

#31

CITY OF SEATTLE
ORDINANCE _____
COUNCIL BILL 117833

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AN ORDINANCE accepting an allocation of transferrable development rights and adopting an infrastructure funding plan to support the creation of a Landscape Conservation and Local Infrastructure Program.

WHEREAS, in 2009, the City Council approved resolution 31147 expressing support for entering into a new interlocal agreement with King County to establish a rural transfer of development rights program and identifying South Lake Union as a potential receiving area for the use of additional development rights; and

WHEREAS, in 2011, the State enacted legislation allowing the creation of Landscape Conservation and Local Infrastructure Programs (LCLIP) providing for financing for infrastructure in neighborhoods designated to be receiving areas for regional development rights; and

WHEREAS, in 2013, the City Council approved Ordinance 124172 rezoning portions of the South Lake Union Urban Center and adopting development standards for the South Lake Union Urban Center and certain zones in the Downtown Urban Center that would be implemented if a Landscape Conservation and Local Infrastructure Program were formed; and

WHEREAS, the City of Seattle has consulted with King County and the Washington Department of Transportation in developing the plan for development of public infrastructure; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City of Seattle accepts an allocation of 800 transferable development rights under RCW 39.108 that may be used within one or more local infrastructure project areas.

Section 2. Attachment 1 to this ordinance, Landscape Conservation and Local Infrastructure Program Infrastructure Funding Plan for South Lake Union and Downtown, is adopted as the plan for developing public infrastructure under RCW 39.108 for the proposed Local Infrastructure Project Area for Downtown and South Lake Union.



1 Section 3. This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the ____ day of _____, 2013, and
5 signed by me in open session in authentication of its passage this
6 ____ day of _____, 2013.

7 _____
8 _____
9 President _____ of the City Council

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11 Approved by me this ____ day of _____, 2013.

12 _____
13 _____
14 Michael McGinn, Mayor

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16 Filed by me this ____ day of _____, 2013.

17 _____
18 _____
19 Monica Martinez Simmons, City Clerk

20 (Seal)

21
22 Attachment 1: Landscape Conservation and Local Infrastructure Program Infrastructure Funding
23 Plan for South Lake Union and Downtown



Landscape Conservation and Local Infrastructure Program Infrastructure Funding Plan For South Lake Union and Downtown

June 13, 2013

This plan outlines potential infrastructure investments that could be implemented through funding generated by the Landscape Conservation and Local Infrastructure Program (LCLIP) that is being proposed by the City of Seattle in cooperation with King County. While specific funding decisions will be made by the City based on the amount of funding available, project timing, opportunities to leverage outside funds, opportunities to leverage developer improvements, and other factors, this plan outlines the scope of potential items that could be funded through this program. Funding of any items not included in this plan through the LCLIP program would require modification of the plan by legislative action. All dollar amounts are in 2012 dollars.

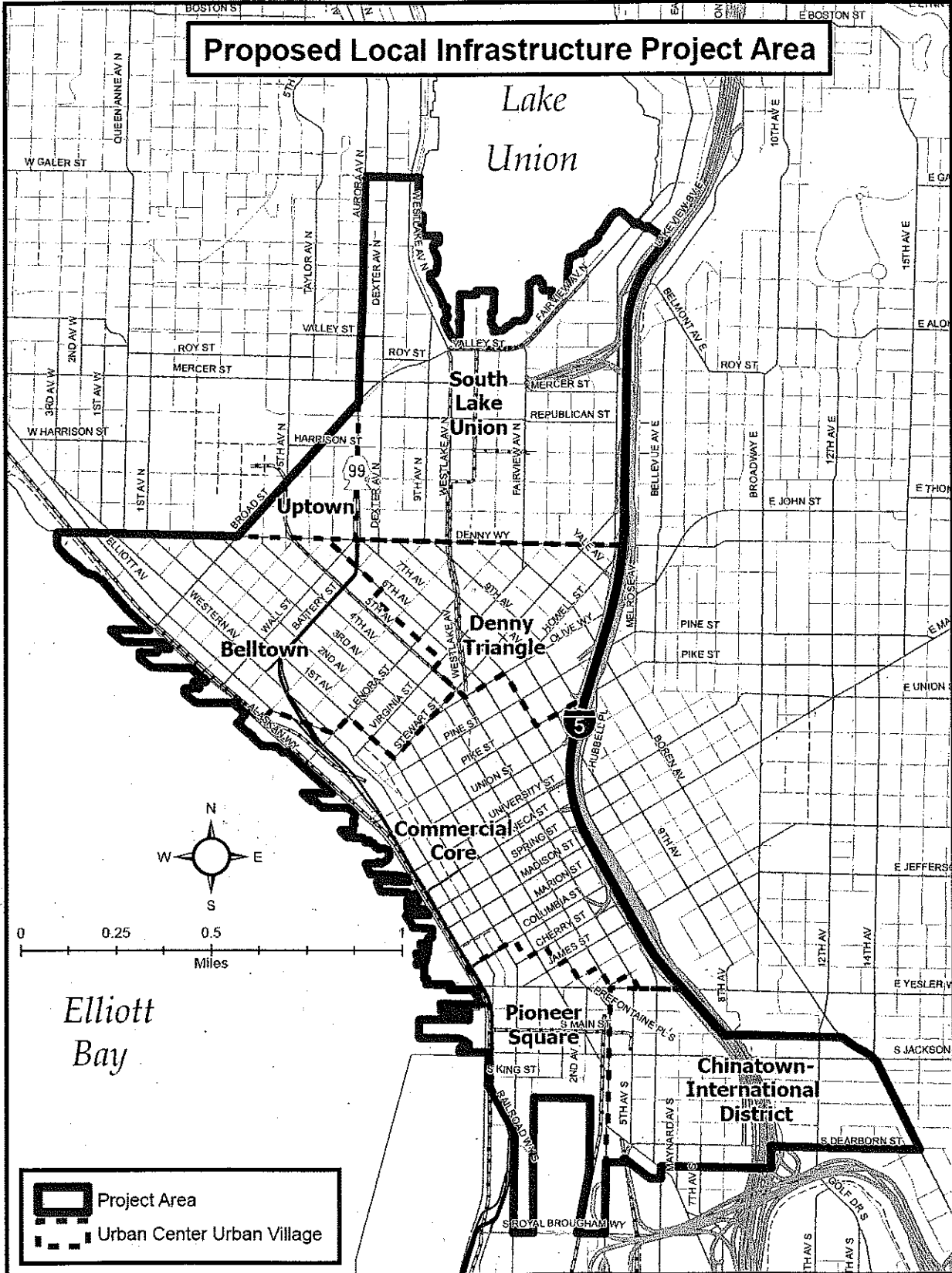
Background

The City of Seattle, in cooperation with King County, is proposing to implement the LCLIP program in the neighborhoods of South Lake Union and Downtown. The LCLIP program allows cities to receive a portion of future county property tax revenue for local infrastructure investments if they implement a program to obtain regional Transferable Development Rights (TDR). The City is proposing to meet the requirements for capturing TDRs through the incentive zoning program in South Lake Union and Downtown. The overall purpose of the Infrastructure Funding and Regional TDR Programs is to preserve farm and forest land by transferring development capacity from these lands to cities, and generate funds for local infrastructure projects in the communities where the additional development capacity is located.

The Regional TDR program would be implemented by requiring developers to earn extra floor area and height in part by purchasing and extinguishing development rights (also known as TDR credits) from regional farms and forests.

In exchange for implementing a Regional TDR Program through the City's incentive zoning program, the City would be entitled to receive 17.44% of property tax revenue from new development occurring in the Local Infrastructure Project Area (LIPA) for up to 25 years according to the standards of RCW 39.108. The boundary area of the proposed LIPA is shown below.





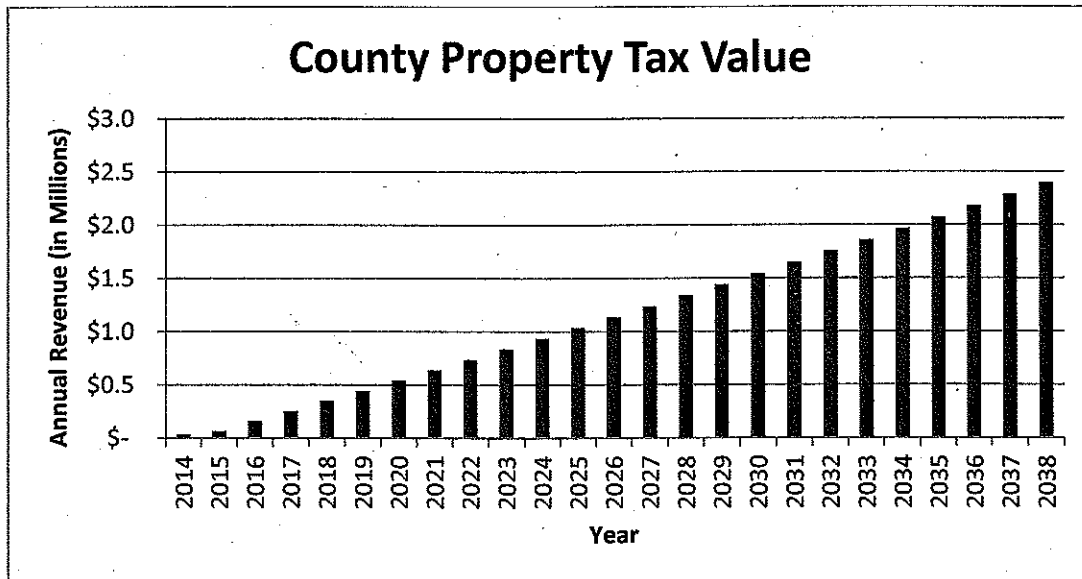
This funding would be contingent on meeting certain thresholds over time. The initial length of the program would be 10 years. The program would be extended to:

- 15 years if 400 credits are obtained within 9.5 years;
- 20 years if 600 credits are obtained within 14.5 years; or
- 25 years if 800 credits are obtained within 19.5 years.

King County would agree to consider each threshold met if, prior to each deadline, at least 70%-80% of the TDR credits necessary to meet the local property tax threshold had been obtained (the exact percentage varies by threshold) and the City requested in writing, that the threshold be considered met. If the option to extend to 25 years is used prior to obtaining 800 credits, the City would be required to continue the TDR program until 800 credits were obtained even if it required the TDR program to extend beyond 25 years.

Anticipated Revenue

It is anticipated that this program will result in \$27.5M in revenue from King County property taxes over 25 years. If an annual discount rate of 3% is used to account for the reduced value of having money in the future, these funds would be equivalent to \$15.7M in 2012 dollars. Below is an estimate of expected revenue by year.



Funding Strategy

Revenue generated from the LCLIP program will be spent on streetscape, recreational, and open space investments as described below and detailed in the "specific investments" section.

These funds would be split between projects in South Lake Union and Downtown based on the proportion of regional TDR generated in each area. It is estimated that this split will result in



about 60% of the funds or \$16.5M (\$9.4M in 2012 dollars) being allocated to South Lake Union projects and 40% of the funds or \$11.0M (\$6.3M in 2012 dollars) to Downtown projects.

Decisions about which projects to implement and when they will be implemented will be made by the City based on the amount of funding available, project timing, opportunities to leverage outside funds, opportunities to leverage developer improvements, and other factors. In order to streamline this process, the City is proposing to stage the projects such that the first 10 years of revenue would go toward streetscape and transportation projects managed by the Department of Transportation, the second 10 years of revenue would go to park projects managed by the Department of Parks and Recreation, and the last 5 years again would go to streetscape projects managed by the Department of Transportation.

A chart summarizing the proposed staging and projects (with priority projects in **bold**) is shown below:

Revenue Years	Agency	Estimated Total Revenue (2012 Dollars)	Proposed Projects by Area	
			South Lake Union	Downtown
0-10 years	SDOT	\$2.9M	<ul style="list-style-type: none"> • Green Streets (Thomas & 8th) • Bike, Pedestrian, and Transit Improvements (Harrison & Denny) 	<ul style="list-style-type: none"> • 3rd Avenue Improvements (Capital Projects & Programs)
11-20 years	Parks	\$7.8M	<ul style="list-style-type: none"> • Community Center • Park Improvements and Acquisitions 	
21-25 years	SDOT	\$5.0M	<ul style="list-style-type: none"> • Transportation Improvements – specific improvements to be determined later 	

In general, the City plans to spend money as it is received; however, opportunities to use bonding to implement projects prior to the receipt of funds will be considered on a project-by-project basis.

Specific Investments

The specific investments that are proposed to be funded in part through LCLIP are outlined on the following pages. It is anticipated that funds generated through LCLIP will be combined with funds from other sources to accomplish these projects.



South Lake Union Streetscape Investment

Thomas Street Green Street (from Dexter Ave to Fairview Ave)

Proposed Improvements	Cost Estimate
Implement "green street" improvements to support Thomas Street's role as an important new east / west green street and public realm connection, linking the Cascade neighborhood through South Lake Union to the Seattle Center. The current proposal includes a two-way, two-lane configuration with on-street parking. Curb bulbs will be added where appropriate and the north sidewalk will be expanded to provide a green promenade. Pedestrian-scale lighting and streetscape improvements will be made throughout.	\$1,500,000

8th Avenue NE Green Street (from Mercer Street to John Street)

Proposed Improvements	Cost Estimate
Create a pedestrian-oriented street from Mercer to John with an enhanced green street environment that could serve as a <i>woonerf</i> . The project will likely include widened sidewalks, new trees and plantings, new pedestrian lighting, and streetscape improvements.	\$2,500,000

Harrison Street Improvements (from Dexter Avenue to Fairview Avenue)

Proposed Improvements	Cost Estimate
Rebuild or repair pavement between Dexter and Eastlake to allow potential transit use and provide a three-lane roadway section as necessary; repair, replace or enhance sidewalks and install curb bulbs as needed; improve planting areas, tree canopy and parking as possible; provide pedestrian lighting and streetscape improvements. Harrison will become the primary street for traveling east / west through South Lake Union between Mercer Street and Denny Street.	\$5,500,000

Denny Way Improvements (from Broad Street to Stewart Street)

Proposed Improvements	Cost Estimate
Make spot improvements consistent with Denny Way Streetscape Concept Plan; improve pedestrian crossing conditions, enhance signalized intersections, replace sidewalk in poor condition, improve planting strips and provide street trees where needed; Improve roadway delineation in locations where two streets intersect Denny at a diagonal.	\$2,500,000



Downtown Streetscape Investments

Third Avenue Corridor Improvements

Proposed Improvements	Cost Estimate
<p>This project makes multimodal improvements in the Third Avenue downtown corridor, a major travel corridor for pedestrians and transit vehicles. The project enhances the walking, biking and transit environment and improves safety for all travel modes. Improvements may include repair or enhancement of streets, improving sidewalks, upgrading or installing curb ramps, remarking crosswalks, and installing pedestrian countdown signals. It may also include pedestrian-scale lighting, bicycle facilities at select locations, high-capacity solar trash receptacles and wayfinding information. Transit will be made more attractive and convenient with improvements such as real-time transit information, transit maps and schedule information, improved weather protection, ticket vending machines or ORCA card readers.</p>	<p>\$40 to 70 million</p>



Open Space Investments

The priority investment for this portion of the plan is a North Downtown Community Center if the Department of Parks and Recreation finds at a future date that such an investment is justified given services areas, funding needs, and other issues.

North Downtown Community Center

Proposed Improvements	Cost Estimate
Develop a full-service community center. No specific plans exist for this project; however, a 20,000 square-foot, full service center, is the typical size for new centers. These centers can include a gym, multi-purpose rooms, and a kitchen, among other spaces. The cost estimate does not include land.	\$10,000,000

Enterprise Car Rental Lot Park Development

Proposed Improvements	Cost Estimate
Pay for a portion of the construction of a park that is proposed for the current Enterprise lot at Lenora and Westlake. This work could include landscaping, paving, lighting, seating, signage, and related park improvements.	\$3,000,000

Bell Street Green Street Enhancement

Proposed Improvements	Cost Estimate
Extends the Bell Street Green Street from 5 th Avenue to 6 th Avenue. This work would provide for enhancement of landscaping, hardscape, and related park features. The estimate is based on the current Bell Street costs of \$800,000 per block, plus an allocation for the enhancement work for the existing sections.	\$1,300,000

Hing Hay Extension Park Development

Proposed Improvements	Cost Estimate
This project, which is west of the existing Hing Hay Park, will pay for a portion of demolition of the existing structure, site pavement and the construction of the new park. The improvements could include landscaping, paving, lighting, seating, signage, and related park improvements. There may also be reovation elements to the existing Park to ensure the two parts of the park are unified.	\$2,500,000

Central Waterfront Pier Redevelopment

Proposed Improvements	Cost Estimate
Make improvements to one of Parks' piers (58 or 62/63), potentially including pier reconstruction and/or stabilization, landscaping, lighting, seating, signage, and related park improvements. The cost estimate was based on Parks' 2013-2018 Asset Management Plan that was derived from a prior study for Pier 58 redevelopment.	\$3,000,000

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Planning and Development	Brennon Staley, 206-684-4625	Melissa Lawrie, 206-684-5805

Legislation Title:

This fiscal note covers three pieces of legislation which are being forwarded as one package including:

1. An ordinance authorizing the Mayor to execute an interlocal agreement with King County agreeing to terms for the Landscape Conservation and Local Infrastructure (LCLIP) program;
2. An ordinance accepting an allocation of regional TDR credits to be obtained through the Regional TDR Program and adopting an infrastructure funding plan to be financed by the LCLIP program; and
3. An ordinance adopting the Local Infrastructure Project Area (LIPA) that allows the LCLIP program to commence.

The legislation titles are as follows, in the order shown above:

AN ORDINANCE related to establishing a Local Infrastructure Project Area for Downtown and South Lake Union; authorizing the Mayor to execute an interlocal agreement with King County.

AN ORDINANCE accepting an allocation of transferrable development rights and adopting an infrastructure funding plan to support the creation of a Landscape Conservation and Local Infrastructure Program.

AN ORDINANCE creating a Local Infrastructure Project Area and amending Sections 23.48.011, 23.49.011, and 23.58A.044 of the Seattle Municipal Code to implement a Landscape Conservation and Local Infrastructure Program.

Summary of the Legislation:

This legislation would authorize the Mayor to execute an interlocal agreement with King County and implement various actions required under RCW 39.108 to implement a Landscape Conservation and Local Infrastructure Conservation (LCLIP) program. Together, these actions would commence the Regional Transfer of Development Right (TDR) and infrastructure funding programs proposed as part of the South Lake Union rezone legislation.

Potential fiscal impacts of the proposed LCLIP program were analyzed as part of the fiscal note



for the South Lake Union rezone, but are also included in this implementation legislation for completeness. The fiscal note provided for the South Lake Union Rezone indicated that the City might be required to set aside a portion of City property tax revenue in proportion to the amount of King County property tax; however, discussions since the South Lake Union Rezone Director's Report was produced have revealed that this is not necessary.

Together, the three pieces of legislation would:

- Accept an allocation of 800 regional TDR credits by the Puget Sound Regional Council that may be used in the LIPA;
- Adopt proposed changes to incentive zoning programs in South Lake Union and Downtown to require that a portion of incentive zoning be achieved through acquisition of regional TDR credits;
- Adopt an infrastructure funding plan to be financed by the LCLIP program;
- Specify the taxing districts that would be impacted by the infrastructure funding program and the date funding would commence;
- Create the LIPA; and
- Create the infrastructure funding program that would allow the City to generate revenue for local infrastructure projects included in the infrastructure funding plan.

Background:

In 2008, the City Council passed resolution 31104 expressing its intent that additional height and floor area allowed through future rezones should only be allowed when a project provides public benefits through incentive zoning. Incentive zoning allows property owners to achieve an outright-permitted base height and floor area ratio (FAR) and to gain extra height or a higher FAR if they contribute public amenities in proportion to the amount of extra floor area gained. In some cases, there are also certain minimum requirements that must be met to use the incentive zoning program.

In 2011, the state legislature passed a bill that allows cities to create LCLIP programs in order to receive funding for infrastructure investments from future property tax revenues in areas that are designated to receive regional TDR. This program allows the City to capture a portion of the increased property tax resulting from the increased assessed value of new construction and use the tax revenue to fund local infrastructure projects. To access these funds, cities are required to create a market for regional TDR credits in order to protect farm and forest land through incentive zoning or other mechanisms. The overall purpose of the LCLIP program is to preserve farm and forest land by transferring development capacity from rural areas to cities, and generate funds for local infrastructure projects in the communities where the additional development capacity is located.

After the LCLIP legislation was passed by the state, the City began analyzing the potential benefits of implementing this program. To assist in the effort, DPD retained Heartland

Consulting, BERK Consulting, and Forterra to create a fiscal model to understand how the program could be applied in multiple areas of the city. Based on model results and ongoing discussions, DPD developed a proposal for implementing LCLIP in South Lake Union and Downtown.

In 2013, the City Council passed a rezone for South Lake Union based on planning that had been on-going since 2008. The proposal includes LCLIP as part of the new incentive zoning program proposed to carry out the height and density recommendations. For more details on the proposed South Lake Union incentive zoning program, see the Director's Report on Zoning Changes to the South Lake Union Urban Center at:

www.seattle.gov/dpd/cityplanning/completenesslist/southlakeunion/. In addition, the South Lake Union rezone proposal modifies the existing incentive zoning program for Downtown that was last updated in 2006 to include Downtown in the LCLIP program.

The state law enabling the LCLIP Program, RCW 39.108, identifies procedural requirements that must be met in order to enact the program. To meet these procedural requirements and allow the Council to assess the proposed incentive zoning program as part of the South Lake Union rezone legislation, DPD proposed specific standards for using regional TDR credits through incentive zoning as part of the rezone legislation that was adopted by Council as Ordinance 124172. These standards would not, however, become effective until a LIPA is adopted and the LCLIP program was started. In the interim, the South Lake Union incentive zoning requirement could be met through acquiring landmark or open space TDR credits and the Downtown incentive zoning program would continue in its current form.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
TOTAL				

*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes:

This legislation will not result in any new appropriations.



Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
	SDOT & Parks	LCLIP		
TOTAL				

Revenue/Reimbursement Notes:

This legislation will establish a LCLIP program which will result in a portion of future County property tax revenues from new construction on the value of new development occurring within the LIPA being directed to fund local infrastructure projects. This revenue would be equal to 17.44% of the total property tax value on new development where construction was initiated after the LIPA was formed and would occur for a minimum of 10 years and a maximum of 25 years dependent on whether the City is able to meet a certain threshold for acquisition of regional development rights through incentive zoning. It is estimated that the LCLIP program will generate \$27.5M (about \$15.7M given a discount rate of 3% for the reduced value of having money in the future) from County property tax over a period of 25 years. It is not anticipated that it will generate any revenue until 2015.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position Title and Department	Position # for Existing	Fund Name	PT/FT	2013 Positions	2013 FTE	2014 Positions*	2014 FTE*
TOTAL							

None.

Position Notes: None.

Do positions sunset in the future?

No.

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2013 Expenditures	2014 Anticipated Expenditures
TOTAL				

* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes:



This legislation adopts an infrastructure funding plan to be financed by the LCLIP program. A summary of projects that are expected to be funded through this program are included below. While the City could consider bonding against future revenue to fund projects on this list, there are currently no plans to spend money on these projects until the revenue is generated. It is not anticipated that it will generate any new spending until at least 2015.

Summary of Project List

Revenue Years	Agency	Estimated Total Revenue (2012 Dollars)	Proposed Projects by Area	
			South Lake Union	Downtown
0-10 years	SDOT	\$2.9M	<ul style="list-style-type: none"> • Green Streets (Thomas, 8th, Terry) • Bike, Pedestrian, and Transit Improvements 	<ul style="list-style-type: none"> • 3rd Avenue Improvements (Capital Projects & Programs)
11-20 years	Parks	\$7.8M	<ul style="list-style-type: none"> • Community Center • Park Improvements and Acquisitions 	
21-25 years	SDOT	\$5.0M	<ul style="list-style-type: none"> • Transportation Improvements – specific improvements to be determined later 	

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

The state legislation allowing LCLIP requires cities to track and report on certain measures including the amount of TDR obtained, the amount of development using TDR, and known impacts to the area such as new businesses locating in the area. Additional indirect costs to implement this requirement include recording of items during permitting, permit queries, and creation of summary documents. This work would be accommodated within existing budget authority and staffing levels.

b) What is the financial cost of not implementing the legislation?

None.

c) Does this legislation affect any departments besides the originating department?

The tracking of infrastructure funding generated through this program will require additional work on the part of accounting and the Central Budget Office. SDOT and Parks will be responsible for using funds on infrastructure projects.



d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

DPD analyzed the option of using a traditional incentive zoning program as is currently in place for Downtown. This option did not sufficiently achieve the goals of the community and did not result in the added benefit of farm and forest land protection.

e) Is a public hearing required for this legislation?

Yes. The City Council will hold hearings as part of their consideration of the legislation.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

g) Does this legislation affect a piece of property?

No

h) Other Issues: None.

List attachments to the fiscal note below: None.



City of Seattle
Office of the Mayor

July 2, 2013

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am pleased to transmit the attached proposed Council Bills that would establish a Landscape Conservation and Local Infrastructure Program (LCLIP) for South Lake Union and Downtown and authorize the execution of an interlocal agreement with King County regarding LCLIP. This program would provide new funding for infrastructure to support the growth of these local neighborhoods while also preserving regional farms and forests.

In May 2013, Council passed legislation that would provide additional height and floor area in parts of South Lake Union contingent on the provision of public benefits as part of new development. That legislation included specific standards for obtaining regional Transferable Development Rights (TDR) credits through incentive zoning both for South Lake Union and Downtown, which would not become effective until implementation legislation was passed. The attached proposal represents the necessary implementation legislation and would make effective both the regional TDR program and the connected infrastructure funding. The legislation also contains a project list directing how infrastructure funding would be spent as is required by state law.

The proposed LCLIP program would help to protect over 25,000 acres of working farms and forests while generating an estimated \$28 million in new infrastructure investments to support growth in the area. Thank you for your consideration of this legislation. This program represents an important step in ensuring that new development will help create more livable neighborhoods while also supporting the economic and environmental health of the region. Should you have questions, please contact Brennon Staley at 684-4625.

Sincerely,

Daryl Smith
Deputy Mayor

Michael McGinn
Mayor of Seattle

For Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
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