



# City of Seattle

## Department of Planning and Development

Diane M. Sugimura, Director

July 10, 2013

To: Seattle City Council - Planning, Land Use, and Sustainability Committee

From: Brennon Staley, Senior Planner

Re: Legislation for Landscape Conservation and Local Infrastructure Program (LCLIP) Implementation

The LCLIP program would generate funding for infrastructure improvements in South Lake Union and Downtown by capturing a portion of the increased King County property tax resulting from the increased assessed value of new development in the same area, in exchange for implementing a regional Transfer of Development Rights (TDR) program. The LCLIP program, including the regional TDR and infrastructure funding elements, would commence on the effective date of the ordinance. Key provisions of the legislation are discussed in this memo.

This proposal includes three pieces of legislation, which taken together, will implement the LCLIP program originally proposed and discussed during the South Lake Union rezone in late 2012 and early 2013. This legislation would:

- Adopt certain findings required by state law;
- Authorize signing of an interlocal agreement with King County;
- Adopt an infrastructure funding plan;
- Establish the boundaries of the Local Infrastructure Project Area (LIPA);, and
- Make minor edits to the Land Use Code.

Concurrent with the introduction of this legislation to Seattle City Council, an ordinance to authorize the signing of an interlocal agreement was also introduced to King County Council. It is anticipated that King County Council will vote on their ordinance in mid-August prior to Seattle City Council adoption.

Ordinances to adopt an interlocal agreement with Pierce and Snohomish County will be forwarded separately in 2014. The agreements with Pierce and Snohomish County will govern the transfer and use of regional TDR credits but will not result in the transfer of property tax.

### Regional TDR Program

The South Lake Union Rezone legislation recently adopted by the City Council as Ordinance 124172 implemented the standards and process for the Regional TDR program. However, these provisions will



City of Seattle, Department of Planning and Development  
700 Fifth Avenue, Suite 2000  
P.O. Box 34019, Seattle, WA 98124-4019

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not be effective until this proposed legislation goes into effect. To obtain extra floor through acquiring regional TDR credits, applicants would be required to purchase certified credits from King, Pierce, or Snohomish Counties and document that these credits have been permanently extinguished following the transfer and use of the TDR credits through a document provided by a County government. In exchange, they would receive extra floor area in proportion to the number of credits purchased according to the exchange ratios in Seattle Municipal Code Section 23.58A.044. This legislation would modify these existing code provisions to add the project area map to the code.

### **Interlocal Agreement**

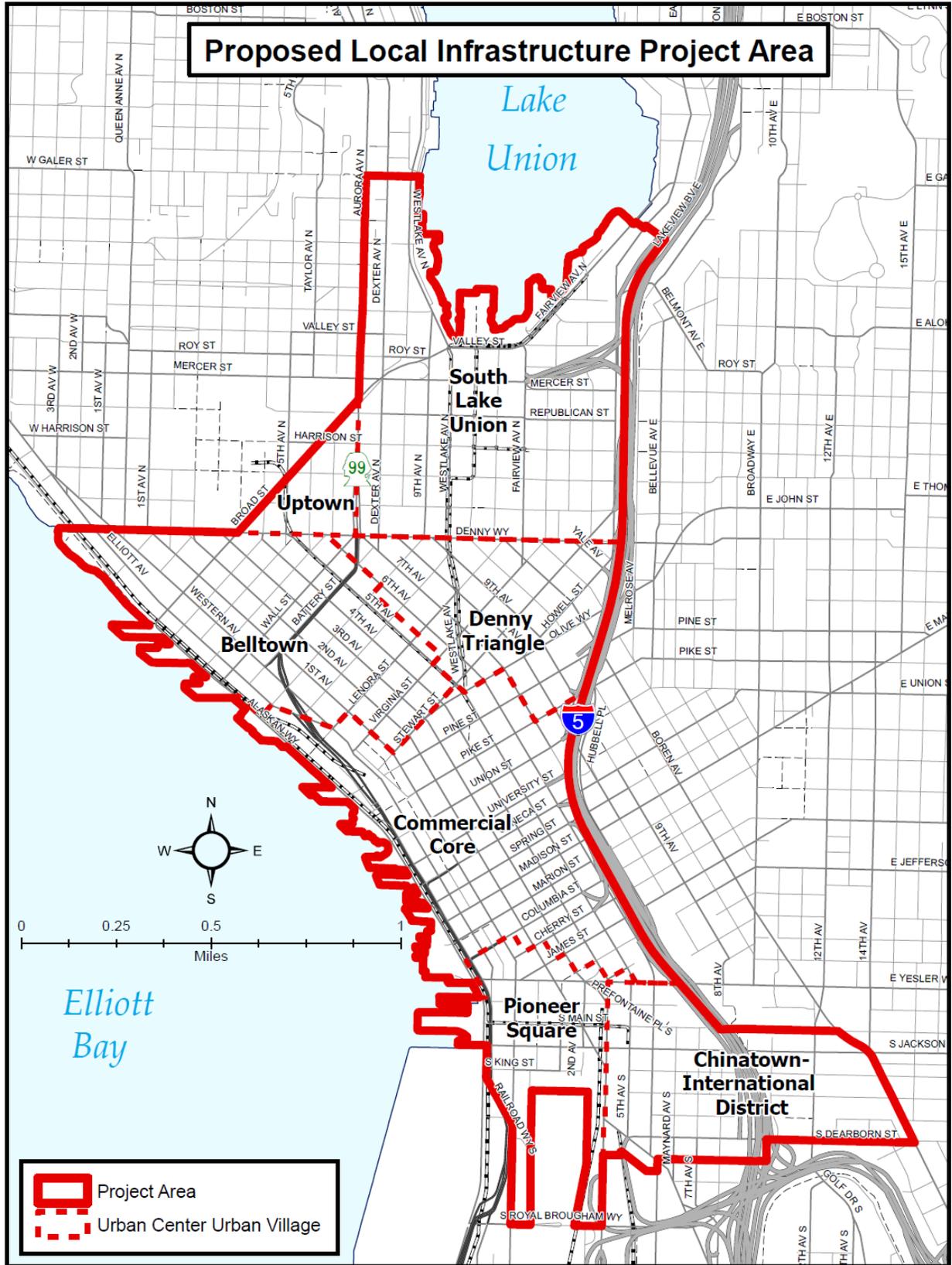
The Interlocal Agreement with King County would establish the core aspects of the TDR and infrastructure funding programs and the responsibilities of each government for implementation. Key attributes of Interlocal Agreement include:

- Outlines goals of the LCLIP program, which are
  - Ensure LCLIP program results in at least as much local benefit as traditional in-city program
  - Prioritize King County credits
  - Prioritize farm credits
- Seattle agrees to work with King County on any updates to exchange ratios and to follow outlined program goals in developing these updates
- King County allows tax revenues to start with first new projects
- King County provides guarantee if Seattle meets 70-80% of each threshold
- Establishes process and timing for property tax value assessment, calculation, and disbursement
- Establishes annual and biannual reporting requirements consistent with state requirements

### **Infrastructure Funding Plan**

This plan outlines potential infrastructure investments that could be implemented with funding generated by LCLIP. 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.

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.

Revenue generated from the LCLIP program will be spent on streetscape, recreational, and open space investments. 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.

In order to streamline intergovernmental decision-making, 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"> <li>• <b>Green Streets</b> (Thomas &amp; 8<sup>th</sup>)</li> <li>• Bike, Pedestrian, and Transit Improvements (Harrison &amp; Denny)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>3<sup>rd</sup> Avenue Improvements</b> (Capital Projects &amp; Programs)</li> </ul>
11-20 years	Parks	\$7.8M	<ul style="list-style-type: none"> <li>• <b>Community Center</b></li> <li>• Park Improvements and Acquisitions</li> </ul>	
21-25 years	SDOT	\$5.0M	<ul style="list-style-type: none"> <li>• Transportation Improvements – specific improvements to be determined later</li> </ul>	

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.

Thank you for considering this information. I am available to answer any questions you may have.