

METROPOLITAN IMPROVEMENT DISTRICT (MID) RENEWAL BENEFIT ANALYSIS

OFFICE OF ECONOMIC DEVELOPMENT
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HIGHLIGHTS:

Created under Ordinance 124175 as a ten-year BIA in 2013, the current Metropolitan Improvement District (MID) is scheduled to sunset on July 30th, 2023. The proposed renewal requires the approval from City Council and the Mayor's Office. In response to community feedback and having successfully obtained signatures representing over 65% from potential ratepayers, the MID is proposing a ten-year renewal and expansion.

BUDGET - The total estimated budget for the proposed Metropolitan Improvement District (MID) beginning at the time of the authorization (July, 2023) is estimated at **\$18,363,534.10**.

RATEPAYERS - The assessment is on all eligible (1260) properties and the ratepayers are therefore primarily property owners, including commercial, nonprofits, multifamily residential properties (4 units or more), and tax-exempted properties being utilized for commercial purposes.

SUPPORT - As of Feb 20th, 2023, the MID has petition signature from **505 petitions** in support of the MID renewal, representing **65.92 percent** of assessment in support.

OPPOSITION - As of Feb 20th, 2023, the City has received one known petition in opposition to the renewal, representing **0.03 percent** of assessment in opposition.

BOUNDARIES - The renewal makes an expansion along the southern boundaries of the MID footprint. The proposed boundary encompasses the current MID and expands the boundary to the south to include 20 additional properties in Pioneer Square at the request of property owners in the expansion area.

BIA PROGRAMS AND SERVICES - are standard and similar to other recent BIAs.

ASSESSMENTS - Records for the initial assessment calculations are based on data and information from the King County Assessor's Office. The base assessment rate on each assessable property within the proposed boundaries will be **\$.37 per \$1,000** of the total taxable value and/or total appraised value and **\$.45 per lot sq. footage**. Non-profits, churches, and other eligible properties will continue to receive a nonprofit rate due to the nature of their ownership. Different types of assessment ceilings are potentially applicable to ratepayers during the lifetime of the ordinance.

BENEFIT ANALYSIS - Based on this analysis, the assessment methodology based on Total Taxable Value (TTV), Total Appraised Value (TAV), and other parcel related factors will charge ratepayer assessments relatively to the benefits provided by the MID programs and services.

OUTREACH - The MID launched a Renewal Committee comprised of property and business owners throughout this proposed area starting in March of 2022, additional details are provided in **Section H: Outreach and Support**.

PROGRAM MANAGER - The MID Program Manager is recommended by the Ratepayers Advisory Board to the City. The Ratepayers Advisory Board approves an annual budget, work plan, and program manager for use of BIA generated funds in alignment with the BIA ordinance.

BUSINESS IMPROVEMENT AREA (BIA) OVERVIEW:

Currently, there are **11 BIAs** in Seattle generating a total of **\$30 million dollars** in enhanced programs and services to business districts. The current MID provides **\$15 million** in annual assessments to support professional management, clean and safe, economic development, transportation, and business district advocacy.

- BIA services are primarily funding by a special assessment on district properties or businesses
- BIAs are governed by a locally controlled board of directors
- BIAs provide services to supplement, not replace services already provided by the City
- BIAs serve as a critical liaison between City government and neighborhood stakeholders

This Business Improvement Area (BIA) benefit analysis has been prepared to support the proposed reauthorization and expansion of the MID within the City of Seattle and a requirement of Resolution 31657 - the Citywide BIA Policies.

SECTION A: MID PROPOSED BOUNDARIES

The proposed MID encompasses nearly 300 square blocks and covers service areas between Elliott Bay and I-5, and between Denny Way and to South Royal Brougham Way. The MID renewal committee recommended a modest expansion to include 20 additional parcels south of King Street in alignment with the Pioneer Square Historic District boundaries.

FIG A1: PROPOSED MID BOUNDARIES



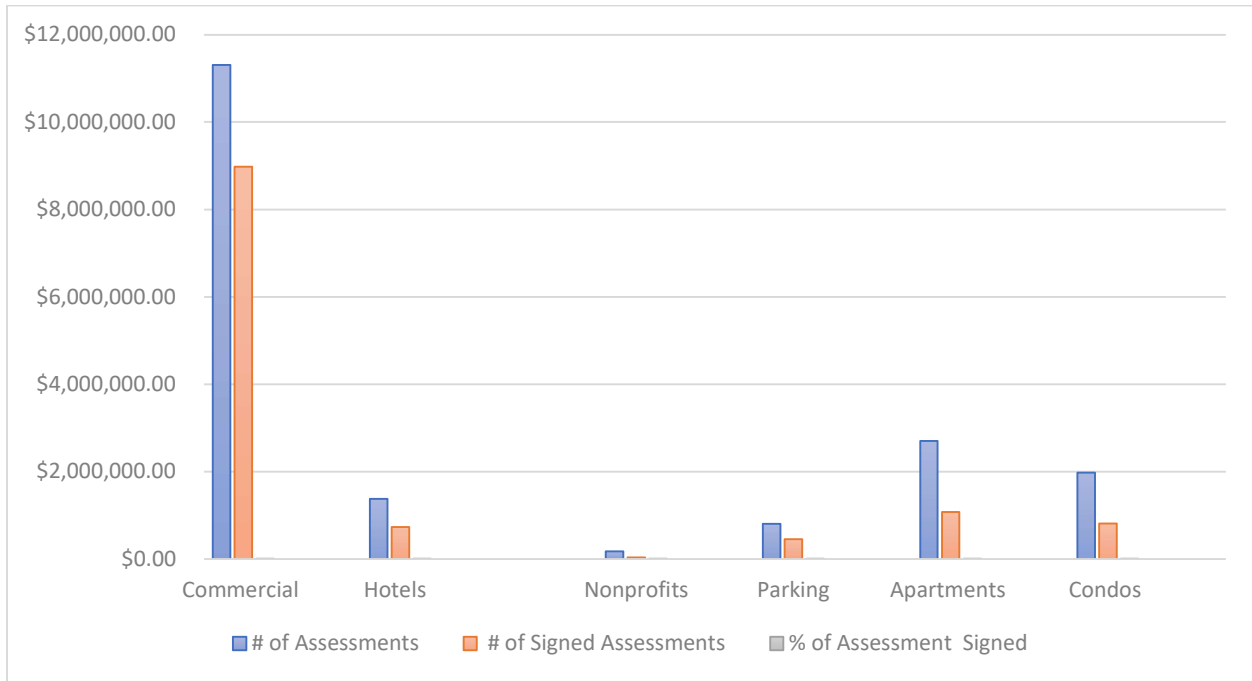
FIG A1: SOUTHERN BOUNDARY DETAIL



SECTION B: MID PETITION SUPPORT

The proposed MID has petition signature from **505 petitions** in support of the reauthorization and expansion, representing **65.92%** in assessments from six categories of property owners within the MID boundaries. Per [State RCW 35.87A.010](#), BIA petitions are based upon the assessment that would be generated by the proposal.

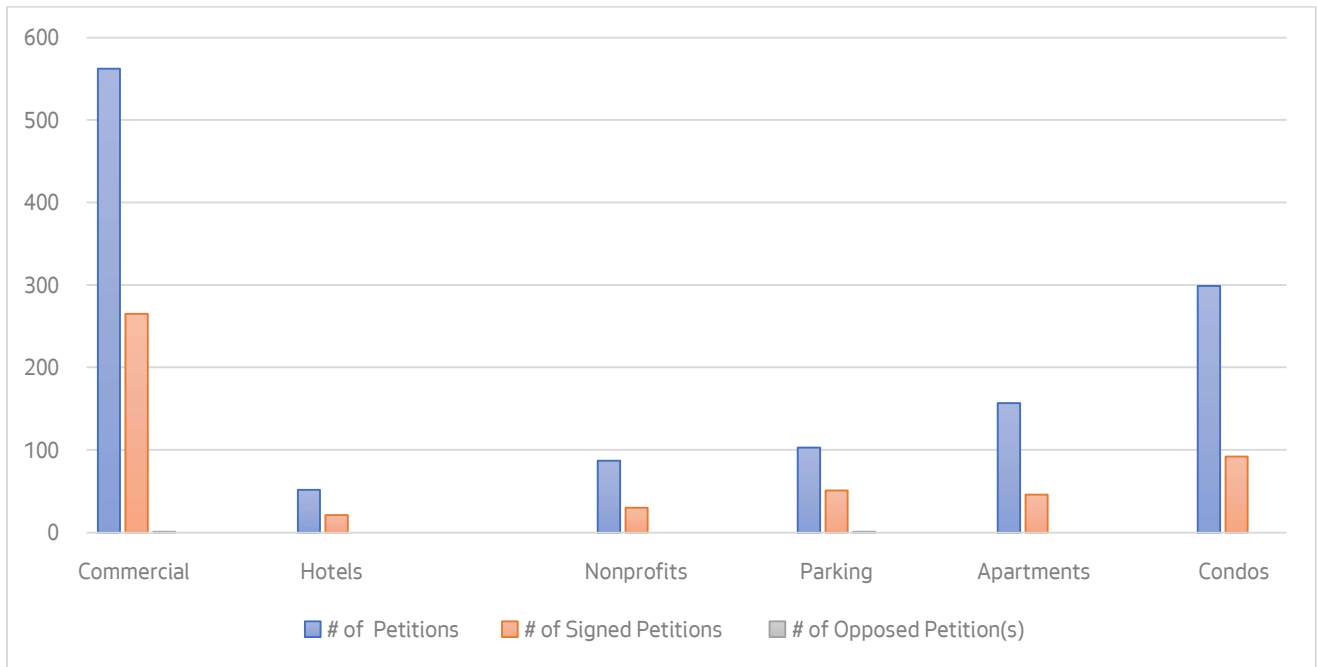
B1: PETITION SUPPORT BY ASSESSMENTS ACROSS RATEPAYER TYPES



Property Type	# of Assessments	# of Signed Assessments	% of Assessment Signed
Commercial	\$11,311,991.39	\$8,980,994.70	79.39
Hotels	\$1,382,673.60	\$734,100.34	53.09
Nonprofits	\$181,143.18	\$39,970.37	22.07
Parking	\$806,721.08	\$455,334.28	56.44
Apartments	\$2,703,433.72	\$1,076,169.51	39.81

Condos	\$1,977,571.13	\$819,309.52	41.43
Total	\$18,363,534.10	\$12,105,068.72	65.92

FIG B2: INDIVIDUAL PETITION SUPPORT BY RATEPAYER TYPES



Property Type	# of Petitions	# of Signed Petitions	# of Opposed Petition(s)	% of Petitions Signed
Commercial	562	265	0	41.15
Hotels	52	21	0	40.38
Nonprofits	87	30	0	34.48
Parking	103	51	1	49.51
Apartments	157	46	0	29.29
Condos	299	92	0	30.77
Total	1260	505	1	40.08

SECTION C: MID BUDGET

The MID will generate an estimated total of **\$18,363,534.10** in assessments for the base year of authorization (2023-2024). The MID will continue to invest and expand programs and services that provides benefit to the district since 2013. Stakeholders benefits from clean team and ambassador services, parks and public space management, marketing and promotion of downtown, economic development and transportation, and district-specific advocacy efforts. **Section D has a description and additional details on MID programs and services.**

As with the majority of BIAs in Seattle, the MID ordinance proposes an **Annual Customer Price Index (CPI) inflation factor** to maintain programs and services over time. The ordinance will also annually update the assessment for properties that are developed/redeveloped using data from the King County Assessor’s Office and the Office of Economic Development. **New Benefit** includes identifying and updating assessable parcels and total taxable and appraised value, and recalculating the base assessment and potential assessment ceilings, which is the current assessment process for the existing MID. **Section E provides an overview on the MID assessment mythology.**

FIG C1: MID BUDGET

MID Programs and Services	23/24 Budget	Percentage
Cleaning Team	\$6.5M	35.6%
Ambassador Program and Outreach	\$3.4M	18.6%
Parks and Public Space Management	\$3.5M	19.1%
Marketing and Promotion of Downtown	\$0.7M	3.8%
Economic Development & Transportation	\$0.6M	3.3%
Admin and HR	\$1.8M	9.8%
MID Program Management Expense	\$1.8M	9.8%
Total Budget	\$18.3M	100%
Personnel and overhead cost are included in each program element		

FIG C2: ADDITIONAL MID BUDGET CONSIDERATIONS

The MID will also make additional investments from accumulated reserves, totaling \$2.8M from savings, due to the impacts of the pandemic during the 20-21 and 21-22 fiscal years.

Additional Investments	23/24 Budget
Sustained Private Security and SPD emphasis patrols	\$2M
Increased Clean Team Staffing by 10%	\$0.5M
Additional Advocacy Efforts	\$0.13M
Increase in Ambassador Wages	\$0.17M
Total Budget	\$2.8M

SECTION D: BIA PROGRAMS AND SERVICES

Washington State law outlines a number of purposes for the use of BIA generated funds (see RCW 35.87A.010(1)). The services and activities funded by the MID annual assessment revenue are in addition those service already provided by the City. A summarized description of current BIA services is shown below with highlights of recent success and outcomes. The proposed MID will continue these BIA services. Additional details regarding MID services and be found in the 2022-2023 MID Business Plan.

A. CLEANING SERVICES:

The MID provides cleaning services that includes public sidewalk, curbs, and other areas of the downtown public realm, keeping downtown clean and removal of trash, graffiti, and other forms of debris. The Clean Team uses specialize cleaning equipment, including a fleet of trucks, trikes, and litter vacuums. Services are provided from 6:30AM to 9:00PM, 362 days a year.

B. COMMUNITY SAFETY AND HOSPITALITY SERVICES:

The MID provides teams to assist visitors, residents, workers, and those in need. Team members perform a range of services intended to keep the district safe, welcoming, and livable. Duties include providing direction and safety escorts, supporting local ordinances while working closely with security and law enforcement, working with social services agencies, providing welfare checks and supporting public parks and spaces. Services are provided from 7:30AM to 9:00PM, 362 days a year.

C. PARKS AND PUBLIC SPACE MANAGEMENT:

The MID Public Realm Team is responsible for developing and implementing consistent family-friendly programming in Occidental Square and Westlake Park via an agreement with the City of Seattle. The team also provides ambassador staffing within the MID boundaries to ensure that public parks and spaces are clean, safe, and welcoming for all. Ambassador staff provide information to visitors, support activation, events, and vendors, and care for park amenities. Services are provided from 7:30AM to 9PM, 362 days a year.

D. COMMUNICATIONS AND MARKETING:

The MID works to promote and market downtown to local and regional residents and visitors and position downtown as a vibrant, safe, clean, and family-friendly destination. Marketing includes ongoing promotion of yearlong MID-funded public events and activation and seasonal holiday and summer campaigns focused on creating a welcoming, vibrant urban experiencing and bringing locals into downtown. Efforts also involve communicating directly with MID ratepayers on the impact of their investments, with the general public about the services MID funding supports, branding MID/ambassador requirements and supporting ambassador recruitment efforts with communication materials.

E. ECONOMIC DEVELOPMENT, TRANSPORTATION, AND ADVOCACY:

The MID works to provide advocacy on a range of issues impacting downtown. From creating welcoming public spaces, to advocating for more affordable housing and better transportation options, the MID works on making downtown attractive and accessible to business tenants, workers, residents, and visitors.

F. MANAGEMENT SERVICES:

The DSA provides the program management of the current MID via an annual contract with the City of Seattle, and is expected to continue to provide program management for the proposed MID.

SECTION E: ASSESSMENT METHODOLOGY

As a downtown business district, the MID has seen an increase of 42 percent in building sq. footage and total property values has increased by more than 200 percent over the past decade. The current MID has a number of assessment "ceilings" across different property types, which a majority of parcels are currently at under the existing ordinance. A number of these factors into consideration, along with assessment updates recommended by OED.

To determine the final assessment, each of the different ceilings is applied to any property that qualifies for it and the lowest of all resulting assessments is used.

To determine if properties are receiving benefits commensurate with their assessments, total assessment amounts are compared by property type

ASSESSMENTS DETAILS:

- **Base year assessment:** The MID assessment formula increases the lot sq. footage from **\$0.39 to \$0.45**, while the **\$0.37 per \$1,000** of the Total Taxable Value (TTV) and/or Total Appraised Value as recorded from the King County Assessor's Office remains the same. By utilizing the base assessment plus annual CPI, the MID assessment will remain predictable for ratepayers and the program manager. Residential units are assessed at \$175 first year and limited to \$195 per unit and hotel rooms are limited to \$112 first year and limited to \$125 per unit for the duration of the ordinance
- **New Benefit:** Properties seeing an increase in building sq. footage as a result of new development or significant expansion will have their property attributes and assessment updated by the City of Seattle annually until the parcel is designated as 100% complete by King County
- **Multi-Family Tax Exemption:** If a property is owned by a for-profit entity under an MFTE exemption, the Base Year Assessment will be calculated using the Total Appraised Value upon 100 percent completion of the building and/or authorization of the MFTE exemption from the Office of Housing. MFTE properties owned and operated by nonprofits will receive the non-profit rate
- **Non-Profit Rate:** If a property is owned and operated by a nonprofit entity, the Base Year Assessment will receive the reduced assessment rate. Such properties are eligible for reduced nonprofit rate of **25% for the base assessment**, the justification being that properties are receiving fewer overall benefits, primarily in marketing and economic development, in addition to providing a general public benefit to the district
- **Government Exempted Properties:** Government properties within the MID are typically not assessed but government owned properties that are leased to for-profit entities for commercial activities are assessable under the base assessment formula
- **Assessments on Mixed-Use Properties:** Residential and hotel room ceilings will not apply to a mixed-use property unless the sq. footage designated within one of the two categories comprises at least 75% of the property's total building sq. footage

SECTION F: BASE ASSESSMENT BENEFITS

Commercial Buildings:

# of Parcels	% of Parcels	Lot Sq. Footage	% Lot Sq. Footage	Bldg. Sq. Footage	% Bldg. Sq. Footage	Total Value (TAV)	% of Total Value	Base Assessment	% Base Assessment
562	44.6%	7,514,932	54.7%	48,031,679	55.7%	\$25.9B	56.8%	\$11.3M	61.6%

The **562 parcels** in this category are primarily comprised of commercial office buildings, retail and service-oriented storefronts. The conclusion drawn by the percentage ratio between the percent of TAV and MID assessment is that existing commercial buildings are providing a commensurate assessment with the benefits received from MID services for property owners, business tenants, employees, and customers. Additional commercial development and redevelopment will pay a commensurate amount as a result of the New Benefit language within the proposed ordinance.

Hotels:

# of Parcels	% of Parcels	Lot Sq. Footage	% Lot Sq. Footage	Bldg. Sq. Footage	% Bldg. Sq. Footage	Total Value (TAV)	% of Total Value	Base Assessment	% Base Assessment
52	4.12%	987,309	7.2%	8,384,808	9.7%	\$3.16B	6.9%	\$1.38M	7.5%

The **52 parcels** in this category are comprised of traditional hotels and motels within the MID boundaries. Hotels are assessed by the base assessment formula but there is a ceiling that is capped at \$112 per unit for the first year, this is an acknowledgment that these properties are tied to guest occupancy and hotels are not always fully occupied during non-peak seasons. In addition, hotels within the MID boundaries are also assessed under a separate Business Improvement Area, known as the Seattle Tourism Improvement Area (STIA). Hotel/Apartment hybrids will not be assessed solely by the hotel unit ceiling unless one of the two categories comprises at least 75% of the property's total building sq. footage. The conclusion drawn between the value and assessment ratio is that hotels are providing a commensurate assessment with the benefits received from MID services.

Non-Profits:

# of Parcels	% of Parcels	Lot Sq. Footage	% Lot Sq. Footage	Bldg. Sq. Footage	% Bldg. Sq. Footage	Total Value (TAV)	% of Total Value	Base Assessment	% Base Assessment
87	4.1%	571,447	4.1%	2,345,999	2.7%	\$795.3M	1.7%	\$0.18M	0.9%

The **87 parcels** in this category are nonprofits located in the district, comprised of subsidized apartments, group homes, and churches. Nonprofit classifications are based on the tax value reason as designated by the King County Assessor’s Office. Such properties are eligible for reduced nonprofit rate of 25% for the base assessment or whichever ceiling is the lowest, the reasoning being that properties are receiving less marketing and economic development benefit, in addition to providing a public benefit to the district. **72 parcels or nearly 83%** of these properties are housing for low-income individuals.

The conclusion drawn between the value and assessment ratio is that nonprofits are providing a commensurate assessment with the benefits received from MID services. If the nonprofit property was to be converted/leased to business tenants generating a profit, the property would no longer be considered as exempted from BIA assessments and would be reassessed by TTV and/or TAV.

Parking Lots/Garages:

# of Parcels	% of Parcels	Lot Sq. Footage	% Lot Sq. Footage	Bldg. Sq. Footage	% Bldg. Sq. Footage	Total Value (TAV)	% of Total Value	Base Assessment	% Base Assessment
103	8.2%	1,131,287	8.2%	2,411,182	2.8%	\$1.13B	2.5%	\$0.8M	4.4%

The **103 parcels** this category are parking lots and garages located within the MID boundaries. Nearly 50 percent of these parcels are currently at a ceiling but it is a reasonable assumption that a number of these parcels could be redeveloped during the duration of the proposed MID, with new development being reclassified under a new assessment/ceilings. The conclusion drawn between the value and assessment ratio is that parking lots and garages are providing a commensurate assessment with the benefits received from MID services.

Apartments:

# of Parcels	% of Parcels	Lot Sq. Footage	% Lot Sq. Footage	Bldg. Sq. Footage	% Bldg. Sq. Footage	Total Value (TAV)	% of Total Value	Base Assessment	% Base Assessment
157	12.5%	1,803,832	13.1%	13,868,484	16%	\$7.4B	16.1%	\$2.7M	14.7%

Condos:

# of Parcels	% of Parcels	Lot Sq. Footage	% Lot Sq. Footage	Bldg. Sq. Footage	% Bldg. Sq. Footage	Total Value (TAV)	% of Total Value	Base Assessment	% Base Assessment
299	23.7%	1,730,154	12.6%	11,185,825	13%	\$7.2B	15.9%	\$1.97M	10.8%

The **456 parcels** combined in these two categories are primarily comprised of traditional apartments and condo buildings, with 281 parcels currently at an assessment ceiling for the base year. The conclusion drawn by the percentage of TAV and MID assessment is that multifamily properties are providing a commensurate assessment with the benefits received as residents benefits directly and indirectly from MID services and programming, as it relates to clean and safe, community advocacy, and public space management. Many downtown residents are drawn to the appeal of the public realm and the amenities that are partly supported by MID investments.

SECTION H: OUTREACH AND SUPPORT

MID petition packets containing an informational letter, signature page for each assessable property, and the 2023-2033 business plan were mailed or courier to each ratepayer in November 2022. Any returned petitions marked undeliverable were then subjected to additional research for updated contact information.

The MID provided a dedicated email address to field questions, requests for stakeholder meetings, and to receive feedback. Two public meetings were held, one in July, 2022 and a second one in November, 2022. All ratepayers were informed via postcard and communication was distributed via email and posted on the MID website.

- A committee comprised of MID ratepayers was formed in early 2022.
- Focus groups were held with largest ratepayers to listen to concerns
- Internal team meetings; focus groups and surveys
- 1:1 interviews with select MID ratepayers across different property types
- Focus groups of large downtown organization CEOs and operations directors

- Mailers to all MID ratepayer with notice of scheduled public meeting, as well as information about where to learn more about MID renewal process
- Dedicated web page to MID renewal; fact sheets and FAQs posted and updated regularly
- Virtual public meeting held via Zoom July 14, 2022
- Information routinely posted on KnowYourMID.org with ability to submit comment
- Online survey of MID ratepayers on service satisfaction and program direction
- Presentations to MID Condo Board associations presidents and members
- New MID Dispatch newsletter developed and emailed to more than 3,000 MID stakeholders
- Regular updates and review with the MID Ratepayer Advisory Board
- Meetings with City of Seattle leadership focused on current services and renewal
- Second public meeting held in-person November 17, 2022 (with time for public comment)

SECTION I: GLOSSARY:

Assessment: A BIA assessment is a fee that each ratepayer pays to support the programs funded by the BIA. The sum of all the individual assessments that ratepayers pay comprise the total yearly assessment of the BIA, and underwrite most, if not all, annual operating expenses. The total yearly assessment is unique to each BIA in Seattle.

BIA: "BIA" is an acronym for Business Improvement Area. A business improvement area is a geographically defined area within the City of Seattle, in which services, activities, and programs are paid for through a special assessment which is charged to all eligible ratepayers within the area with the intention of reasonably distributing the benefits received and the costs incurred to provide the agreed-upon services, activities, and programs.

BIA Advisory Board: The City's policy is to create a BIA Advisory Board to oversee operations of the funds, approve an annual budget for use of BIA generated revenues and recommend a Program Manager; however, the City has sole discretion as to how the revenue derived from the BIA is to be used within the scope of the purposes stated in the BIA ordinance.

BIA Notification and Petition Validation Process: Processes in which the City notifies potential ratepayers of the BIA proposal and validates the petitions signed in favor of a BIA proposal. The

City's policy is to send a letter to all potential ratepayers to notify them that the BIA proposal has been submitted to the City. The City also validates all signed petitions that have been submitted by the party or parties requesting to establish the BIA.

Program Manager: the organization that administers the operations of the BIA. The Program Manager is recommended by the BIA Advisory Board to the City. The BIA Advisory Board approves an annual budget for use of BIA generated funds in alignment with the BIA ordinance. The Program Manager administers the funds in accordance with the approved budget through direct expenditures and/or contracts with service providers. The Program Manager's administration will comply with all applicable provisions of law, with all county and City resolutions and ordinances, and with all regulations lawfully imposed by the state auditor or other state agencies.

Ratepayer: those individuals, organizations or entities that are assessed, i.e. those that receive an assessment bill from the City as a result of establishing the BIA. Individuals, organizations or entities that receive an increase in their lease rates or other contractual agreement with ratepayers as a result of the establishment of the BIA are not, for purposes of City policies, considered ratepayers.

Ratepayer Classification: ratepayers that are grouped into a specific category either for purposes of applying a unique assessment rate or formula or for distinguishing a unique type or level of benefit.

Stakeholder: Individuals, organizations or entities that are located in or have a direct interest in the boundaries of the district. They can be ratepayers or non-ratepayers. They may include, but not be limited to, property owners, businesses, residents, government agencies, nonprofit agencies and other institutions. For example, a district could have the presence of manufacturing businesses, retail and service businesses, a private school, nonprofit service providers, condo associations, residential property owners, commercial property owners, etc.