



**COMMISSION**  
**AGENDA MEMORANDUM**

**Item No.** 7a

**BRIEFING ITEM**

**Date of Meeting** March 27, 2018

**DATE:** March 8, 2017  
**TO:** Steve Metruck, Executive Director  
**FROM:** Geraldine Poor, Regional Transportation Manager  
Lindsay Wolpa, Regional Government Affairs Manager  
Jeffrey Utterback, Director, Real Estate and Economic Development  
**SUBJECT:** City of Seattle Waterfront Seattle Local Improvement District (LID) Proposal

**EXECUTIVE SUMMARY**

Seattle's city center waterfront is transforming to a new place to live, work and play. We are living through the redevelopment of the downtown waterfront, to create a new regional asset. Waterfront Seattle is a program of improvements led by the city of Seattle that capitalizes on the opportunity created by Washington State's removal of the Alaskan Way Viaduct and the City's rebuilt Elliott Bay Seawall. The Port of Seattle has been a significant financial partner in the overall Alaskan Way Viaduct Replacement Program.

In 2012, the City released the Waterfront Seattle funding plan, for which a key component is a Local Improvement District (LID), a funding tool allowed under State law, by which property owners help fund public improvements in proportion to the amount of direct benefit their property will accrue. City staff will present an overview of the Waterfront Seattle Program and its funding plan, the LID formation process, and the LID special benefit study currently underway. The City Council will have two key decision points in the coming year – consideration of a resolution of the *intent* to form the LID during the second quarter of 2018 and consideration of an ordinance to *actually* form the LID during the fourth quarter of 2018.

**BACKGROUND**

Years of design work and community involvement have formed the waterfront design. Foundational design plans were released in 2012, and work has continued since then to bring these ideas to life. The Waterfront Seattle program will provide about 20 acres of improved parks and public spaces connecting Seattle's urban core to Elliott Bay. There are multiple projects included in the program, a subset of which has been identified for partial funding from the LID. These specific projects include:

- a new promenade park from Pioneer Square to the Seattle Aquarium,
- a new elevated pathway connecting the waterfront to the Pike Place Market,

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- improved sidewalks and public space along Pike and Pine streets from First Avenue to Capitol Hill, and
- improvements to east-west streets in Pioneer Square and Pike/Pine.

The City will also invest \$3.5 million new funding annually from the Seattle Parks District to help ensure a high-quality park experience, with \$1-2 million of additional annual funding and management support from non-profit community partners, the Friends of the Waterfront.

### ***LID, Special Benefit, and Process***

Through a LID, property owners pay to help fund public improvements that directly benefit their property, based on an amount of increase in their property value directly attributed to the improvements. For the proposed Waterfront LID, special benefit to each property would be the difference between the fair market value of each property before and after the City's Waterfront Seattle Program builds the park and streetscape improvements. The "special benefit" does not include general appreciation in value or the increased value from other projects that are also improving the areas (such as the removal of the Viaduct or replacement of the seawall). State law governing Local Improvement Districts allow minimal exemptions for housing authorities and federally owned properties. While they are not assessed for general taxes, it is expected that other government jurisdictions' properties are included for special benefit assessment, which includes State, County, and the Port owned land.

An independent real estate appraiser provided the City his "Summary Memorandum of the Waterfront Seattle Project Special Benefit Feasibility Study" in August 2017. The City has maintained a "Waterfront Seattle LID" website, which has included detailed information and updates related to the effort. The appraiser is currently finishing a study of the special benefit that each property in the LID study are will receive. This information at a parcel level is expected in April 2018. Sometime during Q3 of this year, the Seattle City Council will consider a resolution regarding the intent to form this LID and subsequently during Q4, they will consider an ordinance to actually form the LID. Following each step with the City Council, there will be specific protest periods. The complete timeline is available in the accompanying presentation materials.

At a broad level, there are two phases during the LID legislative process:

- the creation of the LID itself and
- the finalization of the assessment amounts.

The formation of the LID is planned to take place in 2018. As discussed above, the creation process will include two Council votes, public hearings, and the opportunity for property owners to protest the formation itself and file legal appeals. If the City Council votes to form the LID, Council would then consider the finalization of assessment amounts in 2019, which will include another two votes, public hearings in which property owners may contest their actual

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assessment amounts, and another legal appeal period. Collections are anticipated to begin in the fourth quarter of 2019.

At this time, the Waterfront Seattle Program proposed funding sources are:

|                                      |               |
|--------------------------------------|---------------|
| <b>Waterfront Seattle total cost</b> | <b>\$688M</b> |
| Public Funding                       | \$388M        |
| State                                | \$193M        |
| City                                 | \$195M        |
| Local Improvement District (LID)     | \$200M        |
| Private Philanthropy                 | \$100M        |

The impact to property owners within the boundaries of the LID is assumed at this time to be \$200 million.

***Port of Seattle properties***

The Port of Seattle owns multiple properties along the central waterfront: Terminal 46, Pier 66, Pier 69, and buildings and land holdings in the World Trade Center complex. Initially, it was assumed all of these Port properties would be included within the assessed area. The final LID Analysis Area considered in the Waterfront Seattle Project LID Feasibility Study, completed in August 2017, determined a smaller boundary for the special benefit study (Fall 2017-April 2018). Regarding Terminal 46, the Preliminary Feasibility Study Summary (August 2017) comments that “the Industrial-zoned Port of Seattle waterfront property does not benefit from this project due to the lack in change of use and minimal impact of this type of new amenities on the existing use.” Pier 69 is also excluded from the special benefit study area boundary.

Further parcel level information with respect to special benefit and preliminary assessment amounts is expected in the Special Benefit Study in early April of this year. The final LID boundary and amount of assessment will be proposed after the Special Benefit Study is complete, and is subject to the decision of the city council. City staff presentations suggest that assessments are often 50-70 percent of the special benefit amount.

At this time, the City has not informed the Port the amount we would be assessed. It should also be noted that we have not budgeted for it.

***Terminology***

- Special benefit: Estimated increase in a property’s fair market value as a result of public improvements.
- Special benefit study: Conducted by an independent appraisal firm to determine the LID boundary and the difference between the fair market value of each property before and immediately after the improvement.
- Assessment: Portion of the special benefit each property owner will pay. Cannot exceed the amount of the special benefit.

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- Assessment ratio: Portion of the special benefit each property will pay. Same ratio will apply to all assessed properties. (Determined by City Council)

***Legal Protections and Guidelines***

- Total assessments not more than special benefits
- Total assessments not more than total cost
- Assessments are roughly proportionate to each other

**ATTACHMENTS**

Presentation

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

September 29, 2016 –The Commission was briefed on the “Waterfront Panorama: Public Investment Shaping the City Center Waterfront.” The State, City of Seattle and the Friends of the Waterfront, described the current work to revitalize the Seattle waterfront in concert with removal of the Alaskan Way Viaduct, and review the funding partnership, including private investment.

In August 2013, the Port Commission moved to support Port participation in the Alaskan Way Viaduct Replacement Program with a port contribution of \$281 million so that the replacement of the viaduct achieves the best balance among retaining and creating jobs, sustaining regional economic vitality, and benefiting the environment.

Over the last several years, there has been many commission briefings by the city, state and transit agencies on various aspects of this work.