

SUMMARY and FISCAL NOTE*

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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to financing public improvements within Local Improvement District No. 6751 (also known as the Waterfront LID); authorizing and providing for the issuance and sale of local improvement district bonds (LID Bonds, as defined herein) to provide funds to pay or reimburse a portion of the costs of the LID Improvements (as defined), to make a deposit to the Local Improvement Guaranty Fund, and to pay the costs of issuance of the bonds; pledging the LID assessments collected in the Waterfront LID and the amounts available in the Local Improvement Guaranty Fund to pay and secure the LID Bonds; providing parameters for Bond Sale Terms including conditions, covenants, and other sale terms; providing for and fixing the installment payment terms and interest rate on assessments in the Waterfront LID; amending Section 20.08.020 of the Seattle Municipal Code to conform to changes in state law; and ratifying and confirming certain prior acts.

Summary and background of the Legislation:

In passing Ordinance 125760 (the “Waterfront LID Formation Ordinance”) on January 22, 2019, the City created Local Improvement District No. 6751 to finance the LID Improvements and created a local improvement fund (the “Waterfront LID Fund”). This legislation provides the legal authorization to issue local improvement district (LID) bonds (“Bonds”). The Bonds are authorized to be issued in a maximum aggregate principal amount equal to the amount of the final assessment roll confirmed by the approval of the Waterfront LID Final Assessment Roll Ordinance introduced as Council Bill 120072 and may not exceed the total amount of unpaid LID Assessments outstanding as of the expiration of the 30-day period for prepayment of LID Assessments described in RCW 35.49.040. The Bonds, once issued, will be deposited in the Waterfront LID Fund and used for the purpose of providing funds (a) to pay or reimburse a portion of the costs of the LID Improvements as permitted under RCW 35.43.020 (including repaying the Interfund Loans and reimbursing certain costs paid out of the Central Waterfront Improvement Fund 35900; (b) to make a deposit to the Local Improvement Guaranty Fund; and (c) to pay the costs of issuance of the Bonds.

This legislation also (1) fixes the interest rate on LID Assessments at a rate equal to the highest rate applicable to the LID Bonds, plus 0.35%; and (2) sets the minimum balance required to be maintained in the Local Improvement Guaranty Fund at the lesser of (a) the maximum annual estimated debt service on the outstanding bonds guaranteed by the Local Improvement Guaranty Fund, and (b) 8% of the outstanding principal amount of the bonds guaranteed by the Local Improvement Guaranty Fund; and (3) amends Section 20.08.020 of the Seattle Municipal Code to conform to changes in state law.

There are two interfund loans that are expected to be repaid with proceeds of the Bonds or available LID assessments as follows:

- 1) By Ordinance 123761, as amended by Ordinance 125990, the City authorized an interfund loan to the Central Waterfront Improvement Fund 35900 (the “CWP Interfund Loan”) in an amount not to exceed \$12.225 million to pay for various costs of the Central Waterfront Program of which the full approximately \$12.225 is attributable to costs of the LID Improvements.
- 2) By Ordinance 125991, the City authorized an interfund loan to the Waterfront LID Fund 35040 (the “LID Interfund Loan”) to pay the costs of the LID Improvements in an amount not to exceed \$19.0 million, of which \$7.9 million is expected to be incurred for expenses related to LID Improvements at the time the Bonds are issued in late 2021.

In addition, approximately \$9.675 million in expenses have been temporarily supported by other revenues related to the Central Waterfront Program available within the CWIF (Fund 35900) for LID Improvements and these sources are expected to be repaid with available LID assessments or proceeds of the Bonds.

Pursuant to RCW 35.49.020, and as authorized by the Waterfront LID Final Assessment Roll Ordinance, the City is adopting the 10-year “interest only” provision allowing cities to collect interest-only assessment payments for the first 10 years of a local improvement district for all properties. By enacting this provision, any principal balance remaining following the thirty-day prepayment period will be subject to interest and will be billed in 20 annual installments (beginning in 2022, assuming passage of the LID Final Assessment Roll Ordinance in 2021). Pursuant to the LID Final Assessment Roll Ordinance, assessments due in Years 1-10 will be billed as 10 interest-only payments due on the entire outstanding principal, and Years 11-20 will be billed as 10 equal principal installments plus interest due on the outstanding principal beginning in Year 11. As a result of enacting this provision, as illustrated in Table 1 below, the assessment amount due in Year 11 will reflect a significant year-to-year increase over the assessment amount due in Year 10. The assessment due in Year 11 will include a minimum of a) one-tenth of the total outstanding principal balance; b) the interest on the total outstanding principal balance; and c) any delinquency or penalty amounts due. Given that interest only is due in Years 1-10 on the unpaid principal balance (and there are no required principal payments in those years reducing that balance), the total amount of the assessment paid over the period of 20 years will be higher than if principal were paid in each of those 20 years in level payments. There is no penalty for prepayment of a portion or all of the principal balance outstanding any time so a property owner may choose to pay level principal payments that would be in addition to the total amount due of interest-only payments due in Year 1-10. The City intends to notify property owners of the effects of the interest-only provision on the payment schedule in the assessment billing notices in Year 1-10.

The interest only option is illustrated below in Table 1 (using an estimated interest rate and assessment for illustration purposes only). As illustrated in the table, an assessment of \$1,000 will have an annual payment of \$65 due in Years 1-10 that increases from \$65 in Year 10 to \$165 in Year 11. In this example, the total amount paid over the 20-year period for a \$1,000 total assessment increases by approximately 24% (from approximately \$1,617 to approximately \$2,007) as a result of paying the interest only portion of the total assessment during Years 1-10 as compared to making level principal payments during each year of the 20-year period.

TABLE 1: Example -- Interest Only Assessments Due in Years 1-10						
<i>6.50% Interest Rate on \$1,000 Assessment Paid Over 20 Years</i>						
YEAR	YEAR (#)	ASSESSMENT BALANCE	PRINCIPAL PAYMENT	INTEREST PAYMENT	ANNUAL PAYMENT	
YEAR 1	2022	\$1,000.00	\$0.00	\$65.00	\$65.00	
YEAR 2	2023	\$1,000.00	\$0.00	\$65.00	\$65.00	
YEAR 3	2024	\$1,000.00	\$0.00	\$65.00	\$65.00	
YEAR 4	2025	\$1,000.00	\$0.00	\$65.00	\$65.00	
YEAR 5	2026	\$1,000.00	\$0.00	\$65.00	\$65.00	
YEAR 6	2027	\$1,000.00	\$0.00	\$65.00	\$65.00	
YEAR 7	2028	\$1,000.00	\$0.00	\$65.00	\$65.00	
YEAR 8	2029	\$1,000.00	\$0.00	\$65.00	\$65.00	
YEAR 9	2030	\$1,000.00	\$0.00	\$65.00	\$65.00	
YEAR 10	2031	\$1,000.00	\$0.00	\$65.00	\$65.00	
YEAR 11	2032	\$1,000.00	\$100.00	\$65.00	\$165.00	
YEAR 12	2033	\$900.00	\$100.00	\$58.50	\$158.50	
YEAR 13	2034	\$800.00	\$100.00	\$52.00	\$152.00	
YEAR 14	2035	\$700.00	\$100.00	\$45.50	\$145.50	
YEAR 15	2036	\$600.00	\$100.00	\$39.00	\$139.00	
YEAR 16	2037	\$500.00	\$100.00	\$32.50	\$132.50	
YEAR 17	2038	\$400.00	\$100.00	\$26.00	\$126.00	
YEAR 18	2039	\$300.00	\$100.00	\$19.50	\$119.50	
YEAR 19	2040	\$200.00	\$100.00	\$13.00	\$113.00	
YEAR 20	2041	\$100.00	\$100.00	\$6.50	\$106.50	
TOTAL			\$1,000.00	\$1,007.50	\$2,007.50	
<i>COMPARE: TOTAL IF PAID WITH LEVEL PRINCIPAL PAYMENTS</i>					<i>\$1,617.50</i>	

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? Yes No

The proceeds of the bonds issued as a result of this ordinance will fund three projects in the Central Waterfront Project:

Parks Central Waterfront Piers Rehabilitation (MC-PR-21007)

Alaskan Way Main Corridor (MC-TR-C072)

Overlook Walk and East West Connection Project (MC-TR-C073)

The CIP Project pages for these projects do not need updating as the sale of bonds is already planned as a revenue source to complete them.

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes X No

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
No.

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

Not implementing this legislation would lead to a disruption in financing of the LID Improvement projects.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?
Parks and SDOT-CWF have LID Improvement projects being financed by this bond issue.

b. Is a public hearing required for this legislation?
No.

c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?
No.

d. Does this legislation affect a piece of property?
No.

e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?
Bond proceeds will be used to fund the provision of 20 acres of improved parks and public spaces along Seattle's Waterfront. These spaces have been designed to encourage use by people of all ages, incomes, and abilities and supports free expression. Construction contracts associated with the Waterfront improvements will meet the City's WMBE and priority hire program requirements. Employment associated with operating and maintaining waterfront parks and public spaces will provide living-wage jobs to local citizens regardless of their age, ethnicity, gender, or sexual orientation.

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

The LID funded Waterfront projects improve mobility and access for walkers and bikers in downtown Seattle. In addition, many areas that were paved along the waterfront will be replaced landscaping areas with native plantings and trees, providing for improved air quality.

2. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

No.

- g. **If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program’s desired goal(s).**

No.

List attachments/exhibits below:

None.