

# SOUTH LAKE UNION REZONE LEGISLATION TIF FOR TDR PROGRAM



# Background

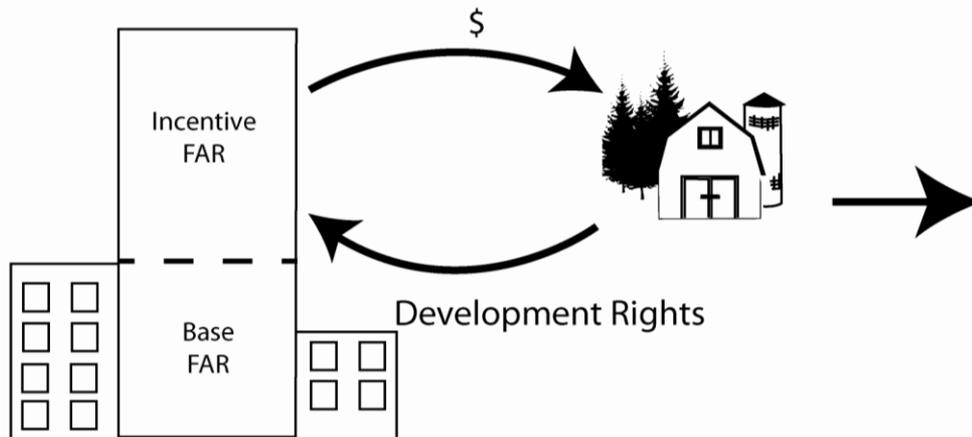
- State Legislature established LCLIP in 2011
- Allows cities in certain counties to get funding for local infrastructure improvements through Tax Increment Financing (TIF) in areas where they also engage in regional Transfer of Development Right (TDR) programs

*Nature's Last Stand Farm*

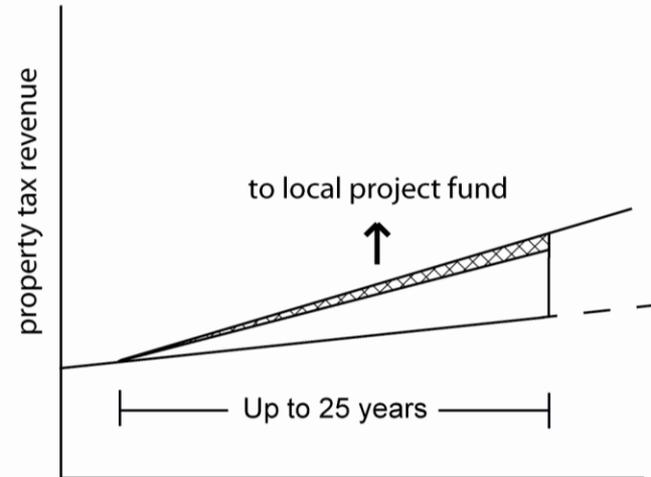


# “TIF for TDR”

- 1 Developers purchase development rights from farm and forest land as part of incentive zoning.



- 2 20% of city and county property tax from new development goes to local projects.



# State Requirements - TDR

- Must include farm, forest, and designated rural lands in King, Pierce, and Snohomish but prioritization is allowed
- Program must be size to be able to receive 688 credits over 20 years

# State Requirements - TIF

- Value =  $75\% \times \text{Program Size} / \text{Allocated Share}$   
x property tax value of new construction
- Length of Program
  - ▣ 10 years minimum
  - ▣ 15 years if 50% of TDR received in 9.5 years
  - ▣ 20 years if 75% of TDR received in 14.5 years
  - ▣ 25 years if 100% of TDR received in 19.5 years
- Maximum Area
- City & County must be set aside proportional to tax rate

# Financial Analysis

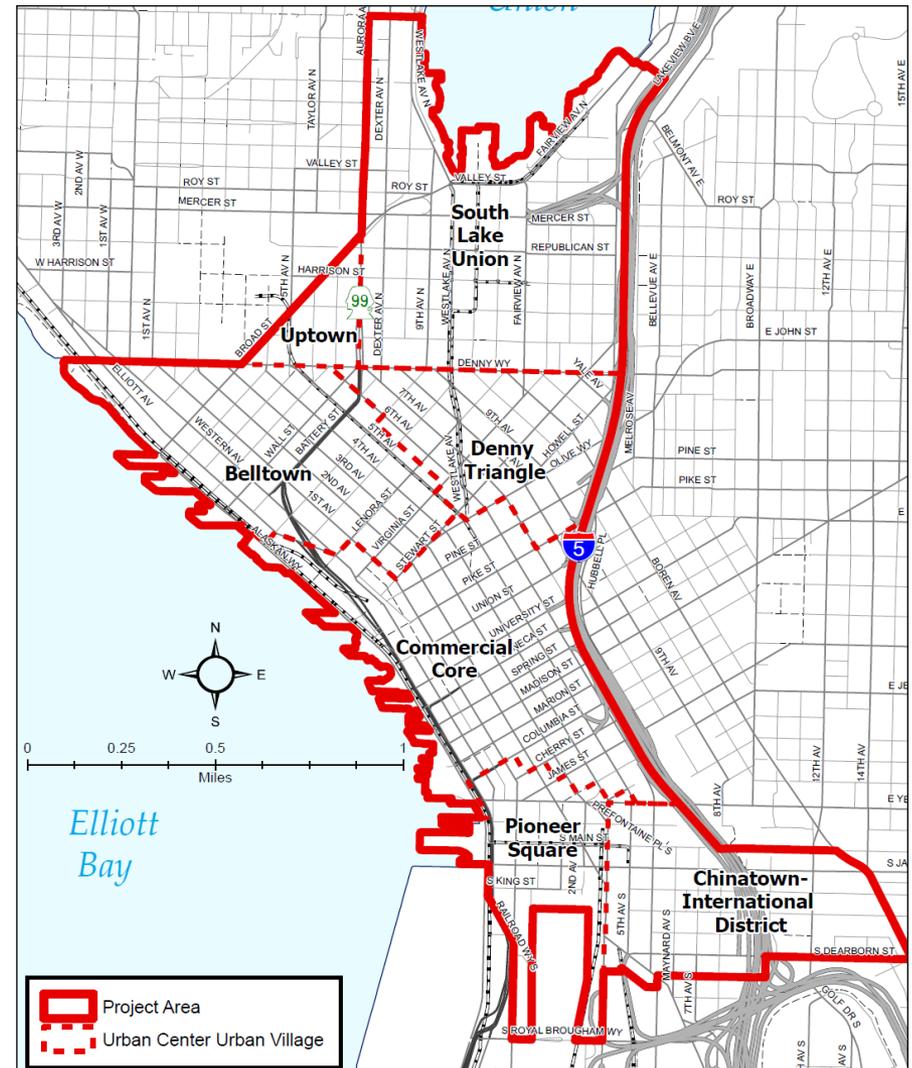
- Heartland/BERK/Forterra consultant team
- City-wide opportunities analysis
- Goal of ensuring program produced local benefits equivalent to traditional program
- Developer cost assumed to be consistent with traditional program
- SLU + Downtown only viable option

# Cooperation with King County

- Key partner in assessment and implementation
- TDR bank provides critical monitoring & market liquidity functions
- Risk sharing agreement
  - ▣ County will agree to hold TDR in order to meet thresholds if City is within 70% of threshold goal
- Drafting interlocal agreement

# Project Area

- SLU + BDA triangle + Downtown
- In SLU + BDA, all non-housing benefits to regional TDR
- In Downtown, expired LEED increment to regional TDR



# Program Implementation

- Zoning determines extra floor area and amount met through regional TDR
- Exchange Ratios determine the amount of regional TDR required
- Developer can purchase direct from landowner or from TDR bank
- TIF funds start as projects go on tax roll
- Amount and type of TDR received will be monitored over time
- Exchange ratios will be adjusted to meet goals

# Exchange Ratios

- Establishes amount of TDR needed to achieve extra floor area
- Varies by type of TDR to adjust for price differences and city priorities
- Will be updated over time consistent with specified goals
- Initial “Farm First” strategy for first 200 credits
  - ▣ Will help develop market for farm TDR
  - ▣ Prioritize farm preservation consistent with Reso 31147
  - ▣ Critical for King County Partnership

# Exchange Ratios

Type of TDR acquired	Extra Floor Area Gained per Credit (Exchange Ratio)	
	Commercial	Residential
King County Farm credits	1120	1640
King County Forest or Rural credits where proceeds are reinvested in Farm credits	1030	1500
Pierce County Farm credits	290	420
Snohomish County Farm credits	670	980
Pierce & Snohomish County Forest credits where proceeds are reinvested in Farm credits	590	860

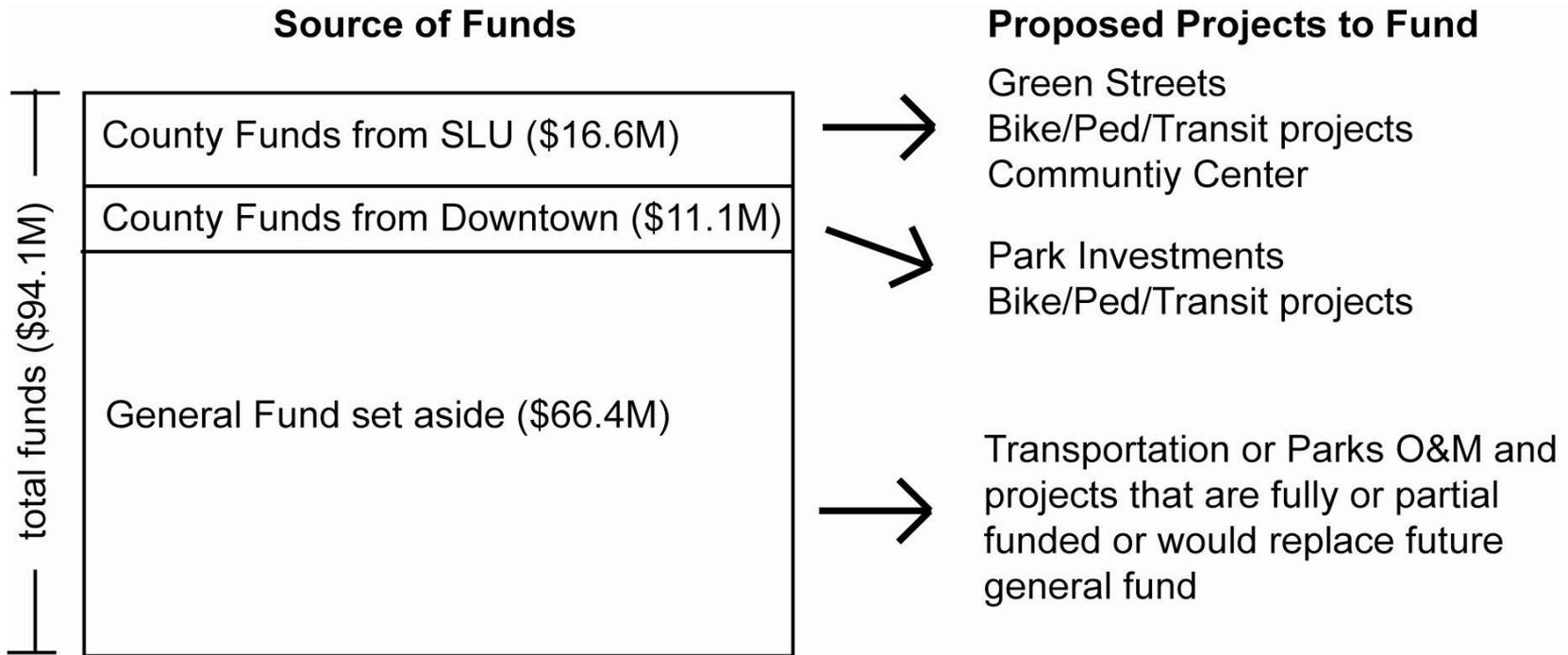
# Benefits

- Provide \$27.7 in flexible funds for local infrastructure projects
- Conserve 25,000 acres of working farms & forests
- Limits sprawl



# Project List

- Final list will be developed over next 5 months



# Key Issues

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- General Fund
- Bonding
- Affordable Housing Incentive Approach
- Multi-Family Tax Exemption

# TIF for TDR Next Steps

- Development Standards in Rezone - Now
- Develop Draft Project List – Now through Oct
- Present Draft Project List to stakeholders – Nov
- Implementing Legislation to Council – Jan 2013
  - Interlocal
  - Project Area
  - Project List
  - Size of Program



*Rendering of future 8<sup>th</sup> Avenue*