

## Attachment A

### Shoreline Street Ends Permit Fee Methodology

#### **Purpose**

Title 15 of the Seattle Municipal Code requires permits for the use of public places and empowers the Director of Seattle Transportation to prepare and recommend a schedule of fees. The Shoreline Street Ends Policies guide the preservation of the shoreline street ends, a valuable and limited resource within the City of Seattle. This document describes the methodology for creating a fee schedule for private use of shoreline street ends as requested by the Director of Seattle Transportation.

There are 149 shoreline street ends, 72 of which contain one or more encroachments. The shoreline street ends differ greatly in their location, zoning, access, topography, size, view and uses. The purpose for creating a new methodology for calculating private use fees is to create an equitable and fair system for assessing fees given this wide variety of locations and uses.

#### **Assumptions**

The Seattle Transportation (SEATRAN) Street Use Division of the City of Seattle provided all information regarding the names and addresses of those responsible for private use of shoreline street ends, size and explanation of the street encroachments, current fees, and the status of permits. SEATRAN assigned a number to each shoreline street end, and these numbers were retained for this project. SEATRAN provided a copy of their Shoreline Street Ends 1997 Review, along with an exhibit of GIS Orthophotos showing locations of parcels, building outlines and encroachments that can be readily seen in the overhead photographs. It was assumed that the information contained in the Shoreline Street Ends 1997 Review was accurate.

It is assumed that permits are approved or renewed on an annual basis; and that any change or update of the base land values (per square foot), demand factor or rate categories would be performed or approved by the Appraisers or their assigns.

The premise behind this model is that shoreline street ends are a valuable resource and should be maintained for public use. However, it was also recognized that many of the adjacent (to the street end) property owners have structures that have encroached for many years with implied acquiescence from the City (based on non-action, until recently). The permit fee should not be so high as to encourage abutting property owners to cease maintenance of enhancing landscaping. On the other hand, owners with fence encroachments should be encouraged to open the street end to the public.

It is assumed that the Appraisers are involved only with the creation of the methodology of the Permit Fees; and that implementation, maintenance and enforcement of the permit fees is, and will be, the responsibility of SEATRAN.

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### **Methodology**

The Appraisers physically inspected all shoreline street ends with private use encroachments. High quality digital photos were taken and will be kept along with brief descriptions.

Assessed land values were obtained for the areas surrounding the shoreline street ends, as well as recent land sales. In the final analysis, most reliance was placed on assessed values for several reasons: 1) Assessed values are easily accessible for all properties. 2) There are very few waterfront land sales; and it would be difficult to account for differences in location, access, view and all the different aspects particular to a site, and make adjustments to all the shoreline street end sites based on so few sales. 3) After interviewing several appraisers from the assessor's office regarding their methodology, the use of their data on a large scale was appropriate. A great amount of weight should not be placed on the assessed value of any one particular site. However, as a whole, the confirmation, analysis and utilization of recent sales to estimate and smooth values over specific areas is reliable.

By performing statistical analysis on assessor data, such as looking at average land values, the average of the middle third values, which excludes the extreme highs and lows, the middle values, the most common values, and the standard deviation, the data was smoothed even further and resulted in estimated values that could be applied equitably across relatively large but distinct areas.

Between property inspections and data analysis, continual consideration went into the different ways to address the very distinct types of encroachments and locations, given that some street ends would be more inviting to the general public than others. Additionally, some properties located on Lake Washington could have incredibly high assessed land values on a per square foot basis, even though their overall values may be low compared with other waterfront values, all depending on their size and location. All of the assessed land values for encroaching properties on Lake Washington, which are not income producing, were significantly higher than commercial sites on Lake Union. There are two categories for adjustments to the land value that help to equalize the valuation problem.

#### **Demand/Probability Factor**

The Demand/Probability Factor (DPF category on the permit fee calculation sheets) is an estimate of the demand, or the probability of public use for a particular shoreline street end site based on location, access, view, size and topography. This is an adjustment to the estimated value, requiring an experienced appraiser judgement. The DPF should not be construed to imply that a statistical or probability analysis of potential use was performed. The adjustment is based on the current condition of the specific shoreline street end.

A high demand area will carry a factor of 1.0. An example of a location with this factor would be a commercial and high-density residential neighborhood with easy access, such

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as the east side of Lake Union. A very low demand site would have a factor of .25 or .10. A very good example of this is found on Magnolia, where the slope is steep, the right of way is not improved or accessible, and the probability of public use, or the demand for public use, is very low.

The factors are estimated in rounded increments as 1.0, .75, .50, .25, and .10. Typically, single family residential area street ends carry a maximum demand factor of .50 due to lower density and the availability of existing waterfront parks with facilities. Industrial street ends also typically carry a low demand factor due to less desirable views and locations, in terms of the probability for general public use.

This demand factor category is set by the Appraisers, and should not be adjusted without consulting the Appraisers.

#### Barrier to Entry

This rating involves the effect of the type of use and encroachment on potential public use. If the message by the encroachment to the general public is "private, keep out", such as a fence or thick hedge, or the barrier is simply impassable, as in the case of a building, shed, dock, or other structure, then the barrier is rated 100%. Most of the encroachments are rated 100%. Open driveways or landscaping that do not physically block entry, but still give the impression of private property are judged to be a 50% barrier. If the shoreline street end is partially cut off by a hedge or fence, then an 80% factor is used. This factor is available for changes by SEATRAN, and is controlled to a large extent by the encroaching property owner. Some encroaching fences create a very large encroachment area. Removing the fence may not only have the effect of decreasing the barrier rating; it may also decrease the encroachment area, lowering the permit fee significantly.

#### Area

One of the most important factors involved in setting the fee is the area of encroachment. This is a measurement that is determined by a field representative within SEATRAN. The appraisers did not make any changes to this category. The area is determined by measuring the square footage of shoreline street end land actually used or occupied for non-street purposes or that is subject to a barrier to public use or enjoyment.

#### Rate

For purposes of calculating the permit fee, an annualized rate will be applied to the adjusted value. The annualized rate is subject to change. This rate should be similar to typical land rates of return, although some commercial rates may be higher, and some residential rates may be lower, depending on location, use and rates of return on other investments (theory of substitution, opportunity cost). One rate will most likely be used for all of the shoreline street end permit fee calculations at this time.

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**Final Permit Fee Calculation**

The final permit fee takes all five categories into consideration, and is a simple calculation. The five columns are multiplied together, resulting in a permit fee that is easy to apply, and is equitable for all the different locations and uses of the shoreline street ends. The calculation is as follows:

$$\text{Area (SF)} \times \text{DPF} \times \text{Barrier} \times \text{Land Value/SF} \times \text{Rate} = \text{Permit Fee.}$$

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