

September 23, 2020

MEMORANDUM

To: City Council
From: Yolanda Ho, Analyst
Subject: SODO BIA Amendment (Council Bill 119884)

On October 5, 2020, the City Council (Council) will consider and may vote on [Council Bill \(CB\) 119884](#) that would delay an update to ratepayer assessments for the [South of Downtown \(SODO\) Business Improvement Area \(BIA\)](#) from 2021 to 2022.

This memorandum describes: (1) the background of the SODO BIA; (2) CB 119884; (3) impacts of CB 119884; and (4) next steps.

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. The Office of Economic Development (OED) provides staff support to BIAs, and the Department of Finance and Administrative Services (FAS) collects assessment revenues from ratepayers and disburses the funds.

The current 10-year SODO BIA was established by [Ordinance \(ORD\) 125678](#) in 2018. The revenues collected through the BIA support enhanced services in the following program categories: transportation; security; cleaning; and advocacy, marketing, communications, and networking for business development within existing zoning. To fund these services, owners of business property, multi-family residential property (buildings containing four or more residential units), and mixed-use property (multi-family residential and commercial) located within the boundaries of the SODO BIA (Attachment 1) pay a special assessment.

The assessment rate is \$0.50 per \$1,000 of total taxable value for most properties, with exceptions for properties designated as tax exempt by the King County Assessor's Office. The SODO BIA assessments in 2019 and 2020 were calculated based on the Assessor's property data for Tax Year 2017/Assessment Year 2016. For SODO BIA assessments in 2021 and 2022, FAS will use the Assessor's property data for Tax Year 2021/Assessment Year 2020. Subsequent assessments will be updated every two years in the same manner until the expiration of the BIA term (i.e., assessments in 2023 and 2024 will use the Assessor's property data for Tax Year 2023/Assessment Year 2022 and so forth).

CB 119884

CB 119884 would delay the SODO BIA assessment update from 2021 to 2022, continuing for another year the current assessment amounts that are based on the Assessor's property data for Tax Year 2017/Assessment Year 2016. In 2022, SODO BIA assessments would be updated using the King County Assessor's data for Tax Year 2021/Assessment Year 2020. Beginning in 2023, updates to SODO BIA assessments would follow the schedule described previously.

This proposal was initially discussed by the SODO BIA Ratepayers Advisory Board (Board) on May 17, 2020, in response to (1) the economic crisis caused by the COVID-19 pandemic and (2) property value increases within the district since the SODO BIA was established, which would result in higher assessments for most, if not all, ratepayers should assessments be updated as required by ORD 125678. On July 17, 2020, the Board voted to approve postponing the update by one year to avoid creating an additional financial burden on ratepayers during the crisis.

A resolution and public hearing for this proposal are not required by [Chapter 35.87A RCW](#), which governs the establishment, operation, and modification of BIAs. However, to ensure that ratepayers are aware of the proposed change and have an opportunity to provide feedback in advance of final Council action, the City mailed a notice to each ratepayer on September 21.

Impacts of CB 119884

The total SODO BIA assessment is expected to generate \$985,966 in 2020. Delaying the assessment update next year as proposed would cause the SODO BIA to forgo an estimated \$380,000 in additional revenue. According to OED, the impacts on the SODO BIA's operations are anticipated to be relatively minor. The SODO BIA is currently developing a revised 2021 budget that addresses the impacts of COVID-19, program cost increases, and heightened public safety concerns. The loss of this additional revenue is not expected to result in major changes or reductions in programming. The City does not retain any portion of BIA assessments, so there would be no impact on City operations.

Next Steps

The Council is scheduled to consider this legislation and act on October 5, 2020. If the Council does not adopt CB 119884 before the end of 2020, SODO BIA ratepayer assessments in 2021 will be updated using the King County Assessor's data for Tax Year 2021/Assessment Year 2020, likely resulting in higher assessments for most ratepayers.

Attachment:

1. SODO BIA Boundaries

cc: Dan Eder, Interim Director
Aly Pennucci, Supervising Analyst

Attachment 1: SODO BIA Boundaries

