachment B – Waterfront Funding Chart
Summary Attachment C – Waterfront LID Schedule