



# AGENDA

## SHORELINE CITY COUNCIL SPECIAL MEETING

Monday, November 6, 2017  
5:45 p.m.

Conference Room 303 · Shoreline City Hall  
17500 Midvale Avenue North

**TOPIC/GUESTS:** Joint Meeting with Lake Forest Park and Kenmore City Councils

## SHORELINE CITY COUNCIL REGULAR MEETING

Monday, November 6, 2017  
7:00 p.m.

Council Chamber · Shoreline City Hall  
17500 Midvale Avenue North

	<u>Page</u>	<u>Estimated Time</u>
<b>1. CALL TO ORDER</b>		7:00
<b>2. FLAG SALUTE/ROLL CALL</b>		
(a) Proclamation of Veterans Appreciation Day	<u>2a-1</u>	
<b>3. REPORT OF THE CITY MANAGER</b>		
<b>4. COUNCIL REPORTS</b>		
<b>5. PUBLIC COMMENT</b>		
<i>Members of the public may address the City Council on agenda items or any other topic for three minutes or less, depending on the number of people wishing to speak. The total public comment period will be no more than 30 minutes. If more than 10 people are signed up to speak, each speaker will be allocated 2 minutes. Please be advised that each speaker's testimony is being recorded. Speakers are asked to sign up prior to the start of the Public Comment period. Individuals wishing to speak to agenda items will be called to speak first, generally in the order in which they have signed. If time remains, the Presiding Officer will call individuals wishing to speak to topics not listed on the agenda generally in the order in which they have signed. If time is available, the Presiding Officer may call for additional unsigned speakers.</i>		
<b>6. APPROVAL OF THE AGENDA</b>		7:20
<b>7. CONSENT CALENDAR</b>		7:20
(a) Approving Minutes of Regular Meeting of October 2, 2017	<u>7a-1</u>	
(b) Adopting Ordinance No. 804 - Seattle Public Utilities Franchise Amendment	<u>7b-1</u>	
(c) Motion Authorizing the City Manager to Enter into an Agreement with the Shoreline Fire Department to Accelerate the Fire Review for the School District Development Permits	<u>7c-1</u>	
(d) Motion Authorizing the City Manager to Enter into an Agreement with the Shoreline School District for Accelerated Processing	<u>7d-1</u>	
<b>8. ACTION ITEMS</b>		
(a) Public Hearing and Discussing Ordinance No. 807 - 2018 Property Tax and Revenue Sources	<u>8a-1</u>	7:20

Public hearings are held to receive public comment on important matters before the Council. Persons wishing to speak should sign in on the form provided. After being recognized by the Mayor, speakers should approach the lectern and provide their name and city of residence. Individuals may speak for three minutes. Public hearings should commence at approximately 7:20 p.m.

**9. STUDY ITEMS**

- |  |             |      |
|--|-------------|------|
| (a) Discussing Landscape Conservation and Local Infrastructure Program (LCLIP)   | <u>9a-1</u> | 7:50 |
| (b) Discussing Ordinance No. 805 - Final 2017 Budget Amendment   | <u>9b-1</u> | 8:35 |
| (c) Discussing Ordinance No. 799 – Amending Shoreline Municipal Code Section 2.30.040 Establishing Maximum and Minimum Allotments for Employee Health Benefits | <u>9c-1</u> | 9:05 |

**10. ADJOURNMENT**

9:15

The Council meeting is wheelchair accessible. Any person requiring a disability accommodation should contact the City Clerk's Office at 801-2231 in advance for more information. For TTY service, call 546-0457. For up-to-date information on future agendas, call 801-2236 or see the web page at [www.shorelinewa.gov](http://www.shorelinewa.gov). Council meetings are shown on Comcast Cable Services Channel 21 and Verizon Cable Services Channel 37 on Tuesdays at 12 noon and 8 p.m., and Wednesday through Sunday at 6 a.m., 12 noon and 8 p.m. Online Council meetings can also be viewed on the City's Web site at <http://shorelinewa.gov>.

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Proclamation of Veterans Appreciation Day		
<b>DEPARTMENT:</b>	City Manager's Office/CCK		
<b>PRESENTED BY:</b>	Jessica Simulcik Smith, City Clerk		
<b>ACTION:</b>	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	<input checked="" type="checkbox"/> Proclamation

**ISSUE STATEMENT:**

November 11, 1919 was initially proclaimed as "Armistice Day" to honor the country's World War I Veterans. To pay homage to Veterans of all wars, on June 1, 1954, President Dwight Eisenhower signed into law the renaming of Armistice Day to Veterans Day.

Saturday, November 11, 2017 marks the 63<sup>rd</sup> anniversary of Veterans Day in the United States. This proclamation recognizes the dedication and sacrifice that the Veterans of our community, state, and country have made for the cause of freedom and peace.

Retired Staff Sergeant Ken Potts of the 101st Airborne Division and the Shoreline Veteran's Association will be present to accept the proclamation.

**RECOMMENDATION**

Mayor Roberts should read the Veterans Appreciation Day Proclamation.

**ATTACHMENT:**

Attachment A – Veterans Day Proclamation

Approved By:           City Manager **DT**   City Attorney **MK**



## PROCLAMATION

WHEREAS, Our Great Nation was founded on the belief that all Americans are created equal, and are guaranteed the inalienable rights of life, liberty, and the pursuit of happiness; and

WHEREAS, our nation's Veterans have sacrificed to preserve and protect our country and constitution from all enemies foreign and domestic; and

WHEREAS, November 11, 1919, was initially proclaimed as "Armistice Day" to honor our country's World War I Veterans, and in order for a grateful Nation to pay homage to Veterans of all wars, on June 1, 1954, Dwight Eisenhower the 34th President of the United States, signed into law the renaming of Armistice Day to Veterans Day; and

WHEREAS, the quality of life we enjoy today was purchased at great cost by the unselfish devotion of these Veterans, as many of our soldiers lost their lives during wars to defend our freedom, and some are still missing in action; and

WHEREAS, the City of Shoreline recognizes the contributions of the men and women in the military who have served our country, and who continue to serve their communities

WHEREAS, on Saturday, November 11, 2017 at 2:00 p.m. at Shoreline City Hall, the Shoreline Veterans Association is hosting their annual Veterans Day event to honor local Veterans.

NOW, THEREFORE, I, Christopher Roberts, Mayor of the City of Shoreline, on behalf of the Shoreline City Council, do hereby proclaim November 11, 2017 as

### **VETERANS APPRECIATION DAY**

in Shoreline, and urge all citizens to honor the sacrifices of the loyal and courageous Veterans who have given so much for the cause of peace.

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Christopher Roberts, Mayor

# **CITY OF SHORELINE**

## **SHORELINE CITY COUNCIL SUMMARY MINUTES OF REGULAR MEETING**

Monday, October 2, 2017  
7:00 p.m.

Council Chambers - Shoreline City Hall  
17500 Midvale Avenue North

PRESENT: Mayor Roberts, Councilmembers McGlashan, Scully, Hall, McConnell, and Salomon

ABSENT: Deputy Mayor Winstead

### 1. CALL TO ORDER

At 7:00 p.m., the meeting was called to order by Mayor Roberts who presided.

### 2. FLAG SALUTE/ROLL CALL

Mayor Roberts led the flag salute and then called for a moment of silence in recognition of the victims of the Las Vegas, Nevada and Lawrence, Kansas shootings.

Upon roll call by the City Clerk, all Councilmembers were present with the exception of Deputy Mayor Winstead and Councilmember Salomon.

Councilmember McGlashan moved to excused Deputy Mayor Winstead to conduct city business. The motion was seconded by Councilmember Hall and passed unanimously, 5-0.

#### (a) Proclamation of Safe Shoreline Month

Mayor Roberts read a proclamation declaring October 2017 as Safe Shoreline Month. Brian Dixon, Emergency Management Coordinator, and Sargent Gabe Morris, Shoreline Police, accepted the proclamation. Mr. Dixon and Sgt. Morris thanked the Council for their continued support in helping Shoreline become a more resilient and safer community.

### 3. REPORT OF CITY MANAGER

Councilmember Salomon arrived at 7:06 p.m.

Debbie Tarry, City Manager, provided reports and updates on various City meetings, projects and events.

### 4. COUNCIL REPORTS

Councilmember Hall reported that the Association of Washington Cities (AWC) Board of Directors reviewed their legislative agenda and that this year's focus is on housing affordability, mental health and chemical dependency issues, protecting local government revenue shared with the State, and communicating to the Legislature the expectation that they adopt a capital budget. He said they are reviewing the fee structure for AWC's dues and anticipate a small reduction in dues for the City of Shoreline.

5. PUBLIC COMMENT

John Sambrook, Kirkland, WA resident, talked about genital mutilation, spoke against male circumcision, and said he is an advocate for genital integrity. He shared that there are federal laws protecting women from it, but none for men. He explained the dangers associated with circumcision, and asked the Council to stand up against it when the topic is before the Washington State Legislature.

George Webster, Shoreline resident, commented on an article in the October *Currents* Magazine stating that the Ronald Wastewater District will move to City Hall. He said it does not emphasize that only the employees are moving and therefore it is misleading. He noted that the Customer Service Policies to Manage a Wastewater Enterprise - Discount Rates Section of the Shoreline Municipal Code refers to Section 3.01.600, which does not exist.

Janet Way, Shoreline Preservation Society, referred to the mass shootings and said she agrees with Senator Chris Murphy that the time for silence is over. She said moments of silence are nice but not effective and something needs to be done. She then spoke about the consolidation of the City's maintenance departments and said they will better serve the community dispersed throughout the city, like the Fire Department. She recalled the Ronald Bog Flood in 2007 and said people were told to get sandbags from Hamlin Park but were unable to get there.

6. APPROVAL OF THE AGENDA

The agenda was approved by unanimous consent.

7. CONSENT CALENDAR

**Upon motion by Councilmember Hall and seconded by Councilmember McGlashan and unanimously carried, 6-0, the following Consent Calendar items were approved:**

- (a) Approving Minutes of Special Meeting of September 11, 2017**
- (b) Motion Authorizing the City Manager to Enter into the Wastewater Utility Operating Services Agreement Between the City of Shoreline and the Ronald Wastewater District**
- (c) Adopting Resolution No. 417 - Establishing Customer Service Policies to Manage a Wastewater Enterprise**

- (d) Authorizing the City Manager to Execute a Contract for \$207,942.78 with Evergreen Maintenance Landscaping LLC for Parks Landscape and Maintenance Services**
- (e) Authorizing the City Manager to Execute a Contract for \$207,942.78 with Evergreen Maintenance Landscaping LLC for Parks Landscape and Maintenance Services**
- (f) Adopting Ordinance No. 797 – SMC 13.12 Floodplain Management Code Update for FEMA Requirement**

8. STUDY ITEMS

- (a) Discussing Resolution No. 419 - Calling on Congress to Swiftly and Comprehensively Address Federal Immigration Reform Generally and Deferred Action for Childhood Arrivals in Particular to Protect the Legal Status of Dreamers - Sponsored by Mayor Roberts

Scott MacColl, Intergovernmental Programs Manager, explained that earlier this year the federal government announced that the Deferred Action for Childhood Arrivals (DACA) Immigration Policy would end. He said DACA offers legal status to an estimated 800,000 residents that illegally immigrated to the United States as children, known as Dreamers, and protects them from deportation and reduces fears relating to their immigration status. He said Resolution No. 419 calls on Congress to address immigration reform and sends a strong message for Congress to protect DACA and to make it permanent.

Mayor Roberts said about 17,000 Dreamers live in Washington State and some reside within the boundaries of Shoreline. He shared these individuals have lived here their entire lives, attended school here, and provided State and community services, and he believes they should remain safely in the United States. He said he would like Council to send Congress a message expressing that this is a City of Shoreline value, and encouraging them to pass comprehensive immigration reform and enact DACA into law.

Councilmember Scully said he agrees with the sentiments of DACA and strongly supports it as an individual, but is unsure of its nexus with the City of Shoreline. He said he also hesitates telling another legislative body what to do without the issue having a unique local impact or a connection to City business and funds.

Councilmember Hall said he is a strong supporter of DACA and is appalled by immigration reform in Washington. D.C. He suggested reaching out to the City's federal delegation about these issues. He reminded the Councilmembers of the Council's legislative priority process undertaken to support issues like this, and said he is not sure passing a resolution on the dais is the correct way to proceed.

Mayor Roberts asked how regularly the Council adopts a federal legislative agenda. Mr. MacColl responded that the federal legislative agenda focuses more on securing grant funding

for priority projects and funding that effect the City, like Community Block Grant Funding. He said traditionally the City has not passed a formal federal legislative agenda.

Councilmember Salomon asked who else has addressed this issue and if King County is asking cities to pass a resolution. Mayor Roberts replied that the King County Council and the City of Bellingham have passed similar resolutions. Mr. MacColl responded that the King County Council directed their federal government relations representative to make it a high priority to meet with their federal delegation and share their concerns.

Councilmember McConnell said she is passionate about DACA, but questioned if this is the right way to approach federal representatives. She said it can be done without a resolution and prefers a collaborative face to face effort.

Councilmember McGlashan said the Council will not see the federal delegation until winter and suggested the message requesting that they protect DACA be communicated in a formal letter. He said he would also like to hear from the Community on the topic. Mr. MacColl responded that the Council can draft a letter and telephone the federal delegation, and recommended that they first identify what they want to achieve. Councilmember McConnell offered to hand deliver the letter in mid-October.

Councilmember Hall commented that the goal is not to make a statement but to offer support to the delegation to accomplish immigration reform, and thinks that a letter is more in the spirit of collaboration.

Councilmember McGlashan asked if the City can help other cities and associated organizations, like the Association of Washington Cities (AWC) and Sound Cities Association, take on supporting DACA as a federal legislative priority.

Councilmember Scully said he supports a letter to the federal delegation signed by each Councilmember, but not as an official action of the City.

Councilmember Salomon shared that he appreciates Councilmember Scully's idea that a Shoreline nexus is needed, and that as a standard it is a good idea. However, he stated he agrees with the Mayor that Shoreline residents are affected by this and it is under the Council's purview to protect DACA residents in Shoreline. He said he is fine with a resolution or letter. He suggested that our federal delegation is likely on board, and the swing votes will come from red and purple areas. He said the AWC may be able to influence those cities in Eastern Washington.

Mayor Roberts confirmed that the Council will send a letter to a broader delegation encouraging support for DACA and stronger immigration reform, and to the Boards of AWC, SCA, and National League of Cities (NLC).

Councilmember McConnell said the NLC federal advocacy group should also receive the letter.

- (b) Discussing Hidden Lake Dam Removal and Boeing Creek Restoration Projects Update



Randy Witt, Public Works Director, stated the purpose of this discussion is to report back on actions the Council requested regarding the Hidden Lake Dam Removal and Boeing Creek Restoration Projects. John Featherstone, Surface Water Engineer, provided background history on Hidden Lake and Boeing Creek and reviewed the decisions made to date on how to manage them. He shared the updated staff recommendation for the Hidden Lake Dam Removal Project is to proceed as scheduled and include the replacement of the NW Innis Arden Way culvert in the design phase. He explained how the removal of the dam will help restore the delta's habitat and help the young Chinook salmon. He said the recommendation is supported by the Water Resource Inventory Area (WRIA) 8 and that the City received \$300,000 in grant funding from the King County Flood District for the project.

Mayors Roberts asked which project the Innis Arden culvert is assigned to. Mr. Featherstone responded that it was initially assigned to the Boeing Creek Restoration Project, but he is now recommending that it coincide with the Hidden Lake Dam removal.

Councilmember McGlashan asked what the streamflow gauge is measuring, if other factors like speed and rise of water are considered, and where the gauge is located. Mr. Featherstone replied the gauge is measuring depth and identified its location.

Mr. Featherstone reviewed the work required and the cost for restoring the lower Boeing Creek Fish Passage. He explained why staff is recommending discontinuing further development of this project, and to share the results of analysis with lower Boeing Creek stakeholders. He said both projects are included in the Surface Water Master Plan, and reviewed the 2018-2023 CIP Funding Proposal and the next steps in the process.

Councilmember Hall said he appreciates the staff report, presentation, and analysis, and shared that while he would love to restore the entire system all at once, we do not always have the ability to do that, and moving ahead with the dam removal is important and the effects can be impressive. He said he supports staff's recommendation.

Councilmember Salomon shared that staff has presented a convincing argument to discontinue further City development of the Boeing Creek Restoration Project. He said, in his capacity as the WRIA 8 Salmon Recovery Council Representative for the City of Shoreline, he spoke to the WRIA 8 Director about the project. He reported that the Director admitted the project would have a low benefit relative to how much effort and expense would need to go into restoring the creek. He said there is still a long way to go for salmon recovery and that gains need to be made everywhere they can. He said he is glad to hear that habitat is being added to the near-shore, and it will help Chinook salmon. He questioned why the culvert is being replaced if lower Boeing Creek is not being restored. Mr. Featherstone responded that the condition of the culverts warrant replacement, flood passage capabilities will be enhanced, and that there is an efficiency and economy of scale of doing both projects together. Councilmember Salomon said he does not want to install a new culvert that stops fish passage on the chance that the lower creek is restored in the future. Mr. Featherstone responded that he believes the culverts will be fish passable.

Councilmember Scully asked clarifying questions about the total cost of the project and if salmon are spawning in the lower creek. Mr. Featherstone said the \$6 Million is allocated for the

downstream piece and does not include the Innis Arden culvert. He said he will ask the consultant if salmon are spawning in the lower creek and report back to Council. Councilmember Scully talked about slippage on Beach Drive and a recent mudslide, and asked if the area remains as it is, will there be further slides. Mr. Featherstone responded that erosion issues are typical for urban streams, explained that the slides on Beach Drive happened in a part of a creek not in the scope of the project, and that a detention system would be needed to prevent further sliding. Councilmember Scully said he does not want to abandon restoration of the lower creek and would like to continue to explore funding options for it.

Councilmember McGlashan questioned why Hidden Lake Dam has to be removed when the Seattle Golf Club dam and the waterfall also serve as barriers. Mr. Featherstone responded that the dam was not built to continually spill and could lead to dam failure.

Mayor Roberts asked about the removal of the Seattle Golf Club Dam. Mr. Featherstone explained that the removal of the dam was not looked at because the focus was on the restoration of fish passage from the Seattle Golf Club Dam up to Hidden Lake.

Mayor Roberts confirmed that the Council agrees with staff's revised recommendation.

- (c) Discussing Ordinance No. 800 - Granting the Ronald Wastewater District a Non-Exclusive Franchise to Construct, Maintain, Operate, Replace and Repair a Sanitary Sewer System within Public Rights-of-Way

John Norris, Assistant City Manager, shared that the City's current Franchise entered in 2002 with the Ronald Wastewater District (RWD) expires October 22, 2017. He said more time is needed to effectuate the full assumption of RWD and that Ordinance No. 800 allows the City to enter into a Franchise with RWD. He said the Franchise is similar to the current one and also includes changes to make it consistent with the provisions in the Wastewater Utility Operation Services Agreement. He said the adoption of the Ordinance is scheduled for October 16, 2017.

Mayor Roberts recalled George Webster's remarks during public comment regarding a wastewater code citation noted in the *Currents* magazine that does not exist. Mr. Norris responded that the comment related to the Customer Services Policies and said the Council will be adopting an Ordinance with the appropriate code fee schedule language at the time of the full assumption of the Utility.

Councilmember McConnell thanked RWD and City staff for all the work completed on the Assumption. Mayor Roberts stated the item can be placed on the Consent Calendar.

## 9. ADJOURNMENT

At 8:30 p.m., Mayor Roberts declared the meeting adjourned.

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Jessica Simulcik Smith, City Clerk

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Adoption of Ordinance No. 804 - Amending the City's Existing Right-of-Way Franchise Agreement with Seattle Public Utilities
<b>DEPARTMENT:</b>	City Attorney's Office
<b>PRESENTED BY:</b>	Margaret King, City Attorney
<b>ACTION:</b>	<input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

As per Shoreline Municipal Code (SMC) Section 12.25.010, all utilities which use the City's rights-of-way for operation and maintenance of their facilities are required to have a non-exclusive franchise with the City. The City's existing non-exclusive right-of-way franchise with Seattle Public Utilities (SPU) for the operation of a domestic water system within the City was passed by Council on June 20, 2011.

Shoreline and SPU are seeking amendment to the existing franchise to increase their city-to-city partnership, in particular, SPU's provision of municipal water utility services to portions of the City. Staff from each jurisdiction have been working together over a number of months to this end, and the proposed Franchise amendment contains the following key provisions:

- SPU will establish a Shoreline Asset Management Priority Program that will be used to prioritize and implement certain SPU distribution system capital improvements in SPU's retail service area within the City of Shoreline.
- Beginning in 2018, the program would target \$1 million per year of capital improvement projects based a project list that identifies Shoreline priority capital improvements.
- The term of the franchise would be extended to a maximum length of 15 years as allowed by SMC 12.25.080, expiring on November 1, 2026. The current franchise term of nine years is set to expire in 2020.

Council discussed this proposed Ordinance at its October 23, 2017 meeting.

**RESOURCE/FINANCIAL IMPACT:**

The financial impact to Shoreline is likely to be minimal. However, the proposed franchise amendment includes the creation of a Shoreline Asset Management Priority Program. One of the aspects of this program includes option for the City to financially contribute to projects that exceed the annual \$1 million project fund. More information on the Program can be found below.

Otherwise, the fees and taxes that the City currently receives from SPU would continue under this amended franchise agreement. The proposed franchise agreement includes the same franchise fee payment structure as the existing agreement: equivalent to six percent of the retail sale of metered water to Shoreline customers. For the 2018 service year, the City anticipates collecting \$552,400 in franchise fee payments from SPU.

### **RECOMMENDATION**

Staff recommends that Council adopt proposed Ordinance No. 084, amending the City's existing right-of-way franchise agreement with Seattle Public Utilities.

Approved By:           City Manager **DT**   City Attorney **MK**

## **BACKGROUND**

As per SMC 12.25.010, all utilities which use the City's rights-of-way for operation and maintenance of their facilities are required to have a non-exclusive franchise with the City. The City's existing non-exclusive right-of-way franchise with Seattle Public Utilities (SPU) (Attachment A) for the operation of a domestic water system within the City was passed by Council on June 20, 2011.

In concert with the adoption of this 2011 Franchise Agreement, the City of Shoreline and the City of Seattle reached a tentative agreement to have the City of Seattle sell the SPU system within the Shoreline City limits to the City of Shoreline. In November 2012, Shoreline voters authorized the City to purchase the SPU water utility in Shoreline. After receiving this voter approval, Shoreline staff worked closely with Seattle staff to finalize a sale agreement. However, when former Seattle Mayor Ed Murray entered office in 2014, he instructed Seattle staff to reevaluate the sale of the utility and ultimately provided direction that the sale couldn't negatively affect Seattle rates. This resulted in a much higher purchase price for the system that made purchase of the utility impossible.

Following this decision by the City of Seattle, SPU and Shoreline staff continued to work together to negotiate an agreement to increase the utility funding spent on infrastructure projects in Shoreline. It was agreed that the terms of this agreement would be best placed in an amended Franchise Agreement. Staff from each jurisdiction have been working together over a number of months to this end, and the proposed Franchise amendment contains the following key provisions:

- SPU will establish a Shoreline Asset Management Priority Program that will be used to prioritize and implement certain SPU distribution system capital improvements in SPU's retail service area within the City of Shoreline.
- Beginning in 2018, the program would target \$1 million per year of capital improvement projects based a project list that identifies Shoreline priority capital improvements.
- The term of the franchise would be extended to a maximum length of 15 years as allowed by SMC 12.25.080, expiring on November 1, 2026. The current franchise term of nine years is set to expire in 2020.

## **DISCUSSION**

Proposed Ordinance No. 804 (Attachment B) would amend the existing right-of-way Franchise Agreement with SPU. Much of the terms and conditions would stay the same, though key amendments include:

- Section 3: The term for this franchise would be extended to 15 years, the maximum length allowed by Shoreline Municipal Code (SMC 12.25.080), expiring on November 1, 2026. The current franchise term of nine years is set to expire in 2020. Thus, this franchise extension will cover six additional years.
- Section 4: SPU will collect and distribute to the City a franchise fee equal to 6% of revenue generated from its water system operations within the City. This section

also establishes a Shoreline Asset Management Priority Program that will be used to prioritize and implement certain SPU distribution system capital improvements in SPU's retail service area within the City of Shoreline. (More information about the Shoreline Asset Management Priority Program can be found in the Exhibit B section below.)

- Section 6: SPU shall perform fire hydrant inspections and testing on each fire hydrant that is part of SPU's Facilities, on an annual cycle through 2020, and on a two-year cycle thereafter. SPU has entered into a Memorandum of Agreement with the Shoreline Fire District (SFD) where the SFD has agreed to conduct the inspections and testing and SPU will reimburse SFD. SPU will provide periodic reports to the City confirming inspections and repairs done in response to inspections.
- Section 8: SPU shall restore the Right-of-Way to at least the condition the same was in immediately prior to any such after installation, construction, relocation, etc. In the event of any emergency where any SPU Facilities located in the Right-of-Way are broken or damaged, SPU shall immediately take any necessary emergency measures to repair, replace or remove its Facilities. SPU shall secure City permits to work in the public rights-of-way. SPU shall comply with applicable federal, state, and local health and safety rules and regulations. SPU agrees to relocate its facilities when required by the City to complete a public project; costs borne by the City and SPU are established by a sliding scale based on the age of the SPU facility.
- Section 9: The parties agree to participate in the development of, and reasonable updates to the relevant portions of each other's planning documents, including those relating to Capital Improvement Plan projects, emergency operations, meter reading, maps and records, etc.
- Section 12: Standard insurance provisions are included in this section, including \$2,000,000 of auto liability coverage, \$5,000,000 of Commercial General Liability and \$5,000,000 of excess liability coverage.
- Section 15: Includes a City approval process for transfer of franchise rights.
- Exhibit B:
  - SPU will establish a Shoreline Asset Management Priority Program that will be used to prioritize and implement certain SPU distribution system capital improvements in SPU's retail service area within the City of Shoreline.
  - Beginning in 2018, the program would target \$1 million per year of capital improvement projects based on a project list, which would be developed jointly by the City and SPU annually between January and February each year and identifies Shoreline priority capital improvements.
  - Project costs would be based on SPU's estimated total project costs at 30% design. If the total cost estimate of a project on the Project List at the 90% design point is 25% or more than the cost estimate at 30% design, the parties will mutually agree to either A) remove the project from the Project List and replace with an alternative, or B) continue the project and agree that the increased portion of the project cost over the above reference 25% increase would come from another year's \$1 million target amount (or be paid by the City).

- If a capital project is over \$1 million in one year, up to two additional years' target amounts will be used up by that project; e.g. if a \$3 million project in year one, next new project would be year four.
- SPU would follow its normal capital planning process and share the 30% design estimated total project cost with the City and the City will have the opportunity to review and comment during the design process at the normal design milestones. SPU would include the project as part of its annual CIP program, which is subject to Seattle City Council adoption and appropriation of funds.

Council discussed this proposed Ordinance at its October 23, 2017 meeting. Prior to that meeting, staff from North City Water District raised questions about the map of SPU's water service area (shown as Exhibit A of Attachment B of this staff report). Because the purpose of the Exhibit is to delineate the area of the City that the City is granting to SPU a non-exclusive franchise to operate within, specific issues regarding actual service to a particular parcel by SPU or North City Water District are not impacted in any way. Staff understands that SPU staff have also reached out to North City Water District to clarify any questions in this regard. Materials from the October 23, 2017 Council meeting can be found on the City's website, here:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport102317-8c.pdf>.

### **RESOURCE/FINANCIAL IMPACT**

The financial impact to Shoreline is likely to be minimal. However, the proposed franchise amendment includes the creation of a Shoreline Asset Management Priority Program. One of the aspects of this program includes option for the City to financially contribute to projects that exceed the annual \$1 million project fund. More information on the Program can be found below.

Otherwise, the fees and taxes that the City currently receives from SPU would continue under this amended franchise agreement. The proposed franchise agreement includes the same franchise fee payment structure as the existing agreement: equivalent to six percent of the retail sale of metered water to Shoreline customers. For the 2018 service year, the City anticipates collecting \$552,400 in franchise fee payments from SPU.

### **RECOMMENDATION**

Staff recommends that Council adopt proposed Ordinance No. 084, amending the City's existing right-of-way franchise agreement with Seattle Public Utilities.

### **ATTACHMENTS**

Attachment A: Ordinance No. 606, Granting the City of Seattle, Acting Through Seattle Public Utilities, A Non-Exclusive Franchise to Own, Construct, Maintain,

Operate, Replace and Repair a Water System Within the City of  
Shoreline

Attachment B: Proposed Ordinance No. 804, Amending the City's Existing Right-of-Way  
Franchise Agreement with Seattle Public Utilities

Attachment B, Exhibit A: Map of Franchise Area

Attachment B, Exhibit B: Shoreline Asset Management Priority Program



## ORDINANCE NO. 606

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, GRANTING THE CITY OF SEATTLE, ACTING THROUGH SEATTLE PUBLIC UTILITIES, A NON-EXCLUSIVE FRANCHISE TO OWN, CONSTRUCT, MAINTAIN, OPERATE, REPLACE AND REPAIR A WATER SYSTEM WITHIN PUBLIC RIGHTS-OF-WAY OF THE CITY OF SHORELINE, WASHINGTON.**

WHEREAS, RCW 35A.11.020 grants the City broad authority to regulate the use of the public right-of-way; and

WHEREAS, RCW 35A.47.040 authorizes the City "to grant nonexclusive franchises for the use of public streets, bridges or other public ways, structures or places above or below the surface of the ground for... facilities for public conveyances, for poles, conduits, tunnels, towers and structures, pipes and wires and appurtenances thereof...for water, sewer and other private and publicly owned and operated facilities for public service;" and

WHEREAS, The City of Seattle, acting through Seattle Public Utilities ("SPU") is a municipal corporation that owns and operates a water system and related facilities located within and serving residents of the City of Shoreline; and

WHEREAS, the City Council finds that it is in the best interests of the health, safety and welfare of residents of the Shoreline community to grant a non-exclusive franchise to SPU for the operation of a public water system within the City right-of-way, on the terms and conditions stated below; NOW, THEREFORE,

**THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:**

1. **Definitions.** The following terms contained herein, unless otherwise indicated, shall be defined as follows:
  - 1.1 **City:** The City of Shoreline, a municipal corporation of the State of Washington, specifically including all areas incorporated therein as of the effective date of this ordinance and any other areas later added thereto by annexation or other means.
  - 1.2 **Days:** Calendar days.
  - 1.3 **Director:** The City Manager or designee.
  - 1.4 **Facilities:** All pipes and appurtenances, access ways, pump stations, storage facilities, equipment, and supporting structures, located in the City's right-of-way, installed by SPU in the operation of its activities authorized by this Ordinance.
  - 1.5 **Person:** An entity or natural person.

- 1.6 Revenue: Income derived by SPU only from the sale of retail metered water to customers whose connections are within the City of Shoreline. Revenue shall not include: late fees; any type of connection charges, general facilities charges, or local facilities charges; grants; contributed assets (CIAC); loans; income from legal settlements not related to water sales; income from cellular antenna leases; income from real property or real property sales; income from the sale of surplus equipment, tools or vehicles; interest income; penalties; hydraulic modeling fees; water system extension agreement (WSEA) fees and charges; equipment and materials charges; income from the sale of bidders documents and plan sets; or any other fees and charges.
- 1.7 Right-of-Way: As used herein shall refer to the surface of and the space along, above, and below any street, road, highway, freeway, lane, sidewalk, alley, court, boulevard, parkway, drive, easement, and/or road right-of-way now or hereafter held or administered by the City of Shoreline.
- 1.9 Relocation: As used herein shall mean to protect, support, temporarily disconnect, relocate or remove SPU facilities in the City right-of-way.
- 1.10 SPU: Seattle Public Utilities, a department of the City of Seattle, a municipal corporation, and its respective successors and assigns.
2. **Franchise Granted.**
- 2.1 Pursuant to RCW 35A.47.040, the City hereby grants to SPU, its successors and assigns, subject to the terms and conditions hereinafter set forth, a Franchise beginning on the effective date of this Ordinance.
- 2.2 This Franchise shall grant SPU the right, privilege and authority, subject to the terms and conditions hereinafter set forth, to construct, operate, maintain, replace, and use all necessary equipment and Facilities for a public water system, in, under, on, across, over, through, along or below the public Right-of-Way located in the City of Shoreline.
- 2.3 This Franchise is granted upon the express condition that it shall not in any manner prevent the City from granting other or further franchises in, along, over, through, under, below or across any Right-of-Way. Such franchise shall in no way prevent or prohibit the City from using any Right-of-Way or other City property or affect its jurisdiction over them or any part of them, and the City shall retain the authority to make all necessary changes, Relocations, repairs, maintenance, establishment, improvement, dedication of the same as the City may deem fit, including the dedication, establishment, maintenance, and improvement of all new rights-of-way or other public properties of every type and description.
3. **Franchise Term.** The initial term of the Franchise granted hereunder shall be three (3) years commencing on the date of acceptance by SPU. At the expiration of the initial term

and of each succeeding term, this franchise shall be extended for two additional terms of three (3) years each, unless either party gives the other written notice of intent to terminate, which notice may be given without cause, but shall be given at least six (6) months before the expiration date.

4. **Consideration.** In consideration of the rights granted to SPU by this Agreement, SPU agrees to comply with the terms and conditions of operation within the City rights-of-way set forth in this agreement and, as additional consideration, SPU agrees:

- 4.1 To collect and distribute to the City a Franchise fee equal to 6% of Revenue generated from its water system operations within the City.
  - 4.1.1 This Franchise fee shall be collected beginning upon the effective date of this Franchise.
  - 4.1.2 Proceeds of the Franchise fee collected shall be distributed to the City no later than 30 days after the end of each calendar quarter (quarters ending at the end of March, June, September and December).
- 4.2 Should SPU be prevented by judicial or legislative action from collecting a Franchise fee on all or a part of the Revenues, SPU shall be excused from the collection and distribution of that portion of the Franchise fee.
- 4.3 Should a court of competent jurisdiction declare, or a change in law make the Franchise fee to be collected on behalf of the City invalid, in whole or in part, or should a court of competent jurisdiction hold that the collection of the Franchise fee by SPU is in violation of a pre-existing contractual obligation of SPU, then SPU's obligation to collect and distribute a Franchise fee to the City under this Section shall be terminated in accordance with and to the degree required to comply with such court action.
- 4.4 SPU agrees that the franchise fee established by this Section is appropriate and that SPU will not be a party to or otherwise support legal or legislative action intended to result in judicial determinations or legislative action referred to in Sections 4.2 and 4.3 hereof.

5. **City Ordinances and Regulations.** Nothing herein shall be deemed to direct or restrict the City's ability to adopt and enforce all necessary and appropriate ordinances regulating the rights-of-way including the State Building Code and any reasonable ordinance made in the exercise of its police powers in the interest of public safety and for the welfare of the public. The City shall have the authority at all times to control, by appropriate regulations, the general location and, elevation of new or relocated Facilities of SPU that are part of a public project located within the City Right-of-way needed for the City's own use of the Right-of-Way, which may include coordination with other utilities in the Right-of-Way. SPU shall promptly conform with all such regulations at no charge or expense to the City, unless compliance would cause SPU to violate other requirements of law. Such regulations shall not unreasonably affect or modify any portion of this agreement without the approval of SPU.

Should SPU and City not be able to agree, they shall resolve the differences through Section 16 - Alternate Dispute Resolution.

6. Right-of-Way Management.

- 6.1 Permits Required. Whenever SPU excavates in any Right-of-Way for the purpose of installation, construction, repair, maintenance, or Relocation of its Facilities, it shall apply to the City for a permit to do so in accord with the ordinances and regulations of the City requiring permits to operate in the Right-of-Way, and consistent with Section 6.6 of this Franchise. In no case shall any such work commence within any Right-of-Way without a permit, except as otherwise provided in this Franchise.
- 6.2 Abandonment of SPU's Facilities. No Facilities laid, installed, constructed, or maintained in the Right-of-Way by SPU, except for surface facilities or mains that are 12 inches or smaller, may be abandoned by SPU without the prior written consent of the Director of a plan, which will not be unreasonably withheld. All necessary permits must be obtained prior to such work. Any abandoned SPU surface facility shall be removed by SPU within a reasonable time.
- 6.3 Restoration after Construction.
- 6.3.1 SPU shall, after any installation, construction, Relocation, maintenance, or repair of Facilities within the Franchise area, restore the Right-of-Way to at least the condition the same was in immediately prior to any such abandonment, installation, construction, Relocation, maintenance or repair. Restoration shall not require an improvement to a condition that substantially exceeds the condition prior to SPU's activities. All concrete encased monuments, which have been disturbed or displaced by such work, shall be restored pursuant to all federal, state and local standards and specifications. SPU agrees to promptly complete all restoration work and to promptly repair any damage caused by such work at its sole cost and expense.
- 6.3.2 If it is determined that SPU has failed to restore the Right-of-Way in accordance with this Section, the City shall provide SPU with written notice including a description of actions the City believes necessary to restore the Right-of-Way. Any dispute over failure to restore shall be resolved in compliance with Section 16 – Alternative Dispute Resolution.
- 6.4 Bonding Requirement. SPU, as a public agency, is not required to comply with the City's standard bonding requirement for working in the City's Right-of-Way.
- 6.5 Emergency Work, Permit Waiver. In the event of any emergency where any SPU Facilities located in the Right-of-Way are broken or damaged, or if SPU's construction area for their Facilities is in such a condition as to place the health or safety of any person or property in imminent danger, SPU shall immediately take any necessary emergency measures to repair, replace or remove its Facilities

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without first applying for and obtaining a permit as required by this Franchise. However, this emergency provision shall not relieve SPU from later obtaining any necessary permits for the emergency work. SPU shall apply for the permits that would have been required and obtained prior to the emergency as soon as practical given the nature and duration of the emergency.

## 6.6 Excavations.

6.6.1 SPU shall secure City rights-of-way permits to work in the public rights-of-way, including but not limited to Capital Improvements Program projects, water main repairs, and work involving excavation in the Right-of-Way. This would include disruption of all motorized and non-motorized travel portions of the Right-of-Way, including all surface water drainage facilities. For all routine operations in the public rights-of-way, such as flushing, painting hydrants, vegetation maintenance and work within existing chambers, no permit will be required.

6.6.2 If either party plans to excavate in the public rights-of-way, then upon a written request from the other, that party may share excavation upon mutually agreeable terms and conditions.

## 6.7 Safety.

6.7.1 SPU, in accordance with applicable federal, state, and local health and safety rules and regulations shall, at all times, employ ordinary care in the installation, maintenance, operation, and repair of Facilities utilizing methods and devices commonly accepted for public water utility operations to prevent failures and accidents that are likely to cause damage, injury, or nuisance to persons or property and shall accomplish work in a manner that will minimize interference with traffic and use of adjoining property.

6.7.2 All of SPU's Facilities in the Right-of-Way shall be constructed and maintained in a safe and operational condition.

## 6.8 Dangerous Conditions, Authority for City to Abate.

6.8.1 Whenever Facilities or the operations of SPU cause or contribute to a condition that reasonably appears to endanger any person or substantially impair the use or lateral support of the adjoining Right-of-Way, public or private property, SPU, at no charge or expense to the City, will take actions to resolve the conflict or remove the endangerment within a reasonable time period. The resolution of the dangerous condition requires approval of SPU Manager and the Director before the work begins.

6.8.2 In the event the Grantee fails or refuses to promptly take action as required in Section 6.8.1, or if emergency conditions exist which require immediate

action to prevent imminent injury or damages to persons or property, the City may take such reasonable actions as it believes are necessary to protect persons or property and the Grantee shall be responsible to reimburse the City for its reasonable costs.

6.9 Relocation of System Facilities.

6.9.1 In accordance with the following schedule, SPU agrees and covenants to protect, support, temporarily disconnect, relocate or remove from any Right-of-Way its Facilities when so required by the City, to accommodate the completion of or as a result of a public project. As used in this Section, the term "public project" is a project included in the City's adopted six-year Capital Improvement Program as amended annually by the City Council.

<u>Age of SPU Facility</u>	<u>% of Relocation by City</u>	<u>% of Relocation by SPU</u>
5 years or less	100%	0%
5-10 years	50%	50%
10 + years	0%	100%

6.9.2 This Relocation requirement shall not apply to pipelines 24 inches in diameter and larger that cannot reasonably be supported, disconnected, relocated or removed. If these Facilities are required to be moved in order to accommodate the completion of or as a result of a public project, the City shall pay 50% of the Relocation cost.

6.9.3 All Facilities utilized for providing water service within SPU's service area and within the Right-of-Way shall be considered owned, operated and maintained by SPU.

6.9.4 If the City determines that a public project necessitates the Relocation or removal of SPU's existing Facilities, the City shall:

6.9.4.1 As soon as possible, but not less than one hundred eighty (180) days prior to the commencement of such project, provide SPU with written notice requiring such Relocation or removal; and

6.9.4.2 Provide SPU with copies of any plans and specifications pertinent to the requested Relocation or removal and a proposed temporary or permanent Relocation for SPU's Facilities.

6.9.4.3 After receipt of such notice and such plans and specifications, SPU shall complete Relocation of its Facilities at least ten (10) days prior to commencement of the project according to the above cost sharing described in this Section.

- 6.9.5 SPU may, after receipt of written notice requesting Relocation or removal of its Facilities, submit to the City written alternatives to such Relocation. The City shall evaluate such alternatives and advise SPU in writing if any of the alternatives are suitable to accommodate the work that necessitates the Relocation of the Facilities. If so requested by either party, SPU or City shall submit additional information to assist the other party in making such evaluation. The City shall give each alternative proposed by SPU full and fair consideration and, if appropriate, state why SPU's proposed alternatives are not satisfactory. In the event the City and SPU ultimately do not agree on a reasonable alternative, SPU and City shall attempt to resolve the Relocation through Section 16 - Alternate Dispute Resolution.
- 6.9.6. If the City determines that SPU's Facilities must be protected, supported, temporarily or permanently disconnected, relocated or removed from the Right-of-Way, City shall reimburse SPU all costs as submitted and verified by SPU within forty-five (45) days of completion of the Relocation or removal by SPU in accord with paragraph 6.9.1 and 6.9.2 herein.
- 6.9.7 The provisions of this Section 6.9 shall in no manner preclude or restrict SPU from making any arrangements it may deem appropriate when responding to a request for Relocation of its Facilities by any person or entity other than the City.

7. Planning Coordination.

- 7.1 Growth Management. The parties agree to participate in the development of, and reasonable updates to the relevant portions of each other's planning documents:

- 7.1.1 For SPU's service within the City limits, SPU will participate in a cooperative effort with the City of Shoreline to develop a Comprehensive Plan Utilities Element that meets the requirements described in RCW 36.70A.070(4). SPU will participate in a cooperative effort with the City to ensure that the Utilities Element of Shoreline's Comprehensive plan is accurate as it relates to SPU's operations and is updated to ensure continued relevance at reasonable intervals.
- 7.1.2 SPU shall submit information related to the general location, proposed location, and capacity of all existing and proposed Facilities within the City as requested by the Director within a reasonable time, not exceeding sixty (60) days from receipt of a written request for such information, provided that such information is in SPU's possession, or can be reasonably developed from the information in SPU's possession.
- 7.1.3 SPU will update information provided to the City under this Section whenever there are major changes in SPU's system plans for Shoreline.
- 7.1.4 The City will provide information relevant to SPU's operations within a reasonable period of written request to assist SPU in the development or

update of its Comprehensive Water System Plan, provided that such information is in the City's possession, or can be reasonably developed from the information in the City's possession.

- 7.2 System Development Information. SPU and the City will each assign a representative whose responsibility shall be to coordinate planning for CIP projects including those that involve undergrounding. At a minimum, such coordination shall include the following:
- 7.2.1 By February 1st of each year, SPU shall provide the City with a schedule of its planned capital improvements, which may affect the Right-of-Way for that year;
  - 7.2.2 By February 1<sup>st</sup> of each year, the City shall provide SPU with a schedule of its planned capital improvements which may affect the Right-of-Way for that year including but not limited to street overlays and repairs, storm drainage improvements and construction, and all other Right-of-Way activities that could affect SPU capital improvements and infrastructure.
  - 7.2.3 SPU shall meet with the City, other franchisees and users of the Right-of-Way as necessary to schedule and coordinate construction.
  - 7.2.4 All construction locations, activities, and schedules shall be coordinated to minimize public inconvenience, disruption, or damages.
- 7.3 Emergency Operations. The City and SPU agree to cooperate in the planning and implementation of emergency operations response procedures.
- 7.4 Maps and Records. Without charge to either party, both parties agree to provide each other with as-built plans, maps, and records that show the vertical and horizontal location of its Facilities within the Right-of-Way, measured from the center line of the Right-of-Way, using a minimum scale of one inch equals one hundred feet (1"=100'). Maps shall be provided in Geographical Information System (GIS) or other digital electronic format used by the City or SPU, and upon request, in hard copy plan form used by City or SPU. This information shall be provided between one hundred twenty (120) and one hundred eighty (180) days of the effective date of this Ordinance and shall be updated upon reasonable request by the either party. The City and SPU agree to maintain confidentiality of any and all information received to the extent necessary to meet Homeland Security objectives and in accordance with public records laws.
8. Equivalent Service Quality. SPU shall provide the same services to customers in the City that is provided to all other customers with similar circumstances within SPU's service territory. SPU shall at all times comply with the minimum regulatory standards presently in effect or as may be amended for the operation of a public water utility.



9. Indemnification.

- 9.1 SPU hereby releases, covenants not to bring suit, and agrees to indemnify, defend and hold harmless the City, its elected officials, employees, agents, and volunteers from any and all claims, costs, judgments, awards, attorneys' fees, or liability to any person arising from the negligent or intentional acts or omissions of SPU, its agents, servants, officers or employees in performing activities or failing to perform activities authorized by this Franchise, and including those claims arising against the City by virtue of SPU's exercise of rights granted herein. It is further specifically and expressly understood that the indemnification provided herein constitutes SPU's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties. The provisions of this section shall survive the expiration or termination of this Agreement. This covenant of indemnification shall include, but not be limited by this reference, to claims against the City arising as a result of the acts or omissions of SPU, its agents, servants, officers or employees except for claims for injuries and damages caused by the sole negligence of the City. If final judgment is rendered against the City, its elected officials, employees, agents, and volunteers, or any of them, SPU shall satisfy the same. The City may appear in any proceeding it deems necessary to protect the City's or the public's interests.
- 9.2 Inspection or acceptance by the City of any work performed by SPU at the time of completion of construction shall not be grounds for avoidance of any of these covenants of indemnification. Said indemnification obligations shall extend to claims that are not reduced to a suit and any claims that may be settled prior to the culmination of any litigation or the institution of any litigation.
- 9.3 In the event SPU refuses to undertake the defense of any suit or any claim, after the City's request for defense and indemnification has been made pursuant to the indemnification clauses contained herein, and SPU's refusal is subsequently determined by a court having jurisdiction (or such other tribunal that the parties shall agree to decide the matter), to have been a wrongful refusal on the part of SPU, then SPU shall pay all of the City's costs and expenses for defense of the action, including reasonable attorneys' fees of recovering under this indemnification clause as well as any judgment against the City.
- 9.4 Should a court of competent jurisdiction determine that this Franchise is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of SPU and the City, its officers, employees and agents, SPU's liability hereunder shall be only to the extent of SPU's negligence. It is further specifically and expressly understood that the indemnification provided herein constitutes SPU's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties. The provisions of this Section shall survive the expiration or termination of this Franchise.

- 9.5 The City hereby releases and agrees to indemnify and hold harmless SPU, its elected officials, employees, agents, and volunteers from any and all claims, costs, judgments, awards or liability to any person arising from SPU's compliance with Section 4.1 of this Agreement. This indemnification is contingent upon SPU's compliance with Section 4.4 hereof.
- 9.6 The City hereby releases and agrees to indemnify, defend and hold harmless SPU, its elected officials, employees, agents, and volunteers from any and all claims, costs, judgments, awards or liability to any person arising from City's decision to issue development permits based on accurate information on fire flow and water availability provided by SPU or the City's enforcement of the International Fire Code.

#### 10. Insurance.

- 10.1 SPU shall procure and maintain for the duration of the Franchise, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the exercise of the rights, privileges and authority granted hereunder to SPU, its agents, representatives or employees. Prior to adoption of this franchise ordinance, SPU shall provide an insurance endorsement, naming the City as an additional insured, and such endorsement shall evidence a policy of insurance that includes:
- 10.1.1 Automobile Liability insurance for owned, non-owned and hired vehicles with limits no less than \$2,000,000 Combined Single Limit per accident for bodily injury and property damage; and
- 10.1.2 Commercial General Liability insurance, written on an occurrence basis with limits no less than \$5,000,000 combined single limit per occurrence and \$10,000,000 aggregate for personal injury, bodily injury and property damage. Coverage shall include but not be limited to: blanket contractual; products and completed operations; broad form property damage; explosion, collapse and underground (XCU); and employer's liability.
- 10.1.3 Excess Liability in an amount of \$5,000,000 each occurrence and \$5,000,000 aggregate limit. The City shall be named as an additional insured on the Excess Liability insurance policy.
- 10.2 The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, or employees. In addition, the insurance policy shall contain a clause stating that coverage shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. SPU's insurance shall be primary. Any insurance, self insurance, or insurance pool coverage maintained by the City shall be excess of SPU's insurance and shall not contribute with it. Coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days prior written notice has been given to the City.

- 10.3 SPU shall require all its subcontractors to carry insurance consistent with this Section 10, and shall provide evidence of such insurance to the City upon request
- 10.4 SPU may satisfy the requirements of this Section by a self-insurance program.

11. Enforcement.

- 11.1 Both the City and SPU reserve the right to revoke and terminate this Franchise in the event of a substantial violation or breach of its terms and conditions.
- 11.2 A substantial violation or breach by City or by SPU shall include, but shall not be limited to, the following:
- 11.2.1 An uncured violation of any material provision of this Franchise or any material rule, order or regulation of the City made pursuant to its power to protect the public health, safety and welfare;
- 11.2.2 An intentional evasion or knowing attempt by either party to evade any material provision of this Franchise or practice of any fraud or deceit upon SPU or upon the City;
- 11.2.3 Failure to provide the services specified in Sections 6.9 and 8 of the Franchise;
- 11.2.4 Misrepresentation of material fact during negotiations relating to this Franchise or the implementation thereof;
- 11.2.5 An uncured failure to pay fees associated with this Franchise.
- 11.3 No violation or breach shall occur which is without fault of SPU or the City, or which is as a result of circumstances beyond SPU's or the City's reasonable control. Neither SPU, nor the City, shall be excused by economic hardship nor by nonfeasance or malfeasance of its directors, officers, agents or employees.
- 11.4 Except in the case of termination pursuant to Paragraph 11.2.5 of this Section, prior to any termination or revocation, the City, or SPU, shall provide the other with detailed written notice of any substantial violation or material breach upon which it proposes to take action. The party who is allegedly in breach shall have a period of 60 days following such written notice to cure the alleged violation or breach, demonstrate to the other's satisfaction that a violation or breach does not exist, or submit a plan satisfactory to the other to correct the violation or breach. If, at the end of said 60-day period, the City or SPU reasonably believes that a substantial violation or material breach is continuing and the party in breach is not taking satisfactory corrective action, the other may declare that the party in breach

is in default and may terminate this Agreement in accord with this Section, which declaration must be in writing.

- 11.5 The City or SPU may, in its discretion, provide in writing additional time to remedy any violation or breach and come into compliance with this agreement so as to avoid the termination or revocation.
- 11.6 Either party may remedy any material violation existing for a period of greater than 60 days (or greater than any additional time allowed in writing according to section 11.5 above) to protect public health, safety or property at the violating party's expense.

12. Survival. All of the provisions, conditions and requirements of Sections 6.3 Abandonment Of SPU's Facilities, 6.4 Restoration After Construction, 6.6 Excavation, 6.8 Dangerous Conditions, Authority For City To Abate, 6.9 Relocation Of System Facilities, and 9 Indemnification of this Franchise shall be in addition to any and all other obligations and liabilities SPU may have to the City at common law, by statute, or by contract, and shall survive the City's Franchise to SPU for the use of the areas mentioned in Section 2 herein, and any renewals or extensions thereof. All of the provisions, conditions, regulations and requirements contained in this Franchise Ordinance shall further be binding upon the heirs, successors, executors, administrators, legal representatives and assigns of SPU and all privileges, as well as all obligations and liabilities of SPU shall inure to its heirs, successors and assigns equally as if they were specifically mentioned wherever SPU is named herein.

13. Assignment. This franchise shall not be sold, transferred, assigned, or dispose of in whole or in part either by sale, voluntary merger, consolidation or otherwise, without the written approval of the City which shall not be unreasonably withheld. Any costs associated with the City's review of any transfer proposed by the Grantee shall be reimbursed to the City by SPU.

13.1 Except as otherwise provided herein, SPU shall promptly notify the City prior to any proposed change in, or transfer of, or acquisition by any other party of control of SPU's utility. Every change, transfer, or acquisition of control of SPU's utility shall cause a review of the proposed transfer. In the event that the City denies its consent and such change, transfer or acquisition of control has been effected, the Franchise is terminated.

14. Notice. Any notice or information required or permitted to be given to the parties under this Franchise may be sent to the following addresses unless otherwise specified:

Seattle Public Utilities Director  
 Seattle Municipal Tower  
 700 Fifth Avenue, Ste. 4900  
 PO Box 34018  
 Seattle, WA 98124-4018  
 Phone: (206) 684-5851  
 Fax: (206) 684-4631

Director of Public Works  
 City of Shoreline  
 17500 Midvale Avenue N.  
 Shoreline, WA 98133-4921  
 Phone: (206) 801-2700  
 Fax: (206) 546-7868

15. Non-Waiver. The failure of either party to enforce any breach or violation by the other party of any provision of this Franchise shall not be deemed to be a waiver or a continuing waiver by the non-breaching party of any subsequent breach or violation of the same or any other provision of this Franchise.

16. Alternate Dispute Resolution. If the parties are unable to resolve disputes arising from the terms of this Franchise, prior to resorting to a court of competent jurisdiction, the parties shall submit the dispute to a non-binding alternate dispute resolution process agreed to by the parties. Unless otherwise agreed between the parties or determined herein, the cost of that process shall be shared equally.

17. Entire Agreement. This Franchise constitutes the entire understanding and agreement between the parties as to the subject matter herein and no other agreements or understandings, written or otherwise, shall be binding upon the parties upon execution and acceptance hereof.

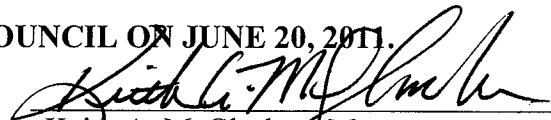
18. Severability. If any Section, sentence, clause or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other Section, sentence, clause or phrase of this Franchise Ordinance. The Parties may amend, repeal, add, replace, or modify any provision of this Franchise to preserve the intent of the parties as expressed herein prior to any finding of invalidity or unconstitutionality.

19. Directions to City Clerk. The City Clerk is hereby authorized and directed to forward certified copies of this ordinance to SPU set forth in this ordinance. SPU shall have sixty (60) days from receipt of the certified copy of this ordinance to accept in writing the terms of the Franchise granted to SPU in this ordinance.

20. Publication Costs. In accord with state law, this ordinance shall be published in full by the City. SPU shall reimburse the City for the cost of publishing this Franchise ordinance within sixty (60) days of receipt of an invoice from the City.


21. Effective Date. This ordinance shall take effect and be in full force five days after publication.

PASSED BY THE CITY COUNCIL ON JUNE 20, 2011.

  
Keith A. McGlashan, Mayor

ATTEST

  
Scott Passey  
City Clerk

APPROVED AS TO FORM:  
  
Ian Sievers  
City Attorney

Publication Date: June <sup>23</sup>16, 2011  
Effective Date: June <sup>28</sup>21, 2011



**ORDINANCE NO. 804**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, AMENDING, EXTENDING, AND RESTATING THE FRANCHISE GRANTED TO THE CITY OF SEATTLE, ACTING THROUGH SEATTLE PUBLIC UTILITIES, BY ORDINANCE NO. 606, FOR A NON-EXCLUSIVE FRANCHISE TO OWN, CONSTRUCT, MAINTAIN, OPERATE, REPLACE AND REPAIR A WATER SYSTEM WITHIN CERTAIN AREAS IN THE PUBLIC RIGHTS-OF-WAY OF THE CITY OF SHORELINE, WASHINGTON.**

WHEREAS, RCW 35A.11.020 grants the City broad authority to regulate the use of the public right-of-way; and

WHEREAS, RCW 35A.47.040 authorizes the City "to grant nonexclusive franchises for the use of public streets, bridges or other public ways, structures or places above or below the surface of the ground for... facilities for public conveyances, for poles, conduits, tunnels, towers and structures, pipes and wires and appurtenances thereof...for water, sewer and other private and publicly owned and operated facilities for public service;" and

WHEREAS, The City of Seattle, acting through Seattle Public Utilities ("SPU") is a municipal corporation that owns and operates a water system and related facilities located within and serving residents of the City of Shoreline; and

WHEREAS, the City Council adopted Ordinance No. 606 on June 20, 2011 granting the City of Seattle a non-exclusive franchise for the operation of a public water system within the City right-of-way with a term extending through June 2020 for a total of 9 years; and

WHEREAS, the City Council finds that it is in the best interests of the health, safety and welfare of residents of the Shoreline community to amend the non-exclusive franchise to SPU to clarify certain provisions and to extend the term through June 2026, for a total of 15 years, on the amended and restated terms and conditions stated below; NOW, THEREFORE,

**THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO  
ORDAIN AS FOLLOWS:**

**Section 1. ORDINANCE 606 Amended.** Ordinance 606, granting a non-exclusive franchise to own, construct, maintain, operate, replace and repair a water system within public rights of way within the City of Shoreline, is hereby amended to read as follows and all sections and subsections shall be renumbered accordingly:

1. **Definitions.** The following terms contained herein, unless otherwise indicated, shall be defined as follows:

1.1 **City:** The City of Shoreline, a municipal corporation of the State of Washington, specifically including all areas incorporated therein as of the effective date of this ordinance and any other areas later added thereto by annexation or other means.

1.2 **Days:** Calendar days.

- 1.3 Director: The City Manager or designee.
  - 1.4 Facilities: All pipes and appurtenances, access ways, pump stations, storage facilities, fire hydrants, equipment, and supporting structures, located in the City's right-of-way, ~~installed~~ owned by SPU or utilized in the operation of its activities authorized by this Ordinance.
  - 1.5 Franchise Area: Those portions of the City of Shoreline in which the Franchise granted herein is applicable, including, collectively, all Rights of Way in the outlined areas shown as "Portions of SPU's Retail Service Area within the City of Shoreline" on the map attached to and incorporated herein by reference as Exhibit A and any Rights of Way outside of that outlined area where existing Facilities are currently located shown generally as "SPU Regional Water System Facilities" on Exhibit A. The Parties may amend Exhibit A by written agreement consistent with Section 9.6.
  - 1.6 Person: An entity or natural person.
  - 1.7 Revenue: Income derived by SPU only from the sale of retail metered water to customers whose connections are within the City of Shoreline. Revenue shall not include: late fees; any type of connection charges, general facilities charges, or local facilities charges; grants; contributed assets (CIAC); loans; income from legal settlements not related to water sales; income from cellular antenna leases; income from real property or real property sales; income from the sale of surplus equipment, tools or vehicles; interest income; penalties; hydraulic modeling fees; water system extension agreement (WSEA) fees and charges; equipment and materials charges; income from the sale of bidders documents and plan sets; or any other fees and charges.
  - 1.8 Right-of-Way: As used herein shall refer to the surface of and the space along, above, and below any street, road, highway, freeway, lane, sidewalk, alley, court, boulevard, parkway, drive, easement, and/or road right-of-way ~~now or hereafter held or administered by~~ within the City of Shoreline Franchise Area.
  - 1.9 Relocation: As used herein shall mean to protect, support, temporarily disconnect, relocate or remove SPU facilities in the City right-of-way.
  - 1.10 SPU: Seattle Public Utilities, a department of the City of Seattle, a municipal corporation, and its respective successors and assigns.
2. **Franchise Granted.**
- 2.1 Pursuant to RCW 35A.47.040, the City hereby grants to SPU, its successors and assigns, subject to the terms and conditions hereinafter set forth, ~~a~~ an Amended, Extended, and Restated Franchise beginning on the effective date of this Ordinance.
  - 2.2 This Franchise shall grant SPU the right, privilege and authority, subject to the terms and conditions hereinafter set forth, to construct, operate, test, inspect, maintain, replace, and use all necessary equipment and Facilities for a public water



system, in, under, on, across, over, through, along or below the public Right-of-Way located within the Franchise Area, in the City of Shoreline.

- 2.3 This Franchise is granted upon the express condition that it shall not in any manner prevent the City from granting other or further franchises in, along, over, through, under, below or across any Right-of-Way. Such franchise shall in no way prevent or prohibit the City from using any Right-of-Way or other City property or affect its jurisdiction over them or any part of them, and the City shall retain the authority to make all necessary changes, Relocations, repairs, maintenance, establishment, improvement, dedication of the same as the City may deem fit, including the dedication, establishment, maintenance, and improvement of all new rights-of-way or other public properties of every type and description.

3. **Franchise Term.** The ~~initial~~ amended and extended term of the Franchise granted hereunder shall be ~~three (3)~~ fifteen (15) years ~~commencing which commenced on the date of acceptance by SPU. At the expiration of the initial term and of each succeeding term, this franchise shall be extended for two additional terms of three (3) years each, November 1, 2011 pursuant to City Ordinance No. 606 and will continue through November 1, 2026, unless either party gives the other sooner terminated or modified by written notice of intent to terminate, which notice may be given without cause, but shall be given at least six (6) months before the expiration date~~ agreement of the City and SPU.

4. **Consideration.** In consideration of the rights granted to SPU by this Agreement, SPU agrees to comply with the terms and conditions of operation within the City rights-of-way set forth in this agreement and, as additional consideration, SPU agrees:

- 4.1 To collect and distribute to the City a Franchise fee equal to 6% of Revenue generated from its water system operations within the City.

4.1.1 This Franchise fee shall be collected beginning upon the effective date of this Franchise.

4.1.2 Proceeds of the Franchise fee collected shall be distributed to the City no later than 30 days after the end of each calendar quarter (quarters ending at the end of March, June, September and December).

- 4.2 To establish a Shoreline Asset Management Priority Program (“Program”) as more particularly described in Exhibit B to this Franchise, as may be amended from time to time by written agreement between the City and SPU.

4.3 Should SPU be prevented by judicial or legislative action from collecting a Franchise fee on all or a part of the Revenues, or from establishing the Program, SPU shall be excused from the collection and distribution of that portion of the Franchise fee or the implementation of the Program.

4.4 Should a court of competent jurisdiction declare, or a change in law make the Franchise fee to be collected on behalf of the City invalid, in whole or in part, or

should a court of competent jurisdiction hold that the collection of the Franchise fee by SPU is in violation of a pre-existing contractual obligation of SPU, then SPU's obligation to collect and distribute a Franchise fee to the City under this Section shall be terminated in accordance with and to the degree required to comply with such court action.

4.5 SPU agrees that the franchise fee established by this Section is appropriate and that SPU will not be a party to or otherwise support in any way, legal or legislative action intended to result in judicial determinations or legislative action referred to in Sections 4.23 and 4.34 hereof.

4.6 Should SPU be prevented or precluded from implementation of the Program, SPU and the City shall meet within three (3) months of such invalidating action and work together, in good faith, to modify the Program to address the invalidity in order to meet the original intent of the parties. Should the parties be unable to agree or to so modify the Program, the City may, in its sole discretion, terminate this Franchise.

5. **Municipal Water Utility.** In consideration of SPU's payment of the Franchise Fee and establishment of the Program under Section 4 above; acceptance of the responsibility to provide and pay for fire hydrants and related fire suppression water facilities within the City of Shoreline; and SPU's acceptance of the other terms and conditions of this Franchise, the City agrees not to exercise its right to establish its own separate municipal water utility within SPU's retail water service area within Shoreline during the term of this Franchise.

6. **Fire Suppression Water Facilities and Services.**

6.1 Pursuant to RCW 70.315.040, SPU agrees to be responsible for the installation, operation, inspection, testing, maintenance, repair and replacement of fire suppression water facilities and to provide fire suppression water services as those terms are defined in RCW 70.315.020 within SPU's Retail Water Service Area within the Franchise Area, including the costs thereof.

6.2 SPU shall perform or cause to perform fire hydrant inspections and testing on each fire hydrant that is part of SPU's Facilities, on an annual cycle through 2020, and on a two-year cycle thereafter. SPU has entered into a Memorandum of Agreement with the Shoreline Fire District (SFD), dated \_\_\_\_\_, which may be amended from time to time, where the SFD has agreed to conduct the inspections and testing and SPU will reimburse SFD.

6.3 SPU will perform any maintenance and repairs to fire hydrants in accordance with the priority system that it uses within the City of Seattle, e.g. out of service hydrants receive the highest priority response.

6.4 SPU will provide periodic reports to the City in a form acceptable to the City confirming inspections and repairs done in response to inspections by SFD or other report to SPU.

- 6.5 SPU does not represent or warrant sufficient water pressure or flow from its fire suppression water facilities and SPU shall not have any duty, obligation, or responsibility to provide any other fire protection and suppression services to the public within the Franchise Area.
- 6.6 Should a court of competent jurisdiction declare, or a change in law make SPU's acceptance of responsibilities under this section invalid, in whole or in part, then SPU's obligation to provide the fire suppression water facilities and services at its cost shall be terminated in accordance with and only to the degree required to comply with such court action or change in law, and provided further that this provision should only apply if the court decision or legislation is explicitly and expressly applicable to existing Franchises. In addition, to the extent any such court order or change in law requires the City to refund the costs of the fire suppression water facilities and services to SPU or its customers and provided further that this provision will only apply if the court decision or legislation is explicitly and expressly retroactive and applicable to existing Franchises, the City shall refund SPU or its customers the costs of providing the fire suppression water facilities and services together with any required interest in the amount and for the period required to satisfy the applicable order or rule. Should this occur, SPU and the City shall meet within three (3) months of such invalidating action and work together, in good faith, to modify this Section 6 to address the invalidity in order to meet the original intent of the parties.

7. **City Ordinances and Regulations.** Nothing herein shall be deemed to direct or restrict the City's ability to adopt and enforce all necessary and appropriate ordinances regulating the rights-of-way including the State Building Code and any reasonable ordinance made in the exercise of its police powers in the interest of public safety and for the welfare of the public. The City shall have the authority at all times to control, by appropriate regulations, the general location and, elevation of new or relocated Facilities of SPU that are part of a public project located within the City Right-of-way needed for the City's own use of the Right-of-Way, which may include coordination with other utilities in the Right-of-Way. SPU shall promptly conform with all such regulations at no charge or expense to the City, unless compliance would cause SPU to violate other requirements of law. Such regulations shall not unreasonably affect or modify any portion of this agreement without the approval of SPU. Should SPU and City not be able to agree, they shall resolve the differences through Section ~~46~~ 18- Alternate Dispute Resolution.

8. **Right-of-Way Management.**

- 8.1 Permits Required. Whenever SPU excavates in any Right-of-Way for the purpose of installation, construction, repair, maintenance, or Relocation of its Facilities, it shall apply to the City for a permit to do so in accord with the ordinances and regulations of the City requiring permits to operate in the Right-of-Way, and consistent with Section ~~6-6~~ 8.6 of this Franchise. In no case shall any such work commence within any Right-of-Way without a permit, except as otherwise provided in this Franchise.

- 8.2 Abandonment of SPU's Facilities. No Facilities laid, installed, constructed, or maintained in the Right-of-Way by SPU, except for surface facilities or mains that are 12 inches or smaller, may be abandoned by SPU without the prior written consent of the Director of a plan, which will not be unreasonably withheld. All necessary permits must be obtained prior to such work. Any abandoned SPU surface facility shall be removed by SPU within a reasonable time.
- 8.3 Restoration after Construction.
- 8.3.1 SPU shall, after any installation, construction, Relocation, maintenance, or repair of Facilities within the Franchise area, restore the Right-of-Way to at least the condition the same was in immediately prior to any such abandonment, installation, construction, Relocation, maintenance or repair. Restoration shall not require an improvement to a condition that substantially exceeds the condition prior to SPU's activities. All concrete encased monuments, which have been disturbed or displaced by such work, shall be restored pursuant to all federal, state and local standards and specifications. SPU agrees to promptly complete all restoration work and to promptly repair any damage caused by such work at its sole cost and expense.
- 8.3.2 If it is determined that SPU has failed to restore the Right-of-Way in accordance with this Section, the City shall provide SPU with written notice including a description of actions the City believes necessary to restore the Right-of-Way. Any dispute over failure to restore shall be resolved in compliance with Section 46 18 – Alternative Dispute Resolution.
- 8.4 Bonding Requirement. SPU, as a public agency, is not required to comply with the City's standard bonding requirement for working in the City's Right-of-Way.
- 8.5 Emergency Work, Permit Waiver. In the event of any emergency where any SPU Facilities located in the Right-of-Way are broken or damaged, or if SPU's construction area for their Facilities is in such a condition as to place the health or safety of any person or property in imminent danger, SPU shall immediately take any necessary emergency measures to repair, replace or remove its Facilities without first applying for and obtaining a permit as required by this Franchise. However, this emergency provision shall not relieve SPU from later obtaining any necessary permits for the emergency work. SPU shall apply for the permits that would have been required and obtained prior to the emergency as soon as practical given the nature and duration of the emergency.
- 8.6 Excavations.
- 8.6.1 SPU shall secure City rights-of-way permits to work in the public rights-of-way, including but not limited to Capital Improvements Program projects, water main repairs, and work involving excavation in the Right-of-Way. This would include disruption of all motorized and non-motorized travel

portions of the Right-of-Way, including all surface water drainage facilities. For all routine operations in the public rights-of-way, such as flushing, painting hydrants, vegetation maintenance and work within existing chambers, no permit will be required.

8.6.2 If either party plans to excavate in the public rights-of-way, then upon a written request from the other, that party may share excavation upon mutually agreeable terms and conditions.

8.7 Safety.

8.7.1 SPU, in accordance with applicable federal, state, and local health and safety rules and regulations shall, at all times, employ ordinary care in the installation, maintenance, operation, and repair of Facilities utilizing methods and devices commonly accepted for public water utility operations to prevent failures and accidents that are likely to cause damage, injury, or nuisance to persons or property and shall accomplish work in a manner that will minimize interference with traffic and use of adjoining property.

8.7.2 All of SPU's Facilities in the Right-of-Way shall be constructed ~~an~~ and maintained in a safe and operational condition.

8.8 Dangerous Conditions, Authority for City to Abate.

8.8.1 Whenever Facilities or the operations of SPU cause or contribute to a condition that reasonably appears to endanger any person or substantially impair the use or lateral support of the adjoining Right-of-Way, public or private property, SPU, at no charge or expense to the City, will take actions to resolve the conflict or remove the endangerment within a reasonable time period. The resolution of the dangerous condition requires approval of SPU Manager and the Director before the work begins.

8.8.2 In the event the Grantee fails or refuses to promptly take action as required in Section ~~6~~8.8.1, or if emergency conditions exist which require immediate action to prevent imminent injury or damages to persons or property, the City may take such reasonable actions as it believes are necessary to protect persons or property and the Grantee shall be responsible to reimburse the City for its reasonable costs.

8.9 Relocation of System Facilities.

8.9.1 In accordance with the following schedule, SPU agrees and covenants to protect, support, temporarily disconnect, relocate or remove from any Right-of-Way its Facilities when so required by the City, to accommodate the completion of or as a result of a public project. As used in this Section, the term "public project" is a project included in the City's adopted six-year Capital Improvement Program as amended annually by the City Council.

<u>Age of SPU Facility</u>	<u>% of Relocation by City</u>	<u>% of Relocation by SPU</u>
5 years or less	100%	0%
5-10 years	50%	50%
10 + years	0%	100%

8.9.2 This Relocation requirement shall not apply to pipelines 24 inches in diameter and larger that cannot reasonably be supported, disconnected, relocated or removed. If these Facilities are required to be moved in order to accommodate the completion of or as a result of a public project, the City shall pay 50% of the Relocation cost.

8.9.3 All Facilities utilized for providing water service within SPU's service area and within the Right-of-Way shall be considered owned, operated and maintained by SPU.

8.9.4 If the City determines that a public project necessitates the Relocation or removal of SPU's existing Facilities, the City shall:

8.9.4.1 As soon as possible, but not less than one hundred eighty (180) days prior to the commencement of such project, provide SPU with written notice requiring such Relocation or removal; and

8.9.4.2 Provide SPU with copies of any plans and specifications pertinent to the requested Relocation or removal and a proposed temporary or permanent Relocation for SPU's Facilities.

8.9.4.3 After receipt of such notice and such plans and specifications, SPU shall complete Relocation of its Facilities at least ten (10) days prior to commencement of the project according to the above cost sharing described in this Section.

8.9.5 SPU may, after receipt of written notice requesting Relocation or removal of its Facilities, submit to the City written alternatives to such Relocation. The City shall evaluate such alternatives and advise SPU in writing if any of the alternatives are suitable to accommodate the work that necessitates the Relocation of the Facilities. If so requested by either party, SPU or City shall submit additional information to assist the other party in making such evaluation. The City shall give each alternative proposed by SPU full and fair consideration and, if appropriate, state why SPU's proposed alternatives are not satisfactory. In the event the City and SPU ultimately do not agree on a reasonable alternative, SPU and City shall attempt to resolve the Relocation through Section ~~16~~ 18 - Alternate Dispute Resolution.

8.9.6 If the City determines that SPU's Facilities must be protected, supported, temporarily or permanently disconnected, relocated or removed from the

Right-of-Way, City shall reimburse SPU all costs as submitted and verified by SPU within forty-five (45) days of completion of the Relocation or removal by SPU in accord with paragraph ~~68~~.9.1 and ~~68~~.9.2 herein.

- 8.9.7 The provisions of this Section ~~68~~.9 shall in no manner preclude or restrict SPU from making any arrangements it may deem appropriate when responding to a request for Relocation of its Facilities by any person or entity other than the City.

9. **Planning Coordination.**

- 9.1 **Growth Management.** The parties agree to participate in the development of, and reasonable updates to the relevant portions of each other's planning documents:

9.1.1 For SPU's retail water service within the ~~City limits~~ Franchise Area, SPU will participate in a cooperative effort with the City of Shoreline to develop a Comprehensive Plan Utilities Element that meets the requirements described in RCW 36.70A.070(4) and fulfills SPU's duty as a municipal water supplier to provide water within its service area pursuant to RCW 43.20.260 so as to be consistent with the City's Comprehensive Plan and development regulations for water service. SPU will participate in a cooperative effort with the City to ensure that the Utilities Element of Shoreline's Comprehensive plan is accurate as it relates to SPU's operations and is updated to ensure continued ~~relevance at reasonable intervals~~ compliance with RCW 36.70A.070(4) and consistency with City of Shoreline laws, ordinances, plans and regulations as required by RCW 43.20.260 and WAC 246-490-108 as they now exist or may hereafter be amended.

9.1.2 SPU shall submit information related to the general location, proposed location, and capacity of all existing and proposed Facilities within the City as requested by the Director within a reasonable time, not exceeding sixty (60) days from receipt of a written request for such information, provided that such information is in SPU's possession, or can be reasonably developed from the information in SPU's possession.

9.1.3 SPU will update information provided to the City under this Section whenever there are major changes in SPU's system plans for Shoreline.

9.1.4 The City will provide information relevant to SPU's operations within a reasonable period of written request to assist SPU in the development or update of its ~~Comprehensive~~ Water System Plan, provided that such information is in the City's possession, or can be reasonably developed from the information in the City's possession. In updating its Water System Plan, SPU will adopt and/or amend its Water System Plan to plan for existing Facilities and such Facilities as may be required pursuant to RCW 43.20.260 and WAC 246-290-108, as they currently exist or hereafter may

be amended, and consistent with SPU's utility service policies or as agreed by the parties.

- 9.2 System Development Information. Capital Improvement Plans SPU and the City will each assign a representative whose responsibility shall be to coordinate planning for CIP projects including those that involve undergrounding. At a minimum, such coordination shall include the following:
- 9.2.1 By February 1st of each year, SPU shall provide the City with a schedule of its planned capital improvements, which may affect the Right-of-Way for that year;
- 9.2.2 By February 1<sup>st</sup> of each year, the City shall provide SPU with a schedule of its planned capital improvements which may affect the Right-of-Way for that year including but not limited to street overlays and repairs, storm drainage improvements and construction, and all other Right-of-Way activities that could affect SPU capital improvements and infrastructure.
- 9.2.3 SPU shall meet with the City, other franchisees and users of the Right-of-Way as necessary to schedule and coordinate construction.
- 9.2.4 All construction locations, activities, and schedules shall be coordinated to minimize public inconvenience, disruption, or damages.
- 9.3 Emergency Operations. The City and SPU agree to cooperate in the planning and implementation of emergency operations response procedures.
- 9.4 General Coordination and Information.
- 9.4.1 Meter Reading Information. SPU will cooperate with the City as it assumes the Ronald Wastewater District ("District") and SPU will continue to provide the water consumption and billing data it has provided to the District, to the District or the City, as the case may be during the transition and after the assumption, for SPU's retail water customers that are within the boundaries of the District being assumed by the City for the purposes of rate setting, billing and required reporting to King County. The City and SPU will include the process for this information through the management agreement references in Section 9.6.
- 9.4.2 Annual Meeting. The City and SPU agree to meet and confer at least annually to discuss any issues of concern or opportunities for cooperation.
- 9.5 Designated Representatives or Liaisons. The parties shall each designate a representative, which can be changed at any time, with written notice to the other party. SPU's representative shall be from the Water Line of Business and be responsible for coordinating with any other part of the SPU organization as needed.



SPU shall also designate a particular point of contact within the Development Services Office for developers doing projects within the Franchise Area.

9.6 Management Agreements. The parties may agree to execute written letter or management agreements to implement or clarify provisions of this Agreement or address new issues relating to the provisions of this Agreement as long as they are consistent with the substantive terms of this Agreement and applicable laws.

9.7 Maps and Records. Without charge to either party, both parties agree to provide each other with as-built plans, maps, and records that show the vertical and horizontal location of its Facilities within the Right-of-Way, measured from the center line of the Right-of-Way, using a minimum scale of one inch equals one hundred feet (1"=100'). Maps shall be provided in Geographical Information System (GIS) or other digital electronic format used by the City or SPU, and upon request, in hard copy plan form used by City or SPU. This information shall be provided between one hundred twenty (120) and one hundred eighty (180) days of the effective date of this Ordinance and shall be updated upon reasonable request by the either party. The City and SPU agree to maintain confidentiality of any and all information received to the extent necessary to meet Homeland Security objectives and in accordance with public records laws.

10. **Equivalent Service Quality.** SPU shall provide the same services to customers in the City that is provided to all other customers with similar circumstances within SPU's service territory. SPU shall at all times comply with the minimum regulatory standards presently in effect or as may be amended for the operation of a public water utility.

11. **Indemnification.**

11.1 SPU hereby releases, covenants not to bring suit, and agrees to indemnify, defend and hold harmless the City, its elected officials, employees, agents, and volunteers from any and all claims, costs, judgments, awards, attorneys' fees, or liability to any person arising from the negligent or intentional acts or omissions of SPU, its agents, servants, officers or employees in performing activities or failing to perform activities authorized by this Franchise, and including those claims arising against the City by virtue of SPU's exercise of rights granted herein. It is further specifically and expressly understood that the indemnification provided herein constitutes SPU's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties. The provisions of this section shall survive the expiration or termination of this Agreement. This covenant of indemnification shall include, but not be limited by this reference, to claims against the City arising as a result of the acts or omissions of SPU, its agents, servants, officers or employees except for claims for injuries and damages caused by the sole negligence of the City. If final judgment is rendered against the City, its elected officials, employees, agents, and volunteers, or any of them, SPU shall satisfy the same. The City may appear in any proceeding it deems necessary to protect the City's or the public's interests.

- 11.2 Inspection or acceptance by the City of any work performed by SPU at the time of completion of construction shall not be grounds for avoidance of any of these covenants of indemnification. Said indemnification obligations shall extend to claims that are not reduced to a suit and any claims that may be settled prior to the culmination of any litigation or the institution of any litigation.
- 11.3 In the event SPU refuses to undertake the defense of any suit or any claim, after the City's request for defense and indemnification has been made pursuant to the indemnification clauses contained herein, and SPU's refusal is subsequently determined by a court having jurisdiction (or such other tribunal that the parties shall agree to decide the matter), to have been a wrongful refusal on the part of SPU, then SPU shall pay all of the City's costs and expenses for defense of the action, including reasonable attorneys' fees of recovering under this indemnification clause as well as any judgment against the City.
- 11.4 Should a court of competent jurisdiction determine that this Franchise is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of SPU and the City, its officers, employees and agents, SPU's liability hereunder shall be only to the extent of SPU's negligence. It is further specifically and expressly understood that the indemnification provided herein constitutes SPU's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties. The provisions of this Section shall survive the expiration or termination of this Franchise.
- 11.5 The City hereby releases and agrees to indemnify and hold harmless SPU, its elected officials, employees, agents, and volunteers from any and all claims, costs, judgments, awards or liability to any person arising from SPU's compliance with Section 4.1 of this Agreement. This indemnification is contingent upon SPU's compliance with Section 4.45 hereof.
- 11.6 The City hereby releases and agrees to indemnify, defend and hold harmless SPU, its elected officials, employees, agents, and volunteers from any and all claims, costs, judgments, awards or liability to any person arising from City's decision to issue development permits based on accurate information on fire flow and water availability provided by SPU or the City's enforcement of the International Fire Code.

12. **Insurance.**

- 12.1 SPU shall procure and maintain for the duration of the Franchise, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the exercise of the rights, privileges and authority granted hereunder to SPU, its agents, representatives or employees. Prior to adoption of this franchise ordinance, SPU shall provide an insurance endorsement, naming the

City as an additional insured, and such endorsement shall evidence a policy of insurance that includes:

- 12.1.1 Automobile Liability insurance for owned, non-owned and hired vehicles with limits no less than \$2,000,000 Combined Single Limit per accident for bodily injury and property damage; and
- 12.1.2 Commercial General Liability insurance, written on an occurrence basis with limits no less than \$5,000,000 combined single limit per occurrence and \$10,000,000 aggregate for personal injury, bodily injury and property damage. Coverage shall include but not be limited to: blanket contractual; products and completed operations; broad form property damage; explosion, collapse and underground (XCU); and employer's liability.
- 12.1.3 Excess Liability in an amount of \$5,000,000 each occurrence and \$5,000,000 aggregate limit. The City shall be named as an additional insured on the Excess Liability insurance policy.
- 12.2 The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, or employees. In addition, the insurance policy shall contain a clause stating that coverage shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. SPU's insurance shall be primary. Any insurance, self-insurance, or insurance pool coverage maintained by the City shall be excess of SPU's insurance and shall not contribute with it. Coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days prior written notice has been given to the City.
- 12.3 SPU shall require all its subcontractors to carry insurance consistent with this Section ~~10~~12, and shall provide evidence of such insurance to the City upon request
- 12.4 SPU may satisfy the requirements of this Section by a self-insurance program.

**13. Enforcement.**

- 13.1 Both the City and SPU reserve the right to revoke and terminate this Franchise in the event of a substantial violation or breach of its terms and conditions.
- 13.2 A substantial violation or breach by City or by SPU shall include, but shall not be limited to, the following:
  - 13.2.1 An uncured violation of any material provision of this Franchise or any material rule, order or regulation of the City made pursuant to its power to protect the public health, safety and welfare;
  - 13.2.2 An intentional evasion or knowing attempt by either party to evade any material provision of this Franchise or practice of any fraud or deceit upon SPU or upon the City;

- 13.2.3 Failure to provide the services specified in Sections ~~6-98.9~~ and ~~810~~ of the Franchise;
- 13.2.4 Misrepresentation of material fact during negotiations relating to this Franchise or the implementation thereof;
- 13.2.5 An uncured failure to pay fees associated with this Franchise.
- 13.3 No violation or breach shall occur which is without fault of SPU or the City, or which is as a result of circumstances beyond SPU's or the City's reasonable control. Neither SPU, nor the City, shall be excused by economic hardship nor by nonfeasance or malfeasance of its directors, officers, agents or employees.
- 13.4 Except in the case of termination pursuant to Paragraph ~~11-2.5~~ 13.2.5 of this Section, prior to any termination or revocation, the City, or SPU, shall provide the other with detailed written notice of any substantial violation or material breach upon which it proposes to take action. The party who is allegedly in breach shall have a period of 60 days following such written notice to cure the alleged violation or breach, demonstrate to the other's satisfaction that a violation or breach does not exist, or submit a plan satisfactory to the other to correct the violation or breach. If, at the end of said 60-day period, the City or SPU reasonably believes that a substantial violation or material breach is continuing and the party in breach is not taking satisfactory corrective action, the other may declare that the party in breach is in default and may terminate this Agreement in accord with this Section, which declaration must be in writing.
- 13.5 The City or SPU may, in its discretion, provide in writing additional time to remedy any violation or breach and come into compliance with this agreement so as to avoid the termination or revocation.
- 13.6 Either party may remedy any material violation existing for a period of greater than 60 days (or greater than any additional time allowed in writing according to section ~~11.5~~13.5 above) to protect public health, safety or property at the violating party's expense.

14. **Survival.** All of the provisions, conditions and requirements of Sections ~~6-38.2~~ Abandonment Of SPU's Facilities, ~~6-48.3~~ Restoration After Construction, ~~6-6~~ 8.6 Excavation, ~~6-8~~ 8.8 Dangerous Conditions, Authority For City To Abate, ~~6-9~~ 8.9 Relocation Of System Facilities, and ~~9~~ 11 Indemnification of this Franchise shall be in addition to any and all other obligations and liabilities SPU may have to the City at common law, by statute, or by contract, and shall survive the City's Franchise to SPU for the use of the areas mentioned in Section 2 herein, and any renewals or extensions thereof. All of the provisions, conditions, regulations and requirements contained in this Franchise Ordinance shall further be binding upon the heirs, successors, executors, administrators, legal representatives and assigns of SPU and all privileges, as well as all obligations and liabilities of SPU shall inure to its heirs, successors and assigns equally as if they were specifically mentioned wherever SPU is named herein.

15. **Assignment.** This franchise shall not be sold, transferred, assigned, or disposed of in whole or in part either by sale, voluntary merger, consolidation or otherwise, without the written approval of the City which shall not be unreasonably withheld. Any costs associated with the City's review of any transfer proposed by the Grantee shall be reimbursed to the City by SPU.

15.1 Except as otherwise provided herein, SPU shall promptly notify the City prior to any proposed change in, or transfer of, or acquisition by any other party of control of SPU's utility. Every change, transfer, or acquisition of control of SPU's utility shall cause a review of the proposed transfer. In the event that the City denies its consent and such change, transfer or acquisition of control has been effected, the Franchise is terminated.

16. **Notice.** Any notice or information required or permitted to be given to the parties under this Franchise may be sent to the following addresses unless otherwise specified:

Seattle Public Utilities Director  
Seattle Municipal Tower  
700 Fifth Avenue, Ste. 4900  
PO Box 34018  
Seattle, WA 98124-4018  
Phone: (206) 684-5851  
Fax: (206) 684-4631

Director of Public Works  
City of Shoreline  
17500 Midvale Avenue N.  
Shoreline, WA 98133-4921  
Phone: (206) 801-2700  
Fax: (206) 546-7868

17. **Non-Waiver.** The failure of either party to enforce any breach or violation by the other party of any provision of this Franchise shall not be deemed to be a waiver or a continuing waiver by the non-breaching party of any subsequent breach or violation of the same or any other provision of this Franchise.

18. **Alternate Dispute Resolution.** If the parties are unable to resolve disputes arising from the terms of this Franchise, prior to resorting to a court of competent jurisdiction, the parties shall submit the dispute to a non-binding alternate dispute resolution process agreed to by the parties. Unless otherwise agreed between the parties or determined herein, the cost of that process shall be shared equally.

19. **Entire Agreement.** This Franchise constitutes the entire understanding and agreement between the parties as to the subject matter herein and no other agreements or understandings, written or otherwise, shall be binding upon the parties upon execution and acceptance hereof.

20. **Severability.** If any Section, sentence, clause or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other Section, sentence, clause or phrase of this Franchise Ordinance. The Parties may amend, repeal, add, replace, or modify any provision of this Franchise to preserve the intent of the parties as expressed herein prior to any finding of invalidity or unconstitutionality.

21. **Directions to City Clerk.** Upon approval of the City Attorney, the City Clerk is authorized to make necessary corrections to this ordinance, including the corrections of scrivener or





**EXHIBIT B  
SHORELINE ASSET MANAGEMENT PRIORITY PROGRAM**

**Purpose:**

The City of Shoreline (City) and Seattle Public Utilities (SPU) desire to increase their city-to-city partnership, in particular, in SPU's provision of municipal water utility services to portions of the City. As part of that partnership and in consideration of the Amended, Restated and Extended Franchise, SPU has agreed to establish a program to provide an opportunity for City priorities to be reflected in asset management decisions made by SPU, but within the City's jurisdiction.

**A. Shoreline Asset Management Priority Program**

1. SPU will establish a Shoreline Asset Management Priority Program ("Program"), that will be used to prioritize and implement certain SPU distribution system capital improvements in SPU's retail service area within the City of Shoreline that are in addition to capital improvements SPU would normally program under its standard practices. This Program is intended to reflect City of Shoreline priorities in certain asset management decisions made by SPU that may be different than the capital planning priorities or levels of service within SPU's distribution system within the City of Seattle. The types of SPU distribution system capital improvements that could be prioritized under this Program include:
  - a. different fire flow and fire protection standards
  - b. different standards for general/minimum pipe sizes
  - c. mainline extensions, expansion projects and gridding/redundancy done in advance of actual development projects
2. The Shoreline Asset Management Priority Program includes the following provisions:
  - a. The Program will be effective beginning in 2018 and continue for the remaining term of the Amended, Restated, and Extended Franchise granted by Ordinance No. 804. The parties understand and agree that due to the timing of the granting of the amended Franchise, the 2018 target would not be implemented until 2019 and that it would be prudent to plan for the 2018 and 2019 targets in the first year of the Program, and then annually thereafter.
  - b. Each year of the Program, the City and SPU will meet to develop a project list of eligible capital improvements within SPU's retail service area within the City of Shoreline ("Project List"). The Project List will include:
    - i. Identification of Shoreline priority capital improvements



- ii. Project list would prioritize and target \$1 million of capital improvement projects per year of the Program based on SPU's estimated total project costs at 30% design.
  - iii. If total project cost estimate of a project on the Project List at the 90% design point is 25% or more than the cost estimate at 30% design, the parties will mutually agree to either A) remove the project from the Project List and replace with an alternative or B) continue the project and agree that the increased portion of the project cost would come from another year's \$1M target (or be paid by the City).
  - iv. The Parties can mutually agree to a capital project that is over \$1M in one year with agreement that up to 2 additional year's target amounts will be used up by that project, e.g. if \$3M project in year 1, next new project would be year 4.
- c. Project List Development
- i. Annually, between January and February each year, the parties will work together to develop the Project List in advance of SPU developing its spending plans and budget/CIP submissions for the following year. In general, Shoreline would identify and propose a list of capital projects or improvements to the SPU distribution system within the City of Shoreline that it would like prioritized in its jurisdiction and the parties would work together to prioritize the list for implementation the following year.
  - ii. SPU would then follow its normal capital planning process and share the 30% design estimated total project cost with the City.
  - iii. The City will have opportunity to review and comment during the design process at the normal design milestones.
  - iv. Upon acceptance of a project design by the City, SPU would program the agreed project(s) in its Distribution System Improvements (C1128 under BCL C110B) CIP category and carry out the project as part of its annual CIP program, which is subject to Seattle City Council adoption and appropriation of funds.
  - v. SPU will diligently pursue the agreed projects programmed in its annual CIP program and provide periodic progress reports on the projects.

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Authorize the City Manager to enter into an Agreement with the Shoreline Fire Department for Accelerated Processing of Permits for Shoreline School District Projects
<b>DEPARTMENT:</b>	Planning & Community Development
<b>PRESENTED BY:</b>	Rachael Markle, Director
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

The Shoreline School District will be replacing Parkwood Elementary School, Einstein Middle School and Kellogg Middle School; remodeling Aldercrest Elementary School and completing the remodel of North City Elementary. The School District has carefully designed a schedule for all of these projects that includes the plan for maintaining educational services during construction. Part of that plan includes completing the permitting phase for each project in eight (8) weeks. However, the City's current permitting timeline for large commercial projects can be as long as 22 or more weeks, which includes both staff review and response to reviews from applicants.

The School District<sup>1</sup>, City staff and the Shoreline Fire Department have been working together on an Agreement that includes a plan for how the City and Fire Department with increased resources from the School District could issue the development permits for the School District projects in eight (8) weeks. The proposed Agreement Between the City of Shoreline and the Shoreline Fire Department for Accelerated Processing of Construction Permits for School District Construction Projects (Attachment A) provides for this agreement. This agreement defines the roles, responsibilities and fees owed to the Fire Department for accelerated permit processing.

**RESOURCE/FINANCIAL IMPACT:**

There are no impacts to City resources as a result to entering into this agreement with the Shoreline Fire Department. The Fire Department reviews for the School District's projects will be fully backed by the permit review fees paid.

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<sup>1</sup> Staff negotiated an Agreement with the Shoreline School District to provide Accelerated Review of the School District's projects. The Agreement with the School District is presented in another staff report for Council's consideration on November 6<sup>th</sup> to authorize the City Manager to also approve this Agreement.

**RECOMMENDATION**

Staff recommends that Council authorize the City Manager to enter into the Agreement Between the City of Shoreline and the Shoreline Fire Department for Accelerated Processing of Construction Permits for School District Construction Projects.

Approved By:           City Manager ***DT***   City Attorney ***MK***

## **INTRODUCTION**

The School District's construction schedule for the Parkwood, Einstein and Kellogg School projects is based on the permitting phase taking eight (8) weeks from submittal of the permit applications to issuance of the permits for construction. This is not the standard level of review for permitting services. Additional permit review staff resources are required to deliver the requested level of service for the School District while not delaying the review of other development permit applications. The School District, City and Shoreline Fire Department staff worked together on an agreement that includes the terms and conditions under which the City and Fire Department would be able to process the School District's development permits for Parkwood, Einstein, Kellogg and the remaining projects at Aldercrest within an eight week period.

## **BACKGROUND**

The School District has requested an eight week processing time for development permits for the following schools: Aldercrest Elementary School; Parkwood Elementary School; Einstein Middle School; and Kellogg Middle School. Currently, large commercial development projects are taking approximately 14 to 22 weeks to issue permits, not including the time it takes for the applicant's design professionals to revise plans to address the City's review comments. The substantially reduced permit processing time of eight weeks will greatly assist the School District with meeting its very tight construction schedules for each of the projects.

The City and the Fire Department have a long standing Interlocal agreement (Interlocal Agreement Relating to Development Review Process and Enforcement of the International Fire Code Within the City of Shoreline; Attachment B) which assigns the review of construction permits for compliance with the International Fire Code (IFC), the approval of all other fire operational permits, and the general enforcement of the IFC to the Fire Department. The City compensates the Fire Department for this work at a rate of 80% of the City's hourly rate for building permits; and 80% of the fees charged for construction and operational permits. Construction permits are defined in the IFC Section 105.7, and examples of construction permits include installation of automatic fire extinguishing systems, installation of fire pumps, and installation of stand pipes.

The purpose of this new Interlocal Agreement is to set forth the roles and responsibilities of the City and the Shoreline Fire Department with respect to the City's accelerated processing of permits for the construction of the School District's projects. The Agreement also sets the fees owed to the Fire Department from the City for the accelerated processing of these permits. The agreement does not include Operational fire permits, but does include provisions for project management; failure to meet timelines; dispute resolution; financial reimbursement; termination of the Agreement; indemnity; duration of the Agreement; assignments and beneficiaries; representatives and notices; and the City's permitting and regulatory authority.

The Fire Department has indicated that they will be able to deliver accelerated permit services for the School District projects with existing staff working overtime during the eight (8) week review periods. The School District will pay the City three (3) times the stated permit review fees for Fire Construction permits and three (3) times the rate for

all other permit reviews including fire reviews. The City will then reimburse the Fire Department for hours documented in the City's permitting system related to Fire Department review for Construction Permit and Fire Construction Permit applications for the School District's Projects at 80 percent (80%) of the rate that the School District is charged for these reviews. The remaining 20% of these fees will be used to cover the administrative processing of permits and reviews.

### **ALTERNATIVES ANALYSIS**

The following alternatives are available to the City regarding the management of permit review for these School District projects:

1. Process the permits for the School District projects using the Standard Review process.
  - Choosing this alternative would likely increase the permitting review time for all building permits resulting in a decreased customer service and satisfaction. The current and projected permitting level, even without the School District projects has resulted in increased permit review times.
  - The School District would not meet its permitting, construction and completion schedule for the School District projects. This would result in increased construction costs and increased costs for contingency planning and implementation in regards to how and where to safely provide educational services if the new or remodeled schools are not completed.
2. Process the permits for the School District projects using the Expedited Review process.
  - Choosing this alternative may increase the permitting review time for all other commercial building permits resulting in a decreased customer service and satisfaction. The current and projected permitting level, even without the School District projects has resulted in increased permit review times.
  - The School District would most likely not meet its permitting, construction and completion schedule for the School District projects. As noted above, this would result in increased construction costs; and increased costs for contingency planning and implementation in regards to how and where to safely provide educational services if the new or remodeled schools are not completed.
  - The City and Fire Department costs would be covered by the Expedited Permit Fees.
3. The City could contract with a consultant to perform the review of the development permits for the School District projects for compliance with the IFC. This alternative is not viewed as efficient. The Shoreline Fire Department is skilled and adept at performing these reviews for the City. A consultant would not be familiar with the City's processes and permitting software. Use of a consultant to perform these services also would not support the team approach the City and Fire Department have cultivated.

4. **Recommended Alternative:** The City could process the permits for the School District projects using the Accelerated Review process. This process would accommodate the School District's requested permitting schedule of eight weeks from permit intake to issuance based on two (2) review cycles.
- The Accelerated Process is intended to support the School District's goal of having permits ready to issue within eight (8) weeks of application submittal for each of its School projects.
  - Through the Interlocal Agreement, the School District will provide the funding necessary to cover the City and Fire Department's cost to provide the Accelerated Permit processing.
  - The Accelerated Process provides enough funding to obtain the staff and professional contracts required to process the School District's permits within eight (8) weeks without impacting the review schedules for other commercial permits applications submitted in the next two years.
  - If the City and Fire Department cannot meet the deadlines for review as set forth in the Agreement, then the School District may request a reduction in the permit review fees. The permit review fees may be reduced from triple the amount of the permit review fees to double.

#### **RESOURCE/FINANCIAL IMPACT**

There are no impacts to City resources as a result to entering into this agreement with the Shoreline Fire Department. The Fire Department reviews for the School District's projects will be fully backed by the permit review fees paid.

#### **RECOMMENDATION**

Staff recommends that Council authorize the City Manager to enter into the Agreement Between the City of Shoreline and the Shoreline Fire Department for Accelerated Processing of Construction Permits for School District Construction Projects.

#### **ATTACHMENTS**

- Attachment A: Agreement Between the City of Shoreline and the Shoreline Fire Department for Accelerated Processing of Construction Permits for School District Construction Projects
- Attachment B: 2006 Interlocal Agreement Between the City of Shoreline and Shoreline Fire Department Relating to Development Review Process and Enforcement of the International Fire Code Within the City of Shoreline

**AGREEMENT BETWEEN THE CITY OF SHORELINE  
AND THE SHORELINE FIRE DEPARTMENT  
FOR ACCELERATED PROCESSING OF CONSTRUCTION PERMITS  
FOR SCHOOL DISTRICT CONSTRUCTION PROJECTS**

THIS AGREEMENT is made and entered into by the Shoreline Fire Department and the City of Shoreline. The Fire Department and City are collectively referred to hereafter as “the Parties” or individually as a “Party”.

**RECITALS**

WHEREAS, the City of Shoreline (hereinafter referred to as “City”) is a non-charter optional municipal code city organized pursuant to Title 35A of the Revised Code of Washington.

WHEREAS, the Shoreline Fire Department (hereinafter referred to as the “Fire Department”) is an independent local government agency organized under Title 52 of the Revised Code of Washington.

WHEREAS, the City has adopted the International Fire Code (IFC) with amendments in Shoreline Municipal Code (SMC) Title 15.

WHEREAS, the City and the Fire Department entered into an Interlocal Agreement Relating to Development Review Process and Enforcement of the International Fire Code Within the City of Shoreline (City Clerk Receiving No. 3713) which assigns the review of construction permits for compliance with the IFC, the approval of all other fire operational permits, and the general enforcement of the IFC to the Fire Department.

WHEREAS, the City and Shoreline School District No. 412 are entering [have entered] into an agreement for accelerated processing of construction permits for the Shoreline School District’s projects at Einstein Middle School, Kellogg Middle School, Parkwood Elementary School and Alderwood Elementary School And, this accelerated processing seeks to provide for an eight week processing time for certain permits required by the City for these projects.

WHEREAS, the Parties desire to enter into an agreement so as to provide for the terms and conditions of the Fire Department’s role in the accelerated processing of the permits for the School District’s projects and the City’s reimbursement of School District payment for such accelerated processing.

**AGREEMENT**

FOR AND IN CONSIDERATION OF and subject to the terms and conditions set forth below, the Parties agree as follows:

**SECTION 1  
PURPOSE OF AGREEMENT**

The purpose of this Agreement is to set forth the roles and responsibilities of the Parties with respect to the City’s accelerated processing of permits that are issued by the City for construction at Aldercrest Elementary School, Parkwood Elementary School, Einstein Middle School, and Kellogg Middle School and, the fees owed to the Fire Department for the accelerated processing of these permits. This Agreement, if in conflict with the Interlocal Agreement (City Clerk Receiving No. 3713), shall control the roles and responsibilities of the Parties in regards to the accelerated processing of the School District’s permits.

**SECTION 2  
DEFINITIONS**

- A. “Construction Permit” or “Construction Permits” means Building Permits, Mechanical Permits, Electrical Permits, Site Development Permits, Right of Way Permits, Plumbing Permits, Demolition Permits, and Fire Systems Permits. Construction Permits do not include Conditional Use permits as defined in SMC 20.30.300 or any other Type B, Type C, or Type L permit as defined in SMC 20.30.050, 20.30.060, and 20.30.070 respectively.
- B. “Date revisions were received” means the date the document is stamped as received by the City.
- C. “Days” means, unless otherwise noted, calendar days.
- D. “Fire Construction Permit” or “Fire Construction Permits” means the permits as defined in the International Fire Code in 105.7 Required construction permits, as amended by SMC 15.05.050(F).
- E. “Accelerated Processing” means an eight (8) week processing time, calculated from the date the City determines an application is complete to the date of permit issuance, accounting for tolling when additional information has been requested by the City.
- F. “Project” or “Projects” means the School District’s remaining renovations for Aldercrest Elementary; rebuilding of the Einstein Middle School, the Kellogg Middle School, and the Parkwood Elementary.
- G. “Week” means one calendar week or seven (7) consecutive calendar days.

**SECTION 3  
ROLES AND RESPONSIBILITIES**

The Parties understand and agree that the process described in this Agreement depends upon timely and open communication, prompt submittal of documentation and information, and mutual cooperation between the Parties. In this regard, communication of issues, changes, or problems that arise with any aspect of the roles and responsibilities described herein should occur as early



as possible in the process, and not wait for explicit due dates or deadlines. Each Party agrees to work cooperatively and in good faith toward resolution of any such issues so as to meet the deadlines articulated in this Agreement.

A. **City Responsibilities:** The City agrees to perform as described in this Section to facilitate the Fire Department’s review of Construction Permits and/or Fire Construction Permits for the Projects within the Accelerated Processing time period.

1. The City will coordinate with the Fire Department for the scheduling of Pre-Application meetings required by SMC 20.30.080.
2. The City will provide the Fire Department with notice prior to the estimated date of permit application submittals to ensure required Fire Department staff are assigned to complete the review of the Construction Permit and/or Fire Construction Permit applications. For general planning purposes, the School District has established the following estimated schedule for submittal of permit applications:

<b>School</b>	<b>Estimated Date of Building Permit Submittal</b>
Parkwood Elementary	February 1, 2018
Einstein Middle	August 1, 2018
Kellogg Middle	August 1, 2018
Aldercrest Elementary	October 2017 or 1 <sup>st</sup> Quarter 2018

3. The City will receive all Construction Permit and Fire Permit applications.
4. The City will issue a Notice of Complete Application upon determination by the City that the permit applications are complete.
5. Once a Notice of Complete Application has been issued, the City will provide the Fire Department with the permit application submittal package for review, comment, and/or approval within one (1) business day of the date of the Notice of Completion.
6. The City will complete its first review of the Construction Permit application within three (3) weeks of the date of the Notice of Complete Application and, for all subsequent reviews, within one (1) week of the date complete revisions were received from the School District. The City will send written comments to the School District detailing required revisions.
7. Whenever the School District submits a complete response to the City’s review letter(s), the resubmittal package will be provided to the Fire Department within one (1) business day of the date revisions were received.
8. The City’s Project Manager may release partial review comments to the School District in advance of the City completing a round of reviews to reduce the turn-around time between reviews. The City will send the Fire Department these partial review comments on the same date that the City releases them to the School District.

**B. Fire Department Responsibilities:** The Fire Department agrees to provide review of Construction Permit and Fire Construction Permit application submittals and re-submittals as described in this Section to facilitate the issuance of Construction Permits and Fire Construction Permits for the Projects within the Accelerated Processing time period.

1. The Fire Department shall prepare IFC-related comments and provide comments, in writing, to the City Project Manager one (1) business day in advance of a scheduled Pre-Application meeting, as required in SMC 20.30.080, for each of the Projects.
2. The Fire Department will review Construction Permit and Fire Construction Permit applications. This review should include:
  - a. Analyzing fire flows and supplied water flows;
  - b. Fire Department access to property and buildings for firefighting purposes;
  - c. Designation of fire lanes;
  - d. Required fire protection systems;
  - e. Required fire detection systems;
  - f. Need and location for fire hydrants, standpipes, and keyboxes;
  - g. Locations of Fire Department connections, post indicator valves, fuel storage tanks, and fuel dispensing systems;
  - h. Review for hazardous process and storage.
3. The Fire Department will complete its first review of Construction Permit and Fire Construction Permit applications within 17 days of the date of the City provides the Fire Department with the permit application submittal packages and, for all subsequent reviews, within six (6) days of the date complete revisions were received from the City.
4. The Fire Department will attach the review comments electronically in TRAKiT and update the Fire Review section accordingly.
5. The Fire Department's Project Manager will be available to meet, at a minimum, weekly with the City and School District to answer questions related to compliance with all applicable code provisions.

**C. Joint Responsibilities:**

1. Project Managers.
  - a. To promote effective intergovernmental cooperation and efficiencies, each Party will designate an individual as a Project Manager who shall be responsible for coordination of communications between the Parties and shall act as the point of contact for that Party.
  - b. At the discretion of the Party, Project Manager(s) may be designated for an individual School District Project or for all School District Projects.
  - c. Designated Project Manager(s) shall be identified by each Party promptly upon Construction Permit and Fire Construction Permit application submittal.

2. Failure to Meet Timelines

- a. The Parties recognize and acknowledge that the ability to meet the Accelerated Processing time period requires timely performance based on available staffing and effective communication.
- b. In the event of a failure to perform, the Parties shall work collaboratively to promptly develop corrective actions. Appropriate corrective actions will be mutually established by the City's Project Manager and the Fire Department's Project Manager.
- c. If corrective actions are not resolved within one (1) week, the Parties acknowledge that the School District may request a reduction in fees due on the permit application at issue.
  - i. If the fees are reduced as a result of corrective action that is solely attributable to the Fire Department's actions, then the Fire Department will receive 80 percent (80%) of the reduced amount collected for Fire Review fees from the School District.
  - ii. If the fees are reduced as a result of corrective action that is solely attributable to the City's actions, then the Fire Department will receive 80% of the Fire Review fees as originally agreed upon for the Accelerated Permitting rate.

3. Dispute Resolution

The City Project Manager and the Fire Department's Project Manager will attempt to mutually resolve any disputes or questions of interpretation of this Agreement or the performance of either Party under this Agreement. If the disputes or questions are not resolved by the Project Managers, then the Parties agree to use their best efforts to resolve disputes arising out of or related to this Agreement using good faith negotiations by engaging in the following dispute resolution process:

- a. Either Party may refer a dispute to the dispute resolution process by providing written notice of such referral to the other Party's Designated Representative.
- b. Initial Dispute Resolution: The Fire Department's Designated Representative and the City's Designated Representative shall meet to discuss and attempt to resolve the dispute in a timely manner. If the Designated Representatives cannot resolve the dispute within three (3) days after referral of that dispute for Initial Dispute Resolution, either Party may refer the dispute for Secondary Dispute Resolution.
- c. Secondary Dispute Resolution: The Fire Department's Fire Marshall, the City's Director of Planning and Community Development, the City's Director of Public Works (if applicable) and the School District's Deputy Superintendent (if applicable) shall meet to discuss and attempt to resolve the dispute. If they cannot resolve the dispute within two (2) days after referral of that dispute for Secondary Dispute Resolution, either Party may refer the dispute for Tertiary Dispute Resolution.
- d. Tertiary Dispute Resolution: The City Manager, the Shoreline Fire Chief, and the School District Superintendent (if applicable), shall meet to discuss and attempt to resolve the dispute in a timely manner. Except as otherwise specified in this Agreement, in the event the dispute is not resolved within two (2) days after referral of that dispute for Tertiary Dispute Resolution, the Parties are free to file suit, seek any available legal remedy, or agree to alternative dispute resolution methods such as mediation.

- e. At all times prior to resolution of the dispute, the Parties shall continue to perform any undisputed obligations and make any undisputed required payments under this Agreement in the same manner and under the same terms as existed prior to the dispute. Notwithstanding anything in this Agreement to the contrary, neither Party has an obligation to agree to refer the dispute to mediation or other form of dispute resolution following completion of Tertiary Dispute Resolution.

**SECTION 4  
FINANCIAL REIMBURSEMENT**

- A. In order to achieve Accelerated Processing for Construction and/or Fire Permits for the Projects, the applicable permit review fees set forth in Shoreline Municipal Code (SMC), Chapter 3.01.010(C) Fire-Construction will be charged at three (3) times the stated rates.
- B. The City will reimburse the Fire Department for hours documented in TRAKiT related to Fire Department review for Construction Permit and Fire Construction Permit applications for the School District's Projects at 80 percent (80%) of the rate that the School District is charged for these reviews.
- C. The Fire Department shall invoice the City on a quarterly basis. The invoice shall provide the City a report listing hourly services provided, by School District Project.
- D. Within thirty (30) days of receipt of the Fire Department invoices for permit review services, the City shall forward payment to the Fire Department.

**SECTION 5  
TERMINATION**

- A. This Agreement may be terminated by the mutual consent of both Parties.
- B. Either the City or the Fire Department may terminate this Agreement for cause in the event that the other Party fails to fulfill its material obligations under this Agreement in a timely manner or breaches any material provision of this Agreement and the dispute resolution process identified in Section 4 has failed to reach resolution within the timelines described therein.
- C. The Party wishing to terminate this Agreement for cause shall provide the other Party with written notice of its intent to terminate and shall give the other Party an opportunity to correct the failure to perform or breach within two (2) days of the notice or within such longer period as may be necessary in the event that correction cannot reasonably be accomplished within two (2) days. If the failure or breach is not corrected or cured, this Agreement may be terminated by the aggrieved party by giving three (3) days written notice to the other Party.
- D. A termination shall not extinguish or release any Party from liability for costs or obligations existing as of the date of termination. Any costs incurred prior to proper notification of termination will be borne by the Parties in accord with the terms of this Agreement.

**SECTION 6  
INDEMNITY**

- A. Both Parties agree to defend, indemnify, and hold the other Party, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney fees resulting from the negligent, gross negligent and/or intentional acts, errors or omissions of the indemnifying Party, its agents or employees arising out of or in connection with the performance of this Agreement, except for injuries and damages caused by the sole negligence of the indemnifying Party.
- B. Should a court of competent jurisdiction determine that this Agreement is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Fire Department and the City, its officers, officials, employees, and volunteers, the Fire Department's liability hereunder shall be only to the extent of the Fire Department's negligence. It is further specifically and expressly understood that the indemnification provided herein constitutes the Fire Department's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purpose of this indemnification. This waiver has been mutually negotiated by the Parties.
- C. The provisions of this section shall survive the expiration or termination of this Agreement.

**SECTION 7  
DURATION OF AGREEMENT**

This Agreement shall take effect upon the last date of signature by the Parties as set forth below. This Agreement shall remain in effect until the City has issued all requested Construction and/or Fire Permits for School District Projects, unless sooner terminated as provided in Section 5 above.

**SECTION 8  
ASSIGNMENT AND BENEFICIARIES**

No Party may assign all or any portion of this Agreement without the express written consent of the other Party. There are no third party beneficiaries to this Agreement.

**SECTION 9  
REPRESENTATIVES AND NOTICES**

- A. The Designated Representatives will jointly administered this Agreement and each Party shall bear its own costs of administering this Agreement. Accept as described in Section 4 of this Agreement.
- B. The Designated Representatives shall communicate regularly to discuss the status of the tasks to be performed and proactively resolve any issues or disputes related to the Projects, consistent with this Agreement. Each Designated Representative is also responsible for coordinating the input and work of its agency, consultants, and staff as it relates to the objectives of this

Agreement. The Parties reserve the right to change Designated Representatives by providing notice to the other party during the term of this Agreement.

C. Unless otherwise provided herein, all notices and communications concerning this Agreement shall be in writing and addressed to the Designated Representatives. All notices shall be either: (i) delivered in person, (ii) deposited postage prepaid in the certified mails of the United States, return receipt requested, (iii) delivered by a nationally recognized overnight or same-day courier service that obtains receipts, or (iv) delivered electronically by electronic mail (e-mail) or facsimile. However, notice under Section 5, Termination, must be delivered in person or by certified mail, return receipt requested.

D. The Designated Representatives are:

City of Shoreline  
Paul Cohen, Planning Manager  
17500 Midvale Avenue N  
Shoreline, WA 98133  
pcohen@shorelinewa.gov  
(206) 801-2551

Shoreline Fire Department  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**SECTION 10  
CITY'S PERMITTING AND REGULATORY AUTHORITY**

Nothing in this Agreement shall be deemed a waiver of the City's regulatory or permitting authority as to any of the permits required for the School District Projects, nor a predetermination of the compliance of a Project with applicable codes and regulations. The City retains the right to approve or reasonably condition permits required for the School District Projects within the bounds of the City's legal authority.

**SECTION 11  
GENERAL PROVISIONS**

A. **Governing Law and Venue.** This Agreement shall be construed and enforced in accordance with the laws of the State of Washington. Venue of any suit between the Parties arising out of this Agreement shall be King County Superior Court.

B. **Severability.** Any provision or part of the Agreement held to be void or unenforceable under any law or regulation shall be deemed stricken and all remaining provisions shall continue to be valid and binding upon the City and the Fire Department, who agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.

C. **Entire Agreement.** This agreement contains the entire Agreement between the parties hereto and no other agreements, oral or otherwise, regarding the subject matter of this agreement, shall be deemed to exist or bind any of the parties hereto. Either party may request changes in the agreement. Proposed changes which are mutually agreed upon shall be incorporated by

written amendment to this agreement. Such amendment shall be binding upon the Parties without the need for formal approval by the Shoreline Fire District Board of Commissioners and/or the Shoreline City Council, as long as the amendments are generally consistent with this Agreement.

- D. Force Majeure. The Parties shall not be deemed in default with provisions of this Agreement where performance was rendered impossible by war or riots, civil disturbances, floods or other natural catastrophes beyond its control; the unforeseeable unavailability of labor or materials; or labor stoppages or slow-downs, or power outages exceeding back-up power supplies. This Agreement shall not be revoked or a party penalized for such noncompliance, provided that such party takes immediate and diligent steps to bring itself back into compliance and to comply as soon as practicable under the circumstances without unduly endangering the health, safety, and integrity of both parties' employees or property, or the health, safety, and integrity of the public, public right-of-way, public property, or private property.
- E. Headings and Construction. Section headings are intended as information only, and shall not be construed with the substance of the section they caption. In construction of this Agreement, words used in the singular shall include the plural and the plural the singular, and "or" is used in the inclusive sense, in all cases where such meanings would be appropriate.
- F. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all counterparts together shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, each person whose signature appears below represents, warrants, and guarantees that he/she has been duly authorized and has full authority to execute this Agreement on behalf of the party for which he/she is signing this Agreement.

City of Shoreline

Shoreline Fire Department

By: \_\_\_\_\_  
Debra Tarry, City Manager

By: \_\_\_\_\_  
Matt Cowan, Fire Chief

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Approved as to Form:

Approved as to Form:

\_\_\_\_\_  
City Attorney, City of Shoreline

\_\_\_\_\_  
District Attorney, Shoreline Fire Department



### CONTRACT REVIEW/APPROVAL ROUTING FORM

#### INSTRUCTIONS:

**1. First time original contracts**

- a.) Contact City Clerk's Office for Contract Number
- b.) One copy of the contract routing form
- c.) Three original contract documents

**2. Amendments/Change Orders**

- a) Contact City Clerk's Office for a NEW Contract #
- b) One copy of the contract routing form
- c) Three original amendments/change orders
- d) One copy of the original contract

### CONTRACT DESCRIPTION

**Originator:** C. Ray Allshouse **Routed by:** \_\_\_\_\_  
**Department/Division:** PADS **Date:** January 19, 2006

**Type of Contract:**  (C) Building Construction  (L) Lease Agreement  (I) Intergov't Agreement  
 (A) Addendum/Change Order  (W) Public Works  (O) Other  
 (GR) Grants  (S) Purchase of Services (all types)

**CONTRACT TITLE:** INTERLOCAL BETWEEN THE CITY AND SHORELINE FIRE DEPT

**Brief Description of Services:** Development Review Process and Enforcement of the IFC

**Contract Modification:** Has the original contract boilerplate language been modified?  N  Y If yes, list which sections have been modified. Sections 2,3,4,5 & 7 - Interlocal Agreement

**Bid/RFP Number:** \_\_\_\_\_

**Name of Consultant/Contractor** \_\_\_\_\_

**Effective Date:** January 1, 2006 **Termination Date:** \_\_\_\_\_ **Default annual renewal** \_\_\_\_\_

**Total Amount of Contract:** \_\_\_\_\_ **OrgKey # & Object #** \_\_\_\_\_

(including reimbursable expenses)

**J/L # (if required)** \_\_\_\_\_

Is there sufficient funds in the current budget to cover this contract?  Y  N If no, from where are the additional funds coming? \_\_\_\_\_

**Payment Terms** (monthly installments, progress payments, etc.):  X

**Remarks:** City Council approved this Interlocal Agreement on January 9, 2006

#### SIGNATURE ROUTING:

<input checked="" type="checkbox"/> 1. Project Manager/Director	<u>CR</u>	<input checked="" type="checkbox"/> 6. City Manager (if required)	_____	<b>Date</b>
<input type="checkbox"/> 2. Risk Mgmt/Budget	_____	<input type="checkbox"/> 7. Dept. Director (if authorized)	_____	
<input checked="" type="checkbox"/> 3. City Attorney	_____	<input checked="" type="checkbox"/> 8. City Clerk	<u>Ans</u>	<u>0</u>
<input type="checkbox"/> 4. Send to Consultant for signature (only send contract documents)	_____	<input type="checkbox"/> 9. Purchasing	_____	
<input checked="" type="checkbox"/> 5. City Council Approval (if required)	_____ (mo/day/year)			

*Received by Town prior to presentation to City Council*



**INTERLOCAL AGREEMENT BETWEEN THE CITY OF SHORELINE AND  
SHORELINE FIRE DEPARTMENT RELATING TO DEVELOPMENT REVIEW  
PROCESS AND ENFORCEMENT OF THE INTERNATIONAL FIRE CODE WITHIN  
THE CITY OF SHORELINE**

THIS AGREEMENT is made and entered this date by the Shoreline Fire Department, a political subdivision of the State of Washington (hereinafter referred to as "Fire Department") and the City of Shoreline, a non-charter optional municipal code city, incorporated under the laws of the state of Washington (hereinafter referred to as "City").

WHEREAS, RCW 39.34.080 authorizes public agencies to enter into agreements to perform any governmental service, activity, or undertaking which each public agency entering into the agreement is authorized to perform; and

WHEREAS, RCW 19.27.031 requires that there shall be in effect in all counties and cities the State Building Code, which includes the International Fire Code as adopted and amended by RCW 19.27; and

WHEREAS, the City has adopted land use regulations, a series of safety codes having to do with building, maintenance, and use of structures that are included in the Shoreline Municipal Code and other standards that relate to protection of properties, and

WHEREAS, the Fire Department has a Fire Prevention Division qualified to enforce the provisions of the International Fire Code and other regulations and standards related to fire prevention and safety, and

WHEREAS, the Fire Department is authorized by RCW 52.12.031 to conduct building inspections and fire investigations; and

WHEREAS, the City and the Fire Department wish to fully cooperate and coordinate activities so as to avoid unnecessary duplication of effort and resources,

THEREFORE, in consideration of the terms and conditions contained herein, it is mutually agreed by the City and the Fire Department as follows:

**SECTION 1. ADMINISTRATION.**

**1. Authority:** The City Manager has the final authority on interpretation, administration and enforcement of applicable codes and standards. The City Manager designates the Fire Chief to serve as the fire code official or code official as referenced in the International Fire Code and to provide services as described in this agreement.

**SECTION 2. SERVICES PROVIDED BY THE FIRE DEPARTMENT.**

**1. General**

The Fire Department's Fire Chief, or designee, shall work in conjunction with the City's City Manager or designee to administer and enforce the provisions of the International Fire Code as adopted and amended by the City. The Fire Department and City will annually review the need for adopting amendments to the International Fire Code.

**2. Meetings and Correspondence**

The Fire Department will appoint a qualified representative to participate in the City's development review process including pre-application meetings, technical review committee meetings, pre-construction conferences, and other meetings as requested by the City. The City will advise the Fire Department in a timely manner of meetings that require attendance. Correspondence between the City and Fire Department and assignments to the Fire Department shall be confirmed in writing or by e-mail.

**3. Building or Land Use Permits**

**A. Plan Review**

The Fire Marshal, or other qualified designee, shall review all code applicable plans for new construction, remodels and additions, tenant improvements, site development, and land use applications for compliance with the International Fire Code. Review comments will be sent to the City's designated project manager in a timely manner. Plan reviews shall include, but not be limited to the following:

- a. Analyzing fire flows and supplied water flows
- b. Fire Department access to property and buildings for fire fighting purposes
- c. The designation of Fire Lanes
- d. Required fire protection systems
- e. Required fire detection systems
- f. The need for fire hydrants and their location
- g. The need for standpipes and their locations
- h. Locations of Fire Department Connections and Post Indicator Valves
- i. Key box needs and locations
- j. Acceptable locations of fuel storage tanks and dispensing systems
- k. Compliance with water availability and access requirements for Adult Family Homes
- l. Review for hazardous processes and storage

**B. Inspections**

The Fire Department's Fire Marshal, or designated representative, shall inspect permitted projects, for compliance with the requirements of the approved plans, the International Fire Code, and other applicable regulations and standards.

**4. Annual Inspections and International Fire Code (I) Section 105.6 Permits**

The Fire Department shall carry out the intent of the International Fire Code for the City by conducting annual inspections. The Fire Department shall also issue IFC section 105.6 Permits and provide related inspections. Non-compliant occupancies shall be referred to the City for enforcement as described in Section 2-6.

4.1 Inspections of all occupancies except detached one- and two-family dwellings and multiple single-family dwellings (townhouses) not more than three stories in height with a separate means of egress and their accessory structures will be conducted as follows:

- a. Inspections shall be performed per IFC Section 104.
- b. Inspections in accordance with Section 105.6 shall be conducted at least annually or as deemed necessary by the fire code official to determine the extent of IFC compliance. In all cases the inspections are to be conducted in a regularly scheduled manner.
- c. The Fire Department will serve written notice on violation of the IFC to gain compliance and follow up with a reinspection in a time frame appropriate with the violation, but not to exceed 30 days in any situation.
- d. If compliance is not achieved after the first reinspection, a second written notice will be served with a specified time frame for compliance, but not to exceed 15 days in any situation.
- e. After a second re-inspection for violation and a non-compliance still exists, then the Fire Marshal will refer the non-compliant occupancy to the City's Building Official for Code Enforcement and assist as needed in the preparation of the enforcement action.
- f. At the time of the first inspection, Fire Prevention Division Inspectors will determine if a valid permit is held by occupancies requiring a permit, pursuant to IFC Article 105.6. If a valid permit is not held, an application will be given to the occupant along with instructions that the application must be filed with the Fire Department.

**5. Fire Investigations**

The Fire Department will carry out the intent of IFC Section 104.10 and RCW 48.48.060 and will coordinate fire investigations concerning cause and origin in compliance with the requirements of the International Fire Code and other local, state, and federal regulations. Investigations involving the crimes of arson are the responsibility of the City, and will be referred to and investigated by the King County Fire Marshall's Office. The Fire Department shall have the authority to directly call in the King County Fire Marshall's Office for investigation of possible arson fires, according to the criteria approved by the City. The Fire Department shall also notify the Shoreline Police Department of all criminal investigations. This does not preclude any coordination or cooperation of any other appropriate agency.

**6. Code Enforcement**

The Fire Marshall shall coordinate and cooperate in code enforcement actions related to the IFC. The representative shall assemble evidence, provide potential alternate solutions, and interpretations within their expertise. The City shall have the final authority on code

interpretation and enforcement decisions. When required by the City, the Fire Department shall provide testimony in legal actions.

**SECTION 3. SERVICES PROVIDED BY THE CITY.**

1. The City, through its Director of Planning & Development Services or designee, shall provide assistance in the interpretation and application of the City's adopted codes, so as to ensure consistency.
2. For development requiring Fire Department review and inspections, the City will:
  - a. Receive and process applications, print permits and collect fees except for operational permits enumerated in Section 105.6 of the IFC.
  - b. The City will make submittal documents available to the Fire Department for review, comment, and/or approval in a timely manner.
  - c. The City will provide customer information and city staff coordination.
  - d. The City will provide archiving, and file storage space.
  - e. The City will provide the use of Hansen, a tracking system for all work provided by the Fire Department to the City.
  - f. The City will provide the Fire Department with a monthly report showing the number of permits processed, which included fire review, and the fees collected.

**SECTION 4. PROCEDURES**

**1. Plan Check**

Applications and documents will be accepted through the City for building, land use, and fire systems permits. The City shall notify the Fire Department representative of documents requiring plan check. For building and land use permits, the Fire Department representative shall provide a comment list to the project manager if there are revisions to be made. The timeline for this work shall not exceed two weeks, one week for resubmittals, unless the project manager indicates a different timeline.

The Fire Department representative shall work directly with the applicant for fire protection systems and IFC Section 105.7 permits, and copy the City on correspondence and decisions. The review process shall continue until the drawings are approved. If there is an issue that is not resolved in a timely manner, or is disputed by the applicant, it shall be brought to the attention of the project manager and the Building Official for resolution. The Fire Department representative shall provide all necessary stamps on the drawings, maintain a readily available file of correspondence, and keep the City's tracking system current. The City will keep the approved files and documents and provide archiving.

**2. Construction Inspections**

The Fire Department representative shall respond to City or applicant requests to provide inspections on building, land use, and fire protection systems permits. Inspection communications shall be maintained in the file, in the City's tracking system and kept current. If reinspections are required, they shall be made in a timely manner. When an inspection is

finalized the permit cards shall be signed off at the site. If there is an issue that is not resolved in a timely manner, or is disputed by the applicant, it shall be brought to the attention of the project manager and the Building Official for resolution.

**3. Fire Scene Posting and Notification**

Notification shall be provided to the City by the Fire Department for all fires involving City owned property; or where the Fire Investigator determines there to be a public safety hazard; or where a permit may be required for repair. Notification shall be by telephone to the City's Customer Response Team as soon as reasonable. If it is necessary for the Fire Department to leave the scene prior to the arrival of the City's representative, the Fire Department will post the structure or portion of the structure with warning tape.

**SECTION 5. COMPENSATION.**

1. Fees assessed for the Fire Department's fire prevention services relating to this agreement shall be established by ordinance of the City Council.
2. Land Use and Building Permits The Fire Department shall be reimbursed for meetings, plan check and inspection services, including fire safety during construction, and related to construction compliance with the adopted fire code at the rate of 80% of the City's hourly rate. Time tracked at meetings not related to building or development permits shall not be charged to the City.
3. IFC Section 105.7 Construction Permits and Inspections The Fire Department shall be paid for plan review and inspection of all fire construction permits based on 80% of the fees charged to the applicant by the City of Shoreline.
4. IFC Section 105.6 Operational Permits and Inspections The Fire Department is responsible for collecting all fees directly from the applicants.
5. The Fire Department shall not be paid fees for investigating origin and cause of fires.
6. The Fire Department shall invoice the City on a quarterly basis. The invoice shall provide the City a report listing hourly services provided, by project name and number. These services shall be detailed in the City's data base.
7. The City shall forward payment to the Fire Department on a quarterly basis in the month following receipt of the invoice.

**SECTION 6 INDEMNITY.**

The City enters into this contract to obtain the Fire Department's expertise, which the Fire Department acknowledges and warrants its personnel possess. The employees of the District

performing services under this Agreement shall, under no circumstances, be construed as being employees of the City.

The Fire Department, with respect to the services provided by the Fire Department pursuant to the Agreement, hereby agrees to indemnify, defend, and hold the City harmless from any and all claims for personal injury, property damage, or other claims of any nature whatsoever arising out of the acts, omissions, or performance of any of the Fire Department's personnel in carrying out services contracted to be provided under this Agreement. Said agreement of indemnification shall include indemnification by the Fire Department to the City for any claims for injuries made by the District's agents or employees as against the City, notwithstanding any immunities that might otherwise have been available to the Fire Department by virtue of the Workman's Compensation Act, Title 51 RCW. This waiver of industrial indemnity immunity was specifically negotiated by the parties.

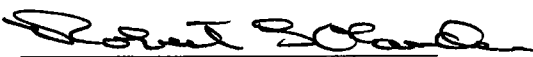
**SECTION 7 DURATION.**

This agreement shall be effective January 1, 2006, and shall renew annually at the beginning of each calendar year unless amended or terminated as provided herein. An annual review of the terms and conditions shall commence by October 1 of each year.

**SECTION 8. TERMINATION.**

Either party may terminate this agreement by written notice to the other party at least 90 days prior to the date of termination. All permits or inspections initiated prior to termination shall be completed by the Fire Department and compensation paid regardless of whether some work is performed after the termination date.

**CITY OF SHORELINE**

By: 

Title: Interim City Manager

17544 Midvale Avenue North  
Shoreline Washington 98133

**SHORELINE FIRE DEPARTMENT**

By: 

Title: Chief

17525 Aurora Avenue North  
Shoreline Washington 98133

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Authorize the City Manager to Enter into an Agreement with the Shoreline School District for Accelerated Permit Processing
<b>DEPARTMENT:</b>	Planning & Community Development
<b>PRESENTED BY:</b>	Rachael Markle, Director
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

The Shoreline School District will be replacing Parkwood Elementary School, Einstein Middle School and Kellogg Middle School; remodeling Aldercrest Elementary School and completing the remodel of North City Elementary. The School District has carefully designed a schedule for all of these projects that includes the plan for maintaining educational services during construction. Part of that plan includes completing the permitting phase for each project in eight (8) weeks. However, the City's current permitting timeline for large commercial projects is 14 to 22 weeks plus the time it takes for applicants to respond to review comments.

The School District, City staff and the Shoreline Fire Department<sup>1</sup> have been working together on an agreement that includes a plan for how the City with increased resources from the School District could issue the development permits for the School District projects in eight (8) weeks. The proposed Agreement Between the City of Shoreline and Shoreline School District No. 412 for Accelerated Processing of Construction Permits for School District Construction Projects (Attachment A) provides for this agreement.

**RESOURCE/FINANCIAL IMPACT:**

In accordance with the agreement, the School District will be required to pay three (3) times the permit review fees for any development permits the District chooses to have issued within eight (8) weeks of submitting a complete development permit application. The chart below compares the estimated permitting costs for the Parkwood, Einstein and Kellogg projects combined based on the review process used:

---

<sup>1</sup> Staff negotiated an Agreement with the Shoreline Fire Department (SFD) to provide Accelerated Review of the School District's projects. The Agreement with the SFD is presented in another staff report for Council's consideration on November 6<sup>th</sup> to authorize the City Manager to also approve this Agreement

<b>Review Process</b>	<b>Standard Review<sup>1</sup></b>	<b>Expedited Review<sup>2</sup></b>	<b>Accelerated Review</b>
<b>Processing Time</b>	Currently 14-22 weeks for staff reviews of large commercial projects	Generally ½ the current review time: 7-11 weeks for staff review of large commercial projects	Only available by Agreement – 8 weeks
<b>Estimated Permitting Cost for School District Projects</b>	\$844,258	\$1,176,841	\$1,509,424

<sup>1</sup>The development permits for North City Elementary have been issued and the first two phases of the Aldercrest Elementary remodel are issued and in progress. The only option for permitting at the time these permits were submitted was the standard review process. Future phases of construction may occur at Aldercrest and if the Agreement is approved then the remaining permits may use the Accelerated Review process.

<sup>2</sup>The development permits for the Early Learning Center at Shoreline’s Children Center are currently being reviewed. Since the Agreement was not in place and therefore Accelerated Review was not an option, the School District opted to use the Expedited Review process.

- As part of the 2017 Budget amendment and the 2018 Budget, staff identified the resources needed to support the eight (8) week permitting timeline requested by the School District.
- Council approved amendments to the 2017 Budget on September 11, 2017 which included funding for a 1.0 FTE Development Review Engineer II; 0.5 FTE (limited term) Senior Planner to serve as the Project Manager for permitting the School District projects; a 1.0 FTE Plans Examiner II; and \$67,000 for professional services to provide consulting support for Plans Examination and Development Review.
- The 2018 Proposed Budget includes funding for \$300,000 in professional service contracts for plans examination and inspections to enable the City to review the School District’s development permits within eight (8) weeks while maintaining the existing level of permit review services for all other permit applicants.
- The Development Review Engineer II, Senior Planner (limited term), Plans Examiner II and funding for consulting services to support plan review are all backed by permit revenue.
- The potential financial risk to the City if staff were to fail to meet the agreed deadlines is mitigated in the Agreement. Should this occur, the School District would at a minimum be required to pay the City the Expedited Review rate.

**RECOMMENDATION**

Staff recommends that the City Council authorize the City Manager to enter into the Agreement Between the City of Shoreline and Shoreline School District No. 412 for Accelerated Processing of Construction Permits for School District Construction Projects.

Approved By:            City Manager **DT**    City Attorney **MK**



## **INTRODUCTION**

The School District's construction schedule for the Parkwood, Einstein and Kellogg School projects is based on the permitting phase taking eight (8) weeks from submittal of the permit applications to issuance of the permits for construction. This is not the standard level of review for permitting services. Additional staff resources are required to deliver the requested level of service for the School District while not delaying the review of other development permit applications. School District, City and Shoreline Fire Department staff worked together on the proposed Agreement Between the City of Shoreline and Shoreline School District No. 412 for Accelerated Processing of Construction Permits for School District Construction Projects (Attachment A) that includes the terms and conditions under which the City and Fire Department would be able to process the School District's development permits for Parkwood, Einstein, Kellogg and the remaining projects at Aldercrest within an eight week period.

## **BACKGROUND**

In February 2017, voters approved a \$250 million school construction bond to fund the rebuilding of Einstein Middle School, Kellogg Middle School, and Parkwood Elementary School and, to build an Early Learning Center at the Shoreline Children's Center. Phased improvements are also underway at the Aldercrest campus to modernize this facility with the goal of reopening the campus as an elementary school to serve Shoreline School District students and families now and into the future.

The School District has requested an eight week processing time for development permits for the following schools: Aldercrest Elementary School; Parkwood Elementary School; Einstein Middle School; and Kellogg Middle School. Currently, large commercial development projects are taking approximately 14 to 22 weeks to issue permits, not including the time it takes for the applicant's design professionals to revise plans to address the City's review comments. The substantially reduced permit processing time of eight weeks will greatly assist the School District with meeting its very tight construction schedules for each of the projects. It is imperative that the schools are safe and ready to occupy or reoccupy per the School District's carefully orchestrated schedules in order to continually serve the students within the approved budgets.

Council last discussed allowing the School District to pay additional permit fees to cover the cost of reviewing the development permits for the School District projects within an eight week period at their August 7, 2017 meeting as part of the 2017 Budget Amendment discussion. Council stated that the cost of this service (Accelerated Permitting) would need to be more than cost of Expedited Permitting. Expedited Permitting does not guarantee an eight week turn around, but instead cuts each of the City's review cycles for the permit in half. Based on current permit volumes and staffing, Expedited Permitting takes longer than eight weeks.

The purpose of the proposed agreement with the School District is to set forth the roles and responsibilities of the City and the School District with respect to the City's accelerated processing of permits for the construction at Aldercrest Elementary School, Parkwood Elementary School, Einstein Middle School, and Kellogg Middle School. The

Agreement also sets the fees owed to the City by the School District for the accelerated processing of these permits. The Agreement does not include permits and reviews by non-City utility providers including, but not limited to, sewer, water, electric, and gas. The Agreement includes provisions for: project management; failure to meet timelines; dispute resolution; financial reimbursement; termination of the Agreement; indemnity; duration of the Agreement; assignments and beneficiaries; representatives and notices; and the City's permitting and regulatory authority.

### **ALTERNATIVES ANALYSIS**

The alternatives to processing School District permits were largely analyzed as part of the 2017 Budget amendment process and as part of the proposed 2018 Budget. These alternatives included:

1. Process the permits for the School District projects using the Standard Review process. This process would take an estimated 14-22 weeks, or possibly longer due to the School District's equity policy of keeping both middle schools on the same permitting, construction and completion schedule. Also, the 14-22 week estimate is based on only two rounds of reviews and does not include the time it would take the School District's design professionals to respond to both the first and second review cycle comment letters.

#### **Cons:**

- a. Choosing this alternative would likely increase the permitting review time for all other commercial building permits resulting in a decreased customer service and satisfaction. The current and projected permitting level, even without the School District projects has resulted in increased permit review times.
- b. The School District would not meet its permitting, construction and completion schedule for the School District projects. This would result in increased construction costs; and increased costs for contingency planning and implementation in regards to how and where to safely provide educational services if the new or remodeled schools are not completed.

#### **Pros:**

- a. No additional funding for staff or contract services would be required.
2. Process the permits for the School District projects using the Expedited Review process. This process would take an estimated 8-11 weeks, or possibly longer due to the School District's equity policy of keeping both middle schools on the same permitting, construction and completion schedule. Also, the 8-11 week estimate is based on only two rounds of reviews and does not include the time would take the School District's design professionals to respond to both the first and second review cycle comment letters.

#### **Cons:**

- a. Choosing this alternative may increase the permitting review time for all other commercial building permits resulting in a decreased customer service and satisfaction. The current and projected permitting level, even without the School District projects has resulted in increased permit review times.

- b. The School District would most likely not meet its permitting, construction and completion schedule for the School District projects. This would result in increased construction costs; and increased costs for contingency planning and implementation in regards to how and where to safely provide educational services if the new or remodeled schools are not completed.

Pros:

- a. Some additional funding for staff and/or contract services would be required, but not as much as is required to provide Accelerated Review. The additional cost would be covered by the Expedited Permitting fee.
3. **Recommended Alternative:** Process the permits for the School District projects using the Accelerated Review process. This process would accommodate the School District's requested permitting schedule of eight weeks from permit intake to issuance based on two (2) review cycles.

Cons:

- a. If the City cannot meet the deadlines for review as set forth in the Agreement, then the School District may request a reduction in the permit review fees. The permit review fees may be reduced from triple the amount of the permit review fees to double.

Pros:

- a. The Accelerated Process is intended to support the School District's goal of having permits ready to issue within eight (8) weeks of application submittal for each of its School projects.
- b. The School District staff have reviewed the proposed Agreement and will be asking the School District Board to authorize the Superintendent's Office to sign the Agreement.
- c. Through the Agreement, the School District will provide the funding necessary to cover the City and Fire Department's cost to provide the Accelerated Permit processing.
- d. The Accelerated Process provides enough funding to obtain the staff and professional contracts required to process the School District's permits within eight weeks without impacting the review schedules for other commercial permits applications submitted in the next two years.

**COUNCIL GOAL ADDRESSED**

This agreement addresses Council Goal 1: Strengthen the City's economic base to maintain the public services that the community expects, and specifically Action Step #2: Enhance the attractiveness of Shoreline as a place for private investment, including investment by small and medium sized developments, by ensuring that the permit process is predictable, timely and competitive, and by constantly evaluating and improving the quality of regulations for the City and other local permitting organizations.

## RESOURCE/FINANCIAL IMPACT

In accordance with the agreement, the School District will be required to pay three (3) times the permit review fees for any development permits the District chooses to have issued within eight (8) weeks of submitting a complete development permit application. The chart below compares the estimated permitting costs for the Parkwood, Einstein and Kellogg projects combined based on the review process used:

<b>Review Process</b>	<b>Standard Review<sup>1</sup></b>	<b>Expedited Review<sup>2</sup></b>	<b>Accelerated Review</b>
<b>Processing Time</b>	Currently 14-22 weeks for staff reviews of large commercial projects	Generally ½ the current review time: 7-11 weeks for staff review of large commercial projects	Only available by Agreement – 8 weeks
<b>Estimated Permitting Cost for School District Projects</b>	\$844,258	\$1,176,841	\$1,509,424

<sup>1</sup>The development permits for North City Elementary have been issued and the first two phases of the Aldercrest Elementary remodel are issued and in progress. The only option for permitting at the time these permits were submitted was the standard review process. Future phases of construction may occur at Aldercrest and if the Agreement is approved then the remaining permits may use the Accelerated Review process.

<sup>2</sup>The development permits for the Early Learning Center at Shoreline’s Children Center are currently being reviewed. Since the Agreement was not in place and therefore Accelerated Review was not an option, the School District opted to use the Expedited Review process.

- As part of the 2017 Budget amendment and the 2018 Budget, staff identified the resources needed to support the eight (8) week permitting timeline requested by the School District.
- Council approved amendments to the 2017 Budget on September 11, 2017 which included funding for a 1.0 FTE Development Review Engineer II; 0.5 FTE (limited term) Senior Planner to serve as the Project Manager for permitting the School District projects; a 1.0 FTE Plans Examiner II; and \$67,000 for professional services to provide consulting support for Plans Examination and Development Review.
- The 2018 Proposed Budget includes funding for \$300,000 in professional service contracts for plans examination and inspections to enable the City to review the School District’s development permits within eight (8) weeks while maintaining the existing level of permit review services for all other permit applicants.
- The Development Review Engineer II, Senior Planner (limited term), Plans Examiner II and funding for consulting services to support plan review are all backed by permit revenue.
- The potential financial risk to the City if staff were to fail to meet the agreed deadlines is mitigated in the Agreement. Should this occur, the School District would at a minimum be required to pay the City the Expedited Review rate.

## RECOMMENDATION

Staff recommends that the City Council authorize the City Manager to enter into the Agreement Between the City of Shoreline and Shoreline School District No. 412 for Accelerated Processing of Construction Permits for School District Construction Projects.

## **ATTACHMENTS**

Attachment A: Agreement Between the City of Shoreline and Shoreline School District No. 412 for Accelerated Processing of Construction Permits for School District Construction Projects

**AGREEMENT BETWEEN THE CITY OF SHORELINE  
AND SHORELINE SCHOOL DISTRICT NO. 412  
FOR ACCELERATED PROCESSING OF CONSTRUCTION PERMITS  
FOR SCHOOL DISTRICT CONSTRUCTION PROJECTS**

THIS AGREEMENT is made and entered into by Shoreline School District No. 412 (hereinafter referred to as the “School District”) and the City of Shoreline (hereinafter referred to as “City”). The School District and City are collectively referred to hereafter as “the Parties” or individually as a “Party”.

**RECITALS**

WHEREAS, the City is a non-charter optional municipal code city organized pursuant to Title 35A of the Revised Code of Washington.

WHEREAS, the School District is a quasi-municipal corporation organized pursuant to Title 28A of the Revised Code of Washington.

WHEREAS, in 2017, voters approved a \$250 million school construction bond to fund the rebuilding of Einstein Middle School, Kellogg Middle School, and Parkwood Elementary School and, to build an Early Learning Center at the Shoreline Children’s Center.

WHEREAS, phased improvements are underway at the Aldercrest campus to modernize this facility with the goal of reopening the campus as an elementary school to safely serve Shoreline School District students and families now and into the future.

WHEREAS, the School District has requested an eight week processing time for certain permits required by the City for construction projects at the following schools: Aldercrest Elementary School; Parkwood Elementary School; Einstein Middle School; and Kellogg Middle School.

WHEREAS, the Parties desire to enter into an agreement so as to provide for the terms and conditions of the City’s accelerated processing of such permits and the School District’s payment for such accelerated processing.

**AGREEMENT**

FOR AND IN CONSIDERATION OF and subject to the terms and conditions set forth below, the Parties agree as follows:

**SECTION 1  
PURPOSE OF AGREEMENT**

The purpose of this Agreement is to set forth the roles and responsibilities of the Parties with respect to the City’s accelerated processing of permits that are issued by the City for construction at Aldercrest Elementary School, Parkwood Elementary School, Einstein Middle School, and Kellogg Middle School and, the fees owed to the City by the School District for the accelerated

processing of these permits. This Agreement does not include permits and reviews by non-city utility providers including, but not limited to, sewer, water, electric, and gas.

**SECTION 2  
DEFINITIONS**

- A. "Construction Permit" or "Construction Permits" means Building Permits, Mechanical Permits, Electrical Permits, Site Development Permits, Right of Way Permits, Plumbing Permits, Demolition Permits, and Fire Systems Permits. Construction Permits do not include Conditional Use permits as defined in SMC 20.30.300 or any other Type B, Type C, or Type L permit as defined in SMC 20.30.050, 20.30.060, and 20.30.070 respectively.
- B. "Date revisions were received" means the date the document is stamped as received by the City.
- C. "Days" means calendar days.
- D. "Accelerated Processing" means an eight (8) week processing time, calculated from the date the City determines an application is complete to the date of permit issuance, accounting for tolling when additional information has been requested by the City.
- E. "Project" or "Projects" means the School District's remaining renovations for Aldercrest Elementary; rebuilding of Einstein Middle School, Kellogg Middle School, and Parkwood Elementary.
- F. "Week" means one calendar week or seven (7) consecutive calendar days.

**SECTION 3  
ENVIRONMENTAL REVIEW**

- A. The School District is the "lead agency" for the purposes of a Project's compliance with the State Environmental Policy Act, RCW 43.21C (SEPA).
- B. Verification from the School District to the City that a Project has complied procedurally and substantively with SEPA must be submitted to the City for each Project as part of the construction permit application. Verification should include, at a minimum, Determination of Non-Significance or a Determination of Significance and, if the latter, an Environmental Impact Statement.

**SECTION 4  
ROLES AND RESPONSIBILITIES**

The Parties understand and agree that the process described in this Agreement depends upon timely and open communication, prompt submittal of documentation and information, and mutual cooperation between the Parties. In this regard, communication of issues, changes, or problems that arise with any aspect of the roles and responsibilities described herein should occur as early

as possible in the process, and not wait for explicit due dates or deadlines. Each Party agrees to work cooperatively and in good faith toward resolution of any such issues so as to meet the deadlines articulated in this Agreement.

A. **City Responsibilities:** The City agrees to review the Construction Permit applications and provide the School District with review comments as described in this Section to facilitate the issuance of Construction Permits for the Projects within the Accelerated Processing time period.

1. The City will issue a Notice of Complete Application upon determination by the City that a Construction Permit application is complete.
2. The City will complete the first review of the Construction Permit application within three (3) weeks of the date of the Notice of Complete Application. Upon completion of the first review, the City will send written comments to the School District detailing required revisions.
3. The City will complete the second review of a Construction Permit application within one (1) week of the date revisions were received from the School District that, in the City's sole opinion, completely address the first review comments. Upon completion of the second review, the City will send written comments to the School District detailing required revisions.
4. The City will complete all subsequent reviews, if required, of a Construction Permit application within one (1) week of the date revisions were received from the School District that, in the City's sole opinion, completely address the review comments. Upon completion of any subsequent review, the City will send written comments to the School District detailing required revisions.
5. Following the completion of the City's first or second review of a Construction Permit application, if, in the City's sole opinion, there are no remaining issues associated with the building placement and design of the foundation, the City may, upon written request of the School District, issue a separate permit for the "Foundation Only" and/or "Site Development." The issuance of these types of permits will allow construction on those portions of a Project to begin in advance of issuance of the actual building permit.
6. The City's Project Manager may release partial review comments to the School District in advance of the City completing a round of reviews to reduce the turn-around time between reviews.
7. The City's Project Manager will coordinate the City's and the Shoreline Fire Department's review of all Construction Permit applications required for each Project.
8. The City's permit application review staff will be available to meet, at a minimum, weekly with the School District to answer questions related to compliance with all applicable code provisions.
9. The City will provide the School District with weekly progress reports on the status of Construction Permit reviews. Reports will be provided via e-mail by close of business on Friday of the following week to the School District's Project Manager.

B. **School District Responsibilities:** The School District agrees to provide Construction Permit applications and revisions as described in this Section to facilitate the issuance of Construction Permits for the Projects within the Accelerated Processing time period.



1. The School District will provide the City with four (4) weeks of notice prior to the estimated date of Construction Permit application submittals to ensure required staff are assigned to complete the review of the Construction Permit applications. The School District has established the following estimated schedule for submittal of Construction Permit applications:

<b>School</b>	<b>Estimated Date of Building Permit Submittal</b>
Parkwood Elementary	February 1, 2018
Einstein Middle	August 1, 2018
Kellogg Middle	August 1, 2018
Aldercrest Elementary	October 2017 or 1 <sup>st</sup> Quarter 2018

2. The School District shall request a Pre-Application meeting as defined in SMC 20.30.080 for each of the Projects prior to application submittal.
3. The School District will completely respond to the City’s first review letter and submit necessary revisions to the City within ten (10) days of the date of the City’s first review letter.
4. The School District will completely respond to the City’s second review letter and submit necessary revisions to the City within one (1) week of the date of the City’s second review letter.
5. The School District will completely respond to the City’s third review letter and submit necessary revisions to the City within four (4) days of the date of the City’s third review letter. The School District acknowledges that reviews of Construction Permit applications beyond the third review will likely extend the permit issuance date beyond the Accelerated Processing time period.
6. The School District acknowledges that the City may release partial review comments to the School District in advance of the City completing a round of reviews to reduce the turn-around time between reviews. The release of partial review comments does not obligate the School District to respond to such comments within the time periods set forth in this Section.
7. The School District Project Manager will coordinate review of all non-city permits as needed to facilitate issuance of Construction Permits by the City within the Accelerated Processing time period.
8. The School District’s Project Manager will be available to meet, at a minimum, weekly with the City to answer questions related to compliance with all applicable code provisions.

**C. Joint Responsibilities:**

1. Project Managers.
  - a. To promote effective intergovernmental cooperation and efficiencies, each Party will designate an individual as a Project Manager who shall be responsible for coordination of communications between the Parties and shall act as the point of contact for that Party.

- b. At the discretion of the Party, Project Manager(s) may be designated for an individual School District Project or for all School District Projects.
- c. Designated Project Manager(s) shall be identified by each Party promptly upon Construction Permit application submittal.

2. Failure to Meet Timelines

- a. The Parties recognize and acknowledge that the ability to meet the Accelerated Processing time period requires timely performance based on available staffing and effective communication. If either Party fails to perform their responsibilities for a Construction Permit application as set forth in this Section so as to facilitate permit issuance within the Accelerated Processing time period, then the timelines shall be adjusted to afford the other Party the same number of days the non-performing party has delayed.
- b. In the event of a failure to perform, the Parties shall work collaboratively to promptly develop corrective actions. Appropriate corrective actions will be mutually established by the City's Project Manager and the School District's Project Manager. If the need for corrective action is solely attributable to the City's actions and is not resolved within one (1) week, then the School District may request a reduction in the fees due the City on the Construction Permit application at issue. At no time should such a reduction be greater than two (2) times the applicable permit review fees.

3. Dispute Resolution

The City Project Manager and the School District Project Manager will attempt to mutually resolve any disputes or questions of interpretation of this Agreement or the performance of either Party under this Agreement. If the disputes or questions are not resolved by the Project Managers, then the Parties agree to use their best efforts to resolve disputes arising out of or related to this Agreement using good faith negotiations by engaging in the following dispute resolution process:

- a. Either Party may refer a dispute to the dispute resolution process by providing written notice of such referral to the other Party's Designated Representative.
- b. Initial Dispute Resolution: The School District's Designated Representative and the City's Designated Representative shall meet to discuss and attempt to resolve the dispute in a timely manner. If the Designated Representatives cannot resolve the dispute within three (3) days after referral of that dispute for Initial Dispute Resolution, either Party may refer the dispute for Secondary Dispute Resolution.
- c. Secondary Dispute Resolution: The School District Deputy Superintendent, the City's Director of Planning and Community Development, the City's Director of Public Works (if applicable) and the Shoreline Fire Marshal (if applicable) shall meet to discuss and attempt to resolve the dispute. If they cannot resolve the dispute within two (2) days after referral of that dispute for Secondary Dispute Resolution, either Party may refer the dispute for Tertiary Dispute Resolution.
- d. Tertiary Dispute Resolution: The School District Superintendent, the City Manager, and the Shoreline Fire Chief (if applicable) shall meet to discuss and attempt to resolve

the dispute in a timely manner. Except as otherwise specified in this Agreement, in the event the dispute is not resolved within two (2) days after referral of that dispute for Tertiary Dispute Resolution, the Parties are free to file suit, seek any available legal remedy, or agree to alternative dispute resolution methods such as mediation.

- e. At all times prior to resolution of the dispute, the Parties shall continue to perform any undisputed obligations and make any undisputed required payments under this Agreement in the same manner and under the same terms as existed prior to the dispute. Notwithstanding anything in this Agreement to the contrary, neither Party has an obligation to agree to refer the dispute to mediation or other form of dispute resolution following completion of Tertiary Dispute Resolution.

**SECTION 5  
FINANCIAL REIMBURSEMENT**

- A. In order to achieve Accelerated Processing for Construction Permits for the Projects, the School District agrees to pay the City three (3) times the applicable permit review fees set forth in Shoreline Municipal Code (SMC), Chapter 3.01.
- B. If requested in writing by the School District, a “Foundation Only” and/or “Site Development” permit will be charged a minimum fee of fifteen (15) hours. Hours in excess of the minimum hours shall be billed at the hourly minimum rate set forth in SMC 3.01.010.
- C. The City will invoice the School District for each Project twice: first at permit intake for all applicable intake fees and second prior to permit issuance for payment in full of all remaining fees. All invoices shall be due in full thirty (30) calendar days from the date of invoice.

**SECTION 6  
TERMINATION**

- A. This Agreement may be terminated by the mutual consent of both Parties.
- B. Either the City or the School District may terminate this Agreement for cause in the event that the other Party fails to fulfill its material obligations under this Agreement in a timely manner or breaches any material provision of this Agreement and the dispute resolution process identified in Section 5 has failed to reach resolution within the timelines described therein.
- C. The Party wishing to terminate this Agreement for cause shall provide the other Party with written notice of its intent to terminate and shall give the other Party an opportunity to correct the failure to perform or breach within three (3) days of the notice or within such longer period as may be necessary in the event that correction cannot reasonably be accomplished within three (3) days. If the failure or breach is not corrected or cured, this Agreement may be terminated by the aggrieved party by giving three (3) days written notice to the other Party.
- D. If the School District, at its sole discretion, elects not to require accelerated permit processing for any Project and the School District has provided written notice to the City prior to the submittal of the first Construction Permit Application for that Project, then the City shall not

be required to perform accelerated permit processing for that Project and the School District shall not be required to pay for such accelerated processing. In such case, the School District shall only have to pay the standard permit review fees for that Project.

- E. A termination shall not extinguish or release any Party from liability for costs or obligations existing as of the date of termination. Any costs incurred prior to proper notification of termination will be borne by the Parties in accord with the terms of this Agreement.

**SECTION 7  
INDEMNITY**

- A. Both Parties agree to defend, indemnify, and hold the other Party, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney fees to the extent resulting from the negligent, gross negligent and/or intentional acts, errors or omissions of the indemnifying Party, its agents or employees arising out of or in connection with the performance of this Agreement, except for injuries and damages caused by the sole negligence of the indemnified Party.
- B. Should a court of competent jurisdiction determine that this Agreement is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the School District and the City, its officers, officials, employees, and volunteers, the School District's and the City's respective liability hereunder shall be only to the extent of the School District's and the City's negligence. It is further specifically and expressly understood that the indemnification provided herein constitutes the School District's and the City's waiver of immunity under Industrial Insurance, Title 51 RCW, as to each other only and solely for the purpose of this indemnification. This waiver is not granted to any worker protected under Title 51 RCW and is solely to indicate that the protections offered under Title 51 RCW do not limit the scope of the indemnity obligations herein. This waiver has been mutually negotiated by the Parties.
- C. The provisions of this section shall survive the expiration or termination of this Agreement.

**SECTION 8  
DURATION OF AGREEMENT**

This Agreement shall take effect upon the last date of signature by the Parties as set forth below. This Agreement shall remain in effect until the City has issued all requested Construction Permits for School District Projects, unless sooner terminated as provided in Section 6 above.

**SECTION 9  
ASSIGNMENT AND BENEFICIARIES**

No Party may assign all or any portion of this Agreement without the express written consent of the other Party. There are no third party beneficiaries to this Agreement.

**SECTION 10  
REPRESENTATIVES AND NOTICES**

- A. The Designated Representatives will jointly administer this Agreement and each Party shall bear its own costs of administering this Agreement.
- B. The Designated Representatives shall communicate regularly to discuss the status of the tasks to be performed, to discuss any substantial changes to the Projects and proactively resolve any issues or disputes related to the Projects, consistent with this Agreement. Each Designated Representative is also responsible for coordinating the input and work of its agency, consultants, and staff as it relates to the objectives of this Agreement. The Parties reserve the right to change Designated Representatives by providing notice to the other party during the term of this Agreement.
- C. Unless otherwise provided herein, all notices and communications concerning this Agreement shall be in writing and addressed to the Designated Representatives. All notices shall be either: (i) delivered in person, (ii) deposited postage prepaid in the certified mails of the United States, return receipt requested, (iii) delivered by a nationally recognized overnight or same-day courier service that obtains receipts, or (iv) delivered electronically by electronic mail (e-mail) or facsimile. However, notice under Section 8, Termination, must be delivered in person or by certified mail, return receipt requested.
- D. The Designated Representatives are:

City of Shoreline  
Paul Cohen, Planning Manager  
17500 Midvale Avenue N  
Shoreline, WA 98133  
pcohen@shorelinewa.gov  
(206) 801-2551

Shoreline School District  
Dan Stevens, Manager - Capital Projects  
18560 1<sup>st</sup> Ave NE  
Shoreline, WA 98155  
dan.stevens@shorelineschools.org  
(206) 393-4246

**SECTION 11  
CITY'S PERMITTING AND REGULATORY AUTHORITY**

Nothing in this Agreement shall be deemed a waiver of the City's regulatory or permitting authority as to any of the permits required for the School District Projects, nor a predetermination of the compliance of a Project with applicable codes and regulations. The City retains the right to approve or reasonably condition permits required for the School District Projects within the bounds of the City's legal authority.

**SECTION 12  
GENERAL PROVISIONS**

- A. **Governing Law and Venue.** This Agreement shall be construed and enforced in accordance with the laws of the State of Washington. Venue of any suit between the Parties arising out of this Agreement shall be King County Superior Court.

- B. Severability. Any provision or part of the Agreement held to be void or unenforceable under any law or regulation shall be deemed stricken and all remaining provisions shall continue to be valid and binding upon the City and the School District, who agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.
  
- C. Entire Agreement. This agreement contains the entire Agreement between the parties hereto and no other agreements, oral or otherwise, regarding the subject matter of this agreement, shall be deemed to exist or bind any of the parties hereto. Either party may request changes in the agreement. Proposed changes which are mutually agreed upon shall be incorporated by written amendment to this agreement. Such amendment shall be binding upon the Parties without the need for formal approval by the Shoreline School District Board and/or the Shoreline City Council, as long as the amendments are generally consistent with this Agreement.
  
- D. Force Majeure. The Parties shall not be deemed in default with provisions of this Agreement where performance was rendered impossible by war or riots, civil disturbances, floods or other natural catastrophes beyond its control; the unforeseeable unavailability of labor or materials; or labor stoppages or slow-downs, or power outages exceeding back-up power supplies. This Agreement shall not be revoked or a party penalized for such noncompliance, provided that such party takes immediate and diligent steps to bring itself back into compliance and to comply as soon as practicable under the circumstances without unduly endangering the health, safety, and integrity of both parties' employees or property, or the health, safety, and integrity of the public, public right-of-way, public property, or private property.
  
- E. Headings and Construction. Section headings are intended as information only, and shall not be construed with the substance of the section they caption. In construction of this Agreement, words used in the singular shall include the plural and the plural the singular, and "or" is used in the inclusive sense, in all cases where such meanings would be appropriate.
  
- F. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all counterparts together shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, each person whose signature appears below represents, warrants, and guarantees that he/she has been duly authorized and has full authority to execute this Agreement on behalf of the party for which he/she is signing this Agreement.

City of Shoreline

Shoreline School District No. 412

By: \_\_\_\_\_  
Debbie Tarry, City Manager

By: \_\_\_\_\_  
Rebecca Minor, Superintendent

Date: \_\_\_\_\_ Date: \_\_\_\_\_

Approved as to Form:

\_\_\_\_\_  
City Attorney, City of Shoreline

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Public Hearing on the 2018 Proposed Budget with Special Emphasis on Property Tax and Other Revenues and Discussion of Ordinance No. 807, Setting the 2018 Regular and Excess Property Tax Levies
<b>DEPARTMENT:</b>	City Manager's Office Administrative Services Division
<b>PRESENTED BY:</b>	Sara Lane, Administrative Services Director Rick Kirkwood, Budget Supervisor
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input checked="" type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

The City Manager presented the 2018 Proposed Budget to the City Council on October 9, 2017. Department budget presentations were provided on October 16 and October 23. A presentation of the proposed 2018-2023 Capital Improvement Plan (CIP) was also made on October 23. A public hearing on the 2018 Proposed Budget and 2018-2023 CIP will be held on November 13. This staff report highlights revenue sources, including the regular and excess property tax levies. Tonight the City Council will hold a public hearing with special emphasis on revenue sources, including the regular and excess property tax levies. Proposed Ordinance No. 807 (Attachment A) will set the 2018 regular and excess property tax levies in Shoreline. Adoption of the 2018 property tax levy, budget, and 2018 Capital Improvement Program are scheduled for November 20.

**FINANCIAL IMPACT:**

The City's 2018 Proposed Budget as presented to the City Council on October 9 is balanced in all funds with appropriations totaling \$79.939 million and resources totaling \$85.142 million. The General Fund's resources total \$48.099 million with general operating revenues totaling \$41.917 million.

**RECOMMENDATION**

Staff recommends that the City Council conduct the public hearing to take public comment on the 2018 Proposed Budget, 2018 regular and excess property tax levies, and proposed 2018 revenues.

Approved By:            City Manager **DT**    City Attorney **MK**



## DISCUSSION

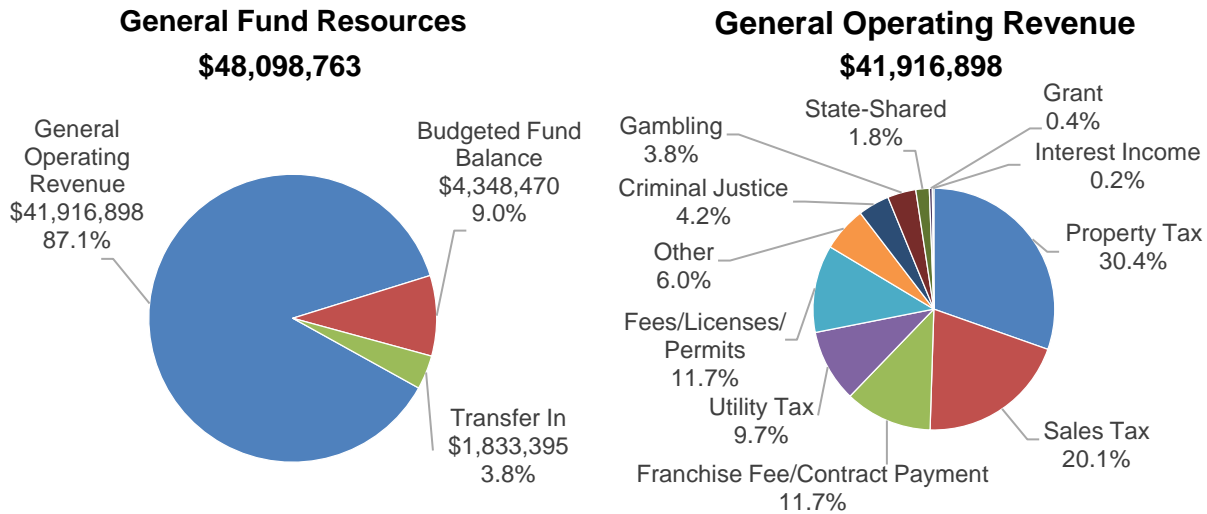
The City collects a variety of revenues to support ongoing City services. State law requires the City Council to hold a public hearing on revenue sources for the upcoming year's budget. The hearing must include consideration of property tax revenues and must be held before the ordinance setting the 2018 regular and excess property tax levies is adopted and submitted to King County. The City of Shoreline is required to adopt that ordinance and certify the amount to the County Assessor by December 1, 2017.

The revenue sources used to fund the City's budget are explained in detail on pages 79 through 93 of the 2018 Proposed Budget and 2018-2023 Capital Improvement Plan book (available here: <http://cityofshoreline.com/home/showdocument?id=32704>). The following discussion provides detail on the City's major revenue sources.

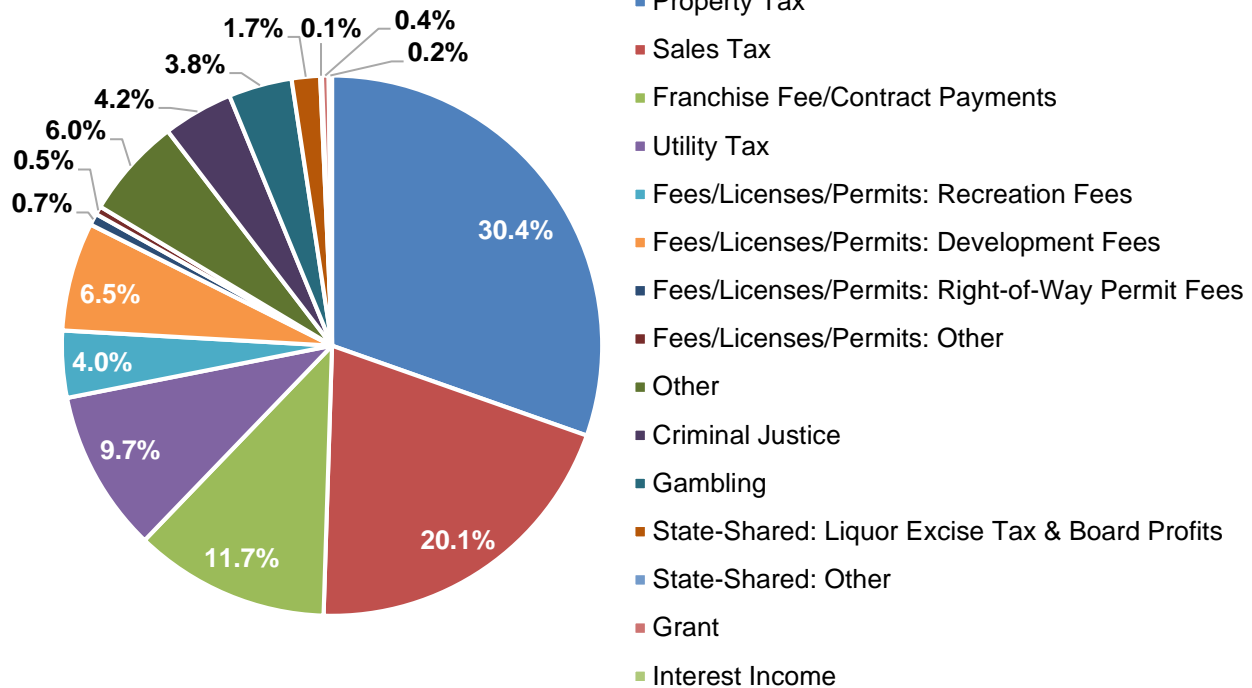
### General Fund Revenues

The General Fund resource base is \$48.099 million and is comprised of general operating revenues (\$41.917 million, 87.1%), the budgeted use of fund balance (\$4.349 million, 9.0%), and transfers-in from other funds for their share of the General Fund overhead (\$1.078 million, 2.2%), from the Street Fund of fund balance greater than its minimum required reserve (\$0.630 million, 1.3%), and from the Vehicle Operations Fund (\$0.125 million, 0.3%).

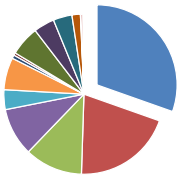
For the purposes of this discussion, general operating revenues will be discussed by category as shown in the chart on the right below. Some of these categories are further broken out in the section below and are also discussed on pages 80 through 90 of the 2018 Proposed Budget and 2018-2023 CIP book.



## General Operating Revenue



### Regular Property Tax Levy



Revenues from the regular property tax levy are budgeted at 100.0% of the projected regular property tax levy (\$12.760 million). The projected total collection is an increase of \$0.489 million, or 4.0%, over the 2017 projected collections. This revenue accounts for 30.4% of General Fund operating revenues and is discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on pages 80 and 81.

Property tax levy increases by local governments are limited to the lower of the Implicit Price Deflator (IPD) or 101% without voter approval. State law also limits the levy rate to \$1.60 per \$1,000 of assessed valuation (AV). The Revised Code of Washington (RCW) Chapter 84.55.005 and Washington Administrative Code (WAC) Section 458-19-005 provide the limit factors and process which the City must follow in adopting its property tax levy. For cities with a population of 10,000 or greater the limit factor is the lesser of 100 percent plus inflation, as measured by the IPD, or 101 percent of the previous year's levy. For a city with a population of 10,000 or greater having made a finding of substantial need; the limit factor is the lesser of 101 percent or the limit factor contained in the ordinance of substantial need. The July Implicit Price Deflator (IPD) was 1.553%. Therefore, if Shoreline Proposition 1 was not approved by voters, the City Council would be required to adopt a 2018 property tax levy limited to an increase of 1.0% from the 2017 levy plus new construction and refunds.

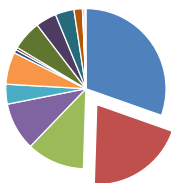
However, City of Shoreline Proposition 1, which was approved by voters in 2016, allows the City to increase its property tax levy annually by the June-to-June percentage change in the Consumer Price Index for All Urban Consumers for the Seattle/Tacoma/Bremerton Area (CPI-U). When this CPI-U is applied for 2018, it results in an increase of 2.99%. In addition, the levy is allowed to increase 0.75% due to the value of new construction, which is estimated at \$45.972 million, and re-levy for prior year refunds. As a result, the total levy

will increase 3.7%. For 2018, the City's AV of existing construction is projected to increase 9.8% and new construction adding 0.5% for a total growth of 10.3%. Given that AV has increased more than the increase allowed in the City's property tax levy, the City's property tax levy rate will decrease from the current rate of \$1.39000 (set by Proposition 1) to \$1.30689 per \$1,000 of AV. Final Citywide AV and new construction values from King County will determine the final levy rate.

Attachment B to this staff report illustrates how the City's total levy and property tax rate are calculated and the impact of the new levy rate on how much of the Regular Property Tax Levy a property owner will pay to the City. First, as was noted above, the year-over-year percentage change in the City's AV has an impact on the levy rate. Assuming there will be no year-over-year change in the AV for a single-family residence with a median value of \$386,000, the homeowner that paid \$537 to the City in 2017 will pay \$504, or \$32 less, in 2018. From that point the year-over-year percentage change in property tax paid on a property with an AV that has grown more than the City's total AV, which in this example is assumed to be 10.3%, will pay more than the City's levy growth, which in this example is assumed to be 3.7%. Conversely, a property with an AV that has grown less than the City's total AV will pay less than the City's levy growth. Here are three examples that illustrate these factors at work when the AV of the home, depending on that determined by the King County Assessor's Office, grows the same as, less than, or more than the City's total AV:

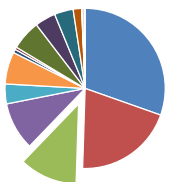
- Growing 10.3% (the same as the City's total AV) to \$425,758, the homeowner would pay \$20, or 3.7%, more, which is the same growth as the City's levy.
- Growing 5.0% (less than the City's total AV) to \$405,300, the homeowner would pay \$7, or 1.3%, less, which is less than the growth of the City's levy.
- Growing 15.0% (more than the City's total AV) to \$443,900, the homeowner would pay \$44, or 8.1%, more, which is more than the growth of the City's levy.

### **Sales Tax**



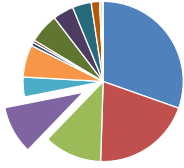
Revenues from sales tax (\$8.428 million) reflect increases from the 2017 budget and 2017 revised projection of \$0.458 million, or 5.8%, and \$0.189 million, or 2.3%, respectively. This revenue accounts for 20.1% of General Fund operating revenues and is discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on page 82.

### **Franchise Fee/Contract Payments**



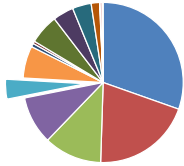
The City has entered into agreements with the many public utilities that provide services to Shoreline residents. Agreements are in place with Seattle City Light, Seattle Public Utilities (Water), the North City Water District, and the Ronald Wastewater District. All of these utilities pay either a contract fee or franchise fee to the City in an amount equal to six percent of their revenues generated in Shoreline. The City also receives a five percent franchise fee from the cable television providers in Shoreline. Projected revenue totals \$4.887 million and reflects a 2.5% increase from 2017 projected collections. This revenue accounts for 11.7% of General Fund operating revenues and is discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on page 85.

## **Utility Tax**



The City collects a six percent utility tax on natural gas, telephone services, sanitation services, cable television, and storm drainage. Projected revenue totals \$4.065 million and reflects a 0.0% increase from 2017 projected collections. This revenue accounts for 9.7% of General Fund operating revenues and is discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on page 84.

## **Fees/Licenses/Permits: Recreation Fees**



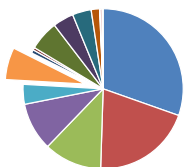
Fees are charged for participation in recreational classes and activities; swimming lessons and pool admissions; athletic field, recreation center, picnic shelter and Spartan Gym rentals; indoor and summer playground programs; and, teen trips and classes. In 2015, the Parks, Recreation and Cultural Services department developed a Cost Recovery and Fee Setting Framework (available online at:

<http://shorelinewa.gov/government/departments/parks-recreation-cultural-services/boards/parks-recreation-and-cultural-services-tree-board>).

A key element of the Framework is assigning programs and service categories to a cost recovery guideline range based on how much it benefits general community goals versus benefits to an individual. Fees for some programs and services have been reviewed using these guidelines and the outcome has been incorporated into the 2018 Fee Schedule (Shoreline Municipal Code 3.01.300 Parks, Recreation and Cultural Services). An additional review of fees will be performed in late 2017 and early 2018 to incorporate the impacts of the Extra Help salary changes necessary to address State minimum wage changes in our cost recovery fee model. Resulting fee changes will be presented as an amendment in 2018 if necessary.

Projected revenue from parks and recreation fees total \$1.688 million and reflects a 2.0% decrease from 2017 projected collections. Revenue from general recreation activities is projected to decrease by 4.8% largely due to the impact the Shoreline School District's earlier start for the 2018-2019 school year will have on summer camps. Revenue from facility rentals is expected to return to the 2016 level as Twin Ponds soccer fields return to a full year of operation. Teen Program revenue is expected to remain equal to the 2017 projection. These revenues account for 4.0% of General Fund operating revenues and are discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on page 86.

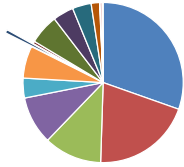
## **Fees/Licenses/Permits: Development Fees**



Fees are charged for a variety of development permits, inspections and reviews obtained through the City's Planning and Community Development department. These include building, structure, plumbing, electrical, and mechanical permits; land use permits; permit inspection fees; plan check fees; and fees for environmental reviews. The base level of revenue is expected to increase over that established in the 2017 budget by \$0.334

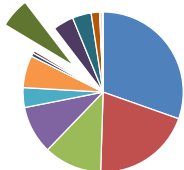
million, or 24.2%. The City expects to receive one-time revenue from the Shoreline School District's projects related to its recent bond measure in the amount of \$1.012 million in 2018. In total, development revenues are expected to increase over the 2017 budget by \$1.346 million, or 97.7%. These revenues account for 6.5% of General Fund operating revenues and are discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on pages 89 through 90.

### **Fees/Licenses/Permits: Right-of-Way Permit Fees**



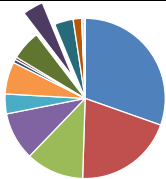
Fees are charged for the use of the City’s right-of-way and offsets the cost of providing right-of-way inspection services. This revenue source is affected by the level of construction activity occurring within the City. Collections vary from year-to-year based on the level of activity. Projected revenue totals \$0.280 million, accounts for 0.7% of General Fund operating revenues, and is discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on page 90.

### **Other**



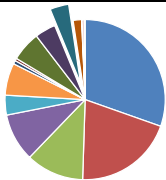
Revenues that do not fall into a general operating revenue category such as those discussed in detail in this staff report and the 2018 Proposed Budget and 2018-2023 CIP book are combined into the “Other” category. Significant revenues included in this category are those from the: Shoreline School District’s share of the School Resource Officer, DUI car impound fee, traffic infraction refund, Highland Park Center lease, Surface Water Utility for North Maintenance Facility rent, cell tower lease revenue, contribution from the solid waste provider, and reimbursement from Sound Transit per the Expedited Permitting and Reimbursement Agreement approved by the City Council on July 25, 2016. These revenues account for 6.0% of General Fund operating revenues.

### **Criminal Justice Sales Tax**



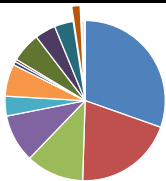
There are two sources of dedicated funding for local criminal justice programs: an optional County sales tax of 0.1% and state shared funding. Projected revenue from these sources totals \$1.744 million and reflects a 3.1% increase from 2017 projected collections. County-wide sales tax receipts continue to grow as the region recovers from the recession. This revenue accounts for 4.2% of General Fund operating revenues and is discussed in more detail in the 2018 Proposed Budget and 2018-2023 book on page 87.

### **Gambling Tax**



Three gambling establishments that operated card rooms have ceased operations in the last six years. The remaining three are still in operation and the level of annual card room gross receipts appear to be holding somewhat steady at approximately \$14.5 million, which is taxed at a rate of 10%. For this reason, a baseline of \$1.587 million and no growth from 2017 is assumed. Projected revenue totals \$1.587 million, accounts for 3.8% of General Fund operating revenues, and is discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on page 83.

### **State-Shared: Liquor Excise Tax & Board Profits**



Revenue sources in this category are comprised of a portion of the liquor excise tax receipts collected by the State and a portion of the markups on liquor, commonly referred to as Liquor Board Profits. Projected revenue totals \$0.727 million, which reflects an increase of 2.5% as compared to 2017 projected collections. This revenue accounts for 1.7% of General Fund operating revenues and is discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on page 88.

## **Street Fund Revenues**

The major source of revenue for the City's Street Fund is a state collected gasoline and diesel fuel tax, which is shared with cities and towns on a per capita basis. These revenues are used for street repairs and maintenance but do not provide sufficient funding for the City's needs. As a result the General Fund will provide a \$0.437 million subsidy to this fund.

### **Fuel Tax**

Fuel taxes are assessed as cents per gallon; therefore, fuel tax revenue depends on the number of gallons sold, not the dollar value of the sales. The 2015 legislative session produced a transportation package that was adopted in 2<sup>nd</sup> ESSB 5987, laws of 2015, 3<sup>rd</sup> sp. Session. The result of this legislation is an increase in the motor vehicle fuel tax of 11.9 cents with the first increase in place as of August 1, 2015 and the second as of July 1, 2016. Projected revenue totals \$1.274 million, which reflects an increase of 2.3% as compared to 2017 projected collections. This source is discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on page 91.

## **General Obligation Bond Fund**

### **Excess Property Tax (Bond) Levy**

Shoreline voters approved an excess levy in 2006 to fund parks improvements and the purchase of open space. The 2017 levy requested totaled \$1.7 million; however, due to a mistake by the King County Assessor's Office levying tax on City-owned properties, the amount levied will be significantly less. According to the King County Assessor's Office, the 2018 levy should be able to re-levy the 2017 amount that was not able to be levied.

The 2018 bond debt service totals \$1.698 million. The final AV determined by the King County Department of Assessments will determine the final levy rate.

## **Surface Water Utility Fund**

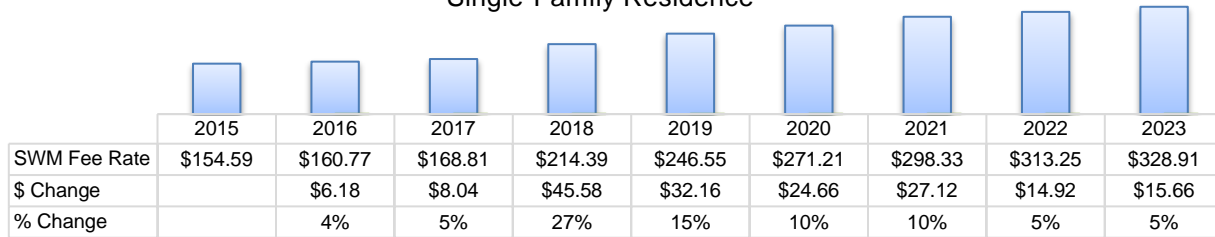
The 2018 budget accounts for the surface water utility operations in a Surface Water Utility Fund. This complex utility fund includes revenue from storm drainage utility fees, debt financing, grants, and investment interest. It serves in both an operating and capital capacity and operates much like a private business. In 2016, the City began the update of the 2011 Surface Water Master Plan (SWMP). The SWMP provides a long range plan for the Surface Water Utility to ensure the viability of the surface water management program in the future. Council considered three levels of service, minimal, proactive, and optimal and directed staff to evaluate and propose a plan and rates that support a proactive strategy for the utility.

### **Surface Water Utility Fee and Other Revenues**

The City contracts with King County to collect the Surface Water Utility fees via the annual property tax assessments. The proposed 2018 rate increase of 27.0% is necessary to support the proactive strategy and will generate \$1.145 million more than 2017 projected collections. The annual increase for a single family residential home is \$45.



**Surface Water Management Rate  
Single-Family Residence**



With the 2018 rate increase and bonds proceeds to fund capital projects in 2018 through 2020, the Surface Water Utility billings along with other sources are budgeted to generate almost \$10.3 million. This is a \$5.6 million (118%) increase from the 2017 Current Budget. This source is discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on page 92.

**Wastewater Utility Fund**

In 2002, the City and Ronald Wastewater District (RWD) entered into an agreement to unify sewer services with City operations through assumption of the RWD by the City of Shoreline effective October 23, 2017. In mid-2017 the RWD Board of Commissioners and the City mutually agreed to extend the assumption date. Although this is the case, RWD executed an Operating Services Agreement with the City to operate the utility on the behalf of RWD (staff report available here:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport100217-7b.pdf>).

Under this arrangement, the City will operate and maintain the sewer utility while the RWD Board of Commissioners will be responsible for addressing policy matters, setting rates and managing capital improvements for the utility. RWD will retain all revenues and interlocal agreement costs. The budget for the City was developed based on the personnel and maintenance and operation costs necessary to operate the utility. The Operating Services Agreement provides that RWD will reimburse the City based on annual budgeted costs with annual reconciliation of direct costs.

**Capital Improvement Program (CIP) Revenues**

Capital projects are funded from a variety of revenue sources including: real estate excise tax, fuel tax, grants, debt financing, investment earnings and funds that the City has set aside for capital projects.

**Vehicle License Fee**

On July 13, 2009 a \$20 local license fee was established by the Shoreline Transportation Benefit District (TBD) Board of Directors. The TBD was assumed by the City of Shoreline through City Council action (Ordinance No. 726). This revenue is now accounted for within the Roads Capital Fund and provides funding for the Annual Road Surface Maintenance Program.

In 2018 staff will continue to explore the remaining strategies from the 10 Year Financial Sustainability Plan including the replacement of the ongoing General Fund contribution to

the Roads Capital Fund with a dedicated revenue source. One potential option to replace this high priority funding is the use of a portion of the additional \$20 vehicle license fee that is available to the City. Staff estimates that an additional \$6 vehicle license fee would be adequate to replace this critical support. The remaining \$14 could be used for other purposes such as replacing Transportation Impact Fee exemption revenues or increasing funding for the annual sidewalk maintenance program.

### **Real Estate Excise Tax (REET)**

All real estate property sales in the county are taxed at a rate of 1.28%. A portion of these revenues, equal to a 0.5% tax rate, is distributed to the cities by King County on a monthly basis. The use of REET funds is restricted by State law. The first 0.25% of the REET tax rate must be spent on capital projects listed in the City's Comprehensive Plan. These projects could include local capital improvements, including streets, parks, pools, municipal buildings, etc. The second 0.25% of the REET tax rate must be spent on public works projects for planning, acquisition, construction, reconstruction, repair, replacement, or improvement of streets, roads, highways, sidewalks, street lighting, etc. Projected revenue totals \$2.738 million, which reflects a decrease of 19.2% as compared to 2017 projected collections. The sales value has increased steadily and the number of transactions continues to grow. For comparison, REET revenue collections were below the peak of \$2.676 million in 2005 until a new peak was reached in 2015 of \$2.936 million. The new peak is projected to occur in 2017 at \$3.386 million. This source is discussed in more detail in the 2018 Proposed Budget and 2018-2023 CIP book on page 93.

### **Capital Grants**

Grants are applied for and received for specific capital improvements. The amount of capital grants received in any given year can vary greatly depending on the number of projects, their cost, and the amount of grant funding available. In many cases Shoreline competes with other cities for these revenues and grant awards may go to other cities. For more details, see the Capital Improvement Plan section of the 2018 Proposed Budget and 2018-2023 CIP book on pages 287 through 428.

## **FINANCIAL IMPACT**

The City's 2018 Proposed Budget as presented to the City Council on October 9 is balanced in all funds with appropriations totaling \$79.939 million and resources totaling \$85.142 million. The General Fund's resources total \$48.099 million with general operating revenues totaling \$41.917 million.

## **RECOMMENDATION**

Staff recommends that Council conduct the public hearing to take public comment on the 2018 Proposed Budget, 2018 property tax levy, and proposed 2018 revenues.

## **ATTACHMENTS**

- Attachment A: Proposed Ordinance No. 807 - Setting the 2018 Regular and Excess Property Tax Levies
- Attachment B: How Levy Limits and Changes in Assessed Valuation and Levy Rates Affect Property Tax



**ORDINANCE NO. 807**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON LEVYING THE GENERAL TAXES FOR THE CITY OF SHORELINE IN KING COUNTY FOR THE FISCAL YEAR COMMENCING JANUARY 1, 2018, ON ALL PROPERTY BOTH REAL AND PERSONAL, IN SAID CITY, WHICH IS SUBJECT TO TAXATION FOR THE PURPOSE OF PAYING SUFFICIENT REVENUE TO CONDUCT CITY BUSINESS FOR THE SAID FISCAL YEAR AS REQUIRED BY LAW, AND LEVYING AN EXCESS LEVY FOR THE REPAYMENT OF UNLIMITED GENERAL OBLIGATION BONDS**

WHEREAS, as required by RCW 35A.33.135, the City Council of the City of Shoreline and the City Manager have considered the City's anticipated financial requirements for 2018 and the amounts necessary and available to be raised by ad valorem taxes on real, personal, and utility property; and

WHEREAS, as required by RCW 84.55.120, a public hearing was held on November 6, 2017 to consider the revenue sources for the City's current expense budget for the 2018 calendar year, including the consideration of possible increases in property tax revenues; and

WHEREAS, the citizens of the City of Shoreline approved Shoreline Proposition No. 1 (Basic Public Safety, Parks & Recreation, and Community Services Maintenance and Operations Levy) on November 8, 2016, limiting annual levy increases for the years 2018 to 2022 to the June-to-June percentage change in the Seattle/Tacoma/Bremerton CPI-U; and

WHEREAS, the maximum change from the 2017 levy to be used for calculating the 2018 regular levy, in addition to new construction, is based on the CPI-U index change from June 2016 to June 2017 which is 2.99%, applied to the City's highest previous levy of \$12,299,501.00.

WHEREAS, application of this methodology will set the estimated 2018 regular property tax levy rate at \$1.30689 per \$1,000 of assessed valuation; and

WHEREAS, the voters of the City of Shoreline approved Shoreline Proposition No. 1 (Parks and Open Space General Obligations Bonds) for the issuance of \$18,795,000 in unlimited general obligation bonds on May 16, 2006; and

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:**

**Section 1. Regular Property Tax Levy.** Based on the citizen-approved limitation on annual levy increases, the City Council of the City of Shoreline has determined that the property tax levy for the year 2018 is fixed and established in the amount of \$12,759,858. This property tax levy represents a dollar increase of \$367,792.00 and a percentage increase of 2.99 percent from the levy amount of the previous year, excluding the addition of new construction,

improvements to property, any increase in the value of state assessed property, any annexations that have occurred, and administrative refunds made as shown below:

	<b>Amount</b>
<b>2018 Regular Levy</b>	<b>\$12,759,863</b>
Less 2017 Levy	12,299,501
Less New Construction	63,902
Less Refunds	28,668
<b>Total Increase</b>	<b>367,792</b>
<b>Percent Increase</b>	<b>2.99%</b>

**Section 3. Voter-Approved Excess Tax Levy for Unlimited General Obligation Bonds.** In addition, a further tax is hereby levied to raise revenue to provide for the interest and redemption of the 2006 voter-approved unlimited general obligation bonds for the fiscal year of 2018 in the amount of \$1,697,925.00. This tax is applicable to all taxable property within the City of Shoreline.

**Section 4. Notice to King County.** This ordinance shall be certified to the proper County officials, as provided by law, and taxes herein levied shall be collected to pay to the Administrative Services Department of the City of Shoreline at the time and in the manner provided by the laws of the State of Washington for the collection of taxes for non-charter code cities.

**Section 5. Corrections by City Clerk or Code Reviser.** Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

**Section 6. Severability.** Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be preempted by State or Federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

**Section 7. Effective Date.** This ordinance shall be in full force five days after publication of this ordinance, or a summary consisting of its title, in the official newspaper of the City, as provided by law.

**ADOPTED BY THE CITY COUNCIL ON NOVEMBER 20, 2017.**

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Christopher Roberts, Mayor

**ATTEST:**

**APPROVED AS TO FORM:**






\_\_\_\_\_  
Jessica Simulcik-Smith  
City Clerk






\_\_\_\_\_  
Margaret King  
City Attorney

Date of Publication:           , 2017  
Effective Date:               , 2018

## How Levy Limits and Changes in Assessed Valuation and Levy Rates Affect Property Tax A Simplified Example for Five Houses in Shoreline

How the City's Total Levy and Property Tax Rate are Calculated				
	2016	2017	2018	2017-2018 % Change
(A) Levy Basis [A=Prior Year's N]:	\$10,617,487	\$10,879,657	\$12,299,501	13.1%
(B) Prior Year's June CPI-U:	247.642	251.622	256.098	1.8%
(C) Current Year's June CPI-U:	251.622	256.098	263.756	3.0%
(D) Levy Growth Factor (% Change in CPI-U):	1.60%	N/A (Rate set @ \$1.39)		2.99%
(E) Levy Base [E=A*(1+D)]:	\$10,787,367	\$12,299,501	\$12,667,288	3.0%
(F) Value of New Construction:	\$64,389,980	N/A		0.0%
(G) Levy Rate [G= Prior Year's M]:	\$1.43329	\$1.33099	\$1.39000	4.4%
(H) New Construction Levy [H=(F/1,000)*G]:	\$92,290	N/A		0.0%
(I) Relevy for Prior Year Refunds:	\$28,803	\$0	\$28,668	0.0%
(J) Levy Ceiling [J=E+H+I]:	\$10,908,459	\$12,299,501	\$12,759,858	3.7%
(K) City's Assessed Valuation:	8,195,760,031	8,848,561,852	9,763,499,220	10.3%
(L) Levy Rate [L=J/(K/1,000); Max is \$1.60]:	\$1.33099	\$1.39000	\$1.30689	-6.0%
(M) Actual Levy Rate (Cannot exceed \$1.60):	\$1.33099	\$1.39000	\$1.30689	-6.0%
(N) Maximum Statutory Levy [N=(K/1,000)*M]:	\$10,908,475	\$12,299,501	\$12,759,858	3.7%

2017 Tax Year					
City Regular Levy Rate:	\$1.39000				
City Excess Levy Rate:	\$0.19415				
Other Levy Rates:	\$9.64584				
Total Levy Rate:	<u>\$11.22999</u>				
					
Property Type:	2 BR 1.5 Bath Townhouse	2 BR 1 Bath Single-Family	4 BR 1.75 Bath Single-Family	5 BR 2.25 Bath Single-Family	4 BR 3.5 Bath Single-Family
Neighborhood:	North City	Echo Lake	Ridgecrest	Innis Arden	The Highlands
Assessed Value:	\$350,000	\$360,000	\$371,000	\$1,118,000	\$2,189,000
City Regular Levy Tax Paid:	\$487	\$500	\$516	\$1,554	\$3,043
City Excess Levy Tax Paid:	\$68	\$70	\$72	\$217	\$425
Others Receive:	\$3,376	\$3,473	\$3,579	\$10,784	\$21,115
Total Property Tax Paid:	<u>\$3,930</u>	<u>\$4,043</u>	<u>\$4,166</u>	<u>\$12,555</u>	<u>\$24,582</u>

2018 Tax Year					
City Levy Rate:	\$1.30689				
City Excess Levy Rate:	\$0.17391				
Other Levy Rates:	\$9.64584				
Total Levy Rate:	<u>\$11.12664</u>				
					
Property Type:	2 BR 1.5 Bath Townhouse	2 BR 1 Bath Single-Family	4 BR 1.75 Bath Single-Family	5 BR 2.25 Bath Single-Family	4 BR 3.5 Bath Single-Family
Neighborhood:	North City	Echo Lake	Meridian Park	Innis Arden	The Highlands
Assessed Value:	\$409,699	\$419,417	\$381,277	\$1,173,900	\$2,415,342
AV % Change:	↑ 17.1%	↑ 16.5%	↑ 2.8%	↑ 5.0%	↑ 10.3%
City Regular Levy Tax Paid:	\$535	\$548	\$498	\$1,534	\$3,157
2017 vs. 2018 \$ Change:	↑ \$49	↑ \$48	↓ (\$17)	↓ (\$20)	↑ \$114
2017 vs. 2018 % Change:	↑ 10.1%	↑ 9.5%	↓ -3.4%	↓ -1.3%	↑ 3.7%
City Excess Levy Tax Paid:	\$71	\$73	\$66	\$204	\$420
Others Receive:	\$3,952	\$4,046	\$3,678	\$11,323	\$23,298
Total Property Tax Paid:	\$4,559	\$4,667	\$4,242	\$13,062	\$26,875
2017 vs. 2018 \$ Change:	↑ \$628	↑ \$624	↑ \$76	↑ \$506	↑ \$2,292
2017 vs. 2018 % Change:	↑ 16.0%	↑ 15.4%	↑ 1.8%	↑ 4.0%	↑ 9.3%

Data Sources:	
CPI-U for Seattle-Tacoma-Bremerton	<a href="http://www.bls.gov/regions/west/data/consumerpriceindex_seattle_table.pdf">http://www.bls.gov/regions/west/data/consumerpriceindex_seattle_table.pdf</a>
Townhouse 2 BR 1.5 Bath	<a href="http://blue.kingcounty.com/Assessor/eRealProperty/Dashboard.aspx?ParcelNbr=1445200110">http://blue.kingcounty.com/Assessor/eRealProperty/Dashboard.aspx?ParcelNbr=1445200110</a>
SFR 2 BR 1 Bath	<a href="http://blue.kingcounty.com/Assessor/eRealProperty/Dashboard.aspx?ParcelNbr=1643500045">http://blue.kingcounty.com/Assessor/eRealProperty/Dashboard.aspx?ParcelNbr=1643500045</a>
SFR 4 BR 1.75 Bath	<a href="http://blue.kingcounty.com/Assessor/eRealProperty/Dashboard.aspx?ParcelNbr=2610700075">http://blue.kingcounty.com/Assessor/eRealProperty/Dashboard.aspx?ParcelNbr=2610700075</a>
Innis Arden 5 BR 2.25 Bath	Year-over-year change in assessed valuation modified to be less than citywide total change of 10.3%.
The Highlands 6 BR 5.75 Bath	Year-over-year change in assessed valuation modified to match citywide total change of 10.3%.

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Continuation of Feasibility Study for Transfer of Development Rights and the Landscape Conservation and Local Infrastructure Program in Shoreline
<b>DEPARTMENT:</b>	Planning & Community Development
<b>PRESENTED BY:</b>	Steven Szafran, AICP, Senior Planner Sara Lane, Administrative Services Director
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

The Landscape Conservation and Local Infrastructure Program (LCLIP) was passed into State Law in 2011. LCLIP creates incentives for both land conservation in the county and infrastructure improvements in the city. The purpose of the program is to encourage the Transfer of Development Rights (TDR) with a public infrastructure financing tool called tax increment financing (TIF). The City received a grant to study the feasibility of applying LCLIP in the 145<sup>th</sup> and 185<sup>th</sup> light rail station subareas, Town Center, and the Community Renewal Area (Aurora Square).

An initial discussion of the LCLIP with Council was held on December 8, 2014. Subsequently, on July 20, 2015, City planning staff, King County staff, ECONorthwest, and Forterra presented the findings of a Shoreline LCLIP Final Report (2015 Report; Attachment A) to the City Council. Staff then conducted further research of the LCLIP program to determine its viability and benefit to Shoreline. Tonight, staff is presenting their findings to Council and seeking direction on next steps.

**RECOURCE/FINANCIAL IMPACT:**

If the Council chooses to pursue LCLIP for Shoreline, there may be a range of financial implications. The 2015 Report is in need of update, which would cost approximately \$20,000 to \$30,000.

The 2015 Report finds that the City stands to gain \$4.4 million for infrastructure improvements over a period of 25 years if half of the City's growth targets occur and up to \$7.3 million if those targets are exceeded from revenue generated by new development. Since 2015, Council has expanded the Property Tax Exemption (PTE) program, also commonly referred to as a Multifamily Tax Exemption (MFTE) program, to the light rail station subareas to further its goal of increasing the availability of affordable housing. A project could be granted a PTE/MFTE that prevents a portion or all of the value of new construction from coming on the property tax rolls for 12 years. The LIPA calculation (described in the response to question 4 in Attachment B) does not capture the value of that new construction until the MFTE expires. Because these

changes were made after the report was issued, the report estimates are based on an 8 year MFTE recommended by the consultant. Thus the revenue estimates are overstated if Council wanted to continue with the 12 year MFTE.

In addition, the City must guarantee resources totaling up to \$4.6 million to participate in the program, which could potentially leave the City exposed to a \$0.2 million loss in the event only half of the City's growth targets occur.

### **RECOMMENDATION**

After evaluation of the program and discussion with other cities, staff does not recommend the implementation of LCLIP at the City of Shoreline. Based on the lack of participation of other jurisdictions, the program's certain obligated costs and the uncertain tax revenue gains for the creation of open space outside of Shoreline, staff believes the complexity and risk associated with LCLIP do not offer enough advantage to the City at this time.

Approved By:           City Manager **DT**   City Attorney **MK**

## **BACKGROUND**

The Landscape Conservation and Local Infrastructure Program (LCLIP) was passed into State Law in 2011. LCLIP creates incentives for both land conservation in the county and infrastructure improvements in the city. The purpose of the program is to encourage the Transfer of Development Rights (TDR) with a public infrastructure financing tool called tax increment financing (TIF). This program seeks to credit added development potential in exchange for preservation of natural and rural lands in the county, while providing greater assessed tax revenues for the City to pay for improvements such as plazas, parks, sidewalks, bike lanes, etc. to encourage vibrant, livable cities.

An initial discussion of the LCLIP was held on December 8, 2014. The staff report for this discussion can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2014/staffreport120814-9a.pdf>.

The City began looking at the LCLIP program as a way to include TDRs into the light rail station subareas. In exchange for accepting development rights, the City will have access to financing for revitalizing designated districts. The program would also allow the City to bond against the future tax revenue generated by the development projects to make infrastructure improvements in the conservation districts.

On July 20, 2015, City planning staff, King County staff, ECONorthwest, and Forterra presented the findings of a Shoreline LCLIP Final Report (Attachment A) to the City Council. The staff report for this meeting can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2015/staffreport072015-8a.pdf>

## **DISCUSSION**

### **LCLIP Program Overview**

As is noted in the Shoreline LCLIP Final Report, LCLIP is a program that offers the use of tax increment financing to a city in return for: 1) the creation of a Transfer of Development Right (TDR) program; and, 2) the acceptance of a specified amount in regional development rights. TDR programs allow additional building area beyond the base zoning in a defined urban area in exchange for the purchase of the right to develop farm and forest lands in a rural area, thus preventing development of those lands.

In exchange for the placement of transferred development rights in LCLIP districts, King County agrees to contribute a portion of its regular property tax generated by the value of new construction within the 25 year period to Shoreline to fund local infrastructure projects cited within the LCLIP district. This is not a new tax to residents or businesses. The remaining portion of the property tax still accrues to Shoreline and King County. Existing and incremental revenues flowing from sales, business and occupation (in

implemented), and utility taxes still accrue to the city as if the LCLIP had not been enacted, as well as other capital restricted revenues.

### **Sponsoring City Ratio**

The LCLIP legislation established the total number of transferable development rights that a city is assigned. Shoreline's allocated share from the Puget Sound Regional Council (PSRC) is 231 TDR credits. In adopting an LCLIP program, the city may decide to accept its entire allocated share or a portion of it. This accepted amount is known as the city's specified portion. The "Sponsoring City Ratio" reflects the specified proportion of development rights a city has chosen to accept of the city's allocated share. The resulting ratio (anywhere from 0 to 1) acts to pro-rate the amount of new construction value that can accumulate to an LCLIP district. Details of the calculation for the property tax allocation revenue value for the Local Infrastructure Project Area can be found in the response to question 4 in Attachment B.

Accepting the full allocated share (all 231 credits for a ratio of 1) would maximize potential LCLIP revenues while taking something less than the full allocated share would reduce the potential value of the program to Shoreline. A sponsoring city-specified portion must be equal to or greater than twenty percent of the sponsoring city allocated share.

In choosing its ratio, Shoreline would select an amount of credits it might expect it could place over a 20-year period to meet the threshold requirements and extend the program (and revenues) the full 25 years. Even though the City is allocated 231 credits, Shoreline may accept something less. The minimum number of credits that the City can accept is 46 (20% of 231). This is a similar number accepted by the City of Seattle which has chosen to accept 23% of their 3,440 credits. However it is important to note that both the potential revenue generated by LCLIP and the risk to the City for purchasing credits is reduced proportionately to the percentage of credits that are purchased.

### **Local Improvement Project Area**

A Local Improvement Project Area (LIPA), or LCLIP district, is the designated area in which:

- TDR credits will be placed and measured for performance monitoring.
- Infrastructure projects will be specified and funding will be used.
- The calculation of the new construction as the tax basis for LCLIP revenues will be based.

A city may have multiple and non-contiguous LIPA(s) as long as the area(s) meet the legislation requirement of containing less than 25% of the city's assessed value. Shoreline has potentially identified four areas for use with LCLIP. The areas include the Town Center zone, Aurora Square, and the Station Subareas at 145<sup>th</sup> Street and 185<sup>th</sup> Street.

Council should be aware that the same areas identified for LIPA are also the same areas designated for the City's 12 Year PTE.



## **Transfer of Development Rights (TDR) Options**

There are several different methods Shoreline could pursue to place development right credits. The viability of each option varies depending on the geographic areas that the City is considering. LCLIP is a relatively new program, and as a result, the legality of some TDR options is not well established.

## **Incentive Zoning**

One commonly used TDR mechanism is incentive zoning. Incentive zoning allows developers to vary from base zoning requirements by providing some public benefit, in this case the purchase of development right credits. The incentive can either add value to a project by allowing additional height or density, or by reducing project costs through relaxed parking requirements or by providing access to a multifamily tax exemption (MFTE) program, for example.

The City has already adopted these incentives through the Shoreline Development Code in the Town Center, mixed-use residential, and commercial zones. The city allows no density maximums, up to 70-foot high buildings, reduced parking standards, reduced setbacks, and a 12-year PTE for affordable housing. The City is limited on offering any meaningful incentives for TDR purchase when all of the proposed incentives already exist. The consultant recommended Council adopt an eight-year MFTE as an incentive to purchase TDR credits. This prevents the value of new construction from coming on the rolls for eight years, during which time the LIPA calculation would not capture the value of that new construction until the MFTE expires. Some possible incentives for TDR purchase are listed below.

## **Possible Incentives and Strategies to sell the TDR credits:**

- The first 231 units that require affordable housing as an alternative may purchase five TDR credits per unit of required affordable housing. The number of TDR credits required for purchase needs to be some amount less than the cost to construct and maintain the affordable unit. For example, if TDR credits cost \$20,000 and an affordable unit cost \$140,000 (studio, 1 bedroom @ 70% AMI), then perhaps as an incentive five TDR could be traded for 1 unit of affordable housing. Therefore, the City would trade approximately 47 units of affordable housing (47 units would require the purchase of 231 TDR credits at \$20,000 each for \$4,620,000) for 231 TDR credits. For perspective, a 200 unit apartment building in the MUR-70' zone requires 40 units of affordable housing. Therefore, the City could easily "sell" all of the required TDR credits through one or two projects in the MUR-70' or 45' zone if the incentive is structured properly. While forgoing affordable units may be a concern, saving open space in the King County for all and the additional revenue estimated at \$4.4 to \$7.3 million over the 25 year period is a significant benefit. Council could then devote the revenue to infrastructure that directly aids the creation of affordable housing.
- The City could "increase" a development standard to create an incentive. The following could serve as potential examples:
  - a. Height could be limited to 35 or 45 feet unless TDR credits are purchased at a defined rate.

- b. Density could be limited unless TDR credits are purchased (this may be a less desirable option since the City's zones in the Study areas are form based).
  - c. Parking reduction could be rescinded and then linked to TDR purchases.
- The City could try a height incentive of an extra floor or two above 65' & 70' maximums for a set amount of TDR credits.
- The City could reduce minimum parking standards for developments within certain zones.
- PTE could be tied to purchase of TDR credits. This would require additional study by those with expertise in LCLIP as the estimated annual savings per unit or per 100 units of new construction would need to be determined in order to determine how many TDR credits would buy a PTE.
- Require a specified subset of development in the Study Areas for LCLIP to purchase a specified amount of TDRs. Example - For every 10 units constructed in the Study Area for LCLIP – 1 TDR credit must be purchased; for every 10,000 sq. ft. of commercial space constructed – 1 TDR must be purchased.
- There are other incentives, such as permit fee reductions; front of the line permitting. These aren't worth many TDR credits and have a resource cost and impact to other permit customers. The City Council would need to evaluate whether from a policy perspective the value of preserved rural lands are a fair exchange for tax subsidized permit activity in Shoreline. Another potential incentive could be a reduction of impact fees. Although this may be an incentive to encourage purchase of TDR credits, State law would require that the City pay for any of the reduced/waived impact fees from general revenues. Again the question of whether preservation of rural properties is a fair exchange for commitment of local tax dollars in Shoreline.
- As another option, Council could make TDRs a requirement in certain zones. Council has already required a portion of rental units in the MUR zones be affordable to certain income levels. Council has also required green building in MUR zones.

### **Developer Agreements**

Developer agreements are a voluntary way for a city to establish standards and conditions for development of a site with the property owner. TDR use can be negotiated into a developer agreement. For example, a TDR purchase reduces the amount of infrastructure improvements required by the development, which lowers development costs, and/or awards density or other bonuses that improve project revenue.

Developer Agreements may be a way to trade city requirements for the purchase of TDR's but the mechanism of a Development Agreement for this purpose is untested and demand is low for this type of permit.

### **City Purchase with General Revenues**

Shoreline could use a portion of its general revenue to purchase all or a portion of its allocated TDR commitment identified by LCLIP. It would first have to estimate the total purchase price of its commitment and the potential return in property tax revenues

through LCLIP. Shoreline could resell those credits to developers when other TDR mechanisms take effect, such as incentive zoning or developer agreements.

The cost of one TDR is approximately \$20,000 to \$30,000. If the City decides to purchase all of the credits (231) the bill would be approximately \$7 million on the high end. The City is taking the risk that development occurs and property taxes can be collected on new projects in the LCLIP district. This is especially risky since new development is not guaranteed.

The risk with this option is the City must meet threshold requirements in order to stay in the program. The City is obligated to buy 25% of the credits within five years, 50% of the credits in 10 years, 75% of the credits in 15 years, and 100% of the credits in 20 years. Assuming the City accepts all 231 credits, the City must place or buy 58 credits in the first five years, 116 credits by year 10, 174 credits by year 15, and all 231 credits by year 20. If the development community is unwilling to buy TDR credits, the City must buy the credits or run the risk of dropping out of the program.

### **Optional Impact Fee In-lieu**

Shoreline could establish an optional impact fee that could be paid in-lieu of existing impact fees. The overall objective of this approach is to leverage existing impact fee payment to achieve an overall higher revenue stream from county property taxes. A development project would have the option of paying a proportionate (but lower) fee into a TDR fund in place of an impact fee. The City would then use those funds to purchase development rights. The additional revenues from LCLIP could be used to pay for projects that would have otherwise been paid for with impact fees and/or other funds.

Shoreline currently offers ways to reduce impact fees and permit fees such as providing affordable housing. There will be competing interests if Council now offers a reduction in impact fees for TDR purchase. Council has been worked to find ways to provide affordable housing, especially in the light rail station subareas where affordable housing is required. Council would have to make a choice if TDRs should come before affordable housing.

### **District or Citywide New Fee**

Total cost of city's full LCLIP credit allocation is spread across all taxed properties in a district or citywide over 20 years. The city then raises that amount over time (either in districts or citywide) through a fee (creating a new revenue source) to pay for credit acquisition. The actual legality of this method is uncertain and this mechanism has not been used before.

A district fee for TDRs is new and untested. This fee is essentially a Local Improvement District (LID) and the City of Shoreline has never implemented one.

### **Participation Required**

A last option is that the purchase of TDR credits is required for new development as part of an area rezone. The actual legality of this method is uncertain and this mechanism has not been used before.

As Council will read further in this report, some cities in the region do have TDR programs. None of the cities with a TDR program have a requirement for purchasing TDRs. The City already requires affordable housing and green building within the light rail station subareas. Another requirement in these areas may detract new development from locating in these areas.

### **LCLIP - City of Shoreline**

On July 20, 2015, Council directed staff to continue to evaluate the feasibility of implementing an LCLIP program with individual Council members raising some specific questions that they wanted answered during the evaluation. Council's questions are addressed in Attachment B.

While the LCLIP program was marketed as a financing tool for local governments, the amount of "new money" that would be generated is relatively small, estimated at \$4.4 to \$7.3 million over a very long period of over 25 Years. There are several other factors that make this tool less attractive, including unpredictable timing that limits the ability to do strategic pay-as-you-go or debt financing, financial risk to the City, and the need to potentially sacrifice other goals such as affordable housing to provide incentives for developers. Additionally, the City needs to enter into an agreement with King County that defines the number of TDRs the City is willing to accept. The County also requires the City create a separate Capital Improvement Plan to identify the improvements the City wishes to implement with the LCLIP funds. Should the development community not purchase them, the City would be financially obligated at an amount that could exceed the estimated benefit. Finally, the adoption of LCLIP limits the City's local control over use of property tax revenues. Currently property tax, as a general revenue, is available to support City operations. With the adoption of LCLIP up to 75% of the property tax generated by the value of new construction within the LCLIP districts would be dedicated to the LCLIP districts for specific purposes, thereby limiting the Council's discretion on how to use this general revenue option to support increased demand for operating programs (such as recreation programming, police services, etc.).

### **Jurisdictions With or Considering an LCLIP Program**

The City reached out to a number of jurisdictions that have either adopted an LCLIP Program or are considering an LCLIP program. Questions and responses are listed below. We asked each of the cities the following general questions:

1. How many TDR's have been purchased by developers?
2. Did it achieve the City's goals?
3. Has the City had to or do they anticipate needing to purchase any of the TDRs to meet the City's obligation?
4. Has the City received any of the County shared revenue yet?
5. What incentives are the City offering?
6. Generally, what has the City's experience been with the program?

#### **City of Tacoma**

1. How many TDR's have been purchased?  
*6 credits, with 14 more in 2018.*

2. Did it achieve their goals?  
*Not yet. Tacoma is allocated 1,500 TDR's.*
3. Have you had to (or do you anticipate needing to) purchase any?  
*Not yet.*
4. Have you received any revenue yet?  
*No, Tacoma is not even close to receiving any revenue and is not forecasted to receive any for the next 10 years.*
5. What incentives are you offering?  
*The City completed a SEPA Planned Action for downtown so SEPA review and traffic studies are not required. The City has increased Floor Area Ratio requirements (FAR) for downtown development.*
6. Generally, what has Tacoma's experience has been with the program?  
*Tacoma is still slowly coming out of the recession. Downtown development has been slow and selling TDR's have been equally as slow.*

**City of Seattle – (Seattle has accepted 23% of their allocated 3,440 TDR Credits)**

1. How many TDR's have been purchased?  
*About 200 credits, although Seattle estimates it will be about 800 in the next three years.*
2. Did it achieve their goals?  
*The program is working very well and much faster than expected (due to growth in South Lake Union). Seattle is on track to achieve more TDR purchases than expected and to get substantially more revenue for local improvement than expected. With that said, the money is trickling in slowly so the improvements funded from the revenue will be fairly delayed from the development.*
3. Have you had to (or do you anticipate needing to) purchase any?  
*No.*
4. Have you received any revenue yet?  
*Seattle received approximately \$40,000 last year and are set to receive approximately \$500,000 this year. They are estimating revenue to be over a million the next year and eventually getting up to a couple million a year.*
5. What incentives are you offering?  
*Increased FAR is the only thing that is of value enough to make a difference. Seattle already had no parking minimums, but even if that were not the case, they are not sure that reducing parking would have been valuable enough to make the program work.*
6. Generally, what has Seattle's experience has been with the program?  
*The key issues are that:*
  - *A lot of modeling is necessary to ensure you have a program that works for the City and the County.*
  - *There is a risk that if you don't reach a certain threshold of development that you will get substantially less revenue than expected.*
  - *You need to balance the value of future, more flexible dollars through LCLIP versus having an incentive program that might get other benefits like open space or green building at the time of construction.*

### **City of Bothell**

The City of Bothell commissioned a feasibility study that is now a few years old. King County and Forterra presented the LCLIP program to the City of Bothell on September 19<sup>th</sup>. This presentation was similar to the presentation Shoreline received in 2015. The Bothell City Council recommended continuing the discussion and discussing the program in the future.

### **City of Bellevue**

The City of Bellevue is in discussion phase with Bellevue staff.

### **City of Mountlake Terrace**

The City of Mountlake Terrace is not pursuing implementation on account of competing priorities.

### **City of Tukwila**

King County is currently in conversations with the City of Tukwila. The City Council has indicated that they want to pursue LCLIP, however some questions on mechanics remain open. Particularly around how to structure the bonus and use MFTE.

### **Jurisdictions with a TDR Program (No LCLIP)**

Staff has contacted a number of cities in the region to ask about already implemented TDR programs.

### **City of Redmond**

1. Are TDR's mandatory in any of your zones?  
*TDRs are not mandatory in any zone, but are one of only two ways to get height bonuses.*
2. How many TDR's have been purchased?  
*958 TDRs have been transferred but 622 are outstanding (have not been used).*
3. Have you had to (or do you anticipate needing to) purchase any credits?  
*The City recently recommended to the new Planning Director that we establish a bank to purchase some of the outstanding credits, but that's unbudgeted and not an immediate priority for the department.*
4. What incentives are you offering?  
*An additional 8,712 square feet of gross floor area (1/5<sup>th</sup> of an acre); an increase in the maximum impervious surface area by 8,712 square feet; an increase in the height of a building across 1/5<sup>th</sup> of an acre (8,712sf); or reducing five parking stalls.*
5. Does the City of Redmond offer Property Tax Exemption for multifamily (8-yr PTE) or affordable housing (12-yr PTE)?  
*Redmond just passed the Multifamily Tax Exemption through council last month and are implementing it right now. They offer the 8- and 12-year exemptions.*

### **City of Issaquah**

1. Are TDR's mandatory in any of your zones?  
*TDRs are not mandatory in any zone.*
2. How many TDR's have been purchased?  
*350-400. The City facilitated a big TDR to preserve a large property (Park Pointe) on Tiger Mountain. That work was 350+ units moved from one part of the City to*

another. Issaquah also executed a development agreement where 40% of the total entitlement (500 units) had to be acquired thru TDRs. They haven't actually purchased those units as yet, but their development agreement has another 20 years left.

3. Have you had to (or do you anticipate needing to) purchase any credits?  
No.
4. What incentives are you offering?  
*Incorporation of TDRs can allow for increased height and increased floor-area ratios.*
5. Does the City of Issaquah offer Property Tax Exemption for multifamily (8-yr PTE) or affordable housing (12-yr PTE)?  
*Council is discussing it now; possibly "yes" by December.*

**Pros and Cons for Implementing a TDR Program**

Staff has identified the following Pros and Cons for Council's consideration as a staff recommendation was developed on whether to move forward with LCLIP.

Pros	Cons
<b>Financial Sustainability</b>	
Potential for development in the light rail station subareas is greater than that assumed in the 10 Year Financial Sustainability Model, therefore there is a limited impact on the revenue side of the 10-Year Financial Sustainability Model as staff cannot forecast the revenue potential for new construction in these areas resulting from rezoning over the next twenty years.	Restricting 75% of the value of the property tax resulting from new construction occurring within the LCLIP district(s) for infrastructure will reduce the amount of funding available to support the increased level of operating services to accommodate the population growth associated with these new units.
<b>Farmland Preservation</b>	
Preserves farm and forest land in rural King County.	The program would obligate the City to guarantee a certain number of TDR credits. If a developer didn't purchase the credits then the City would be obligated to purchase them. The City's maximum exposure appears to be \$4.6 million for \$4.4 million in benefits based on TDR credits that cost approximately \$20,000-\$30,000 per credit. The cost of credits vary depending on the location in the County the development credit is coming from.
<b>Potential Revenue/Risk/Cost</b>	
Could generate between \$4.4 and \$7.3 million in revenue over 25 years. This is \$8.5M to \$13.9M in nominal value.	Development (or the City if development does not occur) must purchase 25% of the credits within five years, 50% of the credits in 10 years, 75% of the credits in 15 years, and 100% of the credits in 20 years. Assuming the City accepts all 231 credits, the City must place or buy 58 credits in the first five years, 116 credits by year 10, 174 credits by year 15, and all 231 credits by year 20. If the development

	community is unwilling to buy TDR credits, the City must buy the credits or run the risk of dropping out of the program.
	The City's portion (75%) of the property tax received from new construction is collected for LCLIP and taken out of the General Fund the year the Study Area LCLIP district is established.
	Program timing is very tricky. If the City were to start the program before development begins the City is at a higher risk for having to purchase credits and lose the years to collect the revenue. However, if the City were to start it too late, the City would risk missing out on developers willing to purchase credits. It is further complicated by the timing of the MFTE.
	The program is complex, and will require a: <ul style="list-style-type: none"> <li>• Negotiated interlocal agreement with King County that must first approve a Shoreline program through their legislative process;</li> <li>• Development of a new plan for projects in the LIPA area, developed in consultation with WSDOT, for the use of the LCLIP revenues; and</li> <li>• Staff oversight will be required to comply with reporting requirements monitoring sale/purchase of TDR credits and to ensure that County property tax distributions impacted by the MFTE are accurate.</li> </ul>
	In the best case example, with all TDR rights being sold early, the City would receive an estimated net \$176,000 per year of King County property tax levy over 25 years to construct improvements in the LCLIP district. The amount could be much smaller, depending on timing of development, and stretched out for much longer making this a challenging source for debt financing. In short, the amount of money collected does not buy much in terms of infrastructure improvements.
	Forterra is recommending that the City update the feasibility study from 2015 at a cost to the City of an estimated \$30,000.
	The program is not well tested. Only Seattle and Tacoma have negotiated agreements for LCLIP.
	The City's zoning regulations do not lend itself to offering incentives such as additional height or additional density for TDR purchase, leaving the options for incentives limited.
	New construction projects in the LCLIP district(s) receiving the PTE will not contribute LCLIP revenue to the program during the exemption period reducing the amount of revenue received in the early periods.



## **SUMMARY**

While the LCLIP program was marketed as a financing tool for local governments, the amount of “new money” that would be generated is relatively small, estimated at \$4.4 to \$7.3 million over a long period of time (25 Years). There are several other factors that make this tool less attractive, including unpredictable timing that limits the ability to do strategic pay-as-you-go or debt financing for infrastructure, financial risk to the City, and the need to potentially sacrifice other goals such as affordable housing to provide incentives for developers.

Additionally, the City needs to enter into an agreement to ensure that a certain number of TDR rights are sold. Should the development community not purchase them, the City would be financially obligated at an amount that could exceed the estimated benefit. Finally, the adoption of LCLIP limits the City’s local control over use of property tax revenues. Currently property tax, as a general revenue, is available to support City operations. With the adoption of LCLIP 75% of the property tax generated by new construction within the LCLIP Districts would be dedicated to LCLIP districts for specific purposes limiting the Council’s discretion on how to use this general revenue option. Additionally, there is concern that the incentives necessary may have unintended consequences, such as creating competing goals, to existing programs implemented to achieve Council goals.

It is for these reasons that after evaluation of the program and discussion with other cities, staff does not recommend the implementation of LCLIP at the City of Shoreline.

## **RESCOURSE/FINANCIAL IMPACT**

If the Council chooses to pursue LCLIP for Shoreline, there may be a range of financial implications. The 2015 Feasibility Report is in need of update, which would cost approximately \$20,000 to \$30,000.

The 2015 report finds that the City stands to gain \$4.4 million for infrastructure improvements over a period of 25 years if half of the City’s growth targets occur and up to \$7.3 million if those targets are exceeded from revenue generated by new development. Since 2015, Council has expanded the Property Tax Exemption (PTE) program, also commonly referred to as a Multifamily Tax Exemption (MFTE) program, to the light rail station subareas to further its goal of increasing the availability of affordable housing. A project could be granted a PTE/MFTE that prevents a portion or all of the value of new construction from coming on the rolls for 12 years. The LIPA calculation (described in the response to question 3 in Attachment B) does not capture the value of that new construction until the MFTE expires. Conversely, the City must guarantee resources totaling up to \$4.6 million dollars to participate in the program, which could potentially leave the City exposed to a \$0.2 million loss in the event only half of the City’s growth targets occur.

## **RECOMMENDATION**

After evaluation of the program and discussion with other cities, staff does not recommend the implementation of LCLIP at the City of Shoreline. Based on the lack of participation of other jurisdictions, the program's certain obligated costs and the uncertain tax revenue gains for the creation of open space outside of Shoreline, staff believes the complexity and risk associated with LCLIP do not offer enough advantage to the City at this time.

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# Shoreline LCLIP

## Findings and Recommendations

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June, 2015

Prepared for:  
City of Shoreline

***Final Report***

**ECONorthwest**  
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HEARTLAND

## Contact Information

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Morgan Shook, Erik Rundell, Matt Hoffman, and Nick Bratton prepared this report. ECONorthwest gratefully acknowledges the substantial assistance provided by staff at Forterra and Heartland.

ECONorthwest specializes in economics, planning, and finance. Established in 1974, ECONorthwest has over three decades of experience helping clients make sound decisions based on rigorous economic, planning and financial analysis.

For more information about ECONorthwest, visit our website at [www.econw.com](http://www.econw.com).

For more information about this report, please contact:

Morgan Shook

ECONorthwest

1218 Third Avenue, Suite 1709

Seattle, WA 98101

206.395.9004

shook@econw.com

## Executive Summary

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### Why is the City of Shoreline undertaking this study?

The City is exploring the viability of the Landscape Conservation and Local Infrastructure Program (LCLIP) for the 185<sup>th</sup> and 145<sup>th</sup> Street light rail station subareas, Town Center, and Aurora Square, collectively referred to herein as the Study Areas. The City has created a compelling vision for the Study Areas through recent and ongoing planning efforts that promotes higher levels of activity through mixed-use, high-density development. The growth and development envisioned for the Study Areas can support the City in achieving its broader community goals, such as economic development, fiscal sustainability, environmental conservation, and higher quality of life for its current and future residents.

To catalyze and support growth in the Study Areas, the City will need to make substantial investments in infrastructure. While funding for these capital needs will come from a variety of sources, the City will likely need to contemplate pursuing innovative funding tools beyond those already identified to address potential funding gaps. One funding tool the City is exploring the use of is LCLIP, a form of tax increment financing.

### What is LCLIP?

LCLIP is a form of tax increment financing enacted in 2011. The program offers cities access to tax increment financing in return for their acceptance of development rights transferred from regional farms and forests. These transfers are typically conducted as private real estate transactions, but can also be conducted by cities.

In exchange for the placement of development rights in LCLIP districts, the jurisdictional county (in this case King County) agrees to contribute a portion of its regular property tax to the sponsoring city for use for a defined period (up to 25 years). Cities may use this revenue to fund infrastructure improvements that support infill growth and redevelopment. The program is only available to select cities in the central Puget Sound counties of King, Pierce, and Snohomish.

### What did the study find?

*There is strong policy case for LCLIP in Shoreline.*

The analysis shows a range of situations in which LCLIP could succeed. In a scenario assuming that half of the City's PSRC 2035 growth target occurs in the Study Area, LCLIP could generate net revenue of \$4.4 million (net present value, or \$8.5 million in nominal terms) for infrastructure in Shoreline. Should the City exceed that growth, the net revenue would increase to \$7.3 million (net present value, or \$13.9 million in nominal terms).

The future light rail station areas can play a role in the city meeting its growth targets. Following a recent rezone, the 185<sup>th</sup> Street station area has the capacity to accommodate a sizable amount of population and employment growth and already includes a mechanism for using the transfer of development rights (TDR). The pending rezone of the 145<sup>th</sup> Street station area offers similar possibilities, while developer agreements in Aurora Square and multifamily projects in Town Center

could drive TDR use and generate revenue. The City has identified a range of infrastructure improvements, many involving improved mobility and access to transit, in which LCLIP can finance investments that will support redevelopment.

*LCLIP will likely be a successful proposition as the local market continues to evolve.*

Conditions in Shoreline will support use of LCLIP through redevelopment in the Study Areas. This analysis shows that growth, if in line with projections, is sufficient to make LCLIP a success. At minimum the City would receive new revenue for infrastructure that it otherwise could not access and at best that revenue would exceed \$13.9 million. Under such a growth scenario, the Study Areas could support approximately 33 multifamily projects and 32 new retail office projects over a 25 year period.

### **What is the path forward for LCLIP?**

Redevelopment of the Study Areas with more intensive mixed-use development represents a departure from historical growth patterns for some of the areas, particularly those around future light rail stations. The station areas are currently low to medium-density residential areas. The new zoning reflects plans for more mixed-use residential growth near the stations. This change in zoning and potential expansion of uses represents a timely opportunity for the City to finance infrastructure investments that will support that redevelopment. Meanwhile, continued redevelopment of Town Center creates another area in the City that could both support the City's use of LCLIP and also benefit from public improvements. Finally, redevelopment of Aurora Square could be a variable, and potentially influential, contributor to the success of LCLIP in Shoreline. There are three approaches the consultant team identified for proceeding with LCLIP, two of which are likely feasible and can generate revenue for the City.

The current analysis shows that while (1) even with moderate growth estimates the City may net \$4.4 million (NPV, or \$8.5 million nominal) in new revenue, and (2) a simple and desirable market mechanism can drive the use of TDR. Uncertainty remains around the timing and amount of demand for redevelopment in the Study Areas. However, by taking no action in the near term the City may miss the opportunity to capture value from redevelopment until after the process has already started, thereby passing up potential revenue from LCLIP.

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# 1 Project Overview

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In 2014 the City of Shoreline applied for and won a grant through the Environmental Protection Agency's National Estuary Program, administered by the Washington State Department of Commerce. This grant funded a study exploring the viability of the Landscape Conservation and Local Infrastructure Program (LCLIP) for the future light rail station areas at 145<sup>th</sup> and 185<sup>th</sup> Streets, Town Center, and Aurora Square, collectively referred to herein as the Study Areas. The City has created a compelling vision for the Study Areas through recent planning efforts that promotes higher levels of activity through mixed-use, high-density development. The growth and development envisioned for the Study Areas can support the City in achieving its broader community goals, such as economic development, fiscal sustainability, environmental conservation, and higher quality of life for its current and future residents.

In order to catalyze and support growth in these areas, the City will need to make substantial investments in infrastructure. While funding for these capital needs will come from a variety of sources, the City will likely need to contemplate other innovative funding tools to address potential funding gaps. The City is exploring the use of the LCLIP, a form of tax increment financing (TIF) enacted in 2011 (RCW 39.108). This program allows cities to access incremental county property tax revenues to fund and finance public improvements within designated LCLIP districts of their choosing. In exchange for receiving a portion of county revenues, cities agree to accept a number of regional development rights of their choosing through a transfer of development rights program (TDR). This program creates a new revenue stream for cities to help pay for infrastructure and is designed to be flexible to suit a wide range of city needs and objectives.

This report provides a series of findings and recommendations for a potential LCLIP program for the City of Shoreline based on:

- LCLIP legislation and program features.
- The City's incentive zoning and possible TDR mechanisms.
- Historical development trends, projections on future growth and estimates of TDR use.
- Estimates of LCLIP funding potential.

## 1.1 Why Use TDR and LCLIP in Shoreline

The Puget Sound Regional Council's (PSRC) Vision 2040 is the region's strategy for accommodating future growth through 2040. The strategy focuses on concentrating population and employment growth in cities that are best suited for growth and can mitigate many of the public costs and impacts of urban sprawl. Individual cities implement the goals of Vision 2040 through their comprehensive plans and zoning regulations in accordance with the Growth Management Act (GMA).<sup>1</sup>

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<sup>1</sup> Washington State Department of Commerce. Website accessed July 2015.

The GMA encourages “innovative land use management techniques” such as TDR to help local governments achieve their planning goals.<sup>2</sup> TDR programs are a tool for implementing growth and planning goals that goes beyond traditional zoning by giving landowners other real estate options, by protecting resource lands from development in perpetuity, and by engaging the market to generate private funding for land conservation.

As mandated by VISION 2040 and by the King County Population and Employment Allocations the City of Shoreline has adopted population and employment planning targets as part of its comprehensive plan, and must act to accommodate that growth within the City over the next 20 years. In addition, the comprehensive plan envisions much of this new growth being directed to the future light rail station areas, Town Center, and Aurora Square.

The Study Areas are anticipated to play a central role in accommodating new growth. These areas have the capacity to accommodate a large amount of population and employment; however, each is in need of infrastructure improvements. The City has limited capacity to pay for all the desired projects through the general fund and existing infrastructure funding sources. As an alternative, LCLIP could help support future growth in accordance with the City’s comprehensive plan by generating revenue to fund improvements that are needed to accommodate that growth and realize the City’s vision.

## 1.2 Key Questions

This report outlines a series of considerations relating to the use of LCLIP to help inform the City’s decisions on program participation. These considerations will also help the City to understand how to optimize use of the tool in a way that best advances its infrastructure, growth, and conservation objectives. The key questions for this analysis cover:

- What is the policy basis for using LCLIP and broader community goals?
- What are the key LCLIP program issues for how the City may construct its LCLIP program?
- What is the structure of the City’s incentive zoning program and how would implementing a TDR program fit within that structure?
- Under current market and development conditions, how might development projects use TDR to access additional building capacity?
- What range of LCLIP revenues might be possible?
- Based on the cumulative understanding of the questions above, how might the city think about moving forward with an LCLIP program?

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<sup>2</sup> RCW 36.70A.090

## **1.3 Report Organization**

The report is organized into six subsequent sections that provide an analysis of the feasibility of LCLIP in the study area and recommendations for moving forward with a Landscape Conservation and Local Infrastructure Program. The main sections of the report are:

- **LCLIP Program Review:** This section reviews the LCLIP legislation and identifies a framework for thinking about incentive zoning, TDR, and LCLIP program choices.
- **Incentive Zoning and TDR Policy Review:** This section reviews mechanisms for TDR within the Study Area and individual zones.
- **Incentive Zoning and TDR Assessment:** This section summarizes the capacity for development and provides an assessment of the feasibility of TDR under current development economics and offers some insight on its potential use.
- **LCLIP Revenue Assessment:** This section reviews development trends in the study area, projects development over the next 20 years. This section then assesses the revenue potential of an LCLIP program under a different growth and TDR absorption scenarios.
- **Program Findings and Recommendations:** This section summarizes the key findings from previous sections and provides recommendations for establishing a LCLIP program based on those findings.
- **Implementation Road Map:** Lastly, this section outlines the steps necessary should the City decide to establish a TDR and Landscape Conservation and Local Infrastructure Program.

## 2 LCLIP Program Review

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### 2.1 Program Overview

LCLIP is a form of tax increment financing enacted in 2011. The Washington State legislature created the LCLIP program based on its finding that:

*The state and its residents benefit from investment in public infrastructure that is associated with urban growth facilitated by the transfer of development from agricultural and forest lands of long-term commercial significance. These activities advance multiple state growth management goals and benefit the state and local economies. It is in the public interest to enable local governments to finance such infrastructure investments and to incentivize development right transfer in the central Puget Sound through this chapter.*

The program offers the City a new funding source: a portion of the jurisdictional county's regular property tax in return for 1) mechanisms to place development rights and 2) the acceptance of a specified amount of regional development rights. In exchange for the placement of rural development rights in LCLIP districts, the jurisdictional county (King County for the City) agrees to contribute a portion of its regular property tax revenue to the sponsoring city for use for a defined period. The program is only available to select cities in the central Puget Sound counties of King, Pierce, and Snohomish.

LCLIP targets only a portion of the incremental property taxes generated from new development. This is not a new tax to residents or businesses. The remaining portion of the property tax still accrues to the sponsoring city and to the jurisdictional county. Existing and incremental revenues flowing from sales, business and occupation, and utility taxes still accrue to the City, as well as other capital restricted revenues.

### 2.2 Use of LCLIP Funds

Under the LCLIP program cities can use LCLIP-generated funds to pay for public improvements in the LCLIP district as follows:

- Street, road, bridge, and rail construction and maintenance;
- Water and sewer system construction and improvements;
- Sidewalks, streetlights, landscaping, and streetscaping;
- Parking, terminal, and dock facilities;
- Park and ride facilities of a transit authority and other facilities that support transit-oriented development;
- Park facilities, recreational areas, bicycle paths, and environmental remediation;
- Storm water and drainage management systems;
- Electric, gas, fiber, and other utility infrastructures;

- Expenditures for facilities and improvements that support affordable housing as defined by WA law;
- Providing maintenance and security for common or public areas; and
- Historic preservation activities authorized under WA law.

LCLIP is different from previous versions of TIF in Washington in that it provides more flexibility on how the funds can be used. Specifically, LCLIP enables funding for more than just capital improvements and can support some operational activities related to the maintenance and security of public areas.

## **2.3 Determinants of LCLIP Revenues**

### **LCLIP District Revenue Calculation**

The tax basis of LCLIP originates from new construction so it excludes existing buildings and revaluation. LCLIP revenues are derived from the allocation of a portion of the City's and County's regular property tax (e.g. current expense levy) to the LCLIP district. Once a district has been created by a city, 75% of the assessed value of new construction – multiplied by a city's sponsoring ratio (explained below) – is allocated to the LCLIP district and used as the tax basis to distribute revenues from the regular property tax using the current year's regular property tax rate.

For example, suppose a newly constructed building generates \$1,000 in regular property tax revenues on a property tax rate of \$1.00. If this same building is valued at \$1,000,000 for the purposes of new construction, then 75% (multiplied by the Sponsoring City Ratio, explained below) of the new construction would place \$750,000 in the LCLIP assessed value base and lead to the distribution of \$750 of the \$1,000 paid in regular property tax to the LCLIP area. The remaining \$250 would still go to the jurisdiction's general fund. As noted, the Sponsoring City Ratio acts to pro-rate how much of the 75% of new construction is added to the LCLIP district assessed value base. The example above assumes a ratio of 1.0. Alternatively, a ratio 0.50 would reduce that \$750 revenue apportionment to \$375.

The calculation of LCLIP district assessed value basis starts at the time that the district(s) is created. The dedication of city and county property tax revenues to the district commence the second year after the district is established. The program can run for a maximum of 25 years on the condition that cities meet performance milestones (explained below).

### **LCLIP Sponsoring City Ratio**

In adopting an LCLIP program, the city must select a specific number of TDR credits to accept based on a regional allocation set by PSRC. These allocations are generally proportional to a city's growth targets; Seattle's allocation is 3,440 credits while Everett's is 1,491 and Tacoma's is 1,843. Shoreline's allocation from PSRC is 231 TDR credits. The "Sponsoring City Ratio" reflects the proportion of development rights a city has chosen to accept (the specific number above) relative to the city's allocated share, as determined by PSRC. The resulting ratio of "specified portion" to "allocated share" (anywhere from zero to one) acts to pro-rate the amount of new construction value that can accumulate to a LCLIP district. A city must set its sponsoring city specified portion that is

equal to or greater than 20% of its allocation. For Shoreline, that amount is 46 development rights or higher.

Accepting the full allocated share would maximize potential LCLIP revenues while taking something less than the full allocated share reduces the potential value of the program to a city. For example, Shoreline's allocation is 231 rights; supposing it chooses to accept 58 of them (specified portion), its resulting sponsoring city ratio is 0.25 (58 divided by 231). The City would receive 25% of the county's portion of property tax revenue over the course of the program. If the City accepted 231 credits it would receive 100% of the county's portion.

In choosing its ratio, the city is trying to select an amount of credits it expects to be able to place over a 20-year period to meet the threshold requirements (discussed below) and extend the program (and revenues) to the full 25 years. In doing so, the city is balancing the feasibility/likelihood of TDR being used by development against the amount of revenue LCLIP can generate. Ideally the private market for growth will place all the credits, but as the analysis shows, in a scenario where the private market does not achieve full TDR placement there will be a decision for the city to purchase credits to continue the revenue stream or not to purchase credits and discontinue the program.

### **LCLIP Performance: Credit Placement Thresholds**

While the LCLIP program can run for a maximum of 25 years, the legislation requires participating cities to demonstrate performance on the use of credits within their Local Improvement Project Area (LIPA). Cities using the LCLIP tool must meet a series of performance thresholds pegged to their specified portion and are given a choice in regards to permitting or acquisition of development rights if they want to start and extend the program revenues. These thresholds are as follows:

- **Threshold #1:** Placement of 25% of the specified portion of TDR credits is required to start the revenue stream. This is not a time-based milestone, but rather a performance-based milestone.
- **Threshold #2:** Placement of 50% of the specified portion of TDR credits is required by year 10 to extend it by 5 years.
- **Threshold #3:** Placement of 75% of the specified portion of TDR credits is required by year 15 to extend it by five years.
- **Threshold #4:** Placement of 100% of the specified portion of TDR credits is required by year 20 to extend it by five years to its conclusion.

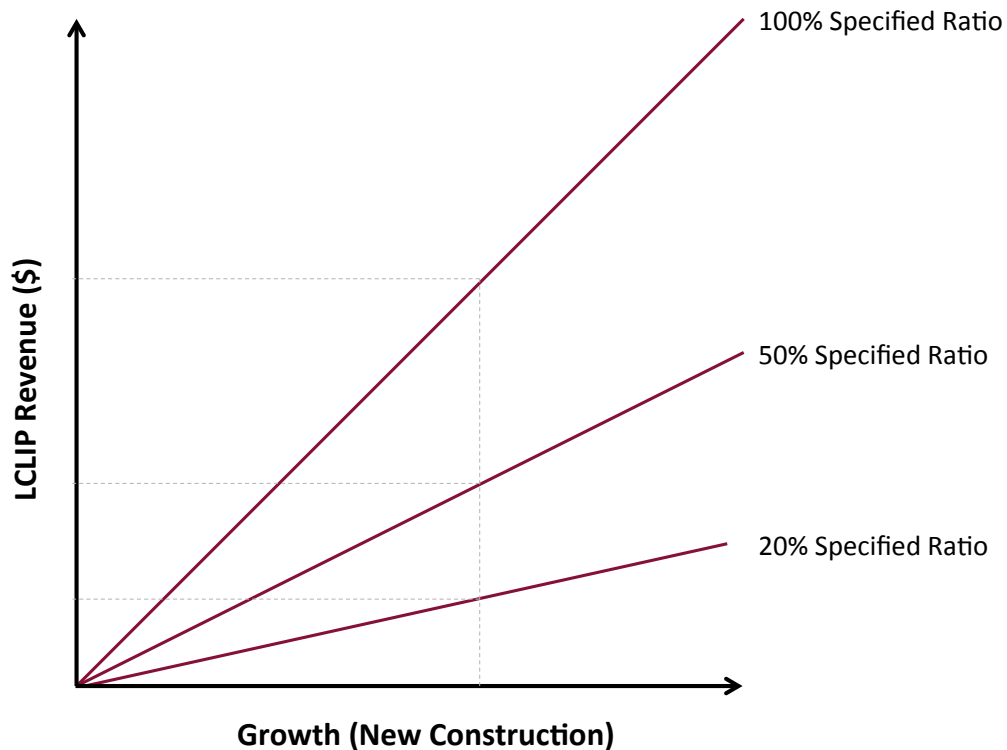
In previous examples of LCLIP implementation, there has been some difference in interpretation from program partners as to what is required to start an LCLIP program. Briefly, the difference in interpretation is whether the placement of 25% of the specified portion is required to start the program or whether the creation of the LCLIP program through ordinance is the trigger. **Should Shoreline adopt LCLIP, this question of timing will be resolved through an interlocal agreement with King County.**

Program revenue is a function of three central factors:

- Specified portion (City TDR credit commitment). Higher commitment = higher revenue
- New construction activity. More construction = higher revenue
- Market participation vs. City credit acquisition. More market activity = more revenue

Exhibit 1 below illustrates the relationships between city TDR commitment, growth, and revenue.

Exhibit 1. Conceptual LCLIP Revenue Scenarios



Source: Forterra, 2015

### LIPA(s) District Formation

A LIPA or LCLIP district is the designated area in which:

- TDR credits will be placed by market transfers and measured for performance monitoring.
- Infrastructure projects will be constructed and funding will be used.
- The calculation of the new construction as the tax basis for LCLIP revenues will be based.

A city may have multiple and non-contiguous LIPA(s) as long as the area(s) meet the requirement of containing less than 25% of the city's assessed value. While a city may create multiple LIPA(s), LCLIP works on a cumulative citywide basis and not an independent district basis – meaning the same program parameters apply to all LIPA(s) regardless of start date and configuration. Therefore if a city is considering multiple LIPAs, it is advantageous to establish them all at the program launch rather than adding them incrementally over time, which would result in foregone revenue.

## 2.4 Program Framework for LCLIP

A strong LCLIP program for the City of Shoreline must position the City to maximize LCLIP revenues through structuring the following program parameters:

- **LIPA geography.** The City will want to create a LIPA(s) that meets the nexus requirements stated above. However, creating a district(s) that contain areas where development is expected will help create a large new construction tax base used as the basis of the revenue calculation. The larger the tax base, the more funding leverage the City will have.
- **TDR provisions.** The number of TDR credits used is a function of several factors:
  - The size and structure of the incentive component. The city must determine how much demand there may be for building projects that will utilize TDR. The placement of TDR within the structure of the incentive mechanism factors in how it may be accessed by developers. For example, TDR may be among a menu of options that developers can choose from, it may be tiered with other options requiring developers to sequence options that may place TDR first or last in that sequence, or it could be the means by which developers access cost savings.
  - The nature of the incentive associated with TDR. Typical TDR incentives offer additional FAR or height; however, TDR can be connected with any variety of opportunities associated with development (“conversion commodities”). Other examples include connecting TDR with reduced setbacks, structured parking requirements, or impervious surface limitations. In the context of Shoreline, the incentive may be a multifamily tax exemption, part of a negotiated development agreement, or incentive zoning.
  - The exchange rate for TDR. The amount of incentive a developer receives per TDR credit used in large part determines the extent to which a TDR consumes the incentive zoning available. The incentive created by the TDR exchange rate must be equal to (or exceed) a developer’s willingness- and ability-to-pay, otherwise TDR will not be used.
- **City specified portion and program timing.** In order to optimize the flow of LCLIP revenues, the City has an incentive to meet all four performance thresholds. Doing so means the city must select a specified portion that is targeted at some expected use of incentive zoning and the absorption of TDR credits over the horizon of the program. This element of LCLIP is the most difficult technical aspect that the city must consider. Forecasting future development is challenging, much less determining the rate at which that development will access incentives that use TDR.



## **3 Incentive Zoning and TDR Policy Review**

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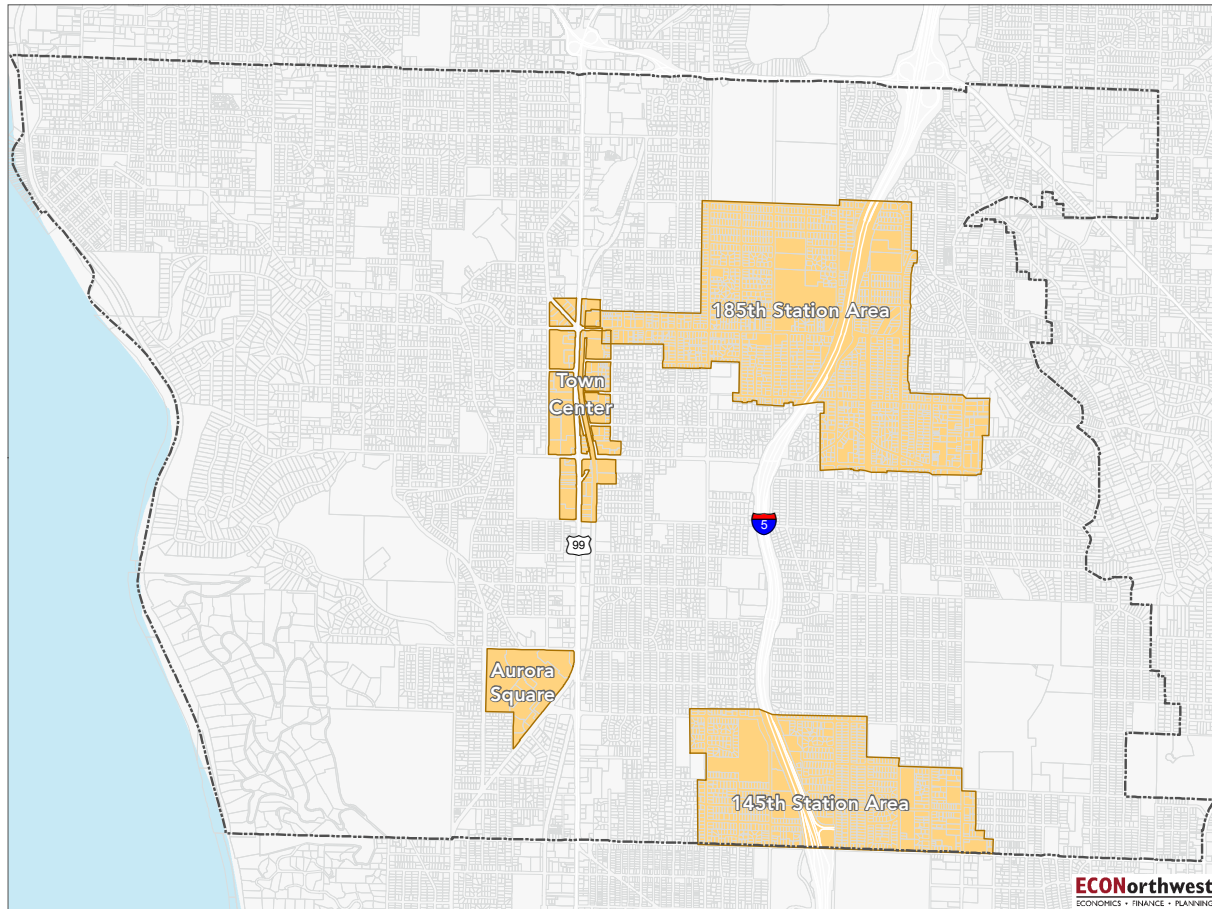
Overall, Shoreline’s existing policies support the use of TDR and LCLIP. Shoreline currently offers incentives to advance affordable housing and density goals, although not in the form of incentive zoning. Shoreline does not currently have a stand-alone TDR program, however the 185<sup>th</sup> Street subarea plan includes a TDR provision.

Shoreline’s comprehensive plan language establishes a policy foundation for the use of LCLIP and TDR to encourage quality development, revitalize neighborhoods, and provide infrastructure that supports growth. Shoreline should look to the comprehensive plan goals and policies to determine areas that LCLIP funding should be directed towards. Shoreline may consider using LCLIP as a source of funding to meet the goals of catalyzing a master-planned, sustainable lifestyle destination in Aurora Square. Additionally, light rail station expansion areas would benefit from infrastructure investments as the city plans to work with stakeholders to identify and funds additional improvements that can be efficiently constructed in conjunction with light rail and other transit facilities.

### **3.1 Study Area Context**

The City has four different areas within Shoreline it is evaluating for LCLIP feasibility. The areas include the Town Center zone, Aurora Square, and the future Link light rail station areas at 145<sup>th</sup> Street and 185<sup>th</sup> Street.

## Exhibit 2. Overview of Study Area



Source: City of Shoreline, King County

### 3.2 Existing Incentives

Real estate economics show that the value of building a home on a single-family lot in a rural area is considerably higher than the marginal value of an additional unit constructed in an urban multifamily receiving area project. To address these different values and incentivize the use of TDR the benefit to developers in a project must exceed the cost of buying credits. One way to achieve this goal is to offer developers more units in a project than are being removed from rural areas. For example, in the King County TDR program a developer gains the ability to construct two bonus units for every one TDR credit purchased. A similar approach will be useful in Shoreline to create sufficient incentive.

The City currently only encourages the utilization of TDR credits in the 185<sup>th</sup> Station Area where the first 300 units may access the eight-year MFTE program and do not have to provide the required affordable housing in exchange for TDR credits. The code dictates that projects may access this incentive if one TDR credit is secured for every four units. While this is currently the only requirement in place to use TDR credits, the LCLIP program is flexible and allows for multiple approaches to achieve market-based credit placement. Options the City might consider include the expansion of incentive zoning in the Town Center, Mixed Business zone, or potentially the 145<sup>th</sup> Station Area; an expansion of the current code in the 185<sup>th</sup> Station where private placement via a multi-family tax exemption is an incentive; development agreements; public acquisition of credits; or a combination of approaches to create a portfolio of mechanisms to place TDR credits and meet LCLIP performance milestones. The following summarizes each approach.

### ***Incentive Zoning***

Incentive zoning or the exchange of additional development capacity in return for a public benefit is a common approach to utilizing TDR credits. This can be in the form of additional height, additional units, lower parking ratios, or a reduced lot coverage ratio to name a few.

### ***Private Placement***

Another alternative is private placement through other incentives such as requiring the use of TDR credits to access the MFTE program. The concept MFTE is simple: developers receive an eight-year exemption from property taxes for constructing multifamily residential projects that provide a public benefit. Later sections detail this approach, along with costs and revenues associated with the mechanism. This approach would be considerably simpler from a policy and regulatory standpoint to implement than incentive zoning that includes TDR, and could potentially reduce uncertainty in implementation of LCLIP by providing a more streamlined and valuable bonus to developers.

### ***Development Agreements***

Another avenue by which the City can generate demand for TDR credit placement from private development is with development agreements. This approach is more opportunistic than MFTE or incentive zoning, and is more variable in its ability to absorb credits. When a developer proposes a large project to the City and requests special dispensations to facilitate its construction the City has an opportunity to negotiate the acquisition of TDR credits by the developer into the agreement. There is no formula or guideline for this, and since the pipeline of projects that could potentially place credits is uncertain the viability of this approach is difficult to predict with certainty. A single large project, however, could result in the placement of a substantial portion of the City's TDR commitment.

### ***Public Acquisition***

While not likely the first choice for the City as a means to meet performance milestones in LCLIP the use of public funds to acquire credits needed to continue the program is another option. Any public money that the City expends to buy credits to achieve milestones reduces the net revenue that would accrue to the City. That being said, it is important to keep as a backstop to close any gap left by the private market. The City could negotiate pricing agreements with King County or other flexible terms as part of an interlocal agreement implementing LCLIP. The revenue projections for the City are such

that even if public acquisition became necessary the City would still come out ahead financially – possibly far ahead – given the prospects for the program.

### **3.3 Incentive Zoning**

Shoreline currently offers a variety of incentives to developers to encourage affordable housing, density, and high quality development. However, Shoreline does not currently have a formal incentive zoning program. Shoreline’s zoning in the Study Areas suggests that bonus options other than additional units or floor area would be potential approaches to pursue for TDR utilization. For example, there are no incentives currently offered for additional height. This would potentially make bonus height an incentive for a TDR program in areas where the City deems it appropriate. That said, in the Town Center commercial zones, as well as Mixed Business, multifamily residential buildings are permitted to be built up to 70-feet and 65-feet, respectively. These heights may support up to seven-stories. However, the resulting floor heights are not optimal under situations where the ground floor space is required to be taller than 10-feet (typically 15-foot ground floor height).

At these permitted heights we assume most developers would develop six-story multifamily residential projects often referred to as five-over-one construction types.<sup>3</sup> An additional floor would support five-over-two projects. Changes in building and fire codes are allowing cities to permit these seven-story projects and this extra floor could be a land use code modification that uses TDR credits. While there is an added cost to constructing an extra level this is often offset by the added revenue potential from additional units.

Additional TDR incentives that award parking reductions or impact fee offsets could be considered in light of existing incentives offered to promote other public benefits, particularly around future station areas. The current land use code and proposed language in the 145th Station area provide for typical market based ratios.

One opportunity for TDR use under current market conditions is within the Town Center and potentially the 145th Station Area where buildings are currently permitted to achieving 65 to 70 feet. These zones provide an opportunity to test the impact of an additional story on project economics. Modeling a hypothetical project provides insight into what a developer could afford to pay for bonus density holding other factors constant.

Market, revenue, and cost inputs were derived from an analysis of comparable projects in the surrounding area to arrive at a set of key analysis assumptions (below). These include physical programming such as podium sizing, building efficiency, and average unit sizes as well as market data such as rents, expenses, cap rates and typical developer profit assumptions.

In both cases the project was modeled assuming wood frame construction atop a concrete podium (Type V-A construction). This concrete podium encompasses all ground-floor uses, including a 2,500 square foot retail component, lobby and residential community space, and at-grade, “tucked,” or

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<sup>3</sup> The five over one construction type is an abbreviation for Type V construction over Type I construction or wood frame over concrete and steel construction. This construction can be in six stories with one level of concrete and five of wood frame or seven stories with two levels of concrete and five levels of wood frame.

“wrapped” parking. Podium height is assumed to be 15 feet, commensurate with market demand for Class-A retail space. Additional required parking is accommodated with surface parking to avoid costly below-grade structured parking. The prototype used for this assessment was the Malmo development. This project has recently been completed and comprises 129 units in a five over one construction type building. This project sits on 1.2 acres.

**Space Program Comparison**

In this example, an incentive of an additional floor (10’ heights) is achieved with design bonuses through the provision of retail and public space. With the above assumptions, the modeled project yields 148 units within a 70-foot tall structure. Including a TDR bonus density through the addition of a story the project yields and additional 24 units - for a total of 171 units. The additional floor is of type one construction with a portion of the level being used for parking and a portion for residential units.

**Financial Performance**

Based on the current market, a five-over-one or five-over-two development type would be feasible if land values are at or below \$34 per square foot. The project economics are similar between the two types because the cost of the additional floor of concrete construction is roughly in balance with the additional units and subsequent revenue potential. Developers may elect to construct an extra floor if the market would support a higher rent. As shown in Exhibit 3, the likelihood of an incentive requiring TDR credits to add an additional floor would not likely result in TDR credit utilization. This is indicated by the similar resulting residual land values between the two scenarios.

**Exhibit 3. Bonus Density Pricing**

Key Inputs	Base w/ Design	TDR	Type	Key Outputs	Base w/ Design	TDR	Increment
<b>Use</b>	Apartment	Apartment		<b>Density</b>			
<b>Regulatory</b>				Stories	6	7	1
Zoning	Mid-Rise	Mid-Rise		Height	65	80	15
Max Height	65 to 70	80	ft	Floor Area Ratio	4.00	4.90	1
Max FAR	NA	NA		<b>Space Program</b>			
<b>Space Program</b>				BGSF	134,100	155,225	21,125
Unit Size (NRSF)	705	705		Unit Count	148	171	24
Parking Ratio	1.00	1.00		Parking Stalls	133	154	22
Lot Size	50,000	50,000		Retail SF	5,000	5,000	0
<b>Revenue</b>				<b>Financial Performance</b>			
Rent	\$1.95	\$1.95	psf/mo	Proj Value	\$29,148,428	\$33,796,308	\$4,647,880
Cap Rate	5.75%	5.75%		Proj Cost	\$25,129,828	\$29,203,829	\$4,074,001
<b>Expenses</b>				Margin on Cost	16%	16%	14%
PUPY Cost	\$5,700	\$5,700	per unit/yr	<b>Value Remain for Land (RLV)</b>			
RE Taxes	\$1,539	\$1,539	per unit/yr	Total	\$1,686,725	\$1,888,774	\$202,049
<b>Returns</b>				RLV / Unit	\$11,434	\$11,014	-\$420
Developer Profit	16%	12%	on cost	RLV / Land SF	\$33.73	\$37.78	\$4.04

Source: Heartland

There are other opportunities in the 185<sup>th</sup> Station Area and potentially in the 145<sup>th</sup> Station Area for utilizing TDR credits for additional height beyond just a single floor. According to the land use code for the 185<sup>th</sup> Station Area buildings in the MUR-70 zone buildings may exceed 70-feet (heights tall enough to support five over two construction) through a development agreement. However, the market economics to support multifamily towers in the City are several development cycles away and the likelihood of any towers being built during the LCLIP program is low.

### **3.4 Private Placement**

The only area in Shoreline where TDR is currently allowed is the 185<sup>th</sup> Street station subarea, and this provision is subject to the City authorizing a TDR program. For the first 300 units of multifamily housing constructed, developers may access an eight-year property tax exemption and forgo the affordable housing requirement by acquiring TDR credits at a rate of one credit for every four units built. This would result in the placement of 75 TDR credits.

The other Study Areas (145<sup>th</sup>, Town Center, and Aurora Square) could also use an eight-year property tax exemption to place TDR credits. Under RCW 84.36 a city may grant a developer an eight-year exemption on property taxes if a multi-family project provides some public benefit. This mechanism has traditionally been used to incentivize the construction of affordable housing and can also apply to TDR and the LCLIP program, which clearly provides multiple public benefits.

Under this approach, the bonus that the developer would gain is access to operational cost savings through the eight-year tax exemption. In order to access this, the developer would buy TDR credits. The number of credits needed to access the MFTE would be calibrated such that the net savings to the developer is still sufficiently high to justify the credit purchase.

Analysis of developer willingness to pay suggests that a prototypical 120-unit project could place approximately 40 credits. This model results in **an exchange rate of one TDR credits per three units in the project or a fee in lieu of \$25 per net square foot** assuming an average unit size of 800 square feet and the average TDR credit costs \$20,000 today. By participating in this program the owner of this prototypical project could realize a tax savings of nearly \$473,000 in nominal terms over the eight-year exemption for very little effort. This assumes that 65% of the benefit goes toward TDR acquisition and the remainder to the project owner. The City would need to amend its development regulations to define the terms and create the mechanism for developers to access MFTE through purchase of TDR credits. The table in Exhibit 4 summarizes the approach used to estimate TDR utilization.



**Exhibit 4. TDR Credits to Access MFTE Program**

	Annual Tax <sup>Δ</sup>	Split	TDR Cost:	\$20,000
	1%	65%	Inflation:	2%
	<b>MFTE</b>	<b>TDR</b>	<b>Project Tax</b>	<b>TDR Credits</b>
<b>Year</b>	<b>Benefit</b>	<b>Contribution</b>	<b>Savings</b>	<b>Afforded</b>
1 2015	\$163,200	\$106,080	\$57,120	5.2
2 2016	\$164,832	\$107,141	\$57,691	5.1
3 2017	\$166,480	\$108,212	\$58,268	5.1
4 2018	\$168,145	\$109,294	\$58,851	5.0
5 2019	\$169,827	\$110,387	\$59,439	5.0
6 2020	\$171,525	\$111,491	\$60,034	5.0
7 2021	\$173,240	\$112,606	\$60,634	4.9
8 2022	\$174,972	\$113,732	\$61,240	4.9
Total	\$1,352,221	\$878,944	\$473,278	40.2
NPV	\$967,464	\$628,852	\$338,612	
Total credits over 8 year period for a 120 project				40.2
Exchange Rate 1: TDR credits needed per 3 units				1.0
Exchange Rate 2: Fee in lieu per net square feet				\$25

Source: Heartland, 2015

The MFTE program does come with an opportunity cost for the City in the form of tax revenue reallocation during the eight years these units are exempt. The MFTE program would delay the new construction value contributions to the LCLIP program for the City until the eight-year exemption expired. After the exemption expires the value would be added to the City’s assessed value used in calculating how much revenue the City is receiving under the program. The delay in adding new construction value will somewhat reduce the amount of LCLIP revenues to the City over the life of the program. The City would also realize slightly less in total property tax revenue due to the delay in the addition of new construction value as well. Further analysis may be warranted to study the fiscal impacts of this program relative to the benefits of added units and LCLIP revenue.

Based on this analysis we assume that the first 300 units in the 185<sup>th</sup> Station Area will use the MFTE incentive meaning 75 credits out of the 231 (under a full acceptance of credits by the City) would be utilized leaving 156 credits. If the other study areas are offered a similar incentive, but a one credit per three unit rather than one credit per four unit then only 468 more units would need to be delivered to support the LCLIP program. In total this would represent 768 units or between six to eight multifamily projects assuming an average project size of 100 to 120 units.

For Aurora Square, where rules around Community Renewal Areas allow the City greater flexibility in specifying terms for redevelopment and where zoning is not conducive to a traditional TDR incentive structure, a more appropriate mechanism for using TDR would be to include acquisition of credits as part of a negotiated development agreement. In this situation an exchange rate may not apply; rather the City and developer would agree on a total number of credits to buy as part of the terms of the project.

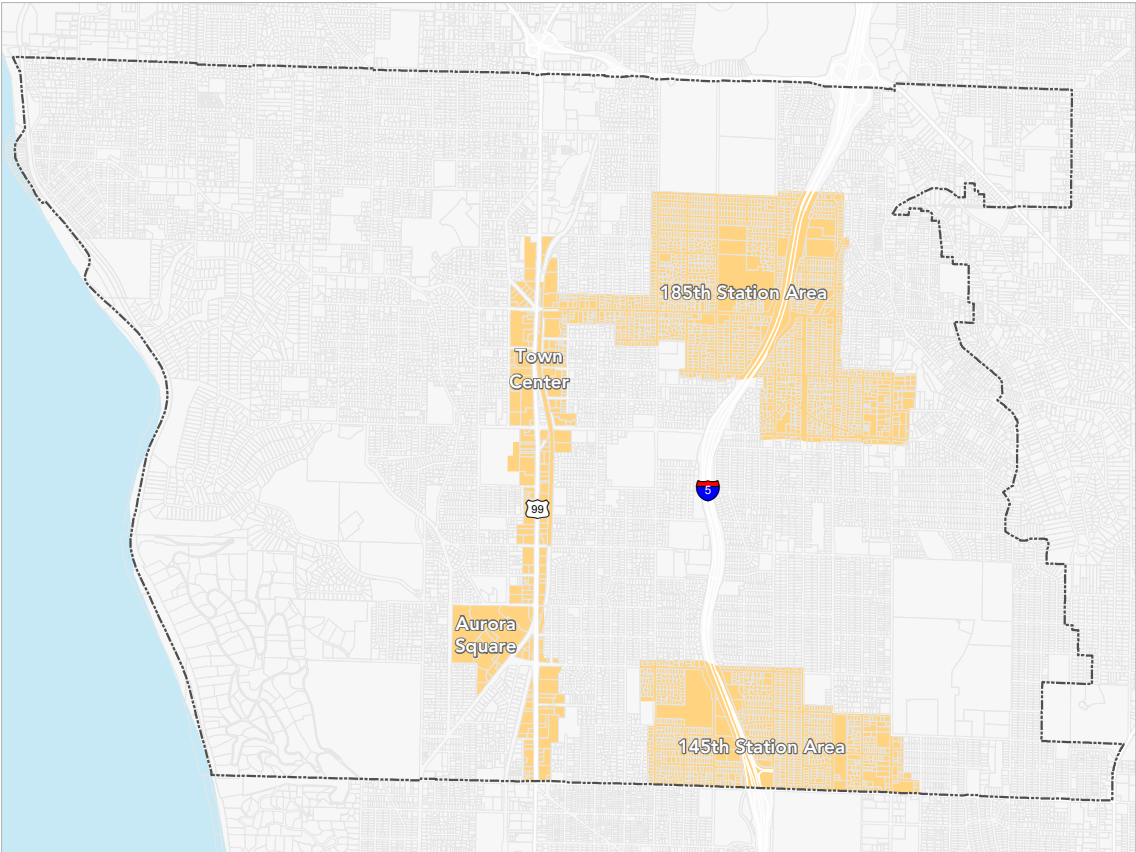
# 4 LCLIP Revenue Assessment

The LCLIP revenue assessment tests several parameters to better understand the impact of different TDR mechanisms and development growth variables as drivers of potential LCLIP revenues. LCLIP revenues are dependent on a few different inputs, primarily the LIPA area used and the projected amount of growth within that area. The next two sections discuss these in more detail before then assessing the revenue potential under different scenarios.

## 4.1 LIPA Area

For the revenue analysis, the initial combination of four discrete geographies was examined. Upon reviewing the revenue-generating potential for the Study Areas, the analysis showed that collectively these areas represented only 14% of the City’s total assessed value. Two key features of LCLIP are that revenue is a function of growth and cities may capture the incremental revenue from up to 25% of their assessed value. It is to Shoreline’s advantage to maximize the assessed value included in the LIPA in order to maximize the program’s revenue potential. Subsequent revenue projections were based upon an expanded Study Area that extended north and south along Highway 99 from the Town Center, which is shown in Exhibit 5.

Exhibit 5. Expanded Study Area



Source: City of Shoreline, King County



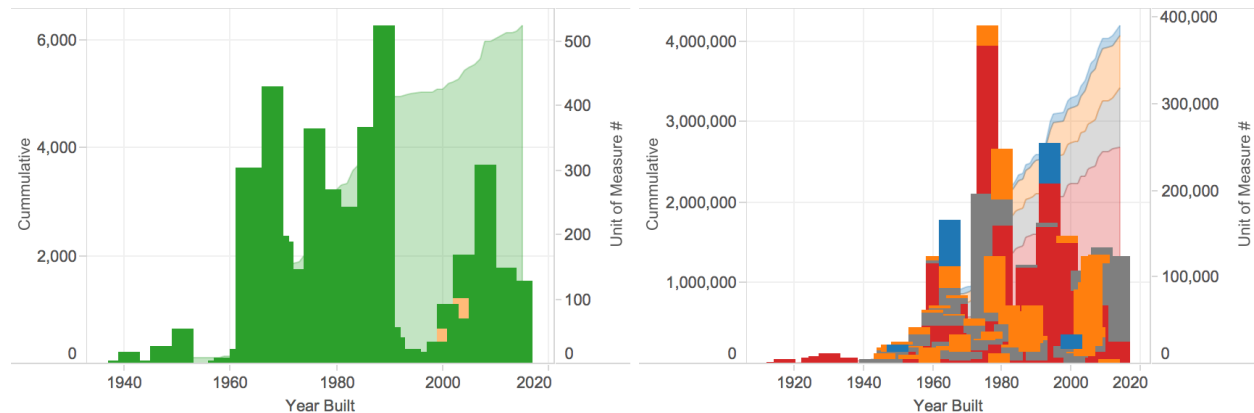
## 4.2 Development Assessment and Projections

This section provides an assessment of development trends in the study area in order to understand real estate development shifts in the area and make reasonable projections about possible future growth, based on those trends and near-term projects in the pipeline.

Based on the City’s buildable land assessment and capacity analysis estimate there is enough land and zoning capacity to support approximately 9.1 million square feet of commercial space and just over 5,000 units. These estimates were calculated prior to the rezone of the 185<sup>th</sup> Study Area approval and the potential additional development capacity that may result from the rezoning of the 145<sup>th</sup> Study Area. Based on figures from OTAK, combined these two areas could increase the city’s capacity up to 10.1 million commercial square feet and 42,730 multifamily units.

Exhibit 6 below helps put that capacity into perspective. The chart on the left shows historic multifamily development patterns through April 2015 in units delivered city-wide while the chart on the right shows historic commercial development patterns by net square feet delivered<sup>4</sup>. The city has just over 6,000 multifamily units (project with at least four units or more) and the cumulative total of commercial space in the city is just over four million square feet. Based on this assessment there is ample capacity to support new development for decades to come.

**Exhibit 6. City Development Patterns**



Source: Heartland LLC

The growth scenarios developed for LCLIP Revenue Testing were based on the PSRC’s growth targets for the City and the three study areas as well as the property comprising Aurora Square and commercially zoned land within 500-feet of Aurora from the southern end of the city to the north just past the Town Center Study Area. The reason for including the latter two areas was to test potential revenues from a LIPA that approaches the LCLIP programs 25% of the city’s current assessed value.

The table in Exhibit 7 summarizes PSRC’s household growth estimates between 2010 and 2035 for the City as well as the Study Areas. Also depicted in this table are estimated number of new housing

<sup>4</sup> Parking structures are non-leasable square footage are typically excluded from the King County Assessor’s net square footage calculations.

units that may be introduced to support the household growth. These estimates are based on pre-Study Area rezone condition.

#### Exhibit 7. PSRC Growth Target Summary

Area	2010 Households	2035 Estimated Households	Estimated Household Growth	Estimated Housing Unit Demand	Estimated Multifamily Unit Demand*
<b>City of Shoreline</b>	<b>21,576</b>	<b>26,711</b>	<b>5,135</b>	<b>4,602</b>	<b>2,591</b>
<b>Study Areas</b>					
145th Study Area	1,132	1,601	469	419	419
185th Study Area	1,690	2,141	451	403	403
Town Center Study Area	395	595	200	179	179
Aurora Square/Corridor**	4,232	5,657	1,425	1,275	892
<b>Study Areas Total</b>	<b>7,449</b>	<b>9,994</b>	<b>2,545</b>	<b>2,276</b>	<b>1,893</b>
<i>Study Areas % of City</i>	<i>35%</i>	<i>37%</i>	<i>50%</i>	<i>49%</i>	<i>73%</i>
City Remainder	14,127	16,717	2,590	2,326	698

Source: PSRC, Heartland LLC

Notes:

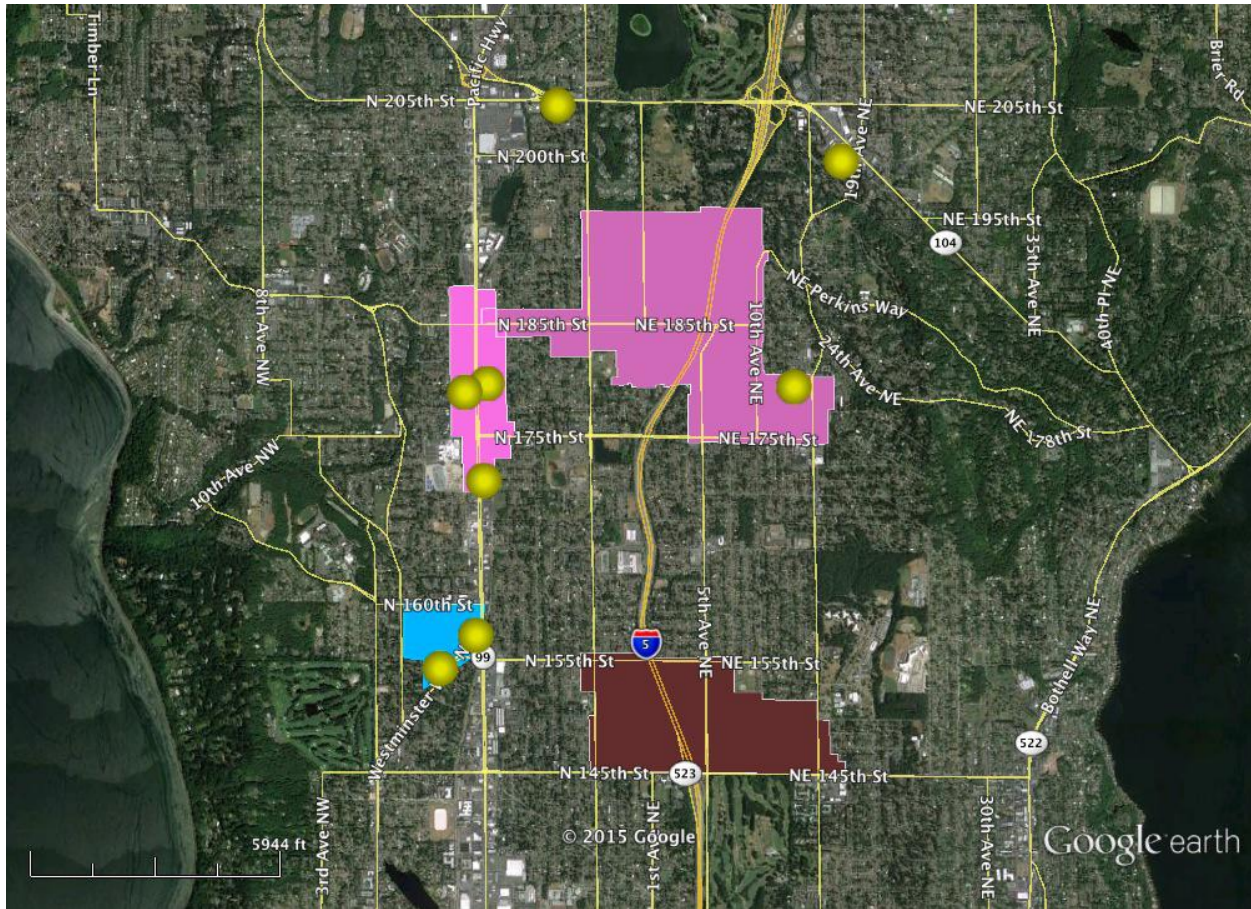
\* Estimated multifamily unit demand assumes that 100% of the housing units delivered in the 145<sup>th</sup>, 185<sup>th</sup>, and Town Center study areas will be multifamily units while 70% of the units in the Aurora Square/Corridor area will be multifamily and 30% of the city's remaining household growth will be supported in multifamily developments.

\*\*The City, Town Center, 145<sup>th</sup> and 185<sup>th</sup> Study Areas household estimates were provided by PSRC from its Land Use Targets data. The Aurora Square/Corridor estimates are based on PSRC's TAZ areas that touch the Aurora Square/Corridor area.

The PSRC is revising its growth targets and Shoreline's will likely increase as a result of this effort. This will be due to the additional capacity that the rezone will allow coupled with the City's proximity to job centers and the improved connectivity to those job centers via bus rapid transit improvements and the planned Sound Transit Link Lynnwood extension.

The development pipeline in the City illustrates its growing attractiveness to developers. Rental rate trends (driven by low vacancy rates) are supporting new multifamily projects. Exhibit 8 on the following page maps a list of key pipeline projects that will account for growth in the study area in the near-term. In the coming years, over 1,062 new residential units in 8 projects are planned with 215 of the units scheduled for delivery in the next two years. These projects are generally indicative of the type and scale of growth going forward.

Exhibit 8. Pipeline Sites



Source: Heartland

**Development Projections**

A look at historical delivery of multifamily units and commercial square footage would suggest the current growth targets are likely attainable. However, with the regions projected growth, the observed recent development trends, and a strengthening regional market, Shoreline should be able to easily meet and exceed PSRC's growth target. As a result, two growth scenarios were developed for LCLIP revenue modeling. The following table in Exhibit 9 summarizes the multifamily and commercial projections for all of the Study Areas under the Growth Target Scenario over a 25-year period.

## Exhibit 9. Growth Target Development Projection in Square Feet

Area	Commercial	Multifamily Units	Multifamily Projects	Parking Structures	Total Square Feet	Distribution
185th	16,307	544	5	102,261	662,146	11%
145th	15,993	533	4	100,290	649,383	11%
Town Center	765,431	265	2	381,198	1,411,329	24%
Aurora Square	258,988	518	4	203,953	980,917	17%
Aurora Remainder	900,382	744	6	524,109	2,168,442	37%
<b>Total</b>	<b>1,957,101</b>	<b>2,603</b>	<b>22</b>	<b>1,311,810</b>	<b>5,872,218</b>	<b>100%</b>

	Multifamily Units	Multifamily Projects	Commercial Square Feet
First 10 Years:	810	7	602,078
Remaining 15 Years:	1,793	15	1,355,024

Source: Heartland

The second scenario, illustrated in Exhibit 10, summarizes the High Growth Scenario where the pace is projected to increase a greater rate than the Growth Target Scenario in all of the areas over a 25 year period.

## Exhibit 10. High Growth Target Projections in Square Feet

Area	Commercial	Multifamily Units	Multifamily Projects	Parking Structures	Total Square Feet	Distribution
185th	23,296	777	6	146,087	945,923	11%
145th	20,562	685	6	128,944	834,922	10%
Town Center	921,813	319	3	441,280	1,682,163	19%
Aurora Square	517,976	1,036	9	407,906	1,961,835	23%
Aurora Remainder	1,350,573	1,116	9	786,163	3,252,663	37%
<b>Total</b>	<b>2,834,221</b>	<b>3,933</b>	<b>33</b>	<b>1,910,379</b>	<b>8,677,506</b>	<b>100%</b>

	Multifamily Units	Multifamily Projects	Commercial Square Feet
First 10 Years:	1,238	10	879,804
Remaining 15 Years:	2,695	22	1,954,416

Source: Heartland; PSRC

## 4.3 LCLIP Revenue Testing – Scenarios

### Overview

Using a LCLIP revenue model designed for the City, the analysis tested three different scenarios to assess the number of TDR credits potentially placed and corresponding revenues generated through the LCLIP program. Each scenario assumes different levels of growth to test how sensitive the revenues are to the assumed amount of growth.

## Assumptions

The analysis uses a number of common assumptions for all scenarios. The revenue analysis assumes that the primary mechanism used to place TDR credits is the eight-year multi-family tax exemption (MFTE) program. It is likely a large share of new multi-family residential development would use the MFTE program. The program is voluntary, but if structured correctly, the property tax exemption would provide a cost saving to the developer after purchasing development rights, creating a financial gain for purchasing credits. LCLIP revenues in the scenarios below include the delay in property tax revenues due to using the MFTE mechanism.

The analysis assumes that the LCLIP program would start in 2016 and run for 25 years. For a program starting now the net present value is a useful measurement of projected revenue, as it is adjusted for inflation. For a program starting in the future it is helpful to consider the revenue stream over time in nominal terms (not adjusted for inflation). Considering both values provides a more complete picture.

All scenarios assume the price of TDR credits is \$20,000 and increase to \$36,000 (in 2015 dollars) at year 15. The analysis also assumes all TDR credits are first purchased by the private market, and the City only purchases credits to meet the program placement thresholds to continue the program going if needed. The exchange rate for the program is based on the assumed value of the tax exemption relative to the cost of purchasing TDR credits. For the exchange rate, about three units need to receive the exemption over eight years to justify paying for one \$20,000 credit.

## The Impact of Development Variables

The following scenarios assessed LCLIP revenue based on assumptions about the timing, scale, and quality of development. Outside of the LCLIP program parameters, the three main development-based determinants of revenue impact are:

- **Scale and mix of development.** The revenue impact is likely to change as developers contemplate differing types and amounts of residential and commercial development.
- **Value of development.** While the baseline assumptions around development value (normalized on a square footage basis) were drawn from reliable data, it is difficult to predict future development value with great certainty.
- **Timing of development.** The timing of construction can either accelerate or delay the delivery of LCLIP revenues. Delay reduces the revenues under the LCLIP time window by pushing out the returns into the future, resulting in reduced years of benefits that are discounted more heavily. The opposite is true in a situation where development happens earlier.

It should be noted that changes to any of these (whether driven by future policy or market dynamics) can have a significant impact on the amount of LCLIP revenue generated. A difficult issue to disentangle from the analysis is the degree to which potential LCLIP-driven infrastructure improvements may facilitate (i.e. lower the overcall cost or feasibility) development by solving critical site and/or access issues or by reducing costs to developers.



**Scenario 1: Growth Target Forecast with Limited MFTE Program**

This scenario assumes 3.7 million square feet of development occurs within the Study Areas by 2040. This level of growth represents 50 percent of PSRC's 2035 growth target for the City. This scenario assumes the first 300 units constructed in the 185<sup>th</sup> Station Area are eligible for the eight-year MFTE program and affordable housing waiver.

Under this scenario the City would not be able to meet the first performance threshold at year ten, which requires placement of 116 credits. This scenario assumes half of the projected growth for the 185<sup>th</sup> Station Area occurred over the first ten years and 80% of the first 300 multi-family units in the 185<sup>th</sup> Station Area used the MFTE program. As a result, only 54 credits would be placed in the first ten years. The City would need to purchase the additional 62 credits to continue the program at a cost of over \$1.35 million in 2015 dollars.

Relying solely on the MFTE program in the 185<sup>th</sup> Street station area will not create a viable path for LCLIP success without City support or finding other options for placing TDR credits within the other components of the Study Areas.

**Scenario 2: Growth Target Forecast with Full MFTE Program**

Scenario 2 tests how many credits the MFTE program could utilize if the eight-year multi-family tax exemption (MFTE) program was enacted in the entire Study Area at the start of the program. This scenario also assumes the City would realize the same 3.7 million square feet of new development by 2040 as in Scenario 1, but it uses the lower exchange ratio of one TDR credit for every two units, which means the program could retire more TDR credits for the number of units constructed. It also assumes that 80% of multi-family residential development in these areas would utilize the program. This figure is derived based on utilization rates in the City of Seattle. Lastly, the scenario also assumes that the City accepts 100% of the 231 allocated credits to maximize revenue.

Under these assumptions the LCLIP program would place all 231 credits of the City's TDR credit allocation. In addition, the private market could retire enough credits to meet all of the performance thresholds.

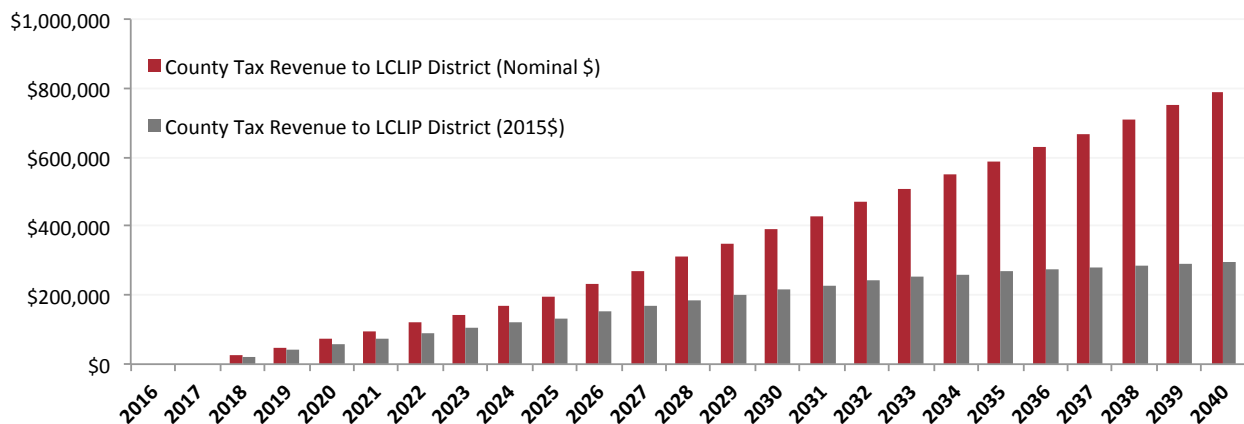
LCLIP would produce significant funding benefits to the City. Assuming a 100% specified ratio (City commits to all 231 credits), total revenue to the City from the County's portion of property tax revenues would be \$4.4 million (net present value, \$8.5 million in nominal terms) over the 25-year period and reach about \$300,000 annually (in 2015 dollars, nearly \$800,000 in nominal terms) by year 25 of the program.

**Exhibit 11. Scenario 2 Summary**

Total Square Feet of Growth	3.7 Million Square Feet	
TDR Credits Used	231	
Revenues	2015 Dollars (Inflation Adjusted)	Nominal (Non-Inflation Adjusted)
Total LCLIP Revenues	\$12.0 Million	\$22.8 Million
City Portion of Property Tax	\$7.6 Million	\$14.3 Million
County Portion of Property Tax	\$4.4 Million	\$8.5 Million
City TDR Acquisition Cost	\$0	\$0
<b>City Net Revenue</b>	<b>\$4.4 Million</b>	<b>\$8.5 Million</b>

Source: ECONorthwest. Note all figures in 2015 dollars; 25-year present value at 4% discount rate

**Exhibit 12. Scenario 2 Annual LCLIP Revenues**



Source: ECONorthwest

**Scenario 3: High Growth with Full MFTE Program**

The High Growth scenario tests the revenue potential if the City realizes more development than planned for under the City’s growth target. This scenario assumes the City realizes over 5.4 million square feet of new development by 2040, which represents 61 percent of PSRC’s 2035 growth target for the City. This growth is significantly more development than historically experienced and the 3.7 million square feet assumed in Scenario 1. As with Scenario 2, this scenario assumes that the eight-year MFTE program is enacted for the entire the Study Area at the start of the program.

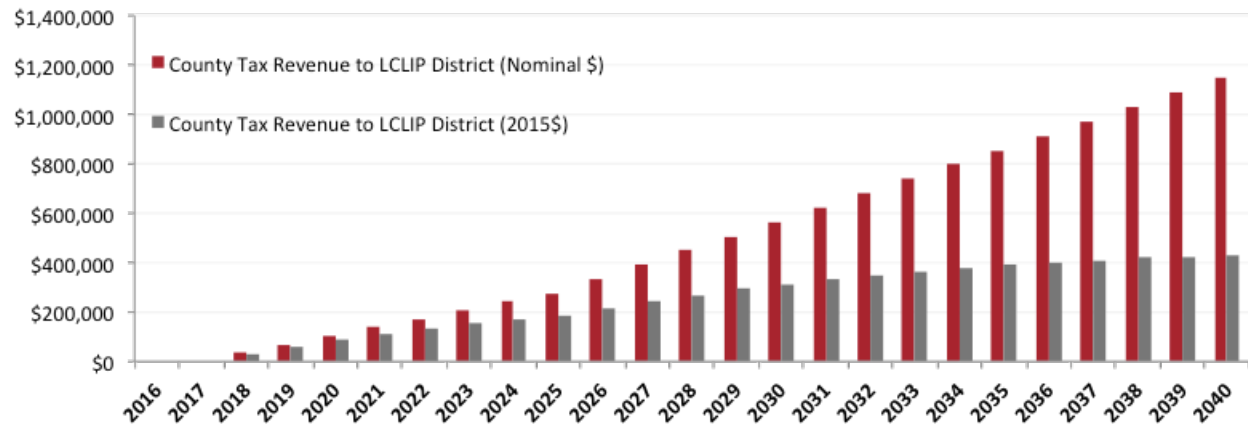
Under these assumptions the private market would be able to place all of the City’s 231 TDR credits and meet each performance threshold without public support. Assuming a 100% specified ratio (the City commits to all 231 credits), the program could generate \$7.3 million (net present value, \$13.9 million in nominal terms) over the 25-year period and reach over \$400,000 annually (in 2015 dollars, \$1.3 million in nominal terms) by year 25 of the program.

**Exhibit 13. Scenario 3 Summary**

Total Square Feet of Growth	5.4 Million Square Feet	
TDR Credits Used	231	
Revenues	2015 Dollars (Inflation Adjusted)	Nominal (Non-Inflation Adjusted)
Total LCLIP Revenues	\$19.7 Million	\$37.4 Million
City Portion of Property Tax	\$12.4 Million	\$23.4 Million
County Portion of Property Tax	\$7.3 Million	\$13.9 Million
City TDR Acquisition Cost	\$0	\$0
<b>City Net Revenue</b>	<b>\$7.3 Million</b>	<b>\$13.9 Million</b>

Source: ECONorthwest. Note all figures in 2015 dollars; 25-year present value at 4% discount rate

**Exhibit 2. Scenario 3 Annual LCLIP Revenues**



Source: ECONorthwest

**Summary**

The three most important factors influencing the success of LCLIP in Shoreline are the amount of growth occurring, the timing of that growth, and the number of TDR credits placed. In order for LCLIP to generate the projected revenues through the MFTE approach outlined here, Shoreline will need to locate at least half of its PSRC growth target within the Study Area over the timeframe of the program.

In addition to the amount of development projected, high utilization of the MFTE incentive in projects within the Study Areas will be an important factor in ensuring the City consistently meets its TDR placement milestones and increases the assessed value for revenue purposes. As a result, the City will want to establish an exchange rate that provides sufficient incentive for developers to use the tool. Other factors, such as timing the start of the program and choosing how many credits to accept will influence the success of LCLIP in Shoreline.



## 5 LCLIP Program Findings and Recommendations

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### 5.1 Summary of Findings

#### **There is strong policy case for LCLIP in Shoreline.**

The Study Area, including Town Center, Aurora Square, and the future light rail station areas, will play a central role in the city meeting its growth targets. These areas will have the capacity to accommodate considerable new population and employment. Residential capacity, particularly in the light rail station areas, can use TDR (and, by extension, generate LCLIP funding) through use of the multi-family tax exemption program. The study area can benefit from infrastructure improvements to support redevelopment, especially around improving access to transit. Flexible funding from LCLIP can provide Shoreline with a revenue source to help make those investments. A moderate growth scenario could generate \$4.4 million (net present value, \$8.5 million in nominal terms) while a more aggressive growth scenario could generate \$7.3 million (net present value, \$13.9 million in nominal terms).

#### **A market-driven approach to TDR placement can make LCLIP viable.**

Shoreline recently adopted a subarea plan for the 185<sup>th</sup> Street light rail station area. This plan contains provisions for market-based use of TDR, which can serve as a cornerstone for TDR use in the City. By itself, the 185<sup>th</sup> Street light rail station area will not place enough credits to make LCLIP successful, but if Shoreline can expand use of TDR in other areas the picture changes. By extending the MFTE program to other parts of the City the private market can absorb enough TDR credits to meet the LCLIP performance milestones.

Furthermore, Shoreline can augment the MFTE approach by negotiating TDR use as part of development agreements for projects in Aurora Square. This mechanism is variable and the scale of future Aurora Square projects is uncertain, however the inclusion of TDR as part of future projects in the Community Renewal Area could help accelerate the City's TDR placement and contribute to revenues. The pursuit of development agreements in Aurora Square should be a focus for the City as an opportunity throughout the duration of the LCLIP timeline or as a catalyst for the start of the program.

#### **The timing of redevelopment is a key to the success of LCLIP.**

Current conditions in Shoreline may not present a strong case for starting LCLIP immediately, however important zoning changes around the future light rail station areas create an important opportunity for redevelopment. New projects are already emerging in Town Center and the potential for redevelopment in Aurora Square is another potential driver for LCLIP success. In order to maximize revenues and mitigate risks the City may time the use of LCLIP around known projects that would use TDR.

## 5.2 Recommendations

Shoreline can pursue a range of actions to maximize the benefits of LCLIP while reducing its exposure to the risks of not meeting performance milestones. The City can take an approach to using the program that combines strategic and opportunistic elements. In thinking about using LCLIP, the City should consider a suite of actions that collectively could create conditions for the program to succeed.

### Potential LCLIP Approaches

The follow section lays out three approaches to proceeding with LCLIP.

#### *No Action in the Immediate Future*

The analysis shows that while the 185<sup>th</sup> Street subarea can retire nearly one third of the City's allocation of development rights, by itself this source of demand will not be sufficient to meet the performance milestones of the program over time. Pursuing LCLIP under the status quo would either require City acquisition of credits to keep the revenue flowing or would result in the premature conclusion of the program without City acquisitions to bridge the gap.

Furthermore, Shoreline will soon consider a rezone of the 145<sup>th</sup> Street light rail station area, the outcome of which could potentially create more opportunities for using LCLIP. While the City may not consider adoption of LCLIP prior to the completion of the 145<sup>th</sup> Street subarea plan, it could strengthen the viability of LCLIP by including provisions in the rezone that support its use.

#### *Target Maximum Specified Portion*

This approach would establish LCLIP targeted at placing all 231 credits allocated to Shoreline. The program is designed to provide greater financial incentives for cities accepting higher numbers of credits. This would maximize revenue to the City but also carries increased risk as the program could end early (or require City intervention) should growth and TDR use not keep pace with performance milestones. King County has expressed a willingness to incorporate flexibility into a potential LCLIP partnership with Shoreline in ways that would reduce the City's financial exposure. This approach is predicated on the location of at least half of Shoreline's PSRC growth target within the four potential LCLIP districts identified in the analysis.

#### *Time and calibrate LCLIP program to a development/TDR milestone(s).*

The city can structure the start of the LCLIP program with a single (or multiple) major development, such as a project in Aurora Square or a multifamily/mixed-use project in either Town Center or a light rail station area. Timing the program to the start of a known large-scale development within the City would create three advantages. Shoreline could capitalize on known demand, increase the program benefits, and reduce risk by making progress towards performance milestones from the outset of the program.

Tying the program to a known quantity of TDR use would allow the city to comfortably structure the LCLIP program to run for the full 25 years (i.e. meet performance thresholds). Making headway on the performance thresholds in advance would allow the City more flexibility on the use of funds by allowing some public infrastructure costs to be financed with debt, should that be desirable.

## **Summary recommendations for path to LCLIP implementation**

- Commit to all 231 credits to maximize revenues.
- Include 25% of the City's assessed value in the program by incorporating all four areas (Aurora Square, Town Center, and both light rail station areas), and expanding the Town Center LCLIP district.
- Consider including an incentive zoning provision in the 145<sup>th</sup> Street subarea plan or a MFTE provision similar to that adopted in the 185<sup>th</sup> Street subarea plan.
- Extend the MFTE provision for TDR use across all potential LCLIP districts (185<sup>th</sup> is already in place).
- Pursue TDR use as part of development agreements for Aurora Square projects.
- Discuss flexibility and accommodations around program performance milestones with King County.
- Prepare all the groundwork for adoption of LCLIP so the City may start the program on short notice as conditions change.
- Time the start of the program in conjunction with a project that would use TDR.

Furthermore, in moving forward the City should monitor the following conditions:

- Indications that confirm market interest in TDR, such as development applications that have been or are expected to be proposed that will need TDR credits in different zones.
- Analysis of the expected use of TDR credits confirms a reasonably high likelihood of meeting threshold requirements for TDR use in the LCLIP district.
- Infrastructure projects have been identified that qualify under the LCLIP program.
- A LCLIP district can be created that maximizes the projected LCLIP revenue to pay for infrastructure projects while meeting the requirements of the LCLIP legislation.
- As needed, a shared strategy approach with King County or another partner agency should be included in an approach to retiring TDR credits.

## 6 Implementation Road Map

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Should the city of Shoreline choose to pursue LCLIP, the following next steps are necessary to implement the program:

**Step 1:** Identify a specific geographic area for increased density that will become a local infrastructure project area (“LIPA”). The LIPA must:

- Include contiguous land (no “islands” within a LIPA)
- Not include more than 25% of the total assessed taxable property within the city
- Not overlap another LIPA
- In the aggregate, be of sufficient size to: 1) use the City’s “specified portion” of transferable development rights (unless the City has purchased the transferable development rights to reserve for future development), and 2) not be larger than reasonably necessary
- Contain all public improvements to be financed within its boundaries

**Step 2:** Accept responsibility for all or a share (a “specified portion”) of the transferable development rights allocated from the Puget Sound Regional Council to the city. Consider whether to include any rights from another city through an interlocal agreement.

**Step 3:** Adopt a plan for development of public infrastructure within the LIPA. The plan must:

- Utilize at least 20% of the city’s allocated share of transferable development rights
- Be developed in consultation with the Department of Transportation and the county where the LIPA is located
- Be consistent with any transfer of development rights policies or development regulations adopted by the city
- Specify the public improvements that will be financed
- Estimate the number of transferable development rights that will be used
- Estimate the cost of the public improvements

**Step 4:** Adopt transfer of development rights policies or implement development regulations, or make a finding that the city will receive its specified portion within one or more LIPAs, or make a finding that the city will purchase its specified portion. Adoption of transfer of development rights policies or implementation of development regulations must:

- Comply with the Growth Management Act
- Designate a receiving area(s)
- Adopt developer incentives, which should be designed, at the City’s election, to:
- Achieve the densities or intensities in the City’s plan
- Include streamlined permitting strategies
- Include streamlined environmental review strategies
- Establish an exchange rate, which should be designed to:
- Create a marketplace where transferable development rights can be bought and sold
- Achieve the densities or intensities in the city’s plan

Provide for translation to commodities in addition to residential density (e.g., building height, commercial floor area, parking ratio, impervious surface, parkland and open space, setbacks and floor area ratio)

Allow for appropriate exemptions from land use and building requirements

- Require that the sale of the transferable development rights be evidenced by its permanent removal from the sending site (such as through a conservation easement on the sending site)
- Not be based on a downzone within the receiving area

The City may elect to adopt optional comprehensive plan element and optional development regulations that apply within the LIPA

**Step 5:** Hold a public hearing on the proposed formation of the LIPA. Notice must be provided to the county assessor, county treasurer, and county within the proposed LIPA of the City's intent to create the area. Notice must be provided at least 180 days in advance of the public hearing.

**Step 6:** Adopt an ordinance or resolution creating the LIPA. The ordinance or resolution must:

- Describe the proposed public improvements
- Describe the boundaries of the proposed LIPA
- Provide the date when the use of local property tax allocation revenues will commence and a list of the participating tax districts (the city and county)

A certified copy of the adopted ordinance or resolution must be delivered to the county assessor, county treasurer and each participating tax district

**Step 7:** Provide a report along with the county to the Department of Commerce by March 1<sup>st</sup> of each year. A requirement of participating in the LCLIP program is for Counties in cooperation with cities, to provide the Department of Commerce with a report on March 1<sup>st</sup> of every other year. Should the City of Shoreline choose to participate, the City in cooperation with King County would compile a report containing the following information:

- Number of cities within the county participating in LCLIP; and,
- The number of TDR transactions that have occurred; and,
- The number of acres conserved through the program, broken out by land type, agricultural, forest, or rural; and,
- The number of TDR credits transferred; and,
- The number of TDR credits transferred into the cities; and,
  - The total number of new residential units in the city; and,
  - The number of additional residential units allowed due to TDR credit transfers; and,
  - The amount of additional commercial space allowed due to TDR credit transfers; and,
  - The amount of additional building height allowed due to TDR credit transfers; and,
  - The amount of structured parking spaces reduced due to TDR credit transfers; and,
  - The amount of additional parking spaces allowed due to TDR credit transfers; and,
  - The amount of additional impervious surface allowed due to TDR credit transfers; and,
- The amount of property tax revenues per city received from the county; and,

- A list of public improvements paid for or financed by the received revenues; and,
- The names of businesses locating within the district as a result of the public improvements; and,
  - The number of permanent jobs created in the district as a result of the public improvements; and,
  - The average wages and benefits received by the employees; and,
- The date at which any indebtedness issued for LCLIP financing is expected to be retired.

Council Questions from July 20, 2015 Council Discussion

The following questions were raised by Councilmembers during the presentation and discussion on LCLIP on July 20, 2015. Most of the questions that the Councilmembers asked had to do with financial risk, benefits to the City, and how much additional property tax would the City receive as a result of implementing the program while deducting the amount of property tax that would not be collected on developments approved for MFTE. Specific questions and comments are listed below:

1. What are the incentives for developers to purchase TDR credits?

The City would need to create the incentive for developers. This could come in the form of allowing greater development potential than currently allowed or foregoing other requirements, such as affordable housing requirements for developers who purchase the TDR credits.

2. What's the trade-off of waiving the requirement for affordable housing for the first 300-units?

Delay of Council's goal for more affordable housing, particularly in the Station Areas.

3. What would a property owner have to pay over a 25-year period? Consider an 8-year MFTE and the cost of buying TDR credits.

Using the example from Forterra (discussed on p. 15 of Attachment B), the developer of a 120 unit development granted an 8-year MFTE would buy 5 TDR credits at a cost of \$106,000 to \$114,000 per year offset by the property tax exemption savings of \$163,000 to \$175,000 per year it is receiving the 8-year MFTE. The end result is the developer has purchased 40 TDR credits (at a ratio of 1 TDR credit per 3 units) at a cost of approximately \$0.88 million offset by property tax exemption savings of \$1.35 million, thereby resulting in a net savings of \$0.47 million. For the remaining length of the LCLIP the property owner would pay the same property tax as they would have without the MFTE.

Exhibit 4. TDR Credits to Access MFTE Program

Year	Annual Tax $\Delta$	Split	TDR Cost:	
	1%	65%	\$20,000	Inflation: 2%
	MFTE Benefit	TDR Contribution	Project Tax Savings	TDR Credits Afforded
1 2015	\$163,200	\$106,080	\$57,120	5.2
2 2016	\$164,832	\$107,141	\$57,691	5.1
3 2017	\$166,480	\$108,212	\$58,268	5.1
4 2018	\$168,145	\$109,294	\$58,851	5.0
5 2019	\$169,827	\$110,387	\$59,439	5.0
6 2020	\$171,525	\$111,491	\$60,034	5.0
7 2021	\$173,240	\$112,606	\$60,634	4.9
8 2022	\$174,972	\$113,732	\$61,240	4.9
Total	\$1,352,221	\$878,944	\$473,278	40.2
NPV	\$967,464	\$628,852	\$338,612	

MFTE Property Tax Exemption Value  
 Cost of TDR Credits  
 Net Project Savings:

**4. How does this program work and where do the taxes go?**

If the City meets its obligations under the LCLIP program, then the King County Assessor's Office will calculate the property tax allocation revenue value for the Local Infrastructure Project Area (LIPA). This is an amount equal to the sponsoring city ratio multiplied by 75% of any increase in the assessed value of real property in the LIPA resulting from new construction placed on the assessment roll applied to the then current City regular levy rate and King County current expense levy rate. King County then directs a portion of its property tax to the City and identifies the portion of the City's property tax to be used to fund infrastructure projects within the identified LCLIP district.

The chart below exhibits a simple example calculation for four projects coming online within a 13-year period. For this example let's assume that the LCLIP program only runs for a 13-year period (any additional years makes the chart illegible), each of the four projects will have an assessed value of \$11.0 million, and the City offers a 8-year MFTE.

Example 1: The Abracadabra is constructed in year 1 of the LCLIP program. The LIPA calculation for year 1 captured the value of that new construction. The property was granted a MFTE in year 2. The new construction value is not captured in LIPA calculations for years 2 through 9 until the MFTE expires at the end of year 9 and the value of the new construction (unadjusted from its year 1 value) is placed back on the assessment roll in year 10. The LIPA calculation for years 10 through 13 will capture the value of that new construction.

Example 2: The Palomino is constructed in year 3 of the LCLIP program and is granted a MFTE before the value of the new construction is placed on the assessment roll. The new construction value is not captured in LIPA calculations for years 3 through 10 until the MFTE expires at the end of year 10 and the value of the new construction (unadjusted from its year 3 value) is placed back on the assessment roll in year 11. The LIPA calculation for years 11 through 13 will capture the value of that new construction.

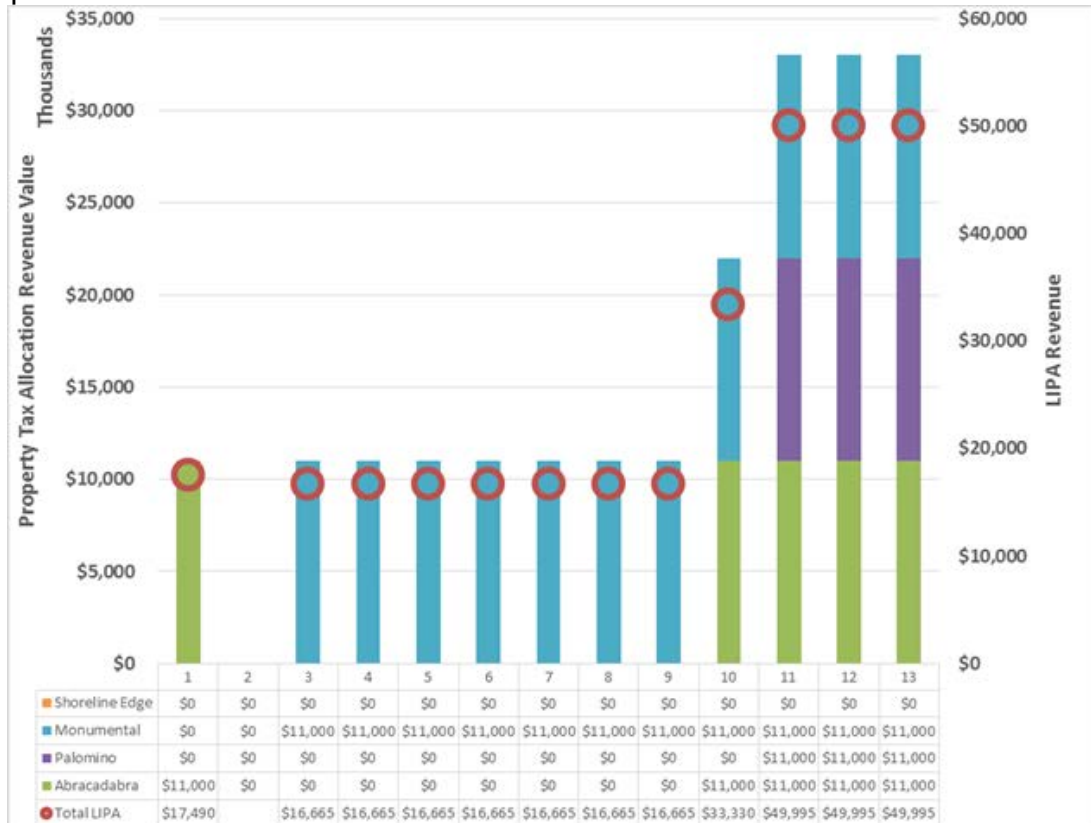
Example 3: The Monumental is constructed in year 3 of the LCLIP program. This project did not apply for a MFTE so all of its new construction value was placed on the assessment roll and is captured in LIPA calculations for years 3 through 13.

Example 4: The Shoreline Edge is constructed in year 6 of the LCLIP program and is granted a MFTE before the value of the new construction is placed on the assessment roll. The new construction value is not captured in LIPA calculations for years 6 through 13 because it is not placed on the assessment roll until the MFTE expires at the end of year 13. Essentially this example illustrates that there is risk to offering a MFTE. Any project granted a MFTE that prevents the value of



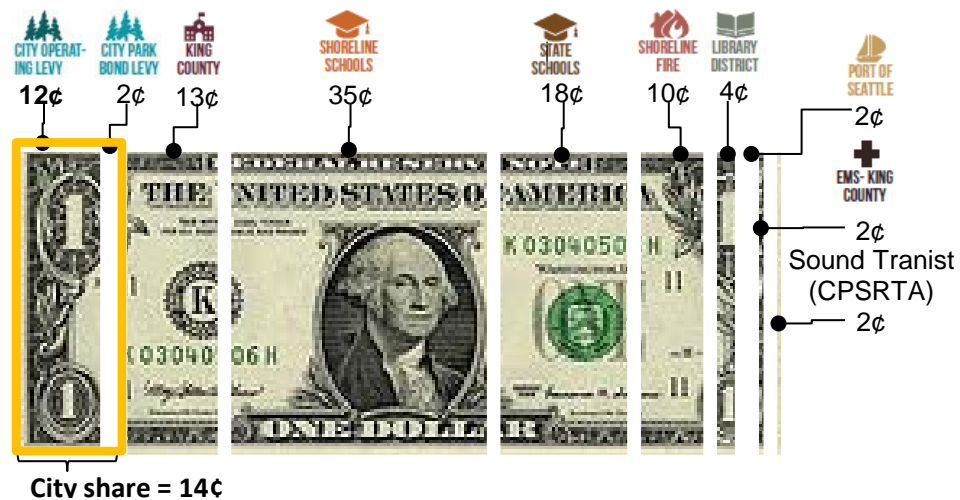
Council Questions from July 20, 2015 Council Discussion

new construction from being placed on the assessment roll within the LCLIP program's defined period (again, in this example it is 13 years) will not be captured in the LIPA calculation.



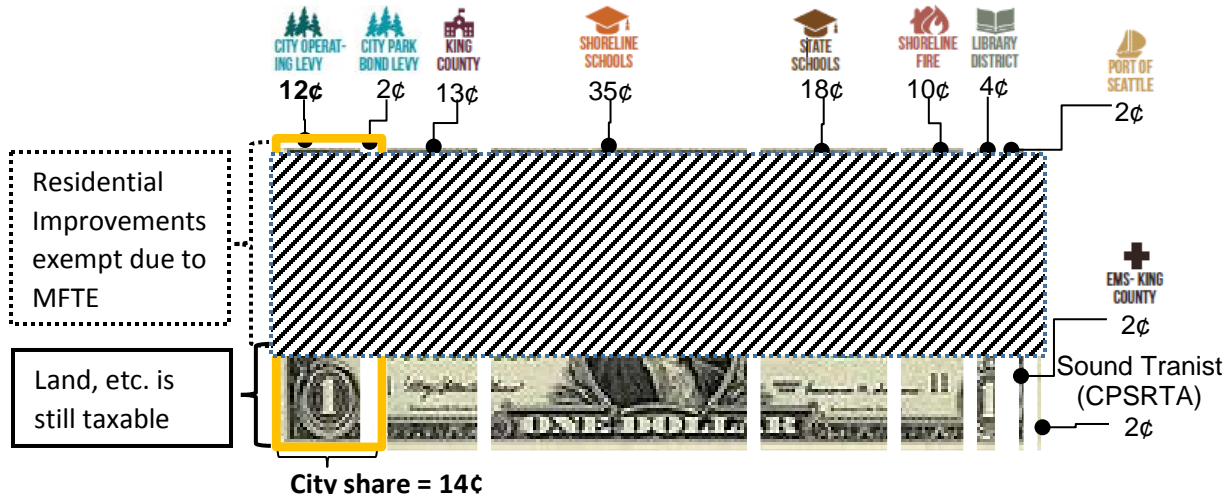
- Provide a chart of what a property owner would pay over 25-years, to whom, with MFTE implemented on the parcel.

Property owners currently pay taxes on the taxable assessed value of land and improvements to nine taxing jurisdictions as shown in the chart below.



Council Questions from July 20, 2015 Council Discussion

A property owner granted a MFTE will be exempt from paying property tax to all jurisdictions on the portion of the assessed value of the residential improvements alone. The tax exemption does not apply to land, retail space, other commercial space, or any residential units that were in existence at the time of application.



It is important to note that the timing of the City issuing the Final Certificate for tax exemption to the King County Assessor’s Office (KCAO) is of importance. If the certificate is issued before any new construction comes on the tax roll, the City’s levy (and others including the school district, fire district, etc.) does not grow until the MFTE expires and the value of new construction comes on the tax rolls in the following year. This is important because if the value of new construction comes on the tax rolls before the MFTE is granted, thereby growing the levy, the property owner will receive relief from paying property tax but the burden is shifted to all remaining taxpayers to pay the full amount of the levy. When the property’s MFTE expires the burden is then shared again by the property owner.

6. What is the financial impact to the City? Consider 8-MFTE combined with a portion of King County’s taxes going back into infrastructure projects.

The financial impact to the City culminates in less general revenue to support increased demand for operating programs (such as recreation programming, police services, etc.) as up to (or whatever the sponsoring city ratio is depending on how many of the 231 credits the City chooses to place) of the value of the new construction, or approximately \$7.6 million in property tax revenue if the City accepts responsibility to place all 231 credits, in the LCLIP district is dedicated to funding infrastructure projects sited within the LCLIP district.

7. Will a developer have a choice of an 8-year MFTE or a 12-year PTE for affordable units?

Currently only a 12 year PTE is available. Council could adopt an 8 year version.

8. What are the penalties for stopping the program?

The City is obligated to meet thresholds that it agrees to at the beginning of the program. If developers don't purchase the credits then the City will be required to purchase them in order to meet the thresholds if the City wants to continue to collect King County's portion of property taxes. If the City fails to meet any of the thresholds, KCAO will no longer perform the LIPA calculation described in the response to question 3 or distribute property tax allocation revenue.

9. What are other incentives to offer developers in order for the City to meet TDR obligations?

Possible incentives and strategies to sell TDR credits were detailed in the staff report beginning on page 5.

10. Why in the first 10-years of the program is very little money generated?

In the first 8 years the projects sited within the LCLIP districts would likely apply for a MFTE that could prevent a portion or all of the value of new construction from coming on the rolls, in which event that value is not be captured in the LIPA calculation until the MFTE expires.

11. Would an 8-year MFTE only apply for developers who buy TDR's?

This would be an incentive option that the City could offer.

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Discussion of Ordinance No. 805 - Budget Amendment for 2017		
<b>DEPARTMENT:</b>	Administrative Services		
<b>PRESENTED BY:</b>	Sara Lane, Administrative Services Director Rick Kirkwood, Budget Supervisor		
<b>ACTION:</b>	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

**PROBLEM/ISSUE STATEMENT:**

During the course of the year, changes to the adopted budget are identified. A final budget amendment to formally adopt these changes is a routine procedure that occurs at approximately this time each year. Proposed Ordinance No. 805 (Attachment A) provides for this budget amendment.

**FINANCIAL IMPACT:**

Proposed Ordinance No. 805 totals (\$16,905,561), and adjusts both resources and expenditures, as follows:

**General Fund: \$112,941**

- City Manager's Office – Economic Development (grant funded): \$54,990
- Administrative Services – Information Technology: \$18,530
- Administrative Services – Facilities: \$29,421
- Transfers Out: \$10,000

**Street Fund: \$0**

- Convert purchase appropriation to transfer: \$0

**State Drug Enforcement Forfeiture Fund: \$399,897**

- Additional support for Police Station at City Hall project: \$399,897

**Property Tax Equalization Fund: \$6,139**

- Close out of Property Tax Equalization Fund: \$6,139

**Federal Criminal Forfeiture Fund: \$235,598**

- Additional support for Police Station at City Hall project: \$235,598

**City Facilities – Major Maintenance Fund: \$7,931**

- Parks Restroom Long-Term Maintenance: \$7,884
- Shoreline Pool Long-Term Maintenance: \$47

**Wastewater Utility Fund: (\$17,668,067)**

- Wastewater Utility: (\$17,668,067)

The following table summarizes the impact of this budget amendment and the resulting 2017 appropriation for each fund:

<b>Fund</b>	<b>2017 Current Budget (A)</b>	<b>Budget Amendment (B)</b>	<b>Amended 2017 Budget (C) (A + B)</b>
General Fund	\$48,190,359	\$112,941	\$48,303,300
Street Fund	1,721,485	0	1,721,485
State Drug Enforcement Forfeiture Fund	214,043	399,897	613,940
Property Tax Equalization Fund	500,799	6,139	506,938
Federal Criminal Forfeiture Fund	803,220	235,598	1,038,818
City Facilities – Major Maintenance Fund	96,000	7,931	103,931
Wastewater Utility Fund	18,109,971	(17,668,067)	441,904
All Other Funds	38,811,458	0	38,811,458
<b>Total</b>	<b>\$108,447,335</b>	<b>(\$16,905,561)</b>	<b>\$91,541,774</b>

### **RECOMMENDATION**

No action is required by the City Council. This will be an opportunity for the City Council to ask specific questions and provide staff direction about proposed Ordinance No. 805. Adoption of proposed Ordinance No. 805 is scheduled for the November 20, 2017 City Council meeting.

Approved By:            City Manager **DT**                    City Attorney **MK**

## **INTRODUCTION**

During the course of the year changes to the adopted budget are identified. The City Council is made aware of changes throughout the year in Staff Reports and Council discussion.

## **DISCUSSION**

### **Budget Amendment Detail: General Fund: \$112,941**

**Revenues:** General Fund revenues will be increased by \$54,990 for an Economic Development grant from the Port of Seattle.

**City Manager's Office – Economic Development:** The 2017 appropriation will be increased by \$54,990 as the City is partnering with the Port of Seattle to deliver three economic development projects. The City Manager was authorized to execute the agreement with the Port of Seattle on October 16 (staff report available here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport101617-7c.pdf>). Unused funding will be re-appropriated in April 2018 through the carryover process but work on these projects will be completed by May 31, 2018. The grant requires a \$27,495 match from the City of Shoreline which will be fulfilled through existing 2017 and 2018 appropriations for staff and consultants in the Economic Development program's budget.

**Administrative Services – Information Technology:** The 2017 appropriation will be increased by \$18,530 for the following reasons:

- Pacific Office Automation did not submit invoices totaling \$7,801.28 for the per-copy costs on City copiers for the period of September through December 2016 until March 2017. This was not included in the re-appropriation amendment presented to Council in April 2017 and cannot be absorbed by the current budget for the Information Technology division or the Administrative Services Department's budget as a whole.
- Signal Perfection was contracted to perform the upgrade of the audio/visual equipment in the Council Chambers to support high definition filming. The vendor did not include the upgrade of the dais monitors or a key component to provide recording redundancy. The total cost to upgrade these components is \$10,729.

**Administrative Services – Facilities:** The 2017 appropriation will be increased by \$29,421 to cover the revised projection for electricity costs for City Hall. The revised projection takes into consideration a higher level of electricity used for Heating, Ventilation, and Air Conditioning (HVAC) system in the earlier and warmer weather months and throughout the construction work occurring at City Hall.

**General Fund Transfers Out:** The 2017 adopted budget included revenue of \$1.7 million from the excess property tax levy that covers the debt service payments related to the 2006 General Obligation bonds issued to fund open space acquisitions and park improvements. King County Assessor's Office erroneously levied property tax on City-

owned properties, thereby reducing the amount of revenue the City will receive from the excess property tax levy. As a result, the General Fund may need to provide as much as \$10,000 to the General Obligation Bond Fund (Fund 201) to cover the shortfall. The 2017 appropriation in the General Fund will be increased by \$10,000 to provide for this transfer.

**Street Fund: \$0**

Prior to the 2017 budget process, expenditures for upgrades to replacement vehicles were made directly from the fund benefitting from the upgrade. This was changed during the 2017 budget process to now reflect the full purchase of all replacement vehicles with any upgrades from the Equipment Replacement Fund. To that end, those funds benefitting from the upgrades are now transferring money to the Equipment Replacement Fund to supplement previously collected replacement charges used to purchase the like-for-like portion of the replacement vehicle.

However, there was one exception to this change that was not correctly handled during the 2016-to-2017 reappropriation process. This amendment converts that purchase of additional accessories for VN#134 (Heavy Duty multi-purpose vehicle w/ hook & go) from a purchase out of the Street Fund to a transfer to the Equipment Replacement Fund so the replacement and upgrades of the vehicle may all be purchased from the Equipment Replacement Fund. The purchase of the accessories was originally estimated to total \$5,257. The actual costs per the invoice received from the City of Mountlake Terrace totals \$6,832.01. The 2017 appropriation does not need to be increased as there are estimated to be savings in the Street Fund.

**State Drug Enforcement Forfeiture Fund: \$399,897**

The 2017 appropriation will be increased by \$399,897; thereby increasing the amount of this fund's support for the Police Station at City Hall project to a total of \$594,897. The funds are being received as the City's equitable share of a case that has been closed.

**Federal Criminal Forfeiture Fund: \$235,598**

The 2017 appropriation will be increased by \$235,598; thereby increasing the amount of this fund's 2017 support for the Police Station at City Hall project to a total of \$838,818. It is anticipated that the City will still receive approximately \$200,000 as its equitable share of a case that has not yet closed, which is currently budgeted to support the Police Station at City Hall project. This appropriation reflects the use of fund balance that was not appropriated in the 2017 adopted budget in order to provide additional funding for the project.

**Property Tax Equalization Fund: \$6,139**

The Property Tax Equalization fund was created to accumulate and disburse proceeds from the City's maintenance and operations levy over the six year levy period. Because the levy period is complete, the balance of this fund is being transferred to the General Fund. The 2017 appropriation for this fund was estimated at \$500,799 in the 2017 adopted budget in September 2016. Since that time the financial statements have been

prepared and the actual ending fund balance for 2016 is \$506,938. The 2017 appropriation will be increased by \$6,139 to close out the fund as originally intended in the 2017 adopted budget.

**City Facilities – Major Maintenance Fund: \$7,931**

The 2017 appropriation for this fund will be increased by \$7,931 to cover revised estimates for certain projects as delineated on the program summary on page 339 of the 2018 Proposed Budget and 2018-2023 Capital Improvement Plan book (available here: <http://cityofshoreline.com/home/showdocument?id=32704>).

**Wastewater Utility Fund: (\$17,668,067)**

In April, the City adopted the Ronald Wastewater District’s (RWD) full 2017 budget in accordance with Generally Accepted Accounting Principles (GAAP). In mid-2017, the RWD Board of Commissioners and City mutually agreed to extend the assumption date. Although this is the case, RWD executed an Operating Services Agreement with the City to operate the utility on the behalf of the RWD (staff report available here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport100217-7b.pdf>). Under this arrangement, the City will operate and maintain the sewer utility while the RWD Board of Commissioners will be responsible for addressing policy matters, setting rates and managing capital improvements for the utility. The City is amending its 2017 budget to reflect the costs associated with operating the wastewater utility for the 10 weeks in 2017 following the transition. The amended budget totals \$441,904, which is a \$17,668,067 reduction from the 2017 amended budget based on the personnel and maintenance and operation costs necessary to operate the utility for the balance of 2017. RWD will retain all revenue and costs associated with interlocal agreements and certain operating contracts. The Operating Services Agreement provides that RWD will reimburse the City based on annual budgeted costs with annual reconciliation of direct costs.

**FINANCIAL IMPACT**

Proposed Ordinance No. 805 totals (\$16,905,561), and adjusts both resources and expenditures. The following table summarizes the impact of this budget amendment and the resulting 2017 appropriation for each fund:

<b>Fund</b>	<b>2017 Current Budget (A)</b>	<b>Budget Amendment (B)</b>	<b>Amended 2017 Budget (C) (A + B)</b>
General Fund	\$48,190,359	\$112,941	\$48,303,300
Street Fund	1,721,485	0	1,721,485
State Drug Enforcement Forfeiture Fund	214,043	399,897	613,940
Property Tax Equalization Fund	500,799	6,139	506,938
Federal Criminal Forfeiture Fund	803,220	235,598	1,038,818
City Facilities – Major Maintenance Fund	96,000	7,931	103,931
Wastewater Utility Fund	18,109,971	(17,668,067)	441,904
All Other Funds	38,811,458	0	38,811,458
<b>Total</b>	<b>\$108,447,335</b>	<b>(\$16,905,561)</b>	<b>\$91,541,774</b>



## **RECOMMENDATION**

No action is required by the City Council. This will be an opportunity for the City Council to ask specific questions and provide staff direction about proposed Ordinance No. 805. Adoption of proposed Ordinance No. 805 is scheduled for the November 20, 2017 City Council meeting.

## **ATTACHMENTS**

Attachment A: Proposed Ordinance No. 805, Amending the 2017 Final Budget  
Attachment B: 2017 Budget Amendment Detail

**ORDINANCE NO. 805**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, AMENDING THE 2017 FINAL BUDGET BY ADJUSTING THE APPROPRIATIONS IN THE GENERAL FUND, STATE DRUG ENFORCEMENT FORFEITURE FUND, PROPERTY TAX EQUALIZATION FUND, FEDERAL CRIMINAL FORFEITURE FUND, CITY FACILITIES - MAJOR MAINTENANCE FUND, AND WASTEWATER UTILITY FUND.**

WHEREAS, as required by the Revised Code of Washington (RCW), Chapter 35A.33, on November 21, 2016, the City adopted the 2017 Annual Budget through the enactment of Ordinance No. 758; and

WHEREAS, the 2017 Annual Budget has been subsequently amended by Ordinance Nos. 773, 777, 778, 779, 783, 794, and 796; and

WHEREAS, the City of Shoreline is required by RCW 35A.33.075 to include all revenues and expenditures for each fund in the adopted budget;

WHEREAS, a new grant has been awarded to the City not anticipated when the 2017 budget was adopted by Council and should be appropriated to these funds with these increases, and,

WHEREAS, amendments are required in the General Fund, State Drug Enforcement Forfeiture Fund, Property Tax Equalization Fund, Federal Criminal Forfeiture Fund, City Facilities – Major Maintenance Fund, and Wastewater Utility Fund; and

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON DO ORDAIN AS FOLLOWS:**

**Section 1. Amendment – 2017 Final Budget.** The City of Shoreline hereby amends the 2017 Final Budget, as adopted by Ordinance No. 758 and as amended by Ordinance Nos. 773, 777, 778, 779, 783, 794, and 796 by adjusting the Total Funds appropriation to \$91,541,774 as follows:

Fund	Current Appropriation	Revised Appropriation
General Fund	\$48,190,359	\$48,303,300
Street Fund	1,721,485	
Code Abatement Fund	100,000	
State Drug Enforcement Forfeiture Fund	214,043	613,940
Municipal Art Fund	96,203	
Federal Drug Enforcement Forfeiture Fund	300,397	
Property Tax Equalization Fund	500,799	506,938

Fund	Current Appropriation	Revised Appropriation
Federal Criminal Forfeiture Fund	803,220	1,038,818
Transportation Impact Fees Fund	221,400	
Revenue Stabilization Fund	0	
Unltd Tax GO Bond 2006	1,710,375	
Limited Tax GO Bond 2009	1,662,817	
Limited Tax GO Bond 2013	260,948	
General Capital Fund	9,147,892	
City Facility-Major Maintenance Fund	96,000	103,931
Roads Capital Fund	17,897,364	
Surface Water Capital Fund	6,241,652	
Wastewater Utility Fund	18,109,971	441,904
Vehicle Operations/Maintenance Fund	453,123	
Equipment Replacement Fund	701,787	
Unemployment Fund	17,500	
Total Funds	\$108,447,335	\$91,541,774

**Section 2. Corrections by City Clerk or Code Reviser.** Upon approval by the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this Ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance number and section/subsection numbering and references.

**Section 3. Severability.** Should any section, paragraph, sentence, clause or phrase of this Ordinance, or its application to any person or situation be declared unconstitutional or otherwise invalid for any reason, such decision shall not affect the validity of the remaining portions of this Ordinance or its application to other persons or situation.

**Section 4. Publication and Effective Date.** A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five days after publication.

**PASSED BY THE CITY COUNCIL ON NOVEMBER 20, 2017**

\_\_\_\_\_  
Christopher Roberts, Mayor

**ATTEST:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Jessica Simulcik Smith  
City Clerk

\_\_\_\_\_  
Margaret King  
City Attorney

Publication Date: \_\_\_\_\_, 2017  
Effective Date: \_\_\_\_\_, 2017

**Attachment B**

Item	Fund	Orgkey	Object	Expenditure Amount	Revenue Source	Revenue Object	Revenue Amount	Fund Balance 3080000	Total Resources	Explanation
<b>General Fund</b>										
<b>City Manager's Office - Economic Development</b>										
		2506046	5410000	\$54,990	Port of Seattle Economic Development Partnership Program Grant	3379002	\$54,990		\$54,990	Partnership with Port of Seattle to deliver three economic development projects.
		GR273800								
<b>Administrative Services - IT-Operations</b>										
		1602145	5350000	\$8,000				\$8,000	\$8,000	Signal Perfection: upgrade of the dais monitors in Council Chambers.
		1602145	5480000	\$7,801				\$7,801	\$7,801	Invoice for September - December 2016 from Pacific Office Automation.
		1602145	5350000	\$2,729				\$2,729	\$2,729	Signal Perfection: recording redundancy component for Council Chambers.
<b>Administrative Services - Facilities</b>										
		1612300	5471000	\$29,421				\$29,421	\$29,421	Revised projection for City Hall electricity costs.
<b>General Fund - Transfers Out</b>										
		0010000	5970004	\$10,000				\$10,000	\$10,000	Transfer to Fund 201 to cover shortfall in excess property tax levy due to King County Assessor's Office error.
<b>Total</b>	<b>001</b>			<b>\$112,941</b>			<b>\$54,990</b>	<b>\$57,951</b>	<b>\$112,941</b>	

Item	Fund	Orgkey	Object	Expenditure Amount	Revenue Source	Revenue Object	Revenue Amount	Fund Balance 3080000	Total Resources	Explanation
<b>Street Fund</b>										
<b>Street Fund Admin Key</b>										
		1010000	5970000	\$6,832				\$6,832	\$6,832	Converted appropriation to purchase accessories for VN#134 from purchase out of 2709054-5640000 to a transfer to the Equipment Replacement Fund. Increased \$1,575 to reflect actual cost per invoice from City of Mountlake Terrace.
<b>Street Operations</b>										
		2709054	5480000	(\$1,575)				(\$1,575)	(\$1,575)	Reduced to offset overage for VN#134.
		2709054	5640000	(\$5,257)				(\$5,257)	(\$5,257)	Converted appropriation from purchase out of 2709054-5640000 to a transfer to the Equipment Replacement Fund for VN #134.
<b>Total</b>	<b>101</b>			<b>\$0</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>State Drug Enforcement Forfeiture Fund</b>										
<b>Public Safety State Seizure Program</b>										
		2005134	5970000	\$399,897				\$399,897	\$399,897	Increased transfer to the General Capital Fund for the Police Station at City Hall project (2819298).
<b>Total</b>	<b>108</b>			<b>\$399,897</b>			<b>\$0</b>	<b>\$399,897</b>	<b>\$399,897</b>	
<b>Property Tax Equalization Fund</b>										
<b>Property Tax Equalization Fund</b>										
		1150000	5970000	\$6,139				\$6,139	\$6,139	Increased transfer of all remaining Property Tax Equalization to General Fund.
<b>Total</b>	<b>115</b>			<b>\$6,139</b>			<b>\$0</b>	<b>\$6,139</b>	<b>\$6,139</b>	
<b>Federal Criminal Forfeiture Fund</b>										
<b>Fed Criminal Forfeiture</b>										
		2005289	5970000	\$235,598				\$235,598	\$235,598	Increased transfer to the General Capital Fund for the Police Station at City Hall project (2819298).
<b>Total</b>	<b>116</b>			<b>\$235,598</b>			<b>\$0</b>	<b>\$235,598</b>	<b>\$235,598</b>	
<b>City Facilities - Major Maintenance Fund</b>										
<b>City Facilities - Major Maintenance Fund - Parks Restrooms Long-Term Maintenance</b>										
		3121332	5630000	\$7,884				\$7,884	\$7,884	Spears Industrial Floor Co. Invoice No. 72117.
		MA268900								
<b>City Facilities - Major Maintenance Fund - Shoreline Pool Long-Term Maintenance</b>										
		3121180	5630000	\$47				\$47	\$47	Actual cost.
<b>Total</b>	<b>312</b>			<b>\$7,931</b>			<b>\$0</b>	<b>\$7,931</b>	<b>\$7,931</b>	



**CITY COUNCIL AGENDA ITEM**  
**CITY OF SHORELINE, WASHINGTON**

<b>AGENDA TITLE:</b>	Discussion of Ordinance No. 799 – Amending Shoreline Municipal Code Section 2.30.040 Establishing Maximum and Minimum Allotments for Employee Health Benefits		
<b>DEPARTMENT:</b>	Human Resources		
<b>PRESENTED BY:</b>	Paula Itaoka		
<b>ACTION:</b>	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

**PROBLEM/ISSUE STATEMENT:**

The City purchases its health insurance plans through the Association of Washington Cities Employee Benefit Trust (the Trust). The Trust allows employers to offer one core medical plan option from each of Regence and Kaiser Permanente (formerly Group Health). Since the City first started purchasing medical insurance through the Trust, the City has offered the following core medical plans to employees: Regence HealthFirst Plan and Group Health - \$10 Copay Plan. The Trust made the decision to terminate these plans effective January 1, 2018; consequently the City must offer new plans for 2018 medical coverage. The next best and recommended plans are Regence HealthFirst-250 deductible and Kaiser Permanente \$20 Copay \$200 deductible. Both of these plans continue to provide excellent medical coverage for City employees and will have lower premiums than the existing plans for 2018 and possibly for 2019. Although this is the case, the plans include greater cost-sharing between the insurance provider and employees and a transitional approach is recommended to assist employees with adjusting to the new levels of cost sharing.

Tonight, Council will be discussing proposed Ordinance No. 799. This ordinance amends Shoreline Municipal Code Chapter 2.30 to provide for the following:

- Freezing health benefit contributions at the 2017 levels until such time as the existing contribution formula results in an increased level of contribution, which will be a minimum of one year and could be as much as three years.
- Housekeeping changes to make it clear which benefits are, and are not, deducted from the monthly health benefit allotment, and to make it clear that a 457 contribution occurs when there is a remaining portion of the minimum health benefit allotment.

Proposed Ordinance No. 799 is scheduled to be brought back to Council for adoption on November 20, 2017.

**RESOURCE/FINANCIAL IMPACT:**

The City's 2017 budget includes \$2,481,437 for health benefits. Freezing the 2017 employee allocation for 2018 results in a projected 2018 health benefit cost of \$2.4



million – slightly lower than what staff expected to spend in 2017. Following the formula in Ordinance No. 343 results in a projected 2018 health benefits cost of \$2.375 million, approximately \$50,000 less than that projected for freezing the formula.

### **RECOMMENDATION**

No action is required tonight; this item is for discussion purposes only. When this item is brought back for Council adoption on November 20, staff recommends that the Council adopt proposed Ordinance No. 799.

Approved By: City Manager **DT** City Attorney **MK**

## **BACKGROUND**

In 1995, Council provided health insurance for employees through the Association of Washington Cities Employee Benefit Trust (the Trust) and established the level of contribution by adopting Ordinance No. 56. Over the years Council has adjusted the contribution towards health insurance to continue providing a fair and comparable employee benefit program by adopting Ordinances Nos. 106, 151, 185, 220 and 343.

These prior City Ordinances can be found at the following links:

- Ord. No. 56: <http://www.cityofshoreline.com/home/showdocument?id=6797>
- Ord. No. 106: <http://www.cityofshoreline.com/home/showdocument?id=6978>
- Ord. No. 151: <http://www.cityofshoreline.com/home/showdocument?id=7110>
- Ord. No. 185: <http://www.cityofshoreline.com/home/showdocument?id=7164>
- Ord. No. 220: <http://www.cityofshoreline.com/home/showdocument?id=7203>
- Ord. No. 343: <http://www.cityofshoreline.com/home/showdocument?id=7636>

These ordinances have been codified as Shoreline Municipal Code (SMC) Chapter 2.30, Public Employees Retirement System and Benefits, with SMC Section 2.30.040 providing the maximum and minimum monthly payments the City Manager is authorized to expend for employee health benefits.

## **DISCUSSION**

In 2010 the Affordable Care Act (ACA) was signed into law which included a new tax (40%) on certain health plans, commonly referred to as “Cadillac” plans. The tax was to be effective January 1, 2018; therefore, the Trust made the decision to terminate plans that would incur the “Cadillac” tax effective January 1, 2018. Even though the original effective date for the Cadillac tax was delayed to 2020, the Trust Board of Trustees is still moving forward with terminating these plans. As such, the City must offer new plans to employees. Staff is recommending the next best plans available from the Trust; Regence HealthFirst-250 deductible and Kaiser Permanente \$20 Copay \$200 deductible.

Five years ago staff explored health insurance outside the Trust and were not able to find comparable plans at like coverage and cost to those provided by the Trust. This was primarily because Shoreline’s group size is very small independently and cannot generate enough premium revenue to buffer the risk for potential claims. Membership in the Trust provides a larger pool of participants to spread risk.

The recommended Trust plans continue to provide excellent medical coverage for City employees. Although this is the case, the plans include greater cost-sharing between the insurance provider and employees as the co-pays, deductibles, and out-of-pocket maximum per person/family on the new plans are greater than the existing plans. For example, the maximum out of pocket for Regence will increase from \$1,100 to \$3,000 per individual and from \$2,200 to \$6,000 per family. The maximum out of pocket for Group Health will increase from \$2,100 to \$2,500 per individual and from \$2,500 to \$5,000 per family. Even though the premium will decrease in 2018, an employee’s cost for certain services will increase.

Given this, a transition period is recommended so all employees can become familiar with the new plan costs and adjust accordingly. To lessen the degree of change and support the transition to the new plans, staff is recommending the Council adopt proposed Ordinance No. 799. Under this recommendation, all employees who receive health insurance from the City would receive support for the transition through lowered deductions for medical insurance or through additional contributions to a 457 deferred compensation plan. The transition support will end when the lowest cost health insurance for medical, dental and vision for an employee, spouse and two children exceeds the 2017 cost levels.

Proposed Ordinance No. 799 also provides for housekeeping changes to make it clear which benefits are, and are not, deducted from the monthly health benefit allotment, and to make it clear that a 457 contribution occurs when there is a remaining portion of the minimum health benefit allotment.

### **RESOURCE/FINANCIAL IMPACT**

The City's 2017 budget includes \$2,481,437 for health benefits. Freezing the 2017 employee allocation for 2018 results in a projected 2018 health benefit cost of \$2.4 million – slightly lower than what staff expected to spend in 2017. Following the formula in Ordinance No. 343 results in a projected 2018 health benefits cost of \$2.375 million, approximately \$50,000 less than that projected for freezing the formula.

### **SUMMARY**

The medical insurance plans that the City offers employees through the Trust will terminate effective January 1, 2018. Staff recommends that the City offer the following Trust medical plans: Regence HealthFirst-250 deductible and Kaiser Permanente \$20 Copay \$200 deductible plan. Staff further recommends freezing City contributions for health insurance at the 2017 levels; providing for a transition period until such time as the lowest cost health insurance for a medical, dental and vision for an employee, spouse and two children exceeds the 2017 levels.

### **RECOMMENDATION**

No action is required tonight; this item is for discussion purposes only. When this item is brought back for Council adoption on November 20, staff recommends that the Council adopt proposed Ordinance No. 799.

### **ATTACHMENTS**

Attachment A: Proposed Ordinance No. 799

**ORDINANCE NO. 799**

**AN ORDINANCE OF THE CITY OF SHORELINE,  
WASHINGTON AMENDING SHORELINE MUNICIPAL  
CODE SECTION 2.30.040 ESTABLISHING MAXIMUM AND  
MINIMUM ALLOTMENTS FOR THE EMPLOYEE  
BENEFITS PACKAGE.**

WHEREAS, on July 10, 1995, the Shoreline City Council passed Ordinance No. 26 authorizing participation in the Washington Public Employees' Retirement System and, on September 11, 1995, the Shoreline City Council passed Ordinance No. 56, amending Ordinance No. 26 so as to establish medical, dental, vision, life and disability insurance, and other benefits for City employees; and

WHEREAS, these founding ordinances have been amended on several occasions to reflect changes to employee benefits, specifically medical, dental, vision, life and disability insurance, and other benefits, including Ordinance Nos. 71, 106, 151, 185, 220, and 343, and has been codified as Shoreline Municipal Code (SMC) chapter 2.30 Public Employees Retirement System and Benefits; and

WHEREAS, amendments to these city employee benefits were last made by the Shoreline City Council when it passed Ordinance No. 684 on October 14, 2014, amending and repealing certain sections SMC chapter 2.30 Public Employees Retirement System and Benefits; and

WHEREAS, the City obtains medical plans through the Association of Washington Cities (AWC) and the AWC is terminating the medical plans the City offered in 2017 on January 1, 2018; and the next best available medical plans from the AWC will replace the 2017 medical plans January 1, 2018; and

WHEREAS, the City desires to maintain its contribution toward employee benefits;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE DO ORDAIN AS FOLLOWS:

**Section 1. Amendment.** SMC 2.30.040 Authorizing expenditure of City funds to provide for an employee benefits package is hereby amended as follows:

The City Manager is authorized to expend such funds as may be necessary to carry out this section.

- A. ~~The maximum payment which may be made for the employee's benefit package offered for regular City employees shall be 95% of the cost for the least expensive city offered medical, dental and vision coverage for an employee, spouse and two children~~ Effective January 1, 2018, the City's allotment towards a regular employee's benefit package shall remain at the 2017 levels, which are a maximum of \$1,876 and a minimum of \$1,003 per

month, unless the formula in Section B results in an increase to the maximum and minimum allotment; and

- B. ~~The minimum monthly payment allotment for a full-time regular employee shall be \$739 for 2004 and 2005. Beginning in 2006, the minimum monthly amount will be increased annually by 50 percent of the increase of the maximum monthly payment from those of the previous year, but in no case more than five percent annually. The City's contribution shall be pro-rated for a part-time regular employee. Effective on the first day of the year in which the allotment in Section A would increase as a result of the following formula:~~
1. The maximum allotment toward the employee's benefit choices shall be 95 percent of the cost for the least expensive City-offered medical, dental and vision coverage for an employee, spouse or domestic partner, and two children; and
  2. The minimum monthly allotment for a full-time regular employee shall be increased annually by 50 percent of the percentage increase to the maximum monthly allotment from the previous year, but in no case more than five percent annually. The City's contribution shall be pro-rated for a part-time regular employee.
  3. Employee benefit choices for medical, dental, vision, supplemental life insurance and any other voluntary benefit election shall be deducted from the City's allotment.
    - i. If an employee's benefit choices don't use all of the *minimum* allotment, the remaining *minimum* allotment will be placed in a 457 deferred compensation plan for the employee.
    - ii. If an employee's benefit choices use more than the *maximum* allotment, the amount over the *maximum* will be paid by the employee through payroll deduction.
  4. Other mandatory insurance or benefits shall not be deducted from the allotment, such as Social Security replacement, Public Employees Retirement System, Term Life, Accidental Death and Disability, and Long Term Disability insurance.

**Section 2. Severability.** Should any section, subsection, paragraph, sentence, clause or phrase of this Ordinance or its application to any person or situation be declared unconstitutional or invalid for any reason by a court of competent jurisdiction, such decision shall not affect the validity or constitutionality of any other remaining portion of this Ordinance or its application to any person or situation.

**Section 3. Corrections by City Clerk or Code Reviser.** Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this Ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

**Section 4. Effective Date.** A summary of this Ordinance, consisting of its title, shall be published in the official newspaper of the City. This Ordinance shall take effect and be in full force January 1, 2018.

PASSED by the City Council on this 20<sup>th</sup> day of November, 2017.

APPROVED:

\_\_\_\_\_  
Christopher Roberts, Mayor

ATTEST:

\_\_\_\_\_  
Jessica Simulcik Smith  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Margaret King  
City Attorney

Date of Publication: \_\_\_\_\_

Effective Date: \_\_\_\_\_