

November 9, 2023

**MEMORANDUM**

**To:** Note to File  
**From:** Ketil Freeman, Analyst  
**Subject:** Council Bill 120635 – Transportation Impact Fee Comprehensive Plan Amendments, Public Hearing on November 7, 2023

This memorandum sets out responses to questions posed by Councilmember Mosqueda on September 14, 2023. An email response was originally provided to the Mosqueda Office on October 13, 2023, and circulated to all Councilmembers at Councilmember Mosqueda’s request on November 7, 2023. The emailed questions and responses were referenced at the public hearing on November 7, 2023.

Questions	Responses
<i>Related to the project list</i>	
<p>1. Can you explain how the project list corresponds to future legislation adopting impact fees? How does this list inform how the proposed fee schedule is determined? Does the size and dollar amount of the project list help determine the size of fees?</p>	<p>The cost of the capacity related improvements in the project list, divided by the anticipated new trips associated with future residential and employment growth establishes a ceiling of the cost per person trip that could be charged under an impact fee program (See p.15 of the rate study for the calculation). CB 120635 does not compel the City to establish a fee schedule based on that ceiling. But, that ceiling is a legal limit above which the City could not base a fee schedule. Generally speaking, the larger the capacity-related improvement cost in the project list, the higher the ceiling would be. However, there is a limit to that ceiling, which is the value of the existing transportation system.</p> <p>If the City decides to implement an impact fee program, a policy decision about where to set the rate for the purposes of a fee schedule would depend on any number of factors including, but not limited to: (1) the overall picture of revenues available for transportation improvements, (2) the need for new transportation infrastructure, (3) the relative progressivity or regressivity of transportation revenue sources, (4) the impact of a fee on development decisions, and (5) how a fee might be passed on to lower-income renters and buyers.</p>
<p>2. How was this project list developed? Are there particular stakeholders that helped to identify projects?</p>	<p>The project list is a pared down version of the list initially promulgated by former CM O’Brien in 2018. Completed projects, projects that were subsumed into other projects, or projects for which there is uncertainty about development partners were dropped from the list. Projects are drawn from modal plans, which the Council has adopted by resolution, and Move Seattle Vision</p>

Questions	Responses
	<p>projects. The sponsors opted to retain the prior project list, in part, to limit issues on the inevitable SEPA appeal.</p> <p>The O’Brien Office worked in consultation various advocacy organizations including Feet First, the Transportation Choices Coalition, Futurewise, and the Cascade Bicycle Club in developing the list. <b>Central Staff is not typically involved in stakeholdering processes and is not in a position to say whether those organizations were fully supportive of impact fees then or now.</b></p>
<p>3. Given the range of dollars that could potentially be generated from impact fees, how has it been decided to put the dollars toward these projects? For example was there a methodology or prioritization or equity analysis to come up with this list?</p>	<p>The projects on the list are drawn from modal plans, which have been adopted by resolution, and Move Seattle, which has been approved by the voters. Since 2019 SDOT has used <a href="#">Seattle’s Transportation Equity Framework</a> to inform decisions about which capital projects to prioritize. Many of the projects are programmatic in nature, like Pedestrian and Bike Master Plan implementation.</p> <p>If the City establishes a transportation impact fee program, the final decision about how to allocate revenue from that program would ultimately be made annually by the Council through consideration, and adoption, of the CIP as part of the budget process.</p>
<p>4. I see that these projects are listed as “system deficiencies” - would specific projects be required to contribute fees to specific infrastructure projects?</p>	<p>Impact fees cannot be used to pay for existing deficiencies, like roadway maintenance. They can only be used to fund capacity-related improvements associated with new residential and employment growth. Existing deficiencies are ineligible costs that are subtracted from the total project cost for the purposes of setting a maximum supportable fee.</p> <p>Projects would not be required to make contributions to infrastructure projects simply by virtue of their location. The design of the rate study assumes that the City corporate limits would be the service area for the purposes of any future impact fee program. Thus, fees from projects downtown could be used elsewhere in the City and vice versa. That said, some infrastructure improvements required through the permitting process for rights-of-way immediately adjacent to a project could be credited towards an impact fee.</p>
<b>Related to exemptions</b>	
<p>1. Can you explain how this legislation relates to exemptions? Are exemptions identified in</p>	<p>CB 120635 instructs decision-makers to consider at least two factors in setting a future fee schedule: (1) exemptions for low-income housing, early learning facilities, and other development activity with a public purpose; and (2) locational discounts for development</p>

Questions	Responses
<p>this legislation, or in future legislation?</p>	<p>activity in areas of the City that are transit rich and provide opportunities for travel using modes like walking and biking.</p> <p>State law allows local jurisdictions to exempt low-income housing, early learning facilities, and other development activity with a broad public purpose. For the purposes of exemptions low-income housing is defined as “housing with a monthly housing expense, that is no greater than thirty percent of eighty percent of the median family income adjusted for family size, for the county where the project is located, as reported by the United States department of housing and urban development.” See <a href="#">RCW 82.02.060</a> for exemptions allowed under state law.</p>
<p>2. What types of projects will be exempt?</p>	<p>Specific policy decisions about what land uses to exempt and to what extent would be made in the context of a rate setting bill.</p>
<p>3. What about projects that include a mix of market rate and affordable units? (Like MFTE or MHA performance.)</p>	<p>MHA performance projects clearly meet the definition of low-income housing under RCW 82.02.060. They are subject to 75-year regulatory agreement that restricts income and rent. It’s less clear whether MFTE projects would meet the minimum requirements of the definition of RCW 82.02.060 because those units are not subject to an ongoing affordability requirement. MFTE participants can opt out at any time and the tax exemption lapses after 12 years. Whether MFTE units would qualify would depend on the contours of an MFTE program in place when the City considers implementing legislation and whether the owner of an MFTE unit would agree to an ongoing affordability requirement beyond the term of the MFTE program.</p>
<p>4. Can you explain why some cities have exempted ADUs?</p>	<p>From what I can tell jurisdictions that exempt ADUs rely on the fact that they are accessory and not principal uses. In other words, if someone were to build a house with an ADU, they might be subject to an impact fee for the principal use, i.e. the house, and the assumption would be that the fee for the house would cover activity associated with any accessory uses, such as the ADU.</p>
<p>5. Are both single family and multifamily projects included – and how are the fees determined for these different housing types?</p>	<p>If the City implements an impact fee program, both single and multifamily residential uses, unless they are otherwise exempt, would be subject to the fee. The amount of a fee would be determined by the trip-generation characteristics of the land use. Single-family houses tend to generate more trips than apartments because they tend to have more trip-generating characteristics, like larger household sizes. Consequently, on a per-unit basis fees for single family houses tend to be higher than fees for apartments.</p>

Questions	Responses
<b><i>Related to housing production</i></b>	
<p>1. Can you describe what we are seeing with housing projects in Seattle?</p>	<p>Through the 3<sup>rd</sup> quarter SDCI finalized, meaning built projects were subject to a final inspection or issued a certificate of occupancy, 9,130 new housing units. That puts the City on pace to meet or exceed annual pre-pandemic housing production for the years 2017 – 2019 when the City was adding approximately 10,000 new units / year. Additionally, there are approximately 23,000 pipelined units that are permitted, but not yet constructed. Those projects are vested to current development standards and would not be subject to any new fees or other regulatory changes. Information on residential construction activity through the end of the 3<sup>rd</sup> Quarter can be found here: <a href="https://arcgis.com">Residential Permit Activity (arcgis.com)</a>.</p>
<p>2. Data we received from SDCI today, which includes both commercial and residential master use permit applications shows a steep decline since before the pandemic:</p>	<p>MUP intake data is not the best indicator of permitting activity. Many smaller residential and commercial projects and many industrial projects may not require a MUP. A somewhat better source of permitting data is total volume of permits issued and construction value. New units permitted also provides an indication of the development community’s orientation towards macroeconomic risk. Charts for each are set out below.<sup>1</sup></p> <p>Generally, with the exception of 2020, construction values during the pandemic were similar to years prior to the pandemic. Similarly, permit volumes were relatively consistent before and during the pandemic. Permits issued for new housing spiked in 2021, likely because of a rush to vest before new Energy Code requirements became applicable, but have generally been in about the same range as the years prior to the pandemic. However, the first six months of data for 2023 indicates that there may be a downward trend in permit volumes and construction value although the total number of permits is tracking prior years.</p>

<sup>1</sup> Charts are developed using monthly summaries of issued building permits published by SDCI and available here: [Issued Building Permit Stats - SDCI | seattle.gov](https://seattle.gov).

Questions	Responses																																										
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<p>3. Recognizing the reasons for the decline in projects that we're seeing are complex, I would like to understand what the impact would be of</p>	<p>As a general matter, adding any new regulatory fee, like a transportation impact fee, or increasing any existing fees, like MHA fees that are adjusted for inflation annually, would make some projects that are currently on the margin of feasibility infeasible.</p>																																										

Questions	Responses
layering on a new fee when we are seeing a slowdown in projects.	The magnitude and extent of the impact on feasibility would depend on a variety of factors that are unknown and unknowable until the time that the City considers implementing an impact fee program. Those factors would include (1) interest rates, which are now near highs not seen since the great recession but are anticipated to begin to decline by 2025, (2) rents, and (3) capitalization rates.
4. Has there been any analysis of possible impacts of housing production, or has the current market uncertainty been factored in this policy?	There has not been an analysis of impacts to housing production. In order for such an analysis to be possible, we would need to have a proposal by a Councilmember on where to set fee levels, what exemptions might apply, and other details on implementation.
<b><i>Questions about outreach and implementation</i></b>	
1. Is there a plan for a phase-in of potential impact fees?	That could be a strategy the Council considers with implementation of a future rate-setting bill. Whether and how to phase-in implementation could be tied to macroeconomic triggers like reduction in interest rates and/or increases in rents.
2. Given what we are hearing about concerns over the pace of this discussion, is there a plan for outreach to help inform the details of future legislation?	Central Staff has not been involved in planning for outreach or stakeholdering on the current proposed legislation. That is typically a function for sponsoring Council offices. In 2018 Central Staff did present CM O'Brien's proposed Comp Plan amendment bill to the Seattle Planning Commission. The Commission recommended that the Council approve the bill. See attached.
3. Has there been an equity or RSJI analysis done on this proposal?	<p>Neither an equity nor an RSJI analysis has been conducted on the proposed Comp Plan amendment legislation. At this stage, the proposal would not have any impacts, such as an increased cost burden, on vulnerable or historically disadvantaged communities.</p> <p>However, legislation implementing an impact fee program may increase cost burdens. An analysis of future implementing legislation could include a study of whether such a program would increase cost burdens, including housing cost burdens for vulnerable or historically disadvantaged communities. In 2018 the Council conducted a study of the overall cost burden associated with the transportation funding mix at the time. See attached. Among other things that study concluded that the capital funding mix was relatively more regressive for lower-income households compared to peer jurisdictions primarily due to the vehicle licensing fee. A similar analysis could help characterize how an impact fee program, transportation levy increase, sales tax, vehicle license fee, or other fiscal measure for</p>

Questions	Responses
	transportation infrastructure improvements could impact vulnerable or historically disadvantaged communities.
<p>4. I have heard it said that this is a routine step that doesn't actually implement impact fees, but given the details and complexity of this proposal and how closely intertwined the steps are to institute impact fees, it would be ideal to see and deliberate on both pieces of legislation together so that we can see the full picture and weigh options.</p>	<p>Ultimately, that is a legislative process choice that is up to the Council. Typically, amendments to the Comp Plan are not accompanied by implementing legislation. That is not always the case. For larger proposals, such as the recent changes to policy and regulations for industrial and maritime lands, the Council has considered Comp Plan amendment legislation concurrently with implementing legislation.</p>
<p>5. Is there a draft proposal for legislation implementing impact fees? When do you anticipate that draft will be available?</p>	<p>There is not a current proposal to implement transportation impact fees.</p>
<b><i>Additional questions from October 10th</i></b>	
<p>1. If the council were to adopt the impact fees comprehensive plan amendment, is the city (via future council) then obligated in any way to eventually adopt the fee legislation and/or is there any legal risk in adopting the comp plan amendment and then never adopting the fee legislation?</p>	<p>If the Council were to pass CB 120635 it would be somewhat more likely that the Council would enact an impact fee program at some point in the future because the procedural step of incorporating a project list into the Comp Plan would have been accomplished. However, passage of CB 120635 does not compel a future Council to implement an impact fee program.</p> <p>The proposed Comp Plan amendment language would change current language calling for the City to “[c]onsider use of transportation impact fees...” to “[u]se transportation impact fees...” That does not change the admonition in the preamble to the Comp plan, which provides:</p> <p style="text-align: center;"><i>Some policies use the words shall, should, ensure, encourage, and so forth. In general, such words describe the emphasis that the policy places on the action but do not necessarily establish a specific legal duty to perform a particular act, to undertake a program or project, or to achieve a specific result. (Comp Plan, p.17)</i></p>

Questions	Responses
<p>2. Can you provide information about how “impact” is measured across housing types, and who does this analysis? I have heard that assumptions about different modes – incl. car, bike, bus, walking – are associated with different housing types. There are some equity flags, and policy flags (e.g. basing fees on walking, biking, busing as “impacts” seems inconsistent with other city policies encouraging these modes), and I want to better understand how impact is measured, and by whom.</p>	<p>An impact on the transportation network is based on two factors: (1) the trip generation characteristics of a land use and (2) the location of that land use.</p> <p>Trip generation characteristics come from the most recent edition of Institute for Transportation Engineer’s Trip Generation Manual. The Trip Generation Manual indicates the likely number of PM peak hours trips associated with a land use. Those estimates are informed by regression studies of land uses in various urban contexts over time. Different land uses generate different numbers of trips. For example, a gas station generates more trips than a marina. Similarly, a single-family house typically generates more trips than an apartment. Trip generation models posit a variety of statistically significant reasons for that. The primary one is that there tend to be larger households living in single family houses, thus there are more trips.</p> <p>Location also makes a difference. A multi-modal walking / transit trip in an urban center rich in transportation amenities has a different impact on the transportation network than a driving trip from a house in Magnolia to a grocery store. The rate study reflects that by quantifying locational discounts for urban centers and villages.</p>

**Attachments:**

- Attachment 1 - Third Quarter 2023 Citywide Permit Report
- Attachment 2 – Seattle Planning Commission Letter, November 14, 2018
- Attachment 3 – Transportation Capital Funding Review, December 2018

City of Seattle

Development and Growth Information

**BUILDING CONSTRUCTION PERMITS as of: 10/2/2023** *Source: SDCI Permit Data Warehouse*

RESIDENTIAL Housing Type	Built Units by Year Finaled																							Units Permitted, Not Yet Built *	
	1996-2005		2006-2015		2016-2023		2016		2017		2018		2019		2020		2021		2022		2023		New	Demo	
	New	Demo	New	Demo	New	Demo	New	Demo	New	Demo	New	Demo	New	Demo	New	Demo	New	Demo	New	Demo	New	Demo			
Single Family	4,174	1,236	5,082	2,640	4,519	2,687	782	448	795	762	594	300	524	452	431	182	449	173	462	198	482	172	873	270	
Accessory Dwelling	697	43	770	16	1,377	24	108	2	123	2	119	3	115	3	138	8	194	1	265	5	315	1	692	2	
Detached-Accessory	Not permitted		265	1	1,506	18	89	2	93	4	106	1	119	2	145	1	198	2	342	5	414	1	715	5	
Multi-Family	16,863	2,449	13,070	1,951	12,733	1,547	1,504	124	1,710	448	1,707	208	1,667	281	1,347	184	2,109	167	1,637	78	1,052	57	2,484	316	
Mixed Use	8,633	597	34,358	1,117	50,582	261	4,809	29	7,505	27	6,671	185	8,536	13	4,100	0	4,123	3	8,160	0	6,678	4	18,181	0	
Institution/Industrial/ Other			0	5	8	105	0	2	0	11	1	10	1	28	4	32	2	11	0	11	0	1	4	5	
Congregate Residence Sleeping Rooms	Sleeping rooms in congregate residences were not reported				3,204		270		237		1,295		520		296		259		138		189		66		
<b>Total</b>	<b>30,367</b>	<b>4,325</b>	<b>53,545</b>	<b>5,730</b>	<b>73,929</b>	<b>4,642</b>	<b>7,562</b>	<b>607</b>	<b>10,463</b>	<b>1,254</b>	<b>10,493</b>	<b>707</b>	<b>11,482</b>	<b>779</b>	<b>6,461</b>	<b>407</b>	<b>7,334</b>	<b>357</b>	<b>11,004</b>	<b>297</b>	<b>9,130</b>	<b>236</b>	<b>23,015</b>	<b>598</b>	
<b>COMMERCIAL</b>	1996-2005		2012-2019		Permit data for non-residential square feet is not available from the permit tracking system without significant staff review. The city collects and reports this data for certain time periods as part of the buildable lands program.																		* Permit issued: final inspection not completed; may be under construction or complete awaiting final inspection.		
Built Non-Residential Square Feet	25,666,936		Coming 4Q 23																						

**JOB GROWTH** *Source: Puget Sound Regional Council*

	2016-2020	2016	2017	2018	2019	2020	2021	Job growth estimates represent all jobs, not individual workers. Jobs in construction and resources are excluded from planning estimates, therefore are excluded here for comparison purposes.
All Jobs	82,143	22,731	25,364	16,239	15,996	11,216	-71,970	

**DEVELOPMENT CAPACITY and PLANNING ESTIMATES** *Source: City of Seattle Long-Range Planning*

	20-Year Planning Estimates	Development Capacity	Planning estimates are made for a 20-year time period for the purposes of the Comprehensive Plan. Esitmates are made for housing units and jobs and are based on Seattle's expected share of a King County growth forecast.  Development capacity is determined by modeling potential new building floor area under existing zoning regulations and converting this floor area to housing units and jobs. The model is run periodically and represents the amount of additional growth that could be accommodated from the time the model is run, unconstrained by time. The model does not predict trends in the market or suggest when potential redevelopment might occur.  <a href="#">More Information</a>
	2016-2035	Model Run 2016	
Housing Units	70,000	205,959	
Non-Residential Sqft	No estimate made	68,220,763	
Jobs	115,000	213,711	



November 14 2018

Honorable Councilmember Rob Johnson, Chair  
Planning, Land Use, and Zoning Committee  
*via e-mail*

Dear Councilmember Johnson,

The Seattle Planning Commission is pleased to provide our comments and recommendations on proposed 2017-2018 Comprehensive Plan amendments. Providing recommendations on annual Comprehensive Plan proposals is a mandate of the Commission and a responsibility we are pleased to fulfill as stewards of Seattle's Comprehensive Plan.

**Proposed FLUM Amendments**

**Proposal: Seattle Pacific University**

**Planning Commission recommendation: Do Not Adopt**

The applicant is requesting to remove 4.7 acres from the Ballard Interbay Northend Manufacturing and Industrial Center (BINMIC) to allow for expansion of Seattle Pacific University's Major Institution use onto industrial land. The Planning Commission does not recommend approval of this proposed amendment. The Commission has consistently recommended against removing land from a Manufacturing and Industrial Center (MIC) through a change to the Future Land Use Map (FLUM) in the absence of a broader industrial lands study resulting in revised policy. We strongly believe that removing industrial lands from a MIC would have significant cumulative impacts on important living wage jobs and the broader economy. We understand that this proposed amendment is unique among other similar FLUM changes that we have seen over the last several years because the University is not a private property owner requesting to change the land use designation of their property to a commercial, residential, or mixed-use designation. We also understand that the underlying land use designation would remain industrial and the University's campus expansion efforts would be subject to a separate Major Institution Master Plan process. However, we believe that this FLUM change could be perceived as setting a precedent for removing industrial lands from a regionally-significant MIC. Once industrial land is changed to another use, it will most likely never be returned to industrial use.

- Commissioners
- Tim Parham, *Chair*
- Michael Austin, *Vice-Chair*
- Eileen Canola
- Sandra Fried
- David Goldberg
- Veronica Guenther
- Grace Kim
- Rick Mohler
- Marj Press
- Kelly Rider
- Julio Sanchez
- Amy Shumann
- Lauren Squires
- Jamie Stroble
- Patti Wilma

Staff

- Vanessa Murdock  
*Executive Director*
- Connie Combs  
*Policy Analyst*
- John Hoey  
*Senior Policy Analyst*
- Robin Magonegil  
*Administrative Analyst*

The Planning Commission would like to express its frustration with the lack of policy direction from the City regarding industrial lands. The Planning Commission has reviewed multiple proposed Comprehensive Plan Amendments related to industrial lands over the last several years, including repeat amendments from the same property owners. The Commission docketed several proposed FLUM changes in 2017 pending a response from the Mayor’s Task Force on Industrial Lands. Resolution 31762 directed the Executive to “*provide recommendations of potential amendments to Comprehensive Plan policies related to industrial lands including policies to strengthen the long-term viability of Manufacturing/Industrial Centers and a re-evaluation of the Stadium District for Council consideration in 2018.*” In the absence of any recommendations from the Mayor’s Task Force on Industrial Lands or the Executive, the Commission has been and will continue to be consistent in our recommendations against removing industrial lands from the MICs. We look forward to reviewing policies that address all industrial-zoned areas once the Task Force’s recommendations are received. At that time, it can be determined whether proposals such as this would be consistent with any policy changes relative to the BINMIC.

### **Proposed Amendments to Goals and Policies**

#### **Proposal: Transportation element and appendix impact fee amendments**

#### **Planning Commission recommendation: Adopt**

In Resolution 31762, the Council requested that the Executive forward “*any amendments necessary to support implementation of an impact fee program for public streets, roads, and other transportation improvements...*” The Commission supports adoption of the proposed amendment enabling the potential development of a transportation impact fee program. We recommend approval of the proposed transportation project list as an appropriate representation of investments needed to implement the current Capital Improvement Program, the adopted transportation modal plans, and projects identified through the Move Seattle levy planning process that are not funded by the current levy. The Planning Commission recommends adding replacement of the 4<sup>th</sup> Avenue S. viaduct to the transportation impact fees project list. We look forward to providing input on the policy implications, including the cumulative effects of a transportation impact fee program with Mandatory Housing Affordability requirements, and the particulars of any proposed impact fee program in.

(A single Commissioner voted against the recommendation to adopt this proposed amendment)

#### **Proposal: Parking and affordable housing**

#### **Planning Commission recommendation: Adopt as revised**

The applicant has submitted a proposed amendment that would revise Land Use Goal 6 to state that increasing affordable housing is a goal in setting parking requirements, rather than lowering construction costs as currently stated. The original text of the revised goal as proposed by the applicant is as follows:

*LU G6: Regulate off-street parking to address parking demand in ways that reduce reliance on automobiles, improve public health and safety, reduce greenhouse gas emissions, ~~lower construction costs~~ increase affordable housing, create attractive and walkable environments, and promote economic development throughout the city.*

The Office of Planning and Community Development (OPCD) has recommended maintaining the original text and adding language from the applicant's proposal to make the goal clearer. The Commission recommends approval of the amendment as revised with OPCD's suggested language as shown below:

*LU G6: Regulate off-street parking to address parking demand in ways that reduce reliance on automobiles, improve public health and safety, reduce greenhouse gas emissions, lower construction costs to reduce the cost of and increase affordable housing, create attractive and walkable environments, and promote economic development throughout the city.*

We appreciate the opportunity to review these proposed Comprehensive Plan amendments and provide our recommendations. If you have any further questions please call either me or Vanessa Murdock, Seattle Planning Commission Executive Director at (206) 733-9271.

Sincerely,



Tim Parham, Chair  
Seattle Planning Commission

cc:

Mayor Jenny Durkan

Seattle City Councilmembers

Sam Assefa, David Driskell, Michael Hubner, Kristian Kofoed; Office of Planning and  
Community Development

Ketil Freeman, Eric McConaghy, Lish Whitson; Council Central Staff

**SEATTLE PLANNING COMMISSION RECORD OF DISCLOSURES & RECUSALS:**

Commissioner Michael Austin recused himself from discussion of the FLUM amendment proposed by Seattle Pacific University. Mr. Austin works for Perkins + Will and is working as a consultant to Seattle Pacific University on their campus planning.

# CITY OF SEATTLE

## Transportation Capital Funding Review

DRAFT: December 2018



*"Helping Communities and Organizations Create Their Best Futures"*

Founded in 1988, we are an interdisciplinary strategy and analysis firm providing integrated, creative and analytically rigorous approaches to complex policy and planning decisions. Our team of strategic planners, policy and financial analysts, economists, cartographers, information designers and facilitators work together to bring new ideas, clarity, and robust frameworks to the development of analytically-based and action-oriented plans.

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Emily Walton Percival

# City of Seattle

Transportation Capital Funding Review | DRAFT December 11, 2018

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# Executive Summary: Transportation Capital Funding Review

This memo reviews transportation capital project funding in the City of Seattle and comparable jurisdictions and estimates the annual cost burden of capital funding sources to individual household types, including the relative burden to low- and upper middle-income households. The purpose of this analysis is to support the City’s exploration of implementing transportation impact fees to fund capital projects. This study addresses how different funding strategies impact the distribution of cost burden to different households and how cost burdens differ in jurisdictions that emphasize impact fees as a revenue stream.

First, BERK presents a high-level breakdown of transportation capital revenue sources and expenditures in Seattle, Bellevue, Tacoma, Kent, and unincorporated King County for the past five years. Generally, each jurisdiction has different combinations of funding streams including general taxes, fees, grants, intergovernmental transfers, Real Estate Excise Tax (REET), debt, and dedicated levies or voted initiatives.

Seattle funds transportation capital projects from a relatively even mix of sources (debt, voted levies, general taxes, REET, and others). Bellevue relies more heavily on debt, while Kent primarily funds transportation capital with a Street Business and Occupation Tax and the Solid Waste Utility Tax, and Tacoma relies primarily on grants and other intergovernmental transfers. Additionally, Seattle collects Vehicle Licensing Fees through a Transportation Benefit District (TBD), and Bellevue and Kent levy transportation impact fees.

Average annual spending, average annual population, and a comparison of per capita transportation capital spending is shown in Exhibit 1.

Per capita, Seattle invests a relatively higher amount in transportation capital than Kent, Tacoma, or unincorporated King County, and at a similar level as Bellevue. As regional employment centers with significant commute travel demand, it is expected that Seattle and Bellevue have somewhat higher per capita transportation capital spending than smaller cities or counties. Furthermore, not all funds used for transportation capital spending present individual cost burdens.

**Exhibit 1. Washington Jurisdictions per Capita Transportation Capital Project Spending, 2013-2017 Average**

	AVERAGE ANNUAL TRANSPORTATION CAPITAL SPENDING	POPULATION (PERIOD AVERAGE)	AVERAGE ANNUAL PER CAPITA TRANSPORTATION CAPITAL SPENDING
<b>Seattle</b>	\$261,006,180	666,000	\$392
<b>Bellevue</b>	\$52,136,174	136,320	\$382
<b>Kent</b>	\$13,804,000	123,280	\$112
<b>Tacoma</b>	\$18,949,313	203,560	\$93
<b>Unincorporated King County</b>	\$48,736,514	250,282	\$195

Note: Tacoma’s total 2013-2017 spending is estimated from its total 2013-2018 historical actuals.

Sources: OFM, 2018; City of Seattle, 2018; City of Bellevue, 2018; City of Kent, 2018; City of Tacoma, 2018; King County, 2018; BERK, 2018.

Compared to two out-of-state jurisdictions, Denver and Portland, Seattle’s per capita transportation capital spending is significantly higher (see Exhibit 2); however, funding sources are not consistent across states, making direct comparison difficult.

**Exhibit 2. Seattle, Portland, and Denver per Capita Transportation Capital Project Spending, 2013-2017**

Average

	AVERAGE ANNUAL TOTAL TRANSPORTATION CAPITAL SPENDING	POPULATION (PERIOD AVERAGE)	AVERAGE ANNUAL PER CAPITA TRANSPORTATION CAPITAL SPENDING
<b>Seattle</b>	\$261,006,180	666,000	\$392
<b>Portland</b>	\$83,526,414	629,966	\$133
<b>Denver</b>	\$58,642,945	678,467	\$86

Note: Portland’s transportation capital spending data is based on its 2014-2018 CFP.

Sources: OFM, 2018; US Census, 2013-2017; City of Portland, 2014-2018; City and County of Denver, 2017; BERK, 2018.

To better understand the possible effect of impact fees on taxpayers, we analyze the typical annual cost burden to households for taxes and fees used by local jurisdictions to pay for transportation capital projects. We compare cost burdens across Seattle and peer jurisdictions for three household types that vary by household income, home owner versus renter, and number of vehicles owned. Exhibit 3 summarizes estimated direct household cost burdens in Seattle, Bellevue, Kent, and unincorporated King County.

We define direct household cost burden as property tax costs and household consumption costs; this includes sales tax, Motor Vehicle Fuel Tax (state gas tax) local distributions, and where applicable, Vehicle Licensing Fees under a Transportation Benefit District (TBD) and voted transportation levies. The impact of property tax costs is estimated for both owner and renter households.

**Exhibit 3. Estimated Direct Annual Household Cost Burden for Transportation Capital Projects, 2018**

	UPPER MIDDLE INCOME	MODERATE INCOME	LOW INCOME
<b>Seattle</b>	\$417	\$189	\$169
<b>Bellevue</b>	\$111	\$53	\$44
<b>Kent</b>	\$44	\$20	\$19
<b>Unincorporated King County</b>	\$375	\$144	\$89

Sources: King County Assessor’s Office, 2018; Department of Revenue *Local Sales and Use Tax*, 2018; Department of Revenue *Tax Reference Manual: Fuel Tax*, 2016; Department of Licensing *Vehicle Registration Local Fees*, 2018; City of Seattle *CAFR*, 2016; State Auditor’s Office *Local Government Financial Reporting System*, 2016; City of Seattle, 2018; 2015; US Bureau of Labor Statistics *Consumer Expenditure Survey*, 2016; City of Bellevue *CAFR*, 2017; City of Bellevue *Transportation Impact Fees*, 2018; City of Bellevue, 2018; City of Kent *CAFR*, 2017; City of Kent *Transportation Impact Fees*, 2018; City of Kent, 2018; King County *CAFR*, 2013-2017; King County, 2018; BERK, 2018.

Direct costs do *not* include transportation impact fees and Real Estate Excise Tax (REET), which potentially present indirect costs as development costs that may be passed onto owner households or renters households living in buildings constructed after impact fees were in place. These potential costs are summarized in Exhibit 4.

**Exhibit 4. Estimated Potential Indirect Annual Household Cost Burden for Transportation Capital Projects, 2018**

	UPPER MIDDLE INCOME	MODERATE INCOME	LOW INCOME
Seattle	\$77	\$22	\$17
Bellevue	\$393	\$169	\$161
Kent	\$293	\$139	\$0
Unincorporated King County	\$4	\$1	\$0.5

Sources: King County Assessor’s Office, 2018; Department of Revenue *Local Sales and Use Tax*, 2018; Department of Revenue *Tax Reference Manual: Fuel Tax*, 2016; Department of Licensing *Vehicle Registration Local Fees*, 2018; City of Seattle *CAFR*, 2016; State Auditor’s Office *Local Government Financial Reporting System*, 2016; City of Seattle, 2018; 2015; US Bureau of Labor Statistics *Consumer Expenditure Survey*, 2016; City of Bellevue *CAFR*, 2017; City of Bellevue *Transportation Impact Fees*, 2018; City of Bellevue, 2018; City of Kent *CAFR*, 2017; City of Kent *Transportation Impact Fees*, 2018; City of Kent, 2018; King County *CAFR*, 2013-2017; King County, 2018; BERK, 2018.

Comparing transportation spending to the direct household cost burden points to the following findings:

- Seattle has a **higher direct household cost burden** across all household types. This is largely due to its **two voted initiatives**: a Transportation Benefit District (TBD) with Vehicle Licensing Fees and the Transportation Levy to Move Seattle. Comparable voter-approved initiatives do not exist in the other jurisdictions analyzed. In unincorporated King County, there is a much **greater difference in cost burden by income level** compared to Seattle. Almost all unincorporated county funding comes from the Road Fund levy, which falls primarily on homeowners. In Seattle, most funding is split between the Move Seattle Levy (primarily affecting homeowners) and the TBD (based on vehicles, not home ownership). Higher real estate values in Seattle also result in more property tax burden passed on to renter households.
- Bellevue and Kent have significantly lower direct household cost burdens than Seattle. However, these two cities also levy **transportation impact fees** which shift capital tax burden to development costs that can be indirectly passed onto owner or renter households. Kent’s impact fees have only been in place since 2010, so this study assumes they are not passed on to low-income households living in older housing stock.
- Bellevue spends approximately the same amount per capita as Seattle on transportation capital (Exhibit 1); however, due to its use of REET and impact fees rather than a voted property tax levy, **more burden is placed on development**, which can indirectly affect both homeowners and renters. Bellevue also uses debt more heavily to finance transportation capital.
- Kent, which primarily funds its transportation capital with a Street Business and Occupation tax, places a **heavier direct burden on businesses**, rather than on households.

This study does not directly examine the potential impacts of the City of Seattle adding a transportation impact fee to the mix of transportation while maintaining its current levels of transportation investment.

However, these findings suggest that this action could have some potential to reduce the relative cost burden to existing low- and moderate-income households living in units not subject to a new transportation impact fee. This assumes that the new impact fees are set at a level low enough to avoid becoming a significant disincentive for developers to build new housing in Seattle. A reduction in total future housing production could result in increased competition for housing and potentially drive up housing costs across all housing types. Reducing future housing production could also reduce the number of new affordable units generated through the City's Mandatory Housing Affordability programs.

# Transportation Capital Funding in Washington Jurisdictions

This section presents a high-level breakdown of transportation capital improvement program revenue sources and expenditures in Seattle, Bellevue, Tacoma, Kent, and King County over the past five years (2013-2017). Below are typical funding sources and expenses related to transportation capital:

## *Revenues*

While revenue sources vary by jurisdiction, some common sources of transportation capital project funding include:

- General taxes (Property, Sales, Business and Occupation Taxes)
- Federal and state grants
- Real Estate Excise Tax (REET) I and II
- Transportation impact fees
- Debt and bond proceeds
- Levies or other local funds
- Transportation Benefit District (Vehicle Licensing Fees or Sales Tax)
- Washington State Motor Vehicle Fuel Tax (Gas Tax)

## *Expenditures*

Categories of transportation capital projects also vary across jurisdictions; some typical types of transportation capital projects include:

- Roadway rehabilitation
- Street overlay
- Bridges
- Facilities
- Walkways and bikeways
- Maintenance
- Streetscape
- Traffic controls, signals, and lights

BERK contacted finance staff at each jurisdiction to obtain available transportation capital revenue and expenditure data. We then categorized these revenue and expenses into seven key revenue categories:

- Grants and intergovernmental transfers
- Taxes and fees
- Impact fees, system development charges, or other mitigation revenue
- Debt
- REET
- Voted transportation levies
- Other sources

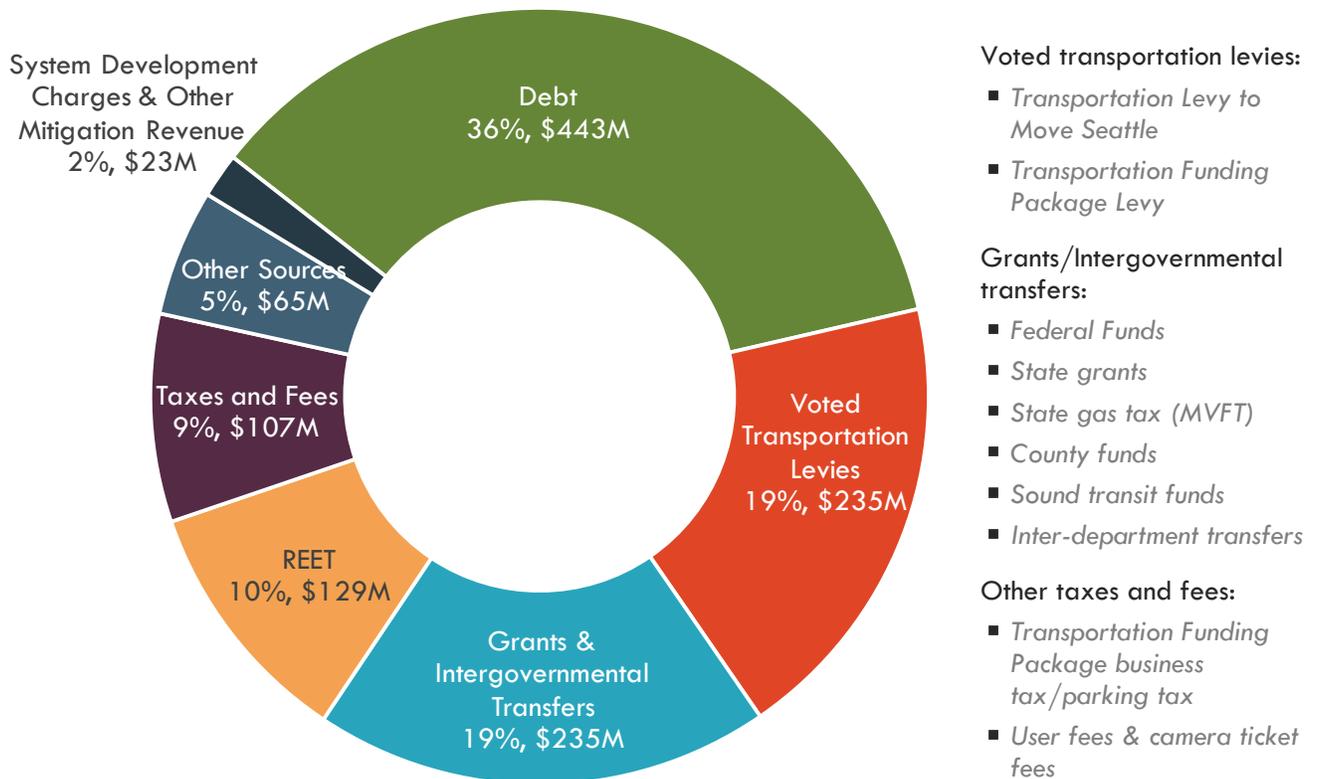
# CITY OF SEATTLE

## Revenues

The City’s transportation capital funding is primarily supported by debt, voted transportation levies, and grants and intergovernmental transfers. Move Seattle is a 9-year, \$930 million levy approved by voters in November 2015 to fund transportation needs. It replaces the Bridging the Gap initiative (labeled “Transportation Funding Package” below), which was approved by voters in 2006 and included a parking tax, business tax, and property tax levy lid lift. The City has established a Transportation Benefit District and collects Vehicle Licensing Fees. The City also levies REET I and II. The data below is based on historical Capital Improvement Programs (CIPs).

### Exhibit 5. Seattle Transportation Capital Project Funding Revenues, 2013-2017 Total

Total Five-Year Transportation Capital Revenues: \$1,238 million



Sources: City of Seattle; 2013 data is from 2013-18 CIP; 2014 data is from 2014-19 CIP; 2015 is from 2015-2020 CIP; 2016 data is from 2016-17 CIP; 2017 data is from 2017-2022 CIP; BERK, 2018.

#### Voted transportation levies:

- Transportation Levy to Move Seattle
- Transportation Funding Package Levy

#### Grants/Intergovernmental transfers:

- Federal Funds
- State grants
- State gas tax (MVFT)
- County funds
- Sound transit funds
- Inter-department transfers

#### Other taxes and fees:

- Transportation Funding Package business tax/parking tax
- User fees & camera ticket fees
- Drainage/wastewater fees
- General subfund

#### Other sources:

- Other misc. local funds
- Private donations

#### Impact fees, system development charges, or other mitigation revenue:

- Transportation Benefit District: Vehicle Licensing

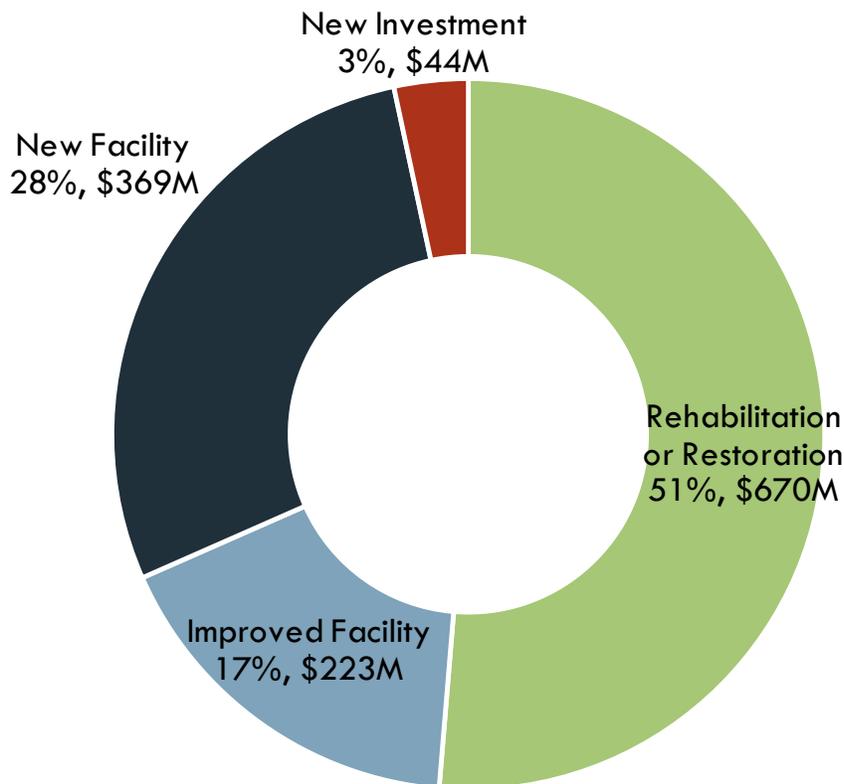
## Expenses

Seattle's transportation capital project expenses are categorized as rehabilitation or restoration, improved facility, new facility, or new investment. About half of transportation capital project expenses over the last five years were invested in rehabilitation or restoration projects. Seattle spent \$1.35 billion on transportation capital projects from 2013 to 2017.

The data below is based on historical CIPs.

### Exhibit 6. Seattle Transportation Capital Project Expenses, 2013-2017 Total

Total Five-Year Transportation Capital Project Expenses: \$1,305 million



Sources: City of Seattle; 2013 data is from 2013-18 CIP; 2014 data is from 2014-19 CIP; 2015 is from 2015-2020 CIP; 2016 data is from 2016-17 CIP; 2017 data is from 2017-2022 CIP; BERK, 2018.

# CITY OF BELLEVUE

## Revenues

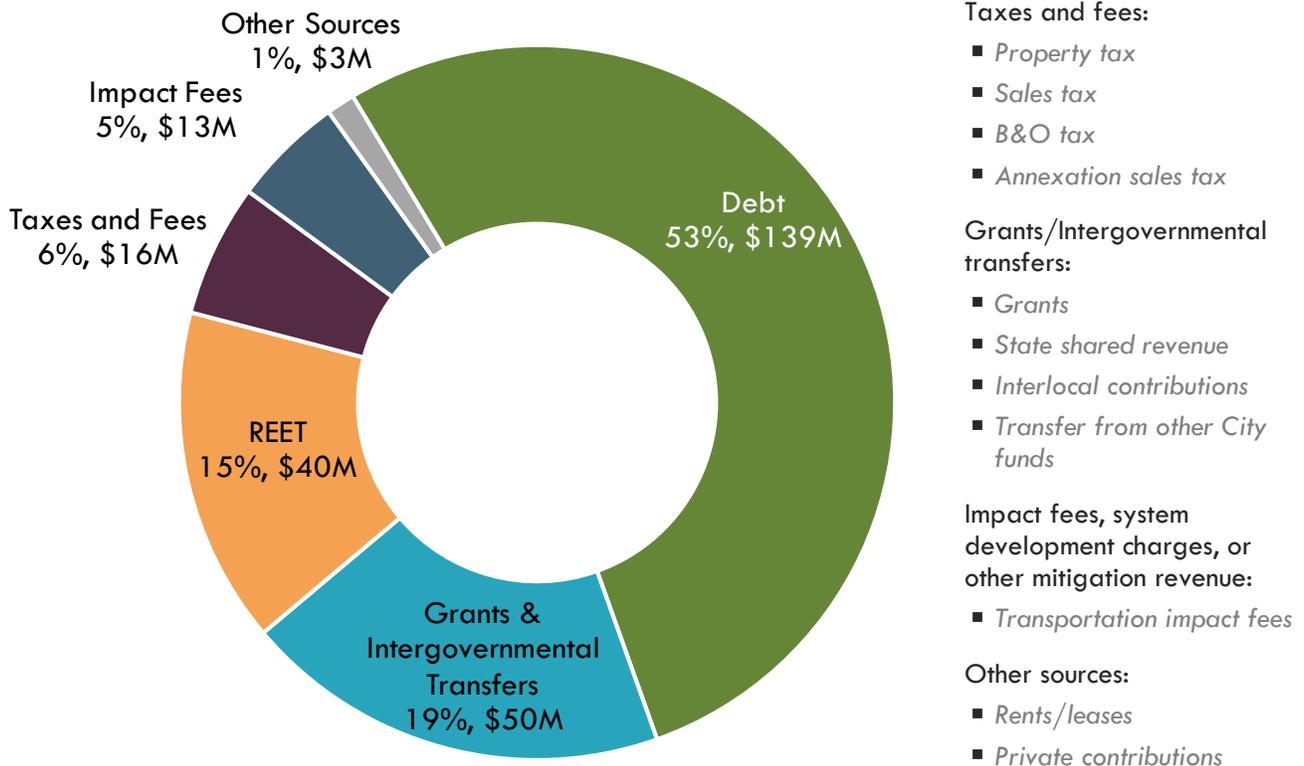
The City of Bellevue levies Transportation Impact Fees (adopted in 1989) and collects REET I and II. Most of Bellevue’s transportation capital funding is supported by debt, REET, and grants. For each year between 2013 and 2017, Bellevue funded between 25-75% of its transportation capital using debt.

Bellevue has received federal grants including CMAQ, TAP, and STP; and state grants including funding from the Department of Commerce, TIB, and WSDOT. Interlocal funds primarily refer to funding from Sound Transit. Bellevue also collects sales tax, Business & Occupation tax, and annexation sales tax.

The data below reflects historical actuals.

### Exhibit 7. Bellevue Transportation Capital Project Funding Revenues, 2013-2017 Total

Total Five-Year Transportation Capital Revenues: \$261 million



Sources: City of Bellevue, 2018; BERK, 2018.

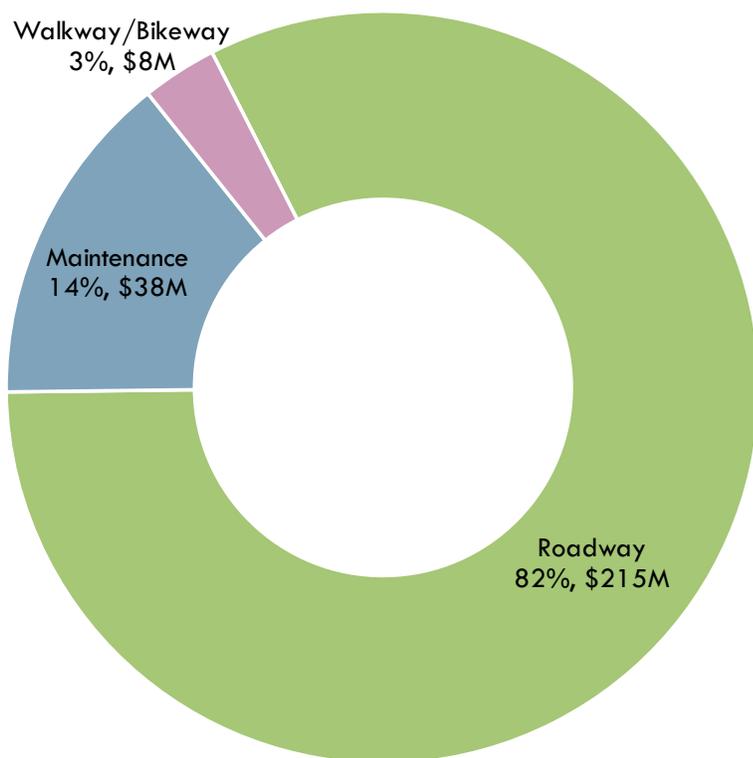
## Expenses

Bellevue spent \$261 million on transportation capital projects over the last five years. Projects include roadways, maintenance/minor capital, and walkways/bikeways. Eighty-two percent of this was spent on roadways, which include corridor improvements and roadway design, development, and construction. Maintenance includes overlay and minor capital such as signals and lighting. Walkways and bikeways include trails, pedestrian facilities, and bike facilities.

The data below reflects historical actuals.

### Exhibit 8. Bellevue Transportation Capital Project Expenses, 2013-2017 Total

Total Five-Year Transportation Capital Project Expenses: \$261 million



Sources: City of Bellevue, 2018; BERK, 2018.

# CITY OF KENT

## Revenues

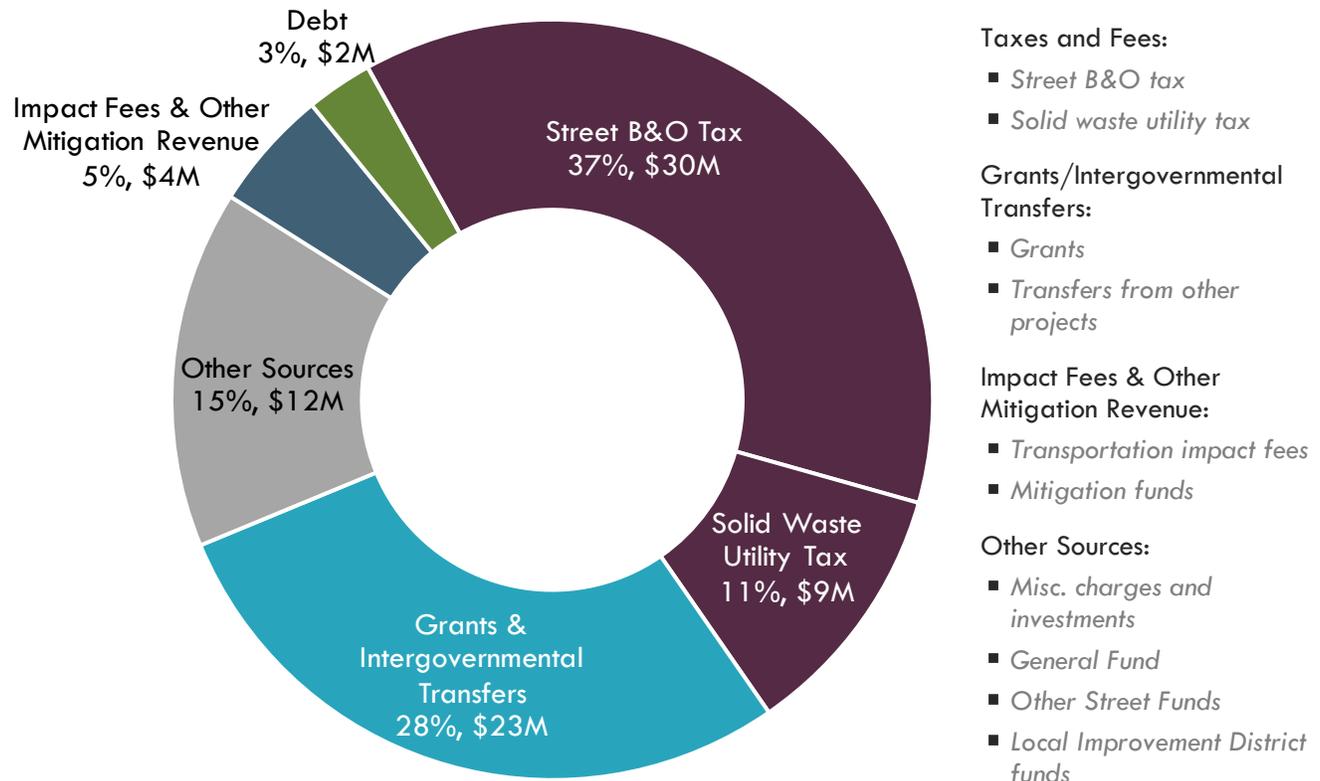
The City of Kent funds transportation capital projects through its Street Capital Projects Fund, which primarily consists of its Street Business & Occupation Tax, Solid Waste Utility Tax, and grants and intergovernmental transfers. Unlike other cities, Kent levies a Street Business and Occupation Tax (established in 2013), which specifically pays for critical street repairs to ensure a safe and efficient transportation system. The B&O tax is based on two components, a gross receipts tax and square footage tax; businesses pay the greater of the two categories.<sup>1</sup> From 2013-2017, the Street B&O tax funded 37% of all transportation capital expenses.

Kent also levies transportation impact fees (adopted in 2010) and collects REET I and II. REET revenues feed into the Capital Resources Fund, which funds non-street related capital and operating projects (non-transportation capital and therefore not shown in the exhibit below).<sup>2</sup>

The data below reflects historical actuals.

### Exhibit 9. Kent Transportation Capital Project Funding Revenues, 2013-2017 Total

Total Five-Year Transportation Capital Revenues: \$79 million



Sources: City of Kent, 2018; BERK, 2018.

<sup>1</sup> Guide to the City of Kent's Business and Occupation Tax, January 1, 2018.

<https://www.kentwa.gov/home/showdocument?id=4453>

<sup>2</sup> City of Kent, Comprehensive Annual Financial Report, 2017.

## Expenses

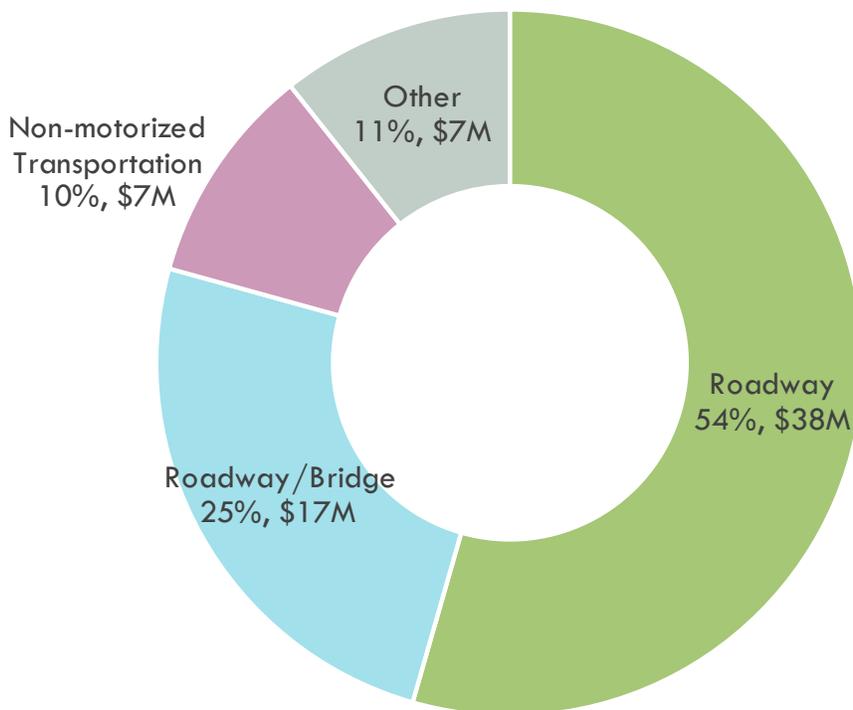
Kent spent approximately \$69 million over the five-year period on transportation capital projects, which the City categorizes as roadways, roadways/bridges, non-motorized transportation, and other.

Projects listed as “other” refer to transportation items not related to roadway, non-motorized transportation, and bridges. This includes neighborhood traffic control, signal system replacements, traffic island landscaping, and LED street light conversion.

The data below reflects historical actuals.

### Exhibit 10. Kent Transportation Capital Project Expenses, 2013-2017 Total

Total Five-Year Transportation Capital Project Expenses: \$69 million



Sources: City of Kent, 2018; BERK, 2018.

# CITY OF TACOMA

## Revenues

Most of Tacoma’s funding for transportation capital projects comes from federal grants, along with state grants and the state Motor Vehicle Fuel Tax (gas tax). Tacoma also uses debt and collects REET I and II.

Tacoma established a Transportation Benefit District in November 2012 and began collecting vehicle licensing fees in June 2013. According to Tacoma’s 2015 Transportation Master Plan, Tacoma receives approximately \$4 million per year from this source; however, TBD is a special revenue fund that directs those revenues to street improvements. According to City of Tacoma staff, TBD funding does not show up in the exhibit below since it is primarily used for maintenance rather than capital projects.

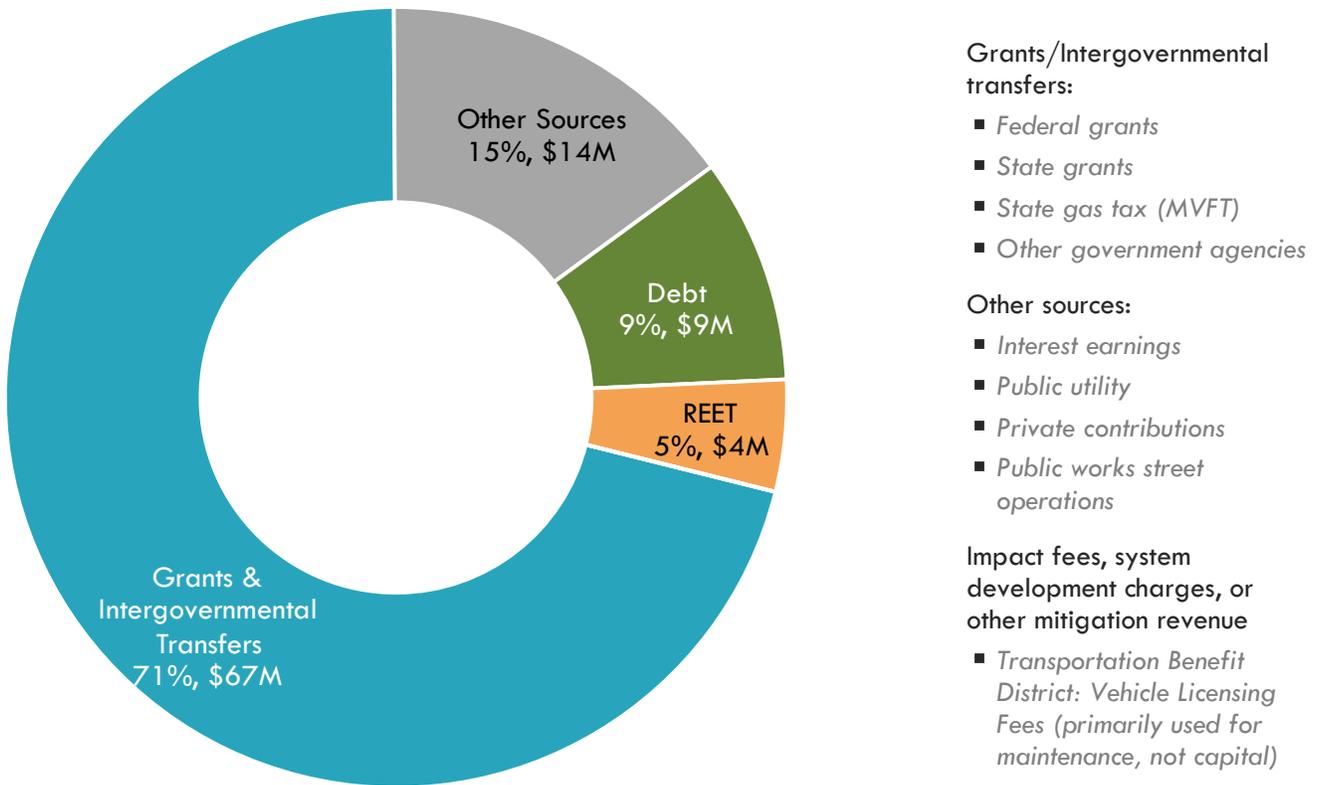
Most of the private funding is provided through local improvement districts (LID).

The Tacoma Streets Initiative is a 2015 voter-approved initiative that raises funds through an increase in taxes and is set to expire in ten years. Voter-approved taxes are estimated to bring in \$175 million; along with grants and matching funds estimating \$120 million and a City contribution of \$30 million, this is estimated to bring in \$325 million for Tacoma’s streets over ten years. The Streets Initiative supports both maintenance and capital uses.

The data below for 2013-2017 is estimated using total 2013-2018 historical actuals.

### Exhibit 11. Tacoma Transportation Capital Project Funding Revenues, 2013-2017 Total

Total Five-Year Transportation Capital Revenues: \$95 million (estimate)



Sources: City of Tacoma, 2018; BERK, 2018. The 2013-2017 total estimate is estimated from total historical actuals from the 2013-2018 period. The 2013-2018 historical actuals are provided in the Appendix.

## Expenses

Tacoma's transportation capital project expenses are shown below. Tacoma's Capital Facilities Plan includes four transportation facility program areas:

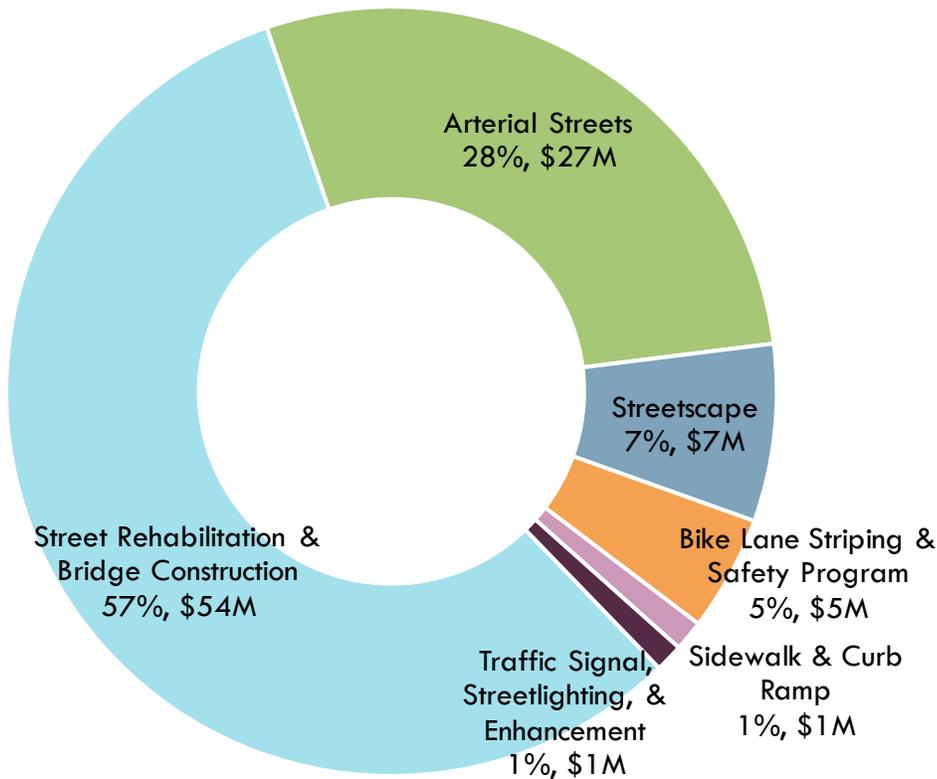
- Non-motorized transportation and streetscape
- Road systems and amenities
- Municipal parking facilities
- Municipal railway

Transportation capital projects cover two of these areas, non-motorized transportation and streetscape, and road systems and amenities.

The data below is based on historical actuals.

### Exhibit 12. Tacoma Transportation Capital Project Expenses, 2013-2017 Total

Total Five-Year Transportation Capital Project Expenses: \$95 million (estimate)



Sources: City of Tacoma, 2018; BERK, 2018. The 2013-2017 total estimate is estimated from total historical actuals from the 2013-2018 period. The 2013-2018 historical actuals are provided in the Appendix.

# KING COUNTY

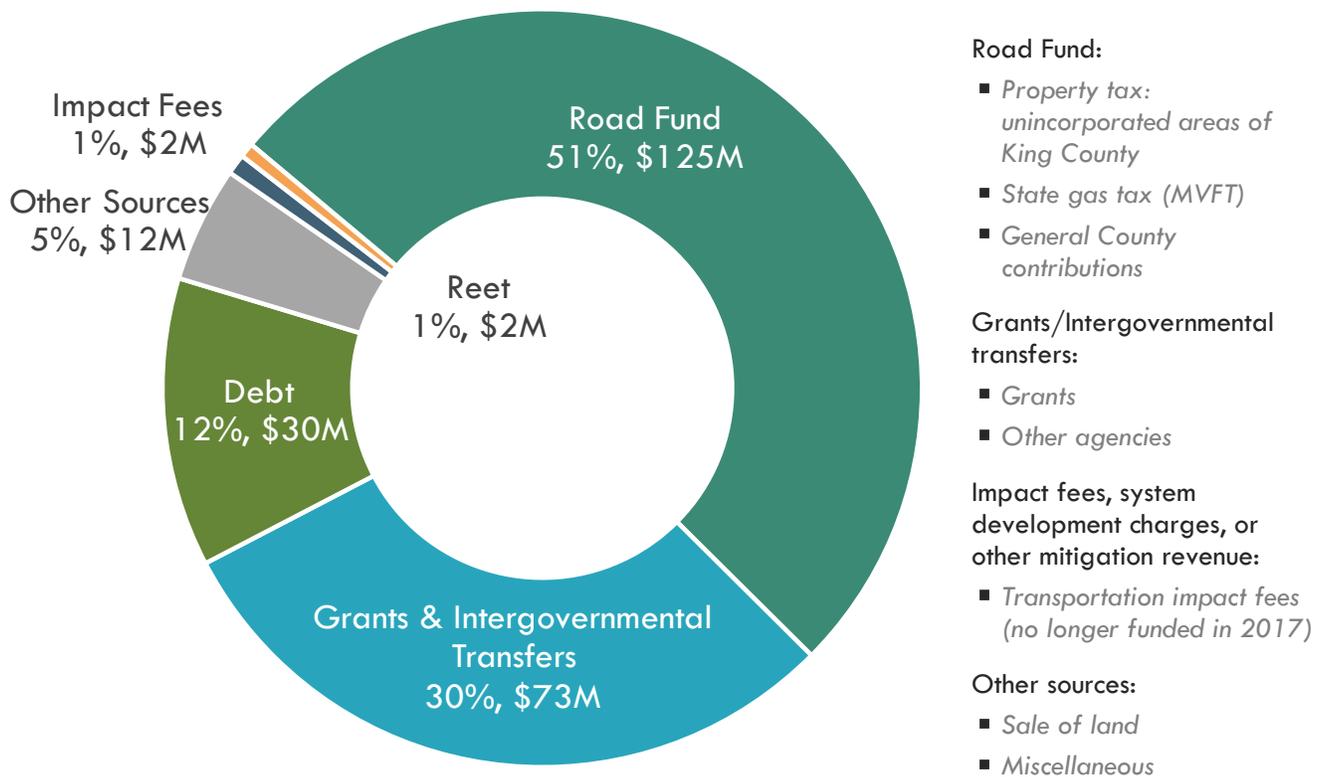
## Revenues

King County primarily funds transportation capital projects from the County Road Fund. The County Road Fund includes a property tax levied in unincorporated areas, the Road Fund portion of the state Motor Vehicle Fuel Tax (gas tax), and general County contributions. The County collects REET I and II, and it no longer collects Transportation Impact Fees (called Mitigation Payment System, or MPS) as of the beginning of 2017. King County has established a Transportation Benefit District, but it is currently unfunded; the County is not currently collecting any vehicle licensing fees or sales tax under the TBD.

The data below reflects historical actuals.

### Exhibit 13. King County Transportation Capital Project Funding Revenues, 2013-2017 Total

Total Five-Year Transportation Capital Revenues: \$244 million



Sources: King County, 2018; BERK, 2018.

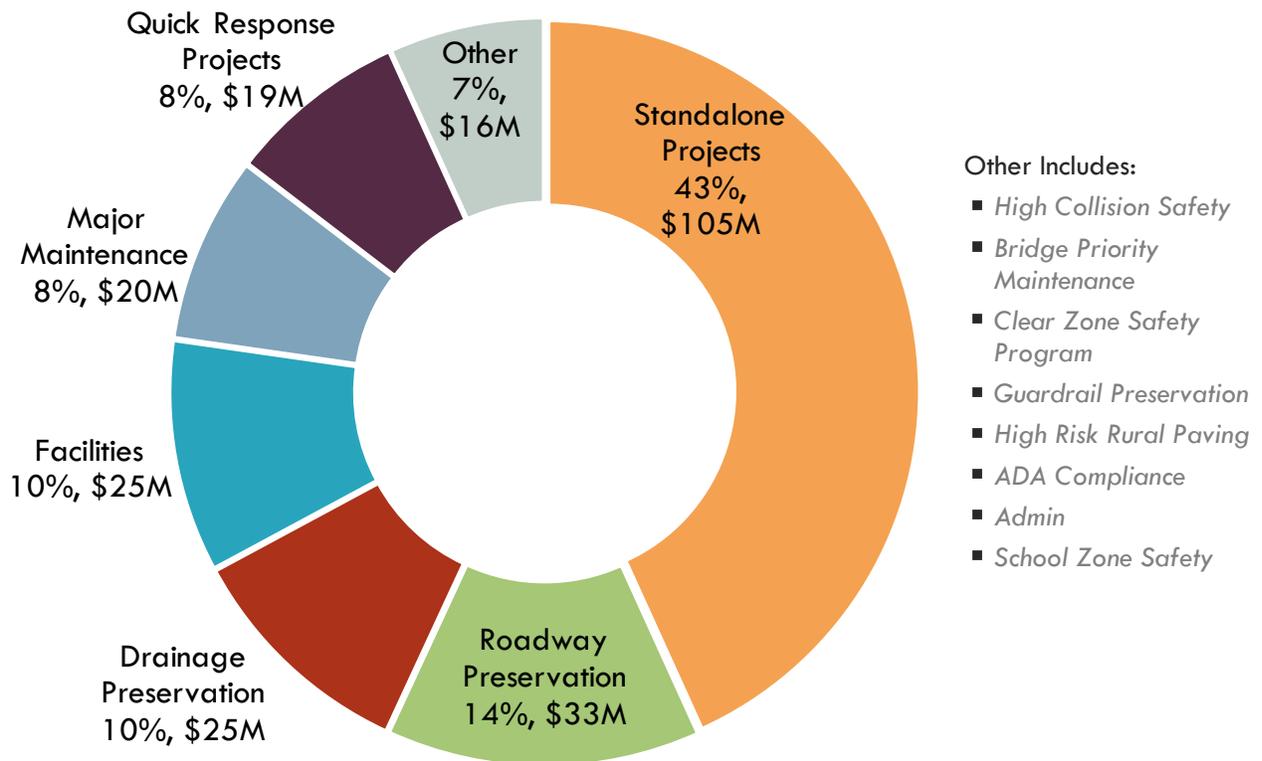
## Expenses

King County invests in a range of transportation capital projects. Almost half of funding is spent on standalone projects, followed by spending on roadway preservation, drainage preservation, facilities, and major maintenance. The County invested \$244 million on transportation capital projects over the last five years.

The data below reflects historical actuals.

### Exhibit 14. King County Transportation Capital Project Expenses, 2013-2017 Total

Total Five-Year Transportation Capital Project Expenses: \$244 million



Sources: King County, 2018; BERK, 2018.

## PER CAPITA TRANSPORTATION CAPITAL SPENDING

Exhibit 15 compares per capita transportation capital spending by jurisdiction, based on total transportation capital project spending data provided by each jurisdiction and the April 1<sup>st</sup> population estimates from the Office of Financial Management (OFM).

**Exhibit 15. Washington Jurisdictions per Capita Transportation Capital Project Spending, 2013-2017 Average**

	AVERAGE ANNUAL TRANSPORTATION CAPITAL SPENDING	AVERAGE ANNUAL POPULATION	AVERAGE ANNUAL PER CAPITA TRANSPORTATION CAPITAL SPENDING
<b>Seattle</b>	\$261,006,180	666,000	\$392
<b>Bellevue</b>	\$52,136,174	136,320	\$382
<b>Kent</b>	\$13,804,000	123,280	\$112
<b>Tacoma</b>	\$18,949,313	203,560	\$93
<b>Unincorporated King County</b>	\$48,736,514	250,282	\$195

Note: Tacoma's total 2013-2017 spending is estimated from its total 2013-2018 historical actuals.

Sources: OFM, 2018; City of Seattle, 2018; City of Bellevue, 2018; City of Kent, 2018; City of Tacoma, 2018; King County, 2018; BERK, 2018.

From 2013-2017, Seattle spent approximately \$392 per capita on transportation capital spending, comparable to Bellevue at \$382 per capita over five years. Kent spent approximately \$112 per capita and Tacoma spent \$93 per capita. Unincorporated King County spent approximately \$195 per capita over the five-year period.

# Transportation Capital Funding Outside Washington

This section reviews current funding of transportation capital projects for out-of-state jurisdictions for comparison with the City of Seattle. We present a high-level breakdown of transportation capital improvement program revenue sources and expenditures in Portland, Oregon (2014-2018) and Denver, Colorado (2013-2017).

BERK contacted transportation finance staff at both the City of Portland and City and County of Denver, and used publicly available transportation finance documents at their direction. Due to significant differences in how transportation capital projects are funded, organized, and reported, the transportation capital project funding revenue and expenditure categories are different from those presented in Washington jurisdictions.

## CITY OF PORTLAND

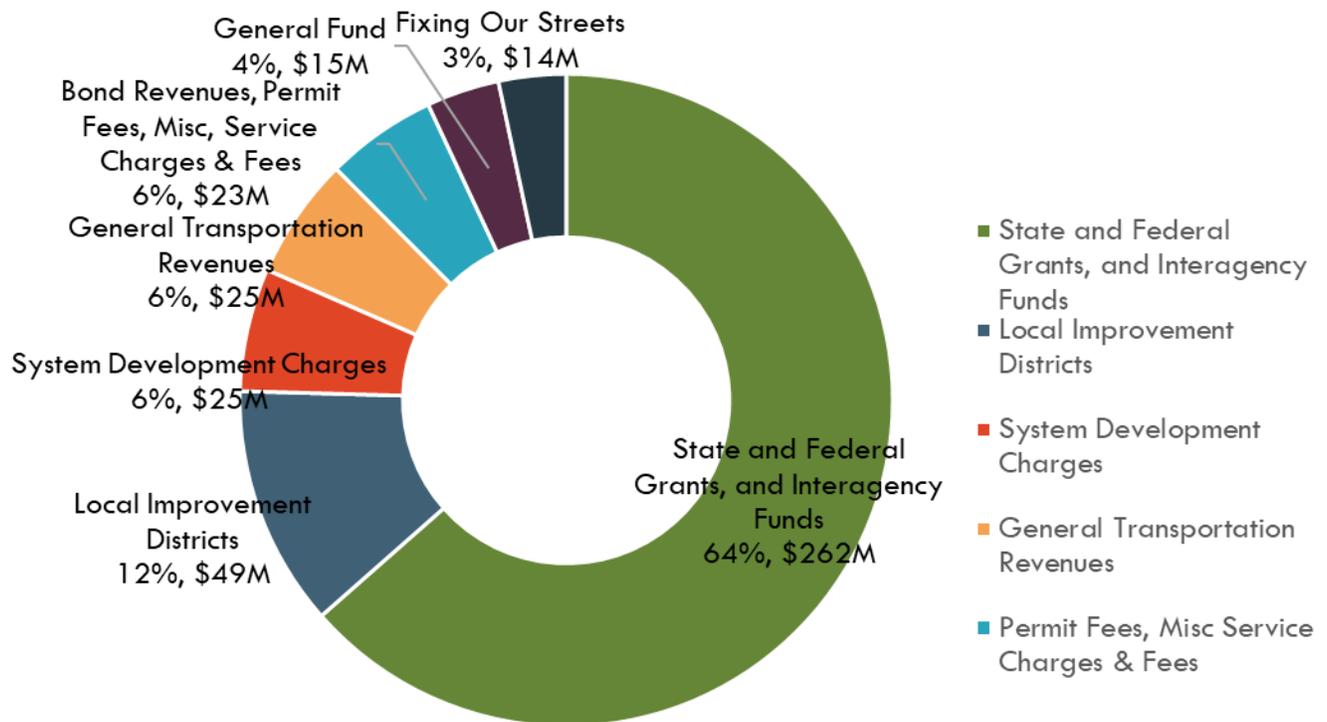
The City of Portland did not provide detailed transportation capital funding data for 2013; to keep a five-year period of analysis stable across all comparable cities in phases 1 and 2, BERK used Portland's 2014-2018 CIPs. Portland provides a five-year projection for each CIP; the first year of data from each CIP is presented here.

### Revenues

Revenues for Portland's transportation CIP are reported in three or four fund categories, depending on the year, with narrative descriptions of the revenue streams within each category that sometimes provide more financial detail. When possible, BERK tracked the narratively described revenue streams across CIPs to provide a greater level of detail. Major revenue sources for Portland's transportation CIPs include:

- **State and Federal Grants and Interagency Funds:** funds from federal, state, and regional sources (e.g., Portland Development Commission, Port of Portland, and TriMet).
- **Local Improvement Districts:** a cooperative of property owners who share in the cost of infrastructure improvements, financed, and often subsidized by the City.
- **System Development Charges:** charges to permitted development that impact public infrastructure.
- **General Transportation Revenues:** Portland's share of the State Highway Fund (motor fuels tax, vehicle titling and registration fees, and weight-mile tax imposed on trucks) and revenues from the City's parking program.
- **Fixing Our Streets:** revenues from two dedicated sources, one voter-approved tax for street repair and one Council-passed Heavy Vehicle Use Tax.

**Exhibit 16. Portland Transportation Capital Project Revenues, 2014-2018 Total**

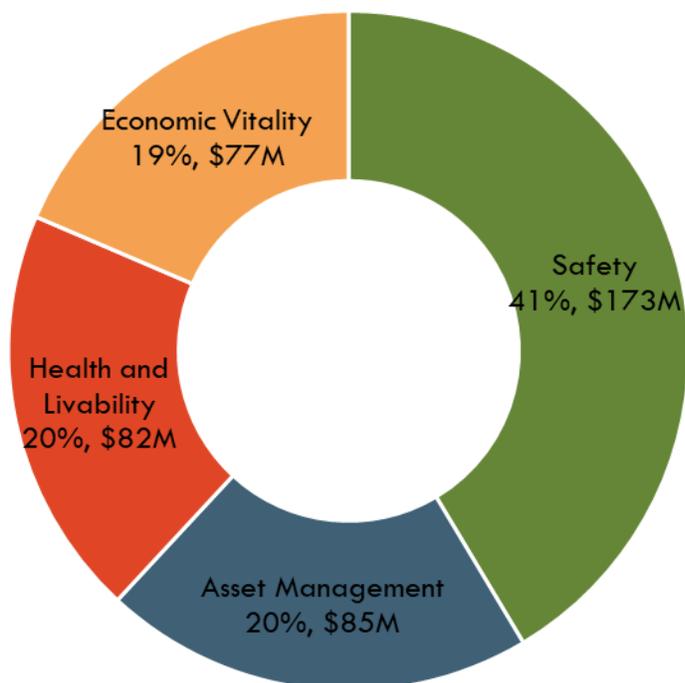


Sources: City of Portland, 2014-2018; BERK, 2018.

## Expenses

Portland categorizes its CIP listed transportation capital projects into four categories: safety, asset management, health and livability, and economic vitality. For some projects listed, the expenditure categories used in the analysis of Washington jurisdictions (bridges, walkways and bikeways, and traffic controls, signals, and lights) could be applied based on information available. For most projects, however, none of the categories could be accurately applied from the given project information. Transportation capital projects are presented using Portland's expenditure categories below.

**Exhibit 17. Portland Transportation Capital Project Expenses, 2014-2018 Total**



Sources: City of Portland, 2014-2018; BERK, 2018.

## CITY AND COUNTY OF DENVER

Transportation in the City and County of Denver is housed in the Public Works Department. Denver does not complete an annual CIP. BERK completed a Colorado Open Records Act request for revenues and expenditures specific to Public Works Transportation and was directed to budgetary documents. Annual budgeted revenues and expenditures are used for years 2013-2017.

### *Revenues*

Denver does not have a fund specific to Public Works Transportation capital projects. The Capital Improvement Fund (CIF) is used for all city-wide capital improvement projects, as are other major capital improvement revenue sources, including bond proceeds and grants and contracts. Revenue sources for the CIF include several streams restricted to specific departments and other streams used across many departments. Below, BERK presents the total listed revenue streams that were eligible for use in Public Works Transportation capital projects.

Major restricted revenue sources eligible for use in transportation capital projects include:

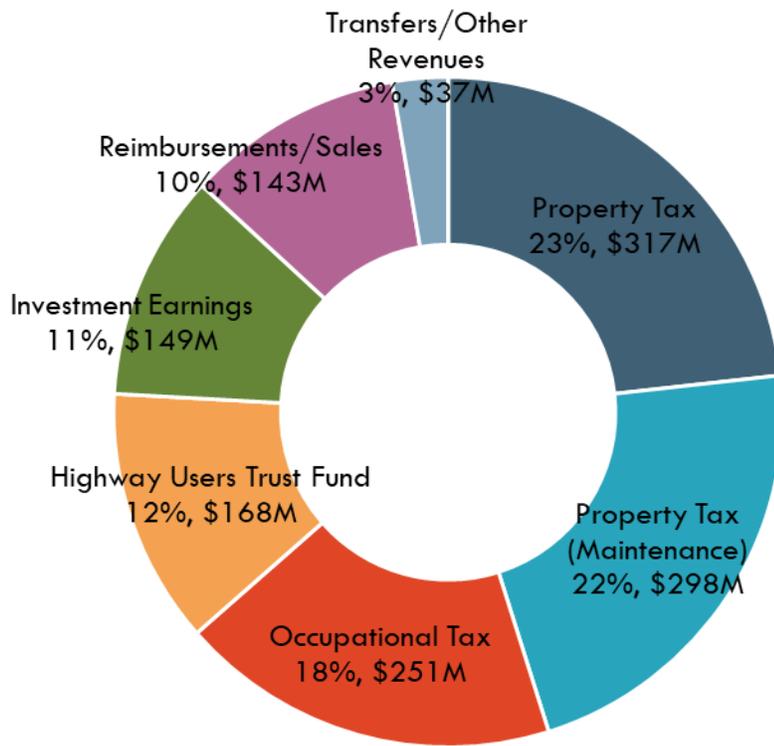
- **Highway User Trust Fund:** distributions from State collections of road safety surcharges, oversize/overweight surcharges, rental car surcharges, and late vehicle registration fees (CIF).
- **Property Tax – Maintenance:** a voter-approved property tax dedicated to capital maintenance and general fund transfers (CIF).

Major unrestricted revenue sources eligible for use in transportation capital projects include:

- **Property Tax** (CIF)
- **Investment Earnings** (CIF)
- **Reimbursements/Sales of Assets** (CIF)
- **Transfers/Other Revenues** (CIF)
- **Bond Proceeds** (standalone fund)
- **Grants/Miscellaneous Proceeds** (standalone fund)

In total, \$1.4 billion was eligible for use in Public Works Transportation capital projects between 2013-2017; Public Works Transportation projects cost \$1.2 billion from 2013-2017, or 86% of eligible CIF.

**Exhibit 18. Denver Transportation Capital Project Revenues, 2013-2017 Total**



Sources: City and County of Denver, 2013-2017; BERK, 2018.

## Expenses

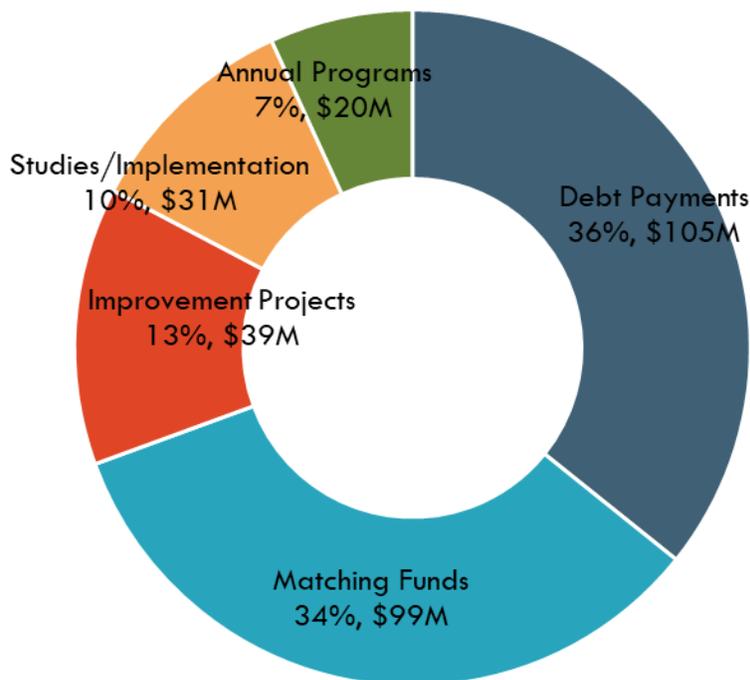
Denver provides total capital improvement spending by agency, with total Public Works Transportation spending of \$1.2 billion from 2013-2017. Denver divides that total by fund: Capital Improvement Funds (CIF), bond proceeds, and grants and miscellaneous proceeds.

Transportation capital projects using CIF are listed in the following categories: debt payments, matching funds, improvement projects, studies/implementation, and annual programs. Projects of various Phase 1 types are included in each category, including some that are identifiable and many that are not.

Projects funded in part or in full by bond proceeds or grants and miscellaneous proceeds are not listed in detail in those funds' financial notes. Though some bonds are specific to Public Works, it is not clear that those bonds are specific to Public Works Transportation. Similarly, it is unclear that the projects listed in the financial notes for Grants and Miscellaneous Proceeds are specific to Public Works Transportation.

Denver's breakdown of Public Works Transportation project CIF expenditures is presented below.

**Exhibit 19. Denver Transportation Capital Improvement Fund Expenses, 2013-2017, Total**



Sources: City and County of Denver, 2013-2017; BERK, 2018.

# Transportation Capital Cost Burden Analysis

In this section, BERK analyzes the typical cost burden to individual households for taxes and fees used by local jurisdictions to pay for transportation capital projects. Drawing from the typical revenue sources for transportation capital projects identified earlier in this analysis, we compare the relative cost burdens across Seattle and peer jurisdictions for three household types that vary by household income, owner versus renter, and number of vehicles owned. We present the cost burdens as total annual costs per household, as well as annual cost as a percentage of household income. The analysis focuses on the cities of Seattle, Bellevue, and Kent, as well as unincorporated King County.

## APPROACH

### Define Household Types

We calculate total annual costs and cost burden for the following three household types:

- **Upper middle-income homeowner household**
  - Income: 150% of Area Median Income (AMI)
  - Owner of median price single family home (based on jurisdiction)
  - Owns two cars
- **Moderate-income renter household**
  - Income: 80% of AMI
  - Rents typical apartment in a newer building, built year 2000 or after
  - Owns one car
- **Low-income renter household**
  - Income: 50% of AMI
  - Rents typical apartment in an older building, built prior to year 2000
  - Owns one car

See the Appendix for household income, home value, and vehicle assumptions used in this cost burden analysis.

### Identify Costs to Households

Next, BERK reviewed all local revenue sources for transportation capital and identified those which are paid directly or indirectly by households. These fall into two categories:

- **Direct Household Costs:** Ongoing or annual taxes and fees such as property taxes, vehicle fees, or sales tax on household consumption. Even though property taxes are not directly paid by renter households, this analysis includes these costs in this category under the assumption that property taxes are passed on to renters in full on a per unit basis. Doing so enables an easier comparison across household types.

- **Potential Indirect Household Costs:** Many communities generate revenue for capital projects from taxes or fees on development and real estate transactions. These can raise the cost of housing, and these costs can be passed on to individual households in the form of increased housing costs. Examples include impact fees, REET, and sales tax on construction.

*Revenues **not** considered in this analysis:*

- **Federal and state grants**, which are irregular and associated with state or federal taxes that are paid by all.
- **Regional Transit Authority Motor Vehicle Excise Tax (MVET)**, which applies to Sound Transit, since those revenues are not directed toward cities and counties.
- **SEPA mitigation**, which may impact housing costs but do not have a standard rate schedule.
- **Sales tax on construction** is not calculated as a potential indirect household cost.

## METHODOLOGY

We use the methodology outlined below to calculate the household cost burden for both owner and renter households based on 2018 tax and fee rates. Below is a summary of the methodology. A detailed methodology is provided in the Appendix.

- **Property Tax (City or County portion):** We calculate the property tax paid annually, determine the proportion of property taxes that go to transportation CIP, and then calculate the amount of property tax paid per owner or renter household to transportation CIP.
- **Sales tax on household consumption (local portion):** We estimate annual consumer spending, determine the proportion of sales taxes that go to transportation CIP, then calculate the local sales tax paid per owner or renter household to transportation CIP.
- **REET (local portion):** For homeowners, we determine the proportion of REET that goes to transportation CIP, calculate tax as a one-time cost of buying a home, then annualize the cost of monthly mortgage payments based on the 30-year fixed rate for REET. For renters, we calculate the average REET paid for property acquisition for apartment projects per unit, then annualize the average cost per unit based on market capitalization rates for multifamily development.
- **Transportation Benefit District (Vehicle Licensing Fees):** We calculate annual fees based on household vehicle assumptions.
- **Motor Vehicle Fuel Tax (State gas tax, City or County distribution):** We estimate the average annual household fuel spending, then use the state distribution to local jurisdictions to calculate total annual MVFT paid for each household type to transportation CIP.
- **Transportation Impact Fees:** We use the single-family transportation fee for owner households and the multi-family transportation impact fee for renters, and then annualize the cost based on either the 30-year fixed rate (for owner households) or market capitalization rates for multifamily development (for renter households). Following our assumption that low-income renters are living in apartments built prior to 2000, we assume that if transportation impact fees were adopted by a city after 2000, then low-income renters are not impacted by indirect costs of transportation impact fees.

## TAX BURDEN COMPARISON

For each jurisdiction, we present the total tax burden by household type (upper middle-income homeowner, moderate-income renter, and low-income renter). Direct household costs and costs to development are treated separately in the following charts, since there is less certainty about how costs to development are passed on to households. This is followed by a presentation of combined cost burden.

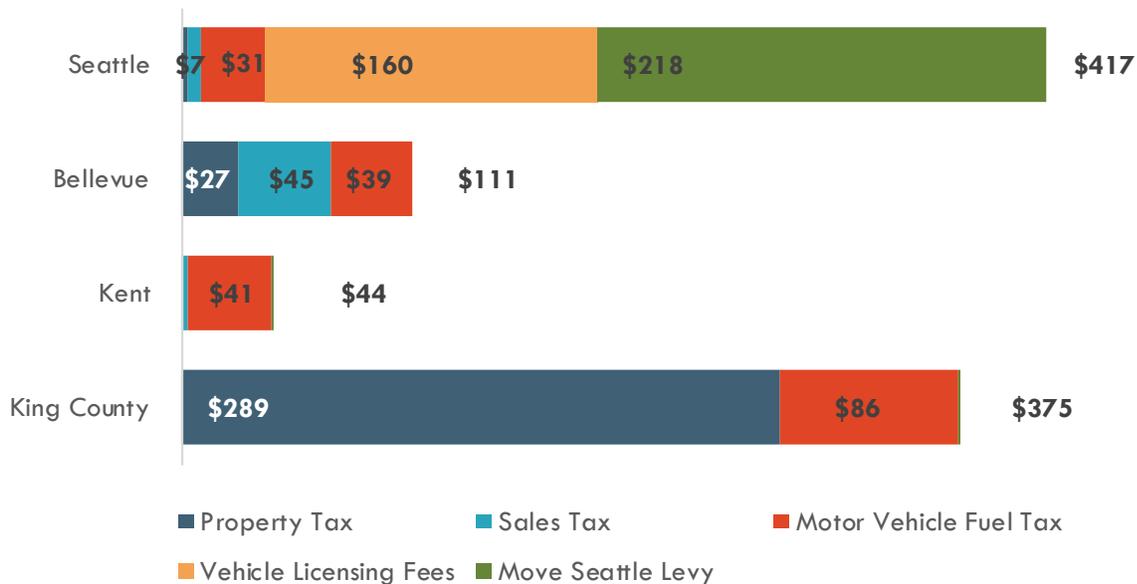
Exact amounts for each cost are available in the tables provided in each comparison jurisdiction’s cost burden detail.

### Cost Burden from Direct Household Costs

The comparison jurisdictions rely on various consumption-based and direct revenue sources for transportation capital projects. Consumption-based revenue sources are recurring, variable costs determined by the household’s level of consumption for each type. Sales tax, motor vehicle fuel tax, and vehicle licensing fees are considered consumption costs for this analysis. Property tax is a direct cost with similarities to consumption costs: both are recurring and variable.

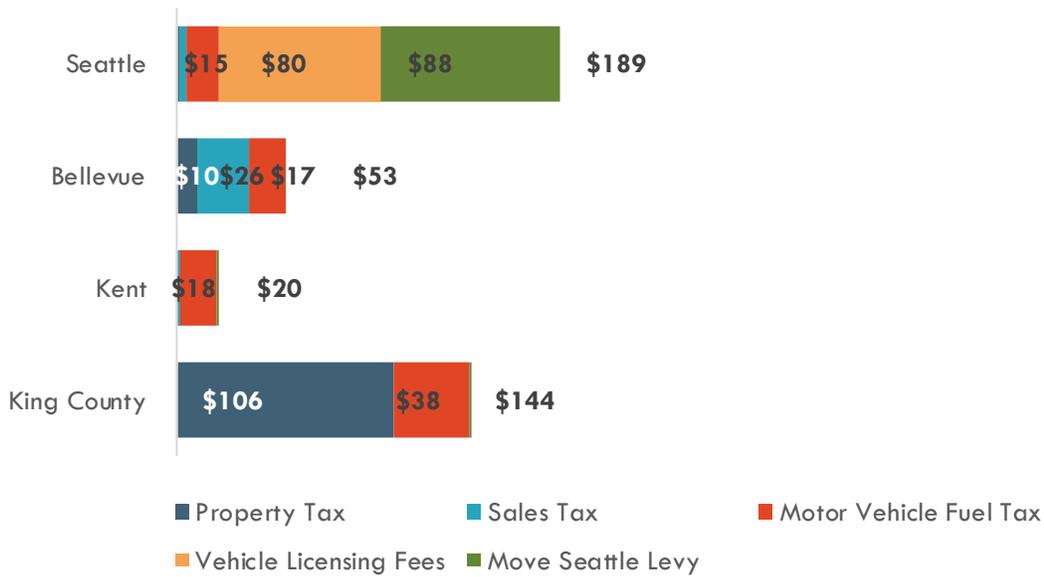
In this analysis, we refer to direct costs as property tax costs and consumption costs. Exhibit 20, Exhibit 21, and Exhibit 22 show direct costs by source and total direct cost burden for upper middle-income, moderate-income, and low-income households, respectively.

**Exhibit 20. Upper Middle-Income Household Direct Cost Burden, 2018**



Sources: King County Assessor’s Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Washington Department of Licensing Vehicle Registration Local Fees, 2018; Seattle Comprehensive Financial Annual Report, 2016; State Auditor’s Office Local Government Financial Reporting System, 2016; City of Seattle 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; Bellevue Comprehensive Financial Annual Report, 2017; Bellevue Transportation Impact Fees, 2018; City of Bellevue 2013-2017 data, 2018; Kent Comprehensive Financial Annual Report, 2017; Kent Transportation Impact Fees, 2018; City of Kent 2013-2017 data, 2018; King County Comprehensive Financial Annual Reports, 2013-2017; King County 2013-2017 data, 2018; BERK, 2018.

**Exhibit 21. Moderate-Income Household Direct Cost Burden, 2018**



Sources: King County Assessor’s Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Washington Department of Licensing Vehicle Registration Local Fees, 2018; Seattle Comprehensive Financial Annual Report, 2016; State Auditor’s Office Local Government Financial Reporting System, 2016; City of Seattle 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; Bellevue Comprehensive Financial Annual Report, 2017; Bellevue Transportation Impact Fees, 2018; City of Bellevue 2013-2017 data, 2018; Kent Comprehensive Financial Annual Report, 2017; Kent Transportation Impact Fees, 2018; City of Kent 2013-2017 data, 2018; King County Comprehensive Financial Annual Reports, 2013-2017; King County 2013-2017 data, 2018; BERK, 2018.

**Exhibit 22. Low-Income Household Direct Cost Burden, 2018**



Sources: King County Assessor’s Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Washington Department of Licensing Vehicle Registration Local Fees, 2018; Seattle Comprehensive Financial Annual Report, 2016; State Auditor’s Office Local Government Financial Reporting System, 2016; City of Seattle 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; Bellevue Comprehensive Financial Annual Report, 2017; Bellevue Transportation Impact Fees, 2018; City of Bellevue 2013-2017 data, 2018; Kent Comprehensive Financial Annual Report, 2017; Kent Transportation Impact Fees, 2018; City of Kent 2013-2017 data, 2018; King County Comprehensive Financial Annual Reports, 2013-2017; King County 2013-2017 data, 2018; BERK, 2018.

## Potential Indirect Household Costs

This section addresses fees and taxes that can increase the cost of housing development and transactions and can potentially be passed on to households.<sup>3</sup>

### Assumptions

- For homeowner households, one-time costs such as REET and impact fees are assumed to be bundled into the total purchase cost and paid for as part of a 30-year fixed mortgage at 4.7% monthly interest; costs are annualized as one year of monthly payments on the isolated costs of those taxes and fees.<sup>4</sup>
- For renter households, this analysis assumes that the household is living in a unit that was subject to those costs and are recouped at a market capitalization rate of 5.2%.<sup>5</sup>

Note that the market capitalization and interest rates used in this analysis are based on ideal cases. For mortgage payments by homeowners, these assumptions do not consider the effective rates that people may pay due to other factors, such as lower down payments, lower credit scores, etc. Market capitalization rates for rental properties tend to vary with risk, over time, and across neighborhoods. In either case, rates may also change due to macroeconomic factors. Overall, any changes to interest and capitalization rates will change the effective burden of these fees on homeowners and rental property owners, with significant increases resulting in higher household costs.

Of course, not all households are living in units that were subject to these costs in the past. Newly constructed housing is typically more expensive and therefore more likely to be occupied by high or upper middle-income households. Therefore, these household types are also more likely to be affected by impact fees and other costs linked to new development. Conversely, low-income households are somewhat less likely to live in newer units and therefore less likely to be affected by fees on new development passed on to renter households.

The findings of this analysis should therefore be interpreted as potential costs to households, rather than actual costs. It is important to keep in mind that buyers in local markets influence the allocation of costs between reductions in asset value or increases in rent. Buyers level of willingness to pay into the real estate market will determine how impact fees and/or REET influence rents or prices.

Exhibit 23 shows development costs by source and total development cost for upper middle-income owner households.

Exhibit 24 and Exhibit 25 show indirect costs by source and total indirect cost for moderate-income and low-income renter households, respectively.

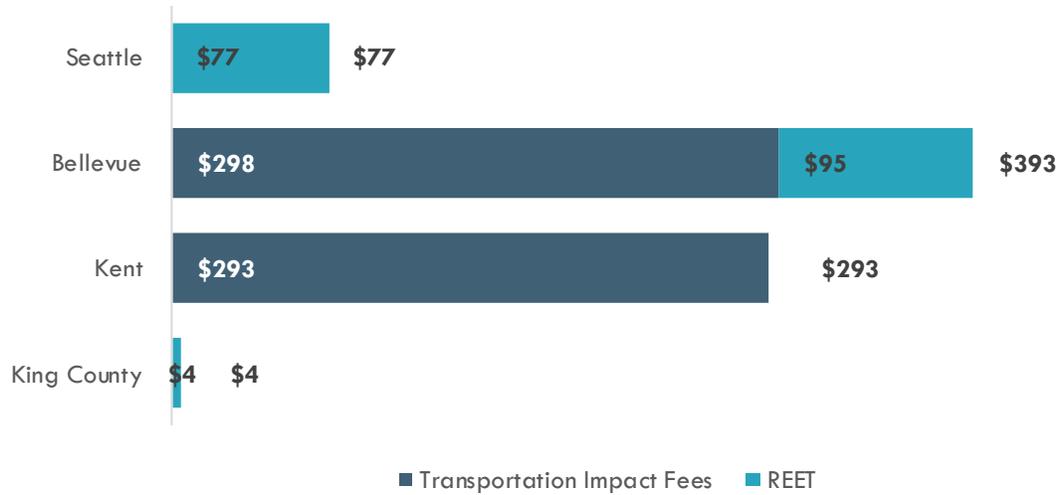
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<sup>3</sup> In this analysis, these costs are modeled as if incurred in 2018. This assumption is necessary to maximize the likelihood that the full cost of the tax or fee is passed to the household, and to control for the effect of timing on market values of and capitalization rates on single and multifamily homes.

<sup>4</sup> 4.35% represents the average 30-year fixed rates from more than 100 lenders as reported by Zillow on August 31, 2018.

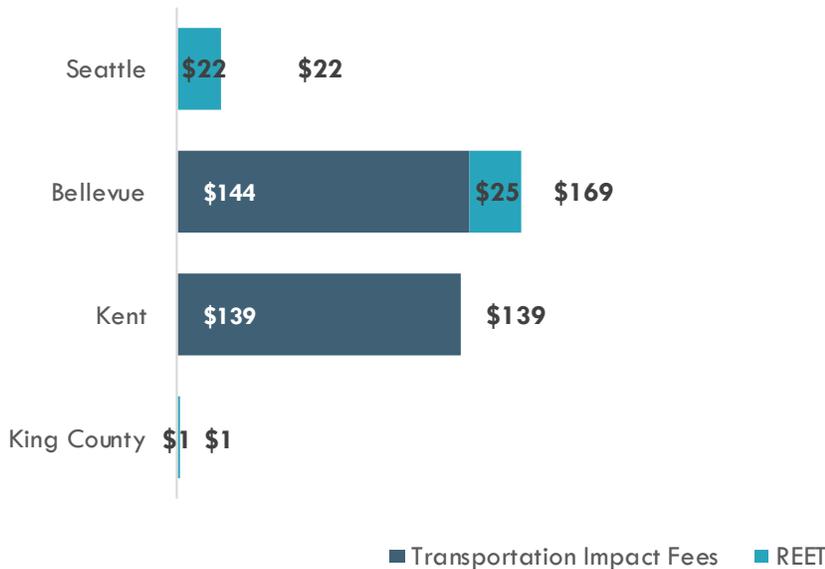
<sup>5</sup> This average is based on capitalization rates A Class and B Class multifamily buildings, as reported in Cushman and Wakefield's 2017 Cap Rate Survey.

**Exhibit 23. Annualized Potential Indirect Costs to Upper Middle-Income Owner Households, 2018**



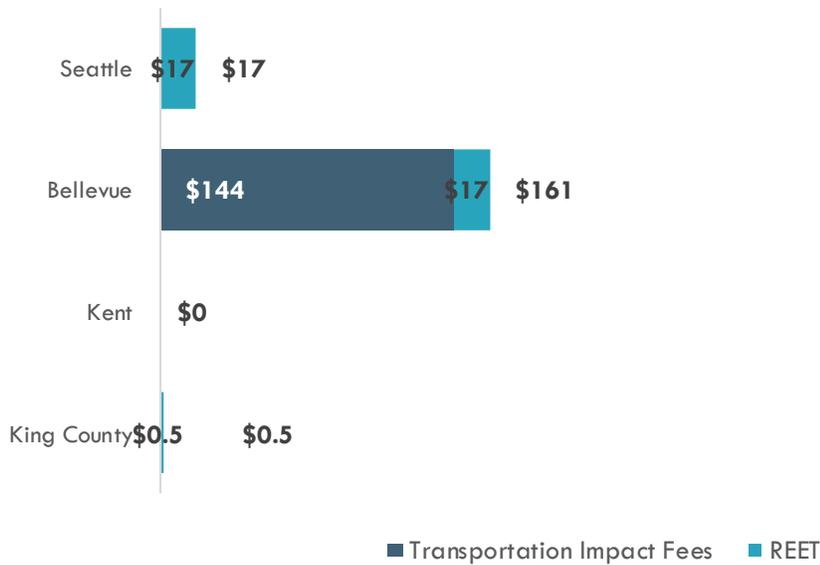
Sources: King County Assessor’s Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Washington Department of Licensing Vehicle Registration Local Fees, 2018; Seattle Comprehensive Financial Annual Report, 2016; State Auditor’s Office Local Government Financial Reporting System, 2016; City of Seattle 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; Bellevue Comprehensive Financial Annual Report, 2017; Bellevue Transportation Impact Fees, 2018; City of Bellevue 2013-2017 data, 2018; Kent Comprehensive Financial Annual Report, 2017; Kent Transportation Impact Fees, 2018; City of Kent 2013-2017 data, 2018; King County Comprehensive Financial Annual Reports, 2013-2017; King County 2013-2017 data, 2018; BERK, 2018.

**Exhibit 24. Annualized Potential Indirect Costs to Moderate-Income Renter Households, 2018**



Sources: King County Assessor’s Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Washington Department of Licensing Vehicle Registration Local Fees, 2018; Seattle Comprehensive Financial Annual Report, 2016; State Auditor’s Office Local Government Financial Reporting System, 2016; City of Seattle 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; Bellevue Comprehensive Financial Annual Report, 2017; Bellevue Transportation Impact Fees, 2018; City of Bellevue 2013-2017 data, 2018; Kent Comprehensive Financial Annual Report, 2017; Kent Transportation Impact Fees, 2018; City of Kent 2013-2017 data, 2018; King County Comprehensive Financial Annual Reports, 2013-2017; King County 2013-2017 data, 2018; BERK, 2018.

**Exhibit 25. Annualized Potential Indirect Costs to Low-Income Renter Households, 2018**



Sources: King County Assessor’s Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manuel: Fuel Tax, 2016; Washington Department of Licensing Vehicle Registration Local Fees, 2018; Seattle Comprehensive Financial Annual Report, 2016; State Auditor’s Office Local Government Financial Reporting System, 2016; City of Seattle 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; Bellevue Comprehensive Financial Annual Report, 2017; Bellevue Transportation Impact Fees, 2018; City of Bellevue 2013-2017 data, 2018; Kent Comprehensive Financial Annual Report, 2017; Kent Transportation Impact Fees, 2018; City of Kent 2013-2017 data, 2018; King County Comprehensive Financial Annual Reports, 2013-2017; King County 2013-2017 data, 2018; BERK, 2018.

Sales tax on construction costs is another type of development cost passed on to the end user household that BERK did not model. Further research and analysis would be needed to determine the cost burden of construction sales tax costs.

**TOTAL POTENTIAL COST BURDEN**

The summary tables below show the total direct cost burden and the total potential burden (if households incur both direct and indirect costs) in 2018 . Each jurisdiction’s total cost burden is presented as a percentage of income for upper middle-income homeowner households, moderate-income renter households, and low-income renter households. Tables are provided for each jurisdiction to summarize annual cost burden by source. Potential indirect costs are less likely to accrue to moderate-income and low-income households.

## City of Seattle

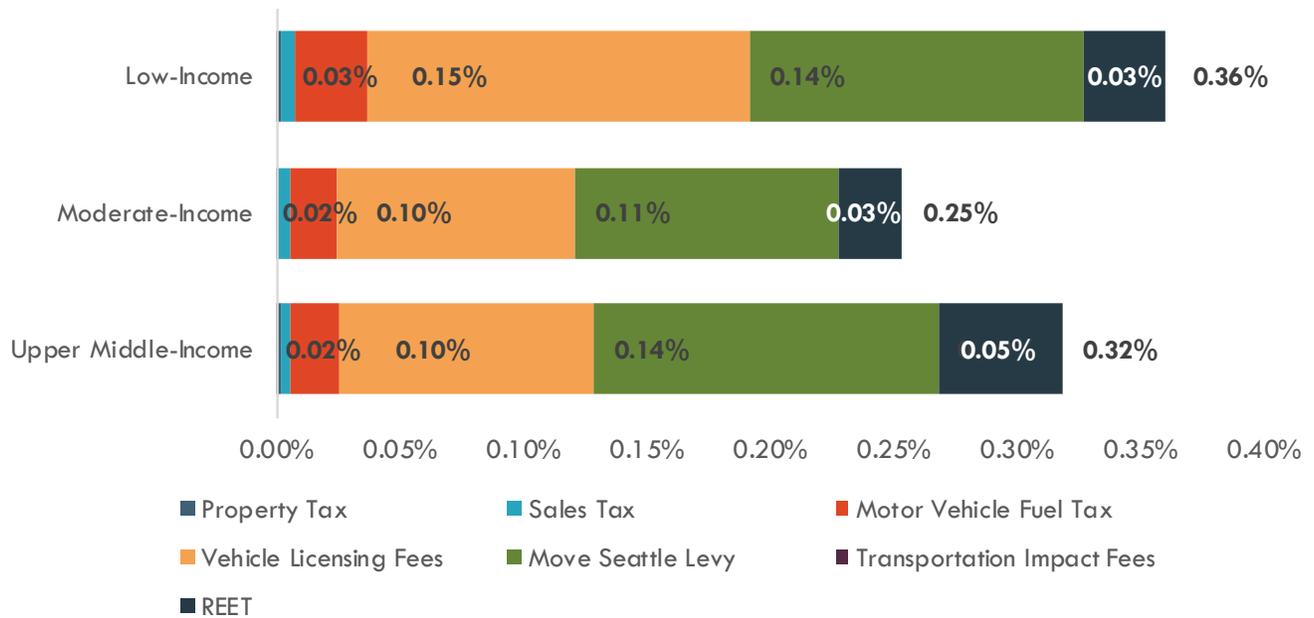
Homeowners contribute to transportation capital projects through property and sales taxes to the General Fund. The Move Seattle Transportation Levy is a voter-approved nine-year property tax levy lid lift for transportation. The City collects Vehicle Licensing Fees through a Transportation Benefit District and levies REET I and II. SEPA mitigation funds are not currently included in this analysis.

**Exhibit 26. Seattle Transportation Capital Tax Rates, Fees, and Household Cost Burden**

REVENUE SOURCE	2018 RATES	PERCENT DEDICATED TO TRANSPORTATION CAPITAL	ANNUAL COST BURDEN		
			Upper middle-income homeowner	Moderate-income renter	Low-income renter
Property Tax: City portion	\$1.245 per \$1000 AV (regular levy)	0.3%	\$2.24	\$0.91	\$0.72
Move Seattle Transportation Levy	N/A	100%	\$217.51	\$88.25	\$70.14
Sales Tax: Local portion	3.6%	0.3%	\$6.80	\$3.92	\$3.04
Transportation Benefit District Vehicle Licensing Fees	\$80/vehicle per year	100%	\$160.00	\$80.00	\$80.00
Motor Vehicle Fuel Tax (State gas tax): Distribution to cities	\$0.02 per gallon	100%	\$30.92	\$15.46	\$15.46
<b>Total Direct Cost Burden, 2018</b>			<b>\$417.47</b>	<b>\$188.53</b>	<b>\$169.36</b>
<b>Direct Cost as Percent of Household Income</b>			<b>0.27%</b>	<b>0.23%</b>	<b>0.33%</b>
<i>Potential Indirect Cost: REET Local portion</i>	0.5%	34%	\$101.80	\$33.31	\$18.14
<b>Total Direct + Potential Indirect Cost Burden, 2018</b>			<b>\$494.24</b>	<b>\$210.16</b>	<b>\$186.55</b>
<b>Percent of Household Income</b>			<b>0.32%</b>	<b>0.25%</b>	<b>0.36%</b>

Sources: King County Assessor's Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Washington Department of Licensing Vehicle Registration Local Fees, 2018; Seattle Comprehensive Financial Annual Report, 2016; State Auditor's Office Local Government Financial Reporting System, 2016; City of Seattle 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; BERK, 2018.

**Exhibit 27. Seattle Total Potential Cost Burden as a Percentage of Household Income by Household Type, 2018**



Sources: King County Assessor’s Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Washington Department of Licensing Vehicle Registration Local Fees, 2018; Seattle Comprehensive Financial Annual Report, 2016; State Auditor’s Office Local Government Financial Reporting System, 2016; City of Seattle 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; BERK, 2018.

Low-income renter households in Seattle pay the largest share of their income for transportation capital projects, with TBD vehicle licensing fees the largest share of income.

## City of Bellevue

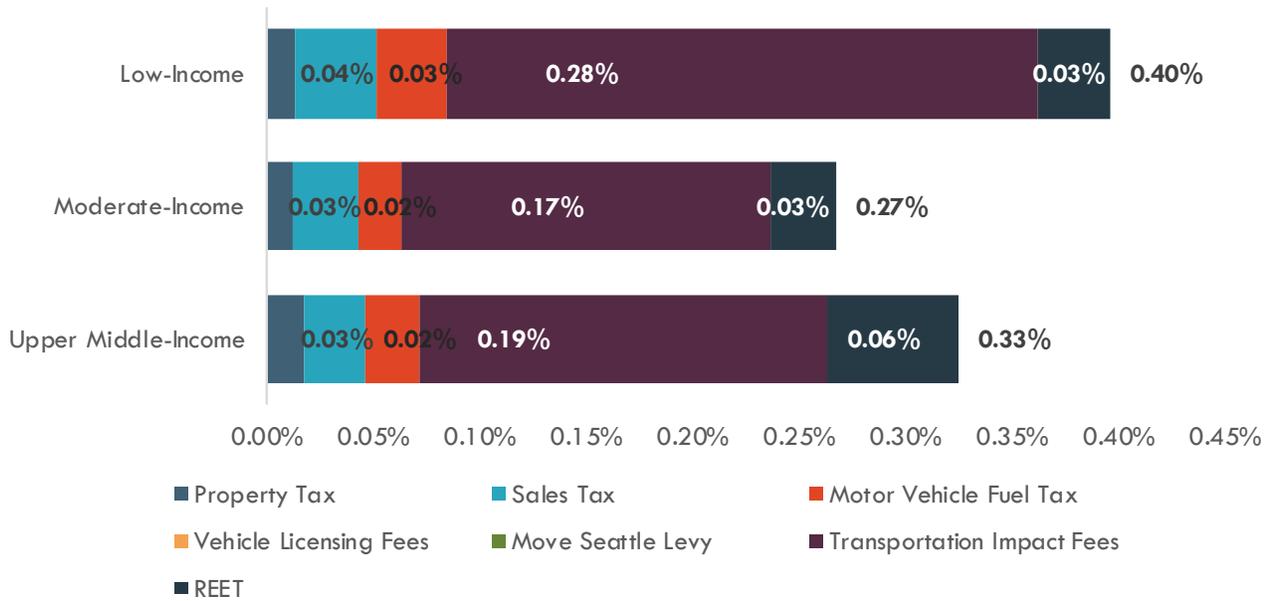
The City of Bellevue levies Transportation Impact Fees and collects REET I and II. Homeowners pay property tax and sales tax to the General Fund, which provides funding to transportation capital. SEPA mitigation funds are another source that is not currently included in the analysis.

**Exhibit 28. Bellevue Transportation Capital Tax Rates, Fees, and Household Cost Burden**

REVENUE SOURCE	2018 RATES	PERCENT DEDICATED TO TRANSPORTATION CAPITAL	ANNUAL COST BURDEN		
			Upper middle-income homeowner	Moderate-income renter	Low-income renter
Property Tax: City portion	\$1.02655 per \$1000 AV	3.36%	\$27.28	\$9.69	\$6.74
Sales Tax: Local portion	3.5%	2.05%	\$44.98	\$25.91	\$20.12
Motor Vehicle Fuel Tax (State gas tax): Distribution to cities	\$0.02 per gallon	100%	\$38.67	\$17.10	\$17.10
<b>Total Direct Cost Burden, 2018</b>			<b>\$110.93</b>	<b>\$52.70</b>	<b>\$43.96</b>
<b>Direct Cost as Percent of Household Income</b>			<b>0.07%</b>	<b>0.06%</b>	<b>0.09%</b>
<i>Potential Indirect Cost: Transportation Impact Fees</i>	<b>Single family:</b> \$4,989 <b>Multi-family:</b> \$2,744	100%	\$298.03	\$143.65	\$143.65
<i>Potential Indirect Cost: REET Local portion</i>	0.5%	33.93%	\$95.17	\$24.94	\$17.35
<b>Total Direct + Potential Indirect Cost Burden, 2018</b>			<b>\$504.13</b>	<b>\$221.29</b>	<b>\$204.96</b>
<b>Percentage of Household Income</b>			<b>0.33%</b>	<b>0.27%</b>	<b>0.40%</b>

Sources: King County Assessor's Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Bellevue Comprehensive Financial Annual Report, 2017; Bellevue Transportation Impact Fees, 2018; State Auditor's Office Local Government Financial Reporting System, 2016; City of Bellevue 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; BERK, 2018.

**Exhibit 29. Bellevue Total Potential Cost Burden as a Percentage of Household Income by Household Type, 2018**



Sources: King County Assessor’s Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Bellevue Comprehensive Financial Annual Report, 2017; Bellevue Transportation Impact Fees, 2018; State Auditor’s Office Local Government Financial Reporting System, 2016; City of Bellevue 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; BERK, 2018.

Low-income renter households in Bellevue pay the largest share of their income for transportation capital projects, with transportation impact fees the largest source if those indirect costs are passed onto households.

## City of Kent

In addition to the typical property and sales taxes sources, Kent collects a Street Business and Occupation Tax (B&O Tax), established in 2013, which pays for critical street repairs to ensure and safe and efficient transportation system. The Street B&O Tax is not reflected in this analysis since the burden falls on business owners. Kent does not use REET to fund transportation capital. SEPA mitigation funds are another source not currently included. Kent has different transportation impact fees for buildings outside downtown or inside downtown.

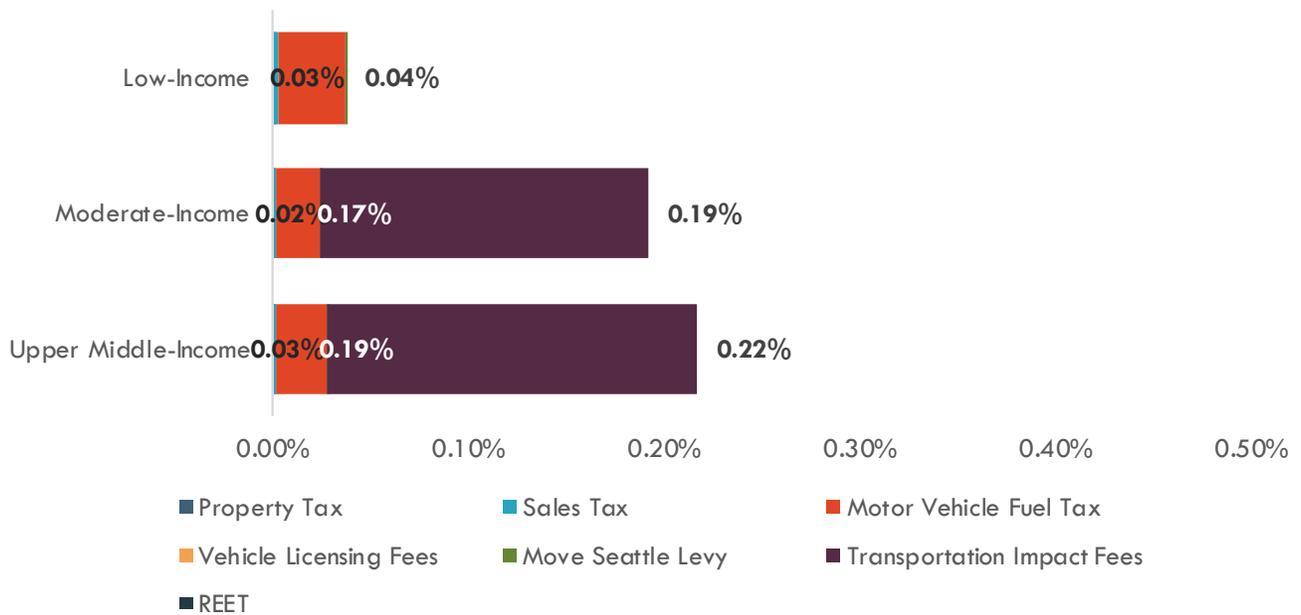
**Exhibit 30. Kent Transportation Capital Tax Rates, Fees, and Household Cost Burden**

REVENUE SOURCE	2018 RATES	PERCENT DEDICATED TO TRANSPORTATION CAPITAL	ANNUAL COST BURDEN		
			Upper middle-income homeowner	Moderate-income renter	Low-income renter
Property Tax: City portion	\$1.627 per \$1000 AV	0.1%	\$0.53	\$0.21	\$0.16
Sales Tax: Local portion	3.5%	0.1%	\$2.22	\$1.28	\$0.99
Motor Vehicle Fuel Tax (State gas tax): Distribution to cities	\$0.02 per gallon	100%	\$40.80	\$18.03	\$18.03
<b>Total Direct Cost Burden, 2018</b>			<b>\$43.56</b>	<b>\$19.53</b>	<b>\$19.19</b>
<b>Direct Cost as Percent of Household Income</b>			<b>0.03%</b>	<b>0.02%</b>	<b>0.04%</b>
<i>Potential Indirect Cost: Transportation Impact Fees: outside the downtown area</i>	<b>Single family:</b> \$4904.93 <b>Multi-family:</b> \$2658.06	100%	\$293.01	\$139.15	\$0
<i>Potential Indirect Cost: REET Local portion</i>	0.5%	0%	\$0	\$0	\$0
<b>Total Direct + Potential Indirect Cost Burden, 2018</b>			<b>\$336.57</b>	<b>\$158.68</b>	<b>\$19.19</b>
<b>Percentage of Household Income</b>			<b>0.22%</b>	<b>0.19%</b>	<b>0.04%</b>

Notes: We assume that low-income renters are not affected by indirect costs of transportation impact fees. Since Kent adopted transportation impact fees in 2010 and we assume that low-income renters are in apartments built prior to 2000, it is unlikely that low-income renters are impacted by indirect costs of impact fees.

Sources: King County Assessor's Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Kent Comprehensive Financial Annual Report, 2017; Kent Transportation Impact Fees, 2018; State Auditor's Office Local Government Financial Reporting System, 2016; City of Kent 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; BERK, 2018.

**Exhibit 31. Kent Total Potential Cost Burden as a Percentage of Household Income by Household Type, 2018**



Sources: King County Assessor’s Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; Kent Comprehensive Financial Annual Report, 2017; Kent Transportation Impact Fees, 2018; State Auditor’s Office Local Government Financial Reporting System, 2016; City of Kent 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; BERK, 2018.

Upper middle-income renter households in Kent pay the largest share of their income for transportation capital projects, with transportation impact fees the largest source if those indirect costs are passed onto households.

## King County

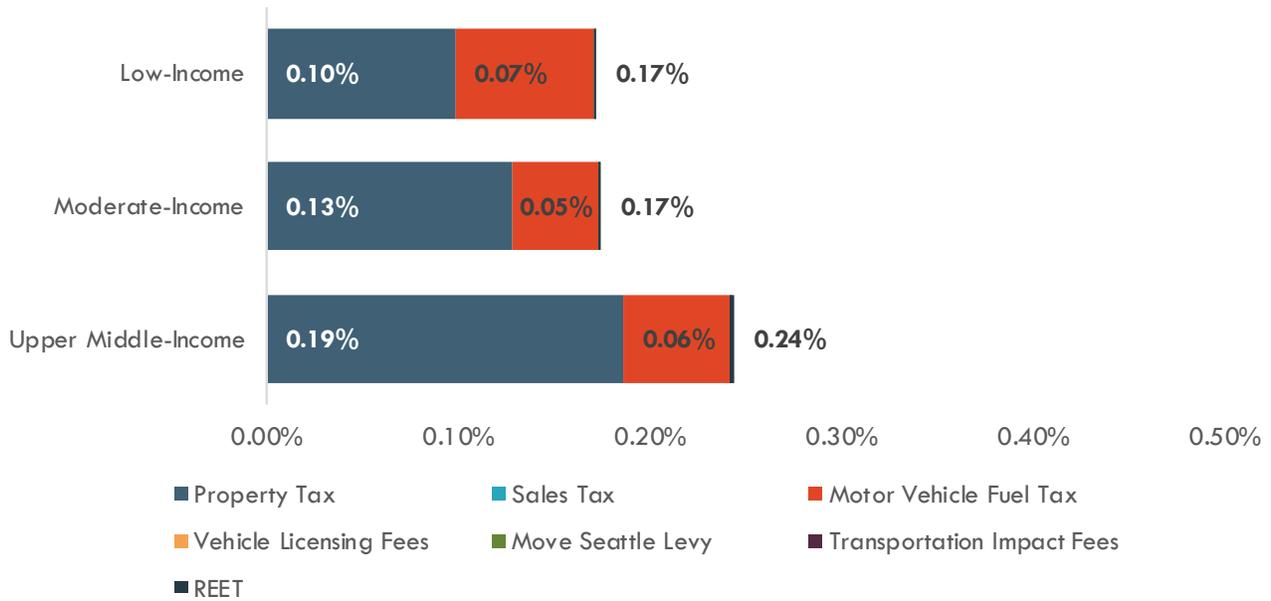
King County primarily funds transportation capital projects from the County Road Fund, which is funded by general County contributions, a County Road property tax, and grants and other funds. The County collects REET I and II. King County no longer collects Transportation Impact Fees as of the beginning of 2017, and King County has established a Transportation Benefit District (TBD) but it is currently unfunded.

**Exhibit 32. Unincorporated King County Transportation Capital Tax Rates, Fees, and Household Cost Burden**

REVENUE SOURCE	2018 RATES	PERCENT DEDICATED TO TRANSPORTATION CAPITAL	ANNUAL COST BURDEN		
			Upper middle-income homeowner	Moderate-income renter	Low-income renter
Property Tax: County Road Fund	\$2.054 per \$1000 AV	32.04%	\$288.88	\$106.00	\$50.87
Sales Tax: Local portion	3.5%	0%	\$0	\$0	\$0
Motor Vehicle Fuel Tax (State gas tax): Distribution to counties	\$0.04 per gallon	100%	\$85.70	\$37.72	\$37.72
<b>Total Direct Cost Burden, 2018</b>			<b>\$374.58</b>	<b>\$143.72</b>	<b>\$88.59</b>
<b>Direct Cost as Percent of Household Income</b>			<b>0.24%</b>	<b>0.17%</b>	<b>0.17%</b>
<i>Potential Indirect Cost: REET Local portion</i>	0.5%	2.26%	\$4.29	\$0.95	\$0.46
<b>Total Direct + Potential Indirect Cost Burden, 2018</b>			<b>\$378.87</b>	<b>\$144.67</b>	<b>\$89.05</b>
<b>Percentage of Household Income</b>			<b>0.24%</b>	<b>0.18%</b>	<b>0.17%</b>

Sources: King County Assessor's Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; King County Comprehensive Financial Annual Reports, 2013-2017; King County 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; BERK, 2018.

**Exhibit 33. Unincorporated King County Total Potential Cost Burden as a Percentage of Household Income by Household Type, 2018**



Sources: King County Assessor’s Office, 2018; Department of Revenue Local Sales and Use Tax, 2018; Department of Revenue Tax Reference Manual: Fuel Tax, 2016; King County Comprehensive Financial Annual Reports, 2013-2017; King County 2013-2017 data, 2018; Bureau of Labor Statistics Consumer Expenditure Survey, 2016; BERK, 2018.

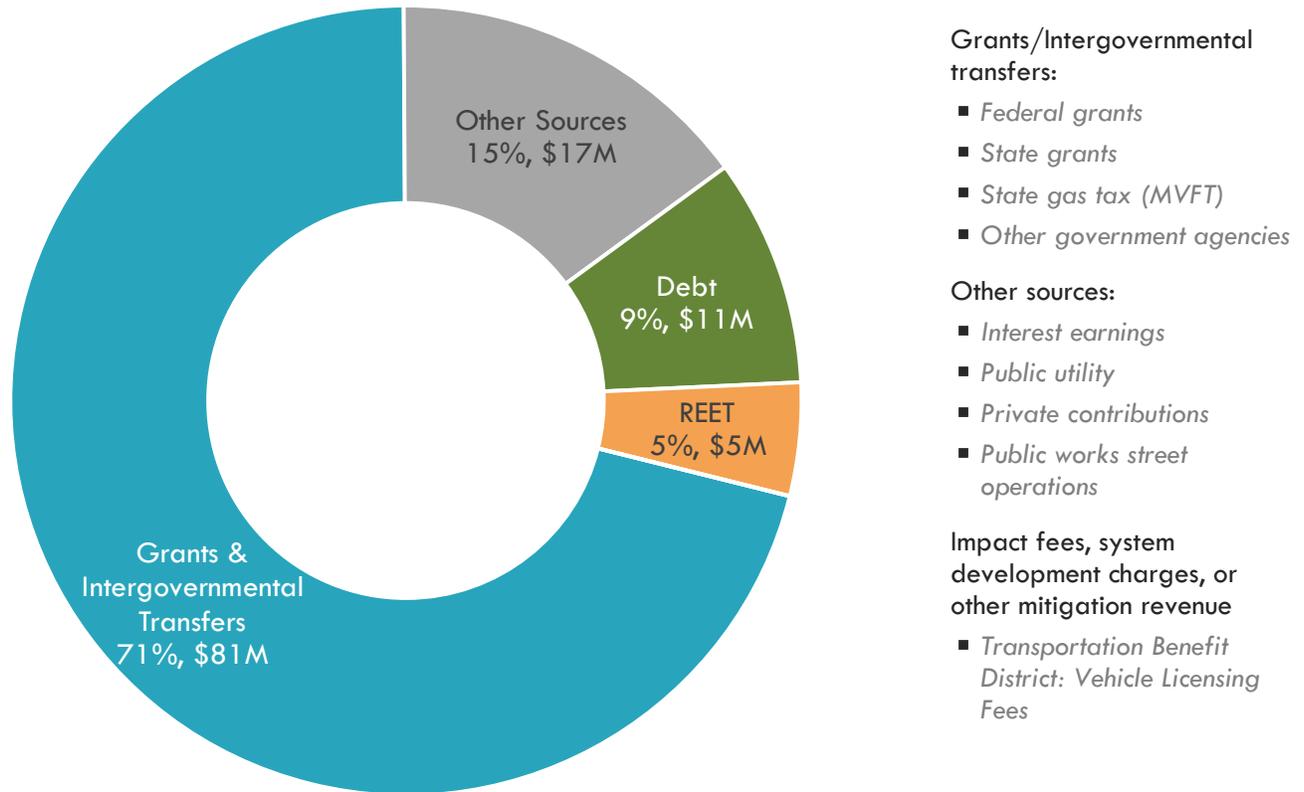
Upper middle-income owner households in unincorporated King County pay the largest share of their income for transportation capital projects, with property tax the largest source.

# Appendix

## CITY OF TACOMA 2013-2018 REVENUES AND EXPENDITURES

### Exhibit 34. Tacoma Transportation Capital Project Funding Revenues, 2013-2018 Total

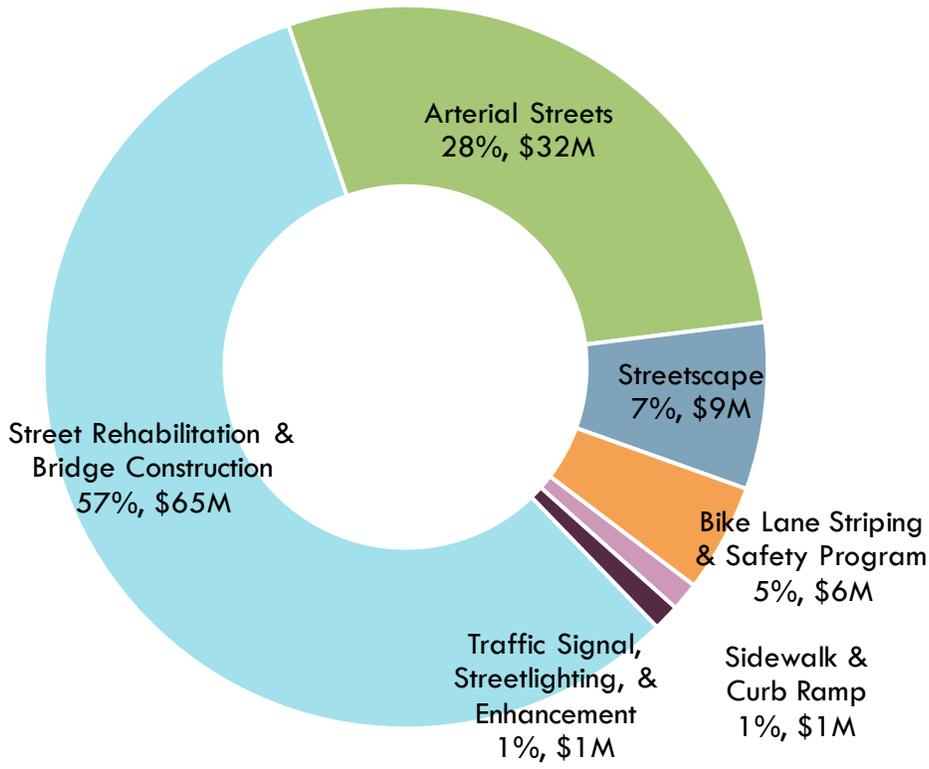
Total Six-Year Transportation Capital Revenues: \$114 million



Sources: City of Tacoma, 2018; BERK, 2018.

**Exhibit 35. Tacoma Transportation Capital Project Expenses, 2013-2018 Total**

Total Six-Year Transportation Capital Project Expenses: \$114 million



Sources: City of Tacoma, 2018; BERK, 2018.

# HOUSEHOLD COST BURDEN DETAILED CALCULATION METHODOLOGY

**Exhibit 36. Household Income, Home Value, and Vehicle Assumptions**

CHARACTERISTIC	ASSUMPTION	SOURCE
Area Median Income (AMI)	Seattle-Bellevue HUD Metro FMR Area: \$103,400 (applies to Seattle, Bellevue, Kent, King County) Median household income: <ul style="list-style-type: none"> <li>▪ Upper middle-income homeowner household: \$155,100</li> <li>▪ Moderate-income renter household: \$82,720</li> <li>▪ Low-income renter household: \$51,700</li> </ul>	Department of Housing and Urban Development (HUD), 2018
Average vehicle miles traveled (VMT)	<ul style="list-style-type: none"> <li>▪ Seattle: 13,187 (low/moderate income); 15,083 (upper income)</li> <li>▪ Bellevue: 16,683 (low/moderate income); 18,863 (upper middle-income)</li> <li>▪ Kent: 17,592 (low/moderate income); 19,900 (upper middle-income)</li> <li>▪ Unincorporated King County: <sup>6</sup> 20,470 (low/moderate income); 23,254 (upper middle-income).</li> </ul>	Center for Neighborhood Technologies, Housing and Transportation Index, 2018
Average fuel efficiency (miles per gallon)	24 mpg (Average fuel efficiency of light duty vehicle, short wheel base)	Bureau of Transportation Statistics, 2018
Assessed Value of median residence	<ul style="list-style-type: none"> <li>▪ Seattle: \$597,000</li> <li>▪ Bellevue: \$791,000</li> <li>▪ Kent: \$324,000</li> <li>▪ Unincorporated King County: \$439,000</li> </ul>	King County Assessor's Office, 2018
Market Value of median residence	<ul style="list-style-type: none"> <li>▪ Seattle: \$753,600</li> <li>▪ Bellevue: \$939,100</li> <li>▪ Kent: \$390,200</li> <li>▪ Unincorporated King County: \$634,500</li> </ul>	Zillow, 2018
Average Assessed Value per multifamily unit built from 2000-present	<ul style="list-style-type: none"> <li>▪ Seattle: \$242,211</li> <li>▪ Bellevue: \$280,883</li> <li>▪ Kent: \$130,019</li> <li>▪ Unincorporated King County: \$161,079</li> </ul>	King County Assessor, August 2018; BERK, 2018.
Average Assessed Value per multifamily unit built before 2000	<ul style="list-style-type: none"> <li>▪ Seattle: \$192,506</li> <li>▪ Bellevue: \$195,404</li> <li>▪ Kent: \$97,175</li> <li>▪ Unincorporated King County: \$77,308</li> </ul>	King County Assessor, August 2018; BERK, 2018.

Sources: Department of Housing and Urban Development, 2018; Center for Neighborhood Technologies: Housing and Transportation Index, 2018; Bureau of Transportation Statistics, 2018; King County Assessor's Office, 2018; Zillow, 2018.

<sup>6</sup> Sammamish is used as proxy for unincorporated King County to develop VMT estimations.

**Exhibit 37. Methodology of Calculating Household Cost Burden by Revenue Source**

REVENUE SOURCE	OWNER HOUSEHOLDS	RENTER HOUSEHOLDS
Property tax: City or County portion	<ol style="list-style-type: none"> <li>1. Calculate property tax paid annually based on home value assumption. (Source: King County Assessor 2018)</li> <li>2. Determine proportion of property taxes that go to transportation CIP. (Sources: Comprehensive Annual Financial Reports, City-provided data)</li> <li>3. Multiply household's estimated property tax paid by the proportion of property tax revenue that goes to transportation CIP.</li> </ol>	<ol style="list-style-type: none"> <li>1. Calculate average property tax paid by apartment property owners, per unit. (Source: King County Assessor 2018)               <ul style="list-style-type: none"> <li>○ For moderate-income household, use buildings built from 2000-present.</li> <li>○ For low-income household, use buildings built before 2000.</li> </ul> </li> <li>2. Determine proportion of property taxes that go to transportation CIP. (Sources: Comprehensive Annual Financial Reports, City-provided data)</li> <li>3. Multiply per unit property tax paid by the proportion of property tax revenue that goes to transportation CIP.</li> </ol>
Sales tax on household consumption: Local portion	<ol style="list-style-type: none"> <li>1. Determine annual consumer spending assumption by household income. (Source: Bureau of Labor Statistics Consumer Expenditure Survey)</li> <li>2. Determine proportion of sales taxes that go to transportation CIP. (Sources: Comprehensive Annual Financial Reports, City-provided data)</li> <li>3. Multiply consumer spending by local sales tax rate to calculate local sales tax paid.</li> <li>4. Multiply local sales tax paid by the proportion of sales tax revenue that goes to transportation CIP.</li> </ol>	
REET: Local portion	<ol style="list-style-type: none"> <li>1. Determine proportion of REET that goes to transportation CIP. (Sources: Comprehensive Annual Financial Reports, City-provided data)</li> <li>2. Calculate tax as one-time cost of buying a home.</li> <li>3. Annualize the cost as one year of monthly mortgage payments at the average 2018 30-year fixed rate on the isolated REET cost.</li> </ol>	<ol style="list-style-type: none"> <li>1. Calculate average REET paid for property acquisition for new apartment projects over past five years, per developed unit.</li> <li>2. Annualize average cost per unit based on market capitalization rates for multifamily development.</li> </ol>
Transportation Benefit District: Vehicle licensing fees	<ol style="list-style-type: none"> <li>1. Calculate annual fees based on household vehicle assumptions. (Source: Department of Licensing)</li> </ol>	
Motor Vehicle Fuel Tax (State gas tax): Distribution to cities or counties	<ol style="list-style-type: none"> <li>1. Use VMT and fuel efficiency assumption to calculate average annual household fuel spending.</li> <li>2. Multiply annual fuel tax paid by state distribution to local jurisdiction (city or county).</li> </ol>	

Transportation impact fees

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| <ol style="list-style-type: none"><li>1. Use single-family transportation impact fee.</li><li>2. Annualize the cost of monthly mortgage payments at the average 2018 30-year fixed rate on the isolated impact fee cost.</li></ol> | <ol style="list-style-type: none"><li>1. Use multi-family transportation impact fee.</li><li>2. Calculate average impact fees paid by apartment developer, per unit.</li><li>3. Annualize the average cost per unit based on market capitalization rates for multifamily development.</li></ol> |
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