

FISCAL NOTE FOR NON-CAPITAL PROJECTS

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Legislation Title: AN ORDINANCE related to land use and zoning, modifying function and locational criteria for the Seattle Mixed zone; modifying use provisions and development standards; enacting and amending affordable housing incentive programs; enacting and amending provisions for height and density bonuses and transfer of development rights; amending Sections 23.34.128, 23.41.012, 23.45.510, 23.45.516, 23.45.574, 23.47A.035, 23.48.002, 23.48.004, 23.48.010, 23.48.011, 23.48.012, 23.48.014, 23.48.017, 23.48.020, 23.48.024, 23.48.026, 23.48.028, 23.48.030, 23.48.032, 23.48.034, 23.48.035, 23.48.036, 23.48.038, 23.49.008, 23.49.010, 23.49.011, 23.49.023, 23.50.026, 23.50.027, 23.50.028, 23.50.053, 23.57.005, 23.57.008, 23.57.012, 23.58A.002, 23.58A.004, 23.58A.012, 23.58A.014, 23.58A.022, 23.58A.024, 23.58A.026, 23.66.032, 23.84A.030, 23.84A.032, 23.84A.038, 23.86.006; repealing Sections 23.48.006, 23.48.008, 23.48.016, 23.48.018, 23.48.019, 23.50.051, 23.50.052, 23.58A.013, 23.58A.016, 23.58A.018, 23.58A.023; adding new sections 23.48.008, 23.48.009, 23.48.013, 23.48.022, 23.48.025, 23.58A.003, 23.58A.040, 23.58A.042, and 23.58A.044; and amending the Official Land Use Map, Chapter 23.32, at pages 101 and 102 to rezone areas within the South Lake Union Urban Center.

Summary of the Legislation:

The proposed legislation will provide for additional height and density in the South Lake Union Urban Center through an incentive zoning program.

Key recommendations include:

1. Rezoning Industrial Commercial (IC) zoned properties to Seattle Mixed (SM);
2. Provide for general increases in allowable height and density throughout the neighborhood.
3. Revise development standards to address development of a new building type in the neighborhood.
4. Apply incentive zoning provisions to development in South Lake Union for commercial and residential projects;
5. Require new development to conform to LEED Silver if it exceed base development rights, and Green Factor requirements if over 20,000 square feet;
6. Amend pedestrian-oriented development standards;

7. Provide for establishment of LCLIP in South Lake union and Downtown.
8. Amend other sections of the Land Use Code as they relate to development conditions in South Downtown, and in order to make administrative revisions and correct references.

Background:

In January 2008, DPD began working with the South Lake Community to develop a height and density recommendation that would advance the Comprehensive Plan and Neighborhood Plan Goals for future development of the neighborhood. By designating South Lake Union as an Urban Center, it is the City's goal to support and encourage development of South Lake Union as a neighborhood with a concentration of jobs and housing of regional significance. The South Lake Union rezone legislation recommends a set of development regulations that include increases in height and floor area as an incentive to provide important neighborhood amenities to ensure that as growth continues, it contributes to livability and sustainability.

Key components of this legislation include:

- Linking increased building height and floor area to expanding the City's incentive zoning program, creating opportunities for affordable housing and community infrastructure;
- Preserving the established scale and character of the Cascade Neighborhood, one of Seattle's oldest, and creating a new residential community along Eighth Avenue just north of Denny Park;
- Establishing new development standards to ensure towers are well-spaced and floor plates are limited to preserve openness to the sky and public views through the neighborhood;
- Ensuring active public spaces through well-designed ground floor retail along key streets, façade transparency and parking standards, and pedestrian pass-throughs on large blocks; and
- Strengthening incentives to preserve landmark properties and existing open spaces.

This legislation is the result of a 5-year process that included participation by a diverse and engaged set of community stakeholders working to define a clear vision for the future of South Lake Union and how increased height and density should be accommodated in the neighborhood.

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*	2012 Appropriation	2013 Anticipated Appropriation
TOTAL				

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

Appropriations Notes:

As discussed under anticipated revenue/reimbursement, this legislation will implement development standards which are the first step in establishing a Local Infrastructure Project Area (LIPA) under RCW 39.108. If a LIPA is formed later, via a separate ordinance, it would require the City to set aside a portion of general fund tax revenue to fund infrastructure projects within the LIPA; however it is the intent of the program that this money will be spend on operations and maintenance and planned projects to avoid a general fund impact. Modeling of the proposed program suggests that the amount of annual property tax revenue that must be set-aside will increase in a roughly linear fashion from \$0 in initial years to \$5.6M in year 2039 with a total set-aside of \$66.4 (about \$40.3M given a discount rate of 3%) from City property tax over a period of 25 years. Analysis of existing expenditures suggests that if current funding levels for street, park, and streetlight maintenance increase consistent with inflation that there will be sufficient planned expenditures from general operations and maintenance to re-direct this set-aside without impact on the general fund in every year except the last three. While there are too many factors to accurately predict general fund expenditures over 25 years, it is anticipated based on this data that with capital investments included there will be sufficient total general fund needs in South Lake Union and Downtown to prevent general fund impacts.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2012 Revenue	2013 Revenue
Permit Review	DPD	Applicant Fees		
TOTAL				

Revenue/Reimbursement Notes:

Changes to Land Use Code requirements for future development in the South Lake Union Urban Center will result in fiscal impact on the Department of Planning and Development (DPD) related to permit administration. Compared to projects using existing zoning regulations, project proposals using incentive zoning to gain additional height and floor area will require additional staff time for review of permit applications. Those impacts, however, are assumed to be offset by permit fees. To the extent that the South Lake Union zoning changes stimulate future development, the City generally would benefit by adding to the tax base.

Based on a market study conducted by Heartland LLC., it is estimated that over the next 20 years approximately 35 projects will be built using the incentive zoning program. This volume of

projects, and the additional work required for each, will not require any additional staffing capacity.

Additionally, this legislation will implement development standards which are the first step in establishing a Local Infrastructure Project Area (LIPA) under RCW 39.108. The LIPA, however, will not become effective until a second ordinance is passed, which is anticipated to occur in early 2013. If enacted, the LIPA would result in a portion of future City and County property tax revenues on the value of new development occurring within the LIPA would be directed to a fund local infrastructure projects. This revenue would be equal to 17.4% of the total property tax value on 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 depending on whether the City is able to meet certain threshold for acquisition of regional development rights through incentive zoning. It is estimated that the LIPA will generate \$27.7M (about \$16.9M given a discount rate of 3%) from County property tax and \$66.4 (about \$40.3M given a discount rate of 3%) from City property tax over a period of 25 years. Given that this development is expected to occur regardless of the LIPA, the funds generated from City property tax should be consider a reallocation from the general fund rather than new revenue. It is not anticipated that it will generate any revenue in 2012 or 2013.

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

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2012 Positions	2012 FTE	2013 Positions*	2013 FTE*
TOTAL							

* 2013 positions and FTE are total 2013 position changes resulting from this legislation, not incremental changes. Therefore, under 2013, please be sure to include any continuing positions from 2012.

Position Notes:

None.

Do positions sunset in the future?

No.

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2012 Expenditures	2013 Anticipated Expenditures

TOTAL				

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

Spending/Cash Flow Notes:

None.

Other Implications:

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

The proposed legislation will induce a significant amount of additional development capacity in the South Lake Union Urban Center (an additional 12,000 housing units and capacity for 22,000 jobs), which could result in an increase in demand for municipal services to be provided by the full range of city departments. The increase in the need for additional services is expected to be balanced by the corresponding incremental increase in property tax revenues sales tax revenues and other revenues associated with increased development. In sum, the increased development will be balanced by increased revenue at existing rates.

The more direct and immediate cost of implementing the legislation is the impact on DPD to process the area-wide legislative rezone. Costs to process the rezone include updating land use and zoning maps, permit tracking systems, and GIS systems. This work would be funded out of the DPD's IT unit and 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?

If adopted, it is likely the proposed legislation will impact staff time in OH, Parks, City Light, and SDOT although impacts can be absorbed through existing permit fees and/or utility rates without any new FTEs.

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

The South Lake Union Height and Density EIS studied 4 alternatives for increased height and density in the neighborhood. While each provided for increases in density consistent with the City's Comprehensive Plan goals, only those alternatives that increase height and floor area through an incentive zoning result in public amenities that support the

anticipated growth in the neighborhood.

e) Is a public hearing required for this legislation?

Yes. The City Council is holding hearings on this proposal in July and August.

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?

This legislation affects 330 acres of property in the South Lake Union Urban Center.

h) Other Issues: