AGENDA

STAFF PRESENTATIONS
PUBLIC COMMENT

SHORELINE CITY COUNCIL
VIRTUAL/ELECTRONIC SPECIAL MEETING

Monday, November 30, 2020 | Held Remotely on Zoom
5:30 p.m. | https://zoom.us/j/94426040093

TOPIC/GUESTS: EXECUTIVE SESSION: Personnel – RCW 42.30.110(1)(g)

SHORELINE CITY COUNCIL
VIRTUAL/ELECTRONIC REGULAR MEETING

Monday, November 30, 2020 | Held Remotely on Zoom
7:00 p.m. | https://zoom.us/j/95015006341

In an effort to curtail the spread of the COVID-19 virus, the City Council meeting will take place online using the Zoom platform and the public will not be allowed to attend in-person. You may watch a live feed of the meeting online; join the meeting via Zoom Webinar; or listen to the meeting over the telephone.

The City Council is providing opportunities for public comment by submitting written comment or calling into the meeting to provide oral public comment. To provide oral public comment you must sign-up by 6:30 p.m. the night of the meeting. Please see the information listed below to access all of these options:

- **Click here to watch live streaming video of the Meeting on shorelinewa.gov**
- **Attend the Meeting via Zoom Webinar: https://zoom.us/j/95015006341**
- **Call into the Live Meeting: 253-215-8782 | Webinar ID: 950 1500 6341**
- **Click Here to Sign-Up to Provide Oral Testimony**
  Pre-registration is required by 6:30 p.m. the night of the meeting.
- **Click Here to Submit Written Public Comment**
  Written comments will be presented to Council and posted to the website if received by 4:00 p.m. the night of the meeting; otherwise they will be sent and posted the next day.

		Page	Estimated Time
1.	**CALL TO ORDER**		7:00
2.	**ROLL CALL**		
3.	**REPORT OF THE CITY MANAGER**		

4.	**COUNCIL REPORTS**			
5.	**PUBLIC COMMENT**			

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 by 6:30 p.m. the night of the meeting via the Remote Public Comment Sign-in form. Individuals wishing to speak to agenda items will be called to speak first, generally in the order in which they have signed.

6.	**APPROVAL OF THE AGENDA**			7:20
7.	**CONSENT CALENDAR**			7:20
	(a)	Approving Minutes of Regular Meeting of November 16, 2020	7a-1	
8.	**ACTION ITEMS**			
	(a)	Adopting Resolution No. 467 Committing to Building an Anti-Racist Community	8a-1	7:20
	(b)	Adopting the 2021 State Legislative Priorities	8b-1	7:30
9.	**STUDY ITEMS**			
	(a)	Discussing 185th Subarea Phase 1 Report	9a-1	7:40
	(b)	Discussing the Addendum to the Feasibility Study for Transfer of Development Rights and the Landscape Conservation and Local Infrastructure Program (LCLIP) in Shoreline	9b-1	8:20
10.	**ADJOURNMENT**			9:05

Any person requiring a disability accommodation should contact the City Clerk's Office at 801-2230 in advance for more information. For TTY service, call 546-0457. For up-to-date information on future agendas, call 801-2230 or see the web page at 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 OF SHORELINE

SHORELINE CITY COUNCIL
SUMMARY MINUTES OF REGULAR MEETING

Monday, November 16, 2020 Held Remotely via Zoom
7:00 p.m.

PRESENT: Mayor Hall, Deputy Mayor Scully, Councilmembers McConnell, McGlashan, Chang, Robertson, and Roberts

ABSENT: None.

1. CALL TO ORDER

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

2. ROLL CALL

Upon roll call by the City Clerk, all Councilmembers were present.

3. REPORT OF CITY MANAGER

Debbie Tarry, City Manager, provided an update on the new COVID-19 restrictions and transmission trends, and shared reports and information on various City meetings, projects and events.

4. COUNCIL REPORTS

There were no Council reports.

5. PUBLIC COMMENT

Kathleen Russell, Shoreline resident, said Save Shoreline Trees is proposing code amendments and asked that the staff review be expedited and presented to Planning Commission and Council in the second quarter of 2021.

Jackie Kurle, Shoreline resident, said she believes the homelessness concerns in King County need to be addressed, but that the Enhanced Shelter is not the right solution. She encouraged gathering additional public input on the project.

William Bear, Shoreline resident, spoke on behalf of Shoreline Organized Against Racism in support of proposed Resolution No. 467. He said it is encouraging that the City supports policies and actions toward ending racism.

Janet Way, Shoreline resident and member of Shoreline Preservation Society, said the Fircrest Chapel is being nominated for landmarking with the King County Landmarks Commission and asked for Council's support.

Mark Ellerbrook, Seattle resident and Division Director – Housing, Homelessness and Community Development for King County, thanked the Council and staff for partnership on the Enhanced Shelter. He said King County is committed to being a strong and consistent partner and expressed appreciation for the issues highlighted in proposed Ordinance No. 913. He said the County is happy to work with the City on these details but hopes that discussion will not delay moving forward on the project.

6. APPROVAL OF THE AGENDA

Deputy Mayor Scully requested that Consent item 7(d), Adopting Ordinance No. 913, be moved to an Action Item. The agenda was adjusted accordingly. He further requested that an Executive Session be added to the agenda prior to the Action Items. There were no objections from the Councilmembers.

The amended agenda was adopted by unanimous consent.

7. CONSENT CALENDAR

Upon motion by Deputy Mayor Scully and seconded by Councilmember Robertson and unanimously carried, 7-0, the following Consent Calendar items were approved:

(a) Approving Minutes of Special Meeting of November 2, 2020
Approving Minutes of Regular Meeting of November 2, 2020

(b) Adopting Ordinance No. 904 - Amending the 2019-2020 Biennial Budget

(c) Authorizing the City Manager to Execute an Amendment to the Agreement with SCORE for Jail Services

8. ACTION ITEMS

EXECUTIVE SESSION: Litigation or Potential Litigation – RCW 42.30.110(1)(i)

At 7:25 p.m., Mayor Hall recessed into Executive Session for a period of 15 minutes as authorized by RCW 42.30.110(l)(i) to discuss with legal counsel matters relating to litigation or potential litigation to which the City, the governing body, or a member acting in an official capacity is, or is likely to become, a party. Staff attending the Executive Session included Debbie Tarry, City Manager; John Norris, Assistant City Manager; and Margaret King, City Attorney. The Executive Session ended at 7:31 p.m.

(a) Adopting Ordinance No. 913 - Amending Ordinance No. 906 - Interim Zoning Regulations to Allow Siting a 24/7 Enhanced Shelter in the R-48 Zone District

Margaret King, City Attorney, delivered the staff presentation. She said Ordinance No. 906 includes criteria to require an Interlocal Agreement (ILA) between the City and the Shelter Operator, and that Ordinance No. 913 amends Ordinance No. 906 by adding the primary funding organization as an additional party to the agreement and changing the form of agreement from an ILA to a Memorandum of Agreement (MOA). Ms. King said staff recommended moving the approval of Ordinance No. 913 from the Consent calendar because staff is proposing some additional amendments to Section G for Council's consideration. She described the amendment as follows:

- Amending the last line of the introductory clause to clarify that items included in the agreement are discretionary;
- Adding language in Section G to replace "such as" with "and may include such things as";
- Removing the requirement in Section G(3) for billing the County or Shelter Operator if calls for service exceed the agreed to amount, and amending it to read "documentation of the number of calls for service to the site and an agreement that if calls exceed an agreed upon threshold the Shelter Operator will work with the City to reduce calls below the level".

Mayor Hall opened the Public Comment period.

Mike Dee, Lake Forest Park resident, said he disagreed with the Council reconvening from Executive Session prior to the announced upon time. He commented that Lake Forest Park should help fund the RADAR program.

Seeing no one else wishing to comment, Mayor Hall closed the Public Comment period.

Councilmember Roberts moved to adopt Ordinance No. 913 as presented by staff. The motion was seconded by Councilmember Robertson.

Councilmember Roberts moved to amend the main motion to amend Ordinance No. 913 with the staff recommended Option B, to read as follows:

G. The primary funding organization and shelter operator shall enter into ~~an~~ memorandum of agreement ~~Interlocal Agreement~~ with the City regarding operational issues of concern and may include such things as:

- **1. Staffing plans.**
- **2. Requirement for regular reports to the Council on how the shelter is meeting performance metrics.**
- **3. Documentation of the number of calls for service to the site and an agreement that if calls exceed an agreed upon threshold, the shelter operator ~~will be billed for calls over an agreed threshold~~ will work with the City to reduce calls below the threshold level.**
- **4. If possible, shelter operator to contribute to the cost of a mental health professional to assist in police response, perhaps through part of the RADAR program.**

5. **Require adherence to a Good Neighbor Plan that addresses litter, noise, security procedures, and other issues of concern.**
6. **Staff to develop criteria to discontinue the shelter use if documented violations of the operational agreements are not addressed in a timely manner.**
7. **Provisions for City approval of any proposed change in shelter operator.**

The motion was seconded by Deputy Mayor Scully.

Deputy Mayor Scully and Councilmembers Roberts, Robertson, and McGlashan expressed support for the amendment.

Councilmember Roberts said these amendments achieve the Council's intent, and he asked if a Public Hearing would be necessary. Ms. King explained that as a clarifying amendment to the interim regulations, it is not required, but should the Council determine that the amendments modify the requirements in a more substantial way she would advise holding a Public Hearing, which could take place after the Ordinance is in effect.

Councilmember Chang said she does not see these amendments as minor and observed that they take away some of the 'teeth' from the agreement. She feels the point of the list of operational issues of concern is to give staff the tools they need to enforce the Council's intent. She said that making them discretionary allows King County to walk away from any of them. She voiced strong disagreement with amending the language regarding the calls for service threshold. She said the appropriate solution is to set a reasonable, but high, threshold and leave the language as is.

Councilmember McConnell said she does not support the discretionary element the amendments create because the Council established the criteria to put guardrails in place to protect the community and to support the success of the project.

Deputy Mayor Scully said he never would have supported the list if he thought it would be mandatory. He said he is not exactly clear why staff thinks this amendment is necessary, since it is his understanding that 'such as' is discretionary, but it should be made if staff thinks the clarification is needed.

Councilmember Robertson said it is her understanding that King County and the City have reached an agreement on all the criteria except the potential billing for calls for service. Ms. King confirmed this and said King County has agreed that if the established threshold were to be exceeded, they would work with the City to bring it back down.

Councilmember McGlashan asked if there would be a risk of losing the grant funding if this amendment is not made. Ms. King said she is not aware of the conditions of the grant funding, but it is not unusual to have restrictions on how funds can be spent. Ms. Tarry continued that the Commerce Grant was applied for based on the budget to run the facility, and the cost of additional police services were not part of the budget. Councilmember McGlashan said he believes that King County will work to reduce calls if they exceed the established threshold.

Mayor Hall said it is his recollection that the 'such as' clause meant that staff would try to negotiate those things, but they were not mandatory, so he sees this amendment as a clarification.

The motion to amend the main motion to amend Ordinance No. 913 with the staff recommended Option B passed, 5-2, with Councilmembers Chang and McConnell dissenting.

Deputy Mayor Scully moved to amend the main motion to waive Council Rule 3.5(b) so as to not require three readings of Ordinance No. 913. The motion was seconded by Councilmember Roberts and passed 6-1, with Councilmember Chang dissenting.

The main motion to adopt Ordinance No. 913 as amended passed, 5-2, with Councilmembers Chang and McConnell dissenting.

(b) Adopting Resolution No. 468 - Making a Finding and Declaration of Substantial Need for Purposes of Setting the Limit Factor for the Property Tax Levy For 2021

Sara Lane, Administrative Services Director, delivered the staff presentation. Ms. Lane explained that this Council-requested Resolution is in response to the fact that the ability to increase the Levy Lid Lift by Consumer Price Index – Urban Consumers (CPI-U) is less for 2021 than the one percent allowed by law. She stated that Ordinance No. 902, scheduled for adoption tonight, assumes the passage of this proposed Resolution of Substantial Need and shared the increase in revenues it would provide.

Councilmember Robertson moved to adopt Resolution No. 468, making a Finding and Declaration of Substantial Need for purposes of setting the limit factor for the Property Tax Levy For 2021. The motion was seconded by Councilmember Roberts, and passed unanimously, 7-0.

(c) Adopting Ordinance No. 902 - 2021 Regular and Excess Property Tax Levies, and Other Revenues

Sara Lane, Administrative Services Director, delivered the staff presentation. She stated that the Ordinance would set a Regular Levy of $14.3 Million to provide for general operations and an Excess Levy of $1.1 Million to provide for debt service for the 2006 Parks Bonds that retire in 2021.

Deputy Mayor Scully moved to adopt Ordinance No. 902, establishing the City's 2021 regular and bond (excess) property tax levies. Councilmember McGlashan seconded the motion, which passed unanimously, 7-0.

(d) Adopting Ordinance No. 903 - 2021-2022 Proposed Biennial Budget and the 2021-2026 Capital Improvement Plan

Sara Lane, Administrative Services Director, delivered the staff presentation. She explained that Ordinance No. 903 would adopt a biennial budget of $245 Million. She said one potential amendment, to extend a portion of the sidewalk on Northeast 200th Street from the end of the Aldercrest School sidewalk to the intersection with 25th Avenue Northeast, has been submitted. She stated that staff does not recommend approval of this amendment because it is a medium priority route, ranked by the Sidewalk Advisory Committee as 98th out of 140 projects, and stated that the City will continue to monitor how to incorporate this segment into future grants or improvement projects.

Councilmember McGlashan moved adoption of Ordinance No. 903, adopting the 2021-2022 Biennial Budget and 2021 Fee Schedule, the 2021 Salary Schedule, and the 2021-2026 Capital Improvement Plan. The motion was seconded by Councilmember McConnell.

Councilmember McGlashan thanked staff for their work on the presenting the Budget so clearly and expressed support for the Ordinance.

Councilmember Roberts echoed Councilmember McGlashan's appreciation for staff in the preparation of the budget and the management of the finances in this challenging time. He said because of the City's conservative approach towards budget management, the City is in a better position than many jurisdictions.

Councilmember Roberts moved to increase the Roads Capital Fund appropriations by $100,000 for a NE 200th Street Sidewalk project, which will install approximately 160 feet of sidewalk on NE 200th Street from the end of the Aldercrest School sidewalk to the intersection with 25th Avenue NE, to be funded with fund balance available from Real Estate Excise Tax collections in excess of the 2020 budget projection. The motion was seconded by Councilmember Robertson.

Councilmember Roberts said the recent renovation of the Aldercrest Campus required the School District to put a sidewalk on its frontage, and what remains is one parcel to the west and two to the east of the campus without sidewalks, and this amendment would cover the west side of the project. He explained that in the process of creating the sidewalk, the School District inadvertently created a safety hazard, and he described the challenges it presents. He said that the new sidewalk configuration would add additional criteria points to the previously calculated sidewalk prioritization matrix by extending the sidewalk and connecting to a pedestrian path.

Deputy Mayor Scully and Councilmember McConnell spoke in opposition of the amendment. Councilmember McConnell reflected that the project is ranked 98th on a large list of sidewalk improvements, and said it is not her practice to interfere with the prioritizations determined by staff; and Deputy Mayor Scully said he worries that if certain projects are pushed and other projects do not have advocates, the outcome would not be fair.

Councilmember Chang asked why Safe Routes to Schools funding has not been pursued. Ms. Lane said the City would try to use such funding, but there are other schools that have higher prioritized sidewalk needs, and Randy Witt, Public Works Director, concurred. Nora Daley-Peng, Senior Transportation Planner, added that all eligible school projects are taken into consideration, along with the grant criteria, when applying for the Safe Routes to School grants. She added that the program requires matching funds from the City.

Mayor Hall said he thinks this would be a great location for sidewalks, and there in nothing incorrect in the value as expressed by Councilmember Roberts. He reflected that previously, with Councilmember Roberts' urging, Council advanced this project over some projects that have higher scores. However, to jump it to the top of the list might skip over other important projects. He said he is sensitive to the issue of gaps in sidewalks, citywide, but he stands behind the current sidewalk matrix.

Councilmember Roberts said he is disappointed with what he has heard; since the Council is responsible for the overall budget, he said they should be advocating for projects. He said this project is a small, straightforward segment and would not require as much funding as many others on the matrix. He reiterated that the City code requirements for the new construction created a hazard that was not there before the sidewalk was built and asked for Council to support the amendment.

The motion to amend failed, 2-5, with Robertson and Roberts voting in favor.

Councilmember Roberts requested future discussion on what the City's response should be when a development adds sidewalk frontage that creates gaps.

The main motion to adopt Ordinance No. 903 passed unanimously, 7-0.

Mayor Hall commended staff for ensuring that the budget reflects the goals, priorities, and values laid out by the Council.

9. STUDY ITEMS

(a) Discussing State Legislative Priorities and Issues of Shared Interest with the 32nd District Delegation

Jim Hammond, Intergovernmental Program Manager, welcomed Senator Jesse Salomon and Representatives Cindy Ryu and Lauren Davis.

Mayor Hall said the City is honored to have such fantastic representation at the State level and thanked them for making time to attend tonight's meeting. He asked for feedback from the representatives on the City's draft legislative agenda and for them to share any of their priorities and ways in which Shoreline may be able to help them.

Mayor Hall summarized the City's Shoreline-specific priorities and outlined the legislative issues the City supports. Representative Ryu said the proposed priorities are good for both the City and State and Representative Davis echoed willingness to support the mutual priorities.

Senator Salomon spoke to the current eviction moratorium and its long-term effects on both tenants and landlords and said there will need to be a process by which to support it when it ends.

Representative Ryu commented that the eviction moratorium is helping housing issues right now, as a stopgap measure, but the impacts will need to be addressed, and shared information on state funded pilot programs in process to help support the exit process when the moratorium is lifted. She said the foreclosure moratorium expires in March and gave information on support being made available to homeowners.

Senator Salomon shared information on potential ways to generate new transportation-related revenue and said he will be working on culvert funding to support salmon recovery. The impacts of the recession on funding needs were discussed.

Councilmember Chang said she is interested in exploring how to get more behavioral health support to address calls that might otherwise go to 911 but may not actually need police response. Representative Davis echoed this priority and described the State's limited involvement in law enforcement funding and suggested areas of potential involvement. She said it is important to rethink what first responders look like for non-threatening situations that currently result in police intervention. She described the mental health workforce staffing shortages in the State and said an approach of using non-clinician responders is being evaluated. She said there is a bill in the works that would tax substance industries to support mobile crisis services. She shared information on the forthcoming national 988 crisis phone line.

Senator Salomon said the House Caucus is prioritizing police accountability issues, and the Democratic Caucus is doing so in the Senate. He described the upcoming actions of the Law and Justice Committee relating to accountability and shared his perspectives on the need for oversight. He said he is working on two law enforcement related bills, one dealing with collective bargaining and one to secondary employment, and shared specifics of each.

Councilmember Robertson asked how the outcome of State Initiative 976 (I-976) is influencing legislative thinking about transportation funding. Senator Salomon said while the funding source has been regained, the recession has caused a new challenge, and Representative Ryu agreed that the impacts of COVID-19 have created a huge hole that has to be filled. Representative Davis added that one of the biggest outcomes of I-976 is that it has propelled conversation about funding sources. She said the capital budget is not as affected by a recession as the operating budget is, so she is still fairly hopeful that there will be action and traction in capital projects.

Representative Ryu gave a brief update on the actions around the Fircrest Campus and said the current study and report has been delayed because of the pandemic, but next steps are likely to include a broader stakeholder process. She said there needs to be a plan for the entire property, even if development happens in stages. Councilmember Robertson conveyed the information shared in public comment regarding the landmarking efforts on the Fircrest Campus.

Representative Davis shared examples of the challenges of holding legislative sessions remotely and said the upcoming focus areas will be: Public health and COVID-19, economic recovery, and equity and police reform. Mayor Hall commented on the importance of looking at impacts through an equity lens, especially as the pandemic makes significant changes to lifestyle. He wondered if this situation might prompt the legislature to consider an income tax. Representative Davis said she has not heard talk about this, and she does not predict it happening this year. She said the silver lining of a recession is that revenue ideas that might have been rejected earlier as radical are now potentially on the table, and she shared examples.

Senator Solomon described his work on the Revenue Stability Committee and there is appetite for at least one revenue bill this year. Representative Ryu said she has attended several listening sessions on this topic, and a report on the findings is due next year.

Mayor Hall thanked the delegation for their work in Olympia and for their attendance tonight.

(b) Discussing the 2021 State Legislative Priorities

Jim Hammond, Intergovernmental Program Manager, delivered the staff presentation. Mr. Hammond gave an overview of the timeline for the 2021 Legislative session and said the City's legislative priorities are a tool used to articulate policy positions, guide staff during the legislative session, and are generally aligned with the Association of Washington Cities (AWC) and the Sound Cities Association (SCA). He listed the AWC's key priorities: State shared revenue, transportation package revenue, fiscal flexibility, housing stability, and policing reforms. He reviewed the Shoreline-specific interests of the NE 148th Street non-motorized bridge, the Fircrest campus redevelopment, and local/community project funding. Mr. Hammond said Shoreline's policy issues are transportation, financial sustainability/flexibility, affordable housing/homelessness, tax increment financing (TIF), fish-blocking culverts, climate change, and law enforcement interests.

Mayor Hall said he was pleased to hear acknowledgement from some of the Representatives that revenue options that would have been off the table a year ago may considered in the future. He wondered if the Council should consider adding support for the development of more sustainable funding sources for local and State public services that would ensure that higher earning individuals and corporations are equitably taxed. Councilmember Roberts agreed that there was explicit support for an income tax in the legislative priorities a few years ago. He said he would be fine moving in that direction again since the tax system is regressive and recognized that comprehensive reform is needed to establish a fair tax system. Councilmember Chang said she thinks income tax might be too big to bite off right now, but she would support a capital gains tax.

Councilmember Roberts said he would like to see movement for funding for a Community and Aquatics Center listed in the priorities, since it is important to many residents. Mayor Hall and Councilmembers Chang and McConnell voiced support for continuing to prioritize the Community and Aquatics Center. Councilmember McConnell said she would rather keep concerns local, so she is less interested in pushing for the bigger picture of equity in revenue sources.

Mr. Hammond suggested that prior to adoption of the 2021 Legislative Priorities he would draft options for language incorporating the idea of expressing support for the legislative development of more stable revenue sources while avoiding greater regressivity and the option to include a proposal for prioritizing the Community and Aquatics Center.

(c) Discussion of Resolution No. 467 - Declaring the City's Commitment to Building an Anti-Racist Community - Sponsored by Councilmembers Roberts and Robertson

Christina Arcidy, Management Analyst, delivered the staff presentation. Ms. Arcidy stated that Councilmembers Roberts and Robertson sponsored this Resolution and directed staff to prepare draft language for a Resolution affirming the City's commitment to combating racism in Shoreline. She described the community involvement in the research and preparation process and said the information gathered was incorporated into broad resolution language reflective of Shoreline's community. She identified a typographical error on page six of the staff report and said the correct value for respondents identifying as African American/Black to the question "Please rate your satisfaction with the City's overall efforts to promote diversity & inclusiveness in the community" was 82 percent. Ms. Arcidy expressed gratitude for the participation of youth members from Black Lives Matter – Shoreline and said many of them are in attendance at tonight's meeting.

Ms. Arcidy said the general intent of the Resolution is to create a common framework of language and definitions and establish several action steps towards becoming an anti-racist community. She concluded that after discussion and feedback tonight, staff recommends adoption of Resolution No. 467.

Councilmember Robertson thanked Councilmember Roberts for his collaboration and Ms. Arcidy for her work in preparing this Resolution. She said she hopes that the Council supports it without adjusting the language too much and said what is wonderful about this Resolution is the number of community members who have participated in drafting it. She shared excerpts from Resolution No. 401, which declared the City of Shoreline to be an inviting, equitable, and safe community for all, and described it as a powerful start. She said it is critical for the Council to reaffirm the City's commitment to the ongoing process of doing the work to become an anti-racist community.

Councilmember Roberts read an excerpt of Resolution No. 467, which states "for meaningful and lasting change to occur, the City must work together with members of our community, to co-create a vision of this anti-racist community and the outcomes and activities that will bring us closer to this vision." He said what is really important is the level of community participation in the co-creation part of this vision.

Councilmember Chang said this Resolution provides a good roadmap with concrete commitments to the work that needs to be done.

Deputy Mayor Scully thanked the community participants on this Resolution and said he views the Council's role in this is listening, communicating, and implementing, and he said he will be supporting it as written.

Mayor Hall said he supports the actions outlined in the Resolution as a very good start. He suggested refinements and clarifications to the Resolution and recommended a broader definition of racism. Councilmember Robertson said she would prefer to go back to the community for feedback to these suggestions. Ms. Arcidy said the people involved in drafting the Resolution felt the items in the recitals were very important to create a shared framework for the work moving forward but offered to revisit the language with them based on tonight's feedback. Councilmember Roberts said the definition of racism came directly from the American Public Health Association.

Councilmember McConnell considered the question on an adjustment to the definition, stating that multiple groups have experienced discrimination and racism in this Country. She shared the impact the recent rallies and protests had on raising her awareness to the issue. She concluded that she would be perfectly fine with the language remaining unchanged.

Councilmember Chang offered that she feels the Resolution language does include other groups but emphasizes what the Black community has gone through in terms of history and observed that the whereas statement in consideration does not take away from what has happened to other races.

Deputy Mayor Scully echoed Councilmember Chang's observation, and said he does not want to ask the contributors to consider revision, since it was created by people who are currently experiencing racism.

Mayor Hall said he can support the Resolution coming back in its current form and said is great that there were no concerns with the list of commitments in the Resolution.

Mayor Hall summarized that the Council supports moving forward with this Resolution in its present form but will continue to listen to comments and suggestions from the community.

10. ADJOURNMENT

At 9:57 p.m., Mayor Hall declared the meeting adjourned.

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Jessica Simulcik Smith, City Clerk

Council Meeting Date: **November 30, 2020** **Agenda Item:** 8(a)

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Resolution No. 467 - Declaring the City's Commitment to Building an Anti-Racist Community - *Sponsored by Councilmembers Roberts and Robertson*
DEPARTMENT:	City Manager's Office
PRESENTED BY:	Christina Arcidy, Management Analyst
ACTION:	____ Ordinance __X__ Resolution ____ Motion ____ Discussion ____ Public Hearing

PROBLEM/ISSUE STATEMENT:

Recent events, both locally and national, have prompted a significant degree of interest in policy issues, as well as proposals for change, related to racism. Councilmembers Chris Roberts and Betsy Robertson request Council consider a Resolution declaring the City's commitment to building an anti-racist community. The Councilmembers are interested in acknowledging the systemic and chronic issue of racism in Shoreline and ensure the City's work towards becoming an anti-racist organization has impacts within the broader community. Tonight, Council will consider adopting proposed Resolution No. 467 – Declaring the City's Commitment to Building an Anti-Racist Community.

RESOURCE/FINANCIAL IMPACT:

Adopting proposed Resolution No. 467 has no direct financial impact. Some policy and/or practice changes may create additional financial costs for the City in the future.

RECOMMENDATION

Staff recommends Council adopt proposed Resolution No. 467 – Declaring the City's Commitment to Building an Anti-Racist Community.

Approved By: City Manager City Attorney

BACKGROUND

On May 25, 2020, the world saw the horrific killing of George Floyd, a Black man, at the hands of a white police officer. Although much focus was put on the killing of George Floyd, it is only one example of multiple recent occurrences throughout the United States of the death of a Black individual as a result of the actions of a police officer. The killing of George Floyd has sparked local, regional, and national discussions about how law enforcement systems disproportionately impact people of color as a result of systemic racist policies and practices that have existed not only in law enforcement, but in the broader criminal justice system (courts, jails, legal systems) and other areas where social and racial injustice needs to be addressed, such as housing, health, education, and financial systems and policies.

Shoreline's Diversity and Inclusion Efforts

The City has made both policy decisions and completed staff work plan items that have laid the groundwork for a Resolution such as this. In 2016, the City created the Diversity and Inclusion Coordinator position to support the City's work in becoming an anti-racist multicultural organization. Three areas of focus are to increase the capacity of City staff to promote service equity and inclusion; increase access to City information and services by diverse communities; and increase community-based support for diverse communities.

On January 23, 2017, the Shoreline City Council adopted Resolution No. 401 declaring the City of Shoreline to be an inviting, equitable, and safe community for all. The resolution states, "As leaders in the community, we have a special responsibility not to stay silent in the face of discrimination, harassment or hate against any of our residents, and we choose to be a leader in protecting human rights, equity, public safety and social well-being." Additional information regarding Council's discussion on Resolution No. 401 can be found here: Adoption of Resolution No. 401 Declaring the City of Shoreline to be an Inviting, Equitable and Safe Community for All and Prohibiting Inquiries by City of Shoreline Officers and Employees Into Immigration Status and Activities Designed to Ascertain Such Status.

Development of Resolution No. 467

After participating in community events and one-on-one discussions with Shoreline community members for the last six months, Councilmembers Chris Roberts and Betsy Robertson are sponsoring proposed Resolution No. 467, which would declare the City's commitment to building an anti-racist community in Shoreline.

Staff conducted some preliminary community engagement with individuals and groups regarding proposed Resolution No. 467 both prior to developing the resolution and after a preliminary draft was complete. Their feedback was included in the draft resolution that was discussed at the November 16 Council Meeting. The staff report for this Council discussion can be found at the following link: Staff Report for Proposed Resolution No. 467 – Declaring the City's Commitment to Building an Anti-Racist Community.

DISCUSSION

During the November 16, 2020 Council Meeting, Council discussed proposed Resolution No. 467 (Attachment A) and gave staff direction to bring the proposed resolution back to Council tonight without any edits for potential adoption. Tonight, Council should discuss proposed Resolution No. 467, including any subsequent public comment that has come into Council after the November 16 meeting, before taking action to adopt it.

STAKEHOLDER OUTREACH

Staff has reached out to members of Black Lives Matter – Shoreline (including youth members), the Black Student Union, and United Shoreline Organized Against Racism (USOAR) and City staff members of color for input and feedback on proposed Resolution No. 467. Feedback has been incorporated into the Resolution's draft language.

COUNCIL GOAL ADDRESSED

The Resolution supports Council Goal 4: "Expand the City's focus on equity and inclusion to enhance opportunities for community engagement."

RESOURCE/FINANCIAL IMPACT

Adopting proposed Resolution No. 467 has no direct financial impact. Some policy and/or practice changes may create additional financial costs for the City in the future.

RECOMMENDATION

Staff recommends Council adopt proposed Resolution No. 467 – Declaring the City's Commitment to Building an Anti-Racist Community.

ATTACHMENTS

Attachment A: Proposed Resolution No. 467 - Declaring the City's Commitment to Building an Anti-Racist Community, Sponsored by Councilmembers Roberts and Robertson

RESOLUTION NO. 467

A RESOLUTION OF THE CITY COUNCIL, CITY OF SHORELINE, WASHINGTON, DECLARING THE CITY'S COMMITMENT TO BUILDING AN ANTI-RACIST COMMUNITY.

WHEREAS, race is a social construct with no biological basis; and

WHEREAS, racism is defined as a system of institutional prejudice plus the power to act on such prejudice; and

WHEREAS, racism is a social system with multiple dimensions: individual racism that is internalized or interpersonal; systemic racism that is institutional or structural, and is a system of structuring opportunity and assigning value based on the social interpretation of how one looks; and

WHEREAS, racism causes persistent discrimination and disparate outcomes in many areas of life, including housing, education, employment, criminal justice, and health; and

WHEREAS, our Black community members bear the brunt of racism and anti-Blackness, and these biases and the pervasiveness of whiteness hurts us all; and

WHEREAS, anti-racism is a process of actively identifying and opposing racism with the goal of eliminating racism at the individual, institutional, and structural levels through changing the policies, behaviors, and beliefs that perpetuate racist ideas and actions; and

WHEREAS, we are committed to being ever thoughtful in our work – as public officials – to ensure that all members of our community feel part of Shoreline and feel protected, listened to, and served by their public servants; and

WHEREAS, the City recognizes Shoreline's historical complicity in maintaining and perpetuating structural racism, and that as an institution we must be a vital player in dismantling oppressive systems that are grounded in white supremacy; and

WHEREAS, the City expects all elected Councilmembers, Council-appointed Board Members and Commissioners, and staff to be committed to building an anti-racist, multicultural organization through intentional action to advance racial equity and continual learning on how racism and other biases impact their work as public servants; and

WHEREAS, the City will continue to work in cooperation with our community partners and leaders to disrupt and dismantle racism and protect the health and well-being of Black, Indigenous, Hispanic, Asian, and other community members of color in Shoreline; and

WHEREAS, the City affirms the June 11, 2020, King County Executive and Public Health – Seattle King County's Declaration of Racism as a Public Health Crisis; and

WHEREAS, as leaders in the community, we have a special responsibility to speak up and take action in the face of discrimination, harassment or hate against any of our residents, and we choose to be a leader in protecting human rights, equity, public safety and social well-being;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DOES HEREBY RESOLVE AS FOLLOWS:

That the City is committed to Shoreline becoming an anti-racist community, which includes addressing all the ways racism persists as a systemic and chronic reality.

That for meaningful and lasting change to occur, the City must work together with members of our community, especially those who identify as Black, Indigenous, Hispanic, Asian, and other People of Color, to co-create a vision of this anti-racist community and the outcomes and activities that will bring us closer to this vision.

That for our community to work to create this change, the City must build trusting, working relationships with community members, and provide opportunities they find meaningful to engage with us in this journey, recognizing that the City must remain committed to learning, addressing past harm, and supporting the community in using its own strengths to create an anti-racist community.

That the City Council reaffirms its previous commitment made in Council Resolution No. 401 to make Shoreline an inviting, equitable, and safe community for everyone; committed to standing together with the people of Shoreline in opposing racism, hate, violence, and acts of intolerance committed against our community members; and committed to continuing our work to reach out to and connect with all members of our community to ensure that our programs are accessible and open to all individuals.

That the City Council and the City Manager recognize the need of the City's Boards, Commissions, Committees, and staff to reflect the diversity of our community.

That the City commits to building and including funding for its own organizational capacity to lead and embody this work through ensuring that hiring practices align with anti-racist core principles, providing ongoing training for all staff to be successful in building an anti-racist community through their day-to-day work, and investing in managers and supervisors to carry out this vision in their roles as organizational leaders.

That the City will educate the community on reporting hate crimes in Shoreline, communicate the hate crime investigative procedures, commit to communicating outcomes to hate crime victims in a timely and understandable method, and report these crimes in the Annual Police Services Report to City Council.

That the City will continue to advocate locally for relevant policies that improve the condition of communities of color, and will support local, state, regional, and federal initiatives that advance efforts to dismantle systemic racism.

That the City will facilitate community listening sessions to hear directly from Shoreline community members – centering the voices of those who identify as Black, Indigenous, Hispanic, Asian, and other People of Color – about their expectations and desired outcomes for City services, policies, and practices as the City recognizes there are opportunities for changes that would result in a more equitable outcome for Shoreline community members.

ADOPTED BY THE CITY COUNCIL ON NOVEMBER 30, 2020.

____
Will Hall
Mayor

ATTEST:

____
Jessica Simulcik Smith, City Clerk

Council Meeting Date: November 30, 2020 **Agenda Item:** 8(b)

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adopting the 2021 State Legislative Priorities
DEPARTMENT:	City Manager's Office
PRESENTED BY:	Jim Hammond, Intergovernmental Program Manager
ACTION:	____ Ordinance ____ Resolution __X_ Motion ____ Discussion ____ Public Hearing

PROBLEM/ISSUE STATEMENT:
Tonight, Council is scheduled to adopt the City's 2021 State Legislative Priorities ("Priorities"). For 2021, staff proposes the continuation of efforts to secure funding and/or other legislative support for a bike/pedestrian bridge at N 148th Street that would connect neighborhoods to the Shoreline South/145th Street light rail station; funding through Local/Community Project allocations for select public facilities; more secure funding sources for the local Transportation Benefit District; and a Fircrest Campus redevelopment that aligns with City goals.

In terms of policy, staff proposes to seek passage of legislation that would:
- Improve local government financial sustainability and flexibility, with secure funding sources;
- Support efforts to continue to address homelessness and affordable housing, including increased housing instability created by the economic impact of the Covid-19 pandemic;
- Pursue creation of a tax increment financing option for cities, particularly for high-growth neighborhoods, such as light rail station areas;
- Advocate for state/local collaboration on a watershed-based approach to tackling fish-blocking culverts; and
- Support legislation, including a statewide transportation package, that promotes sustainable investments and addresses climate change impacts, particularly in the transportation sector.

The 2021 State Legislative Priorities (Attachment A) were considered by Council on November 16, 2020. Council deliberated and directed staff to make two changes that have been incorporated.

RESOURCES/FINANCIAL IMPACT:
This item has no direct financial impact.

RECOMMENDATION

Staff recommends that the City Council adopt the 2021 State Legislative Priorities.

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

BACKGROUND

2021 is the first year of the State's 2021-2023 biennium, or "long" legislative session, which is scheduled to last 120 days. The City's legislative priorities provide policy direction in a highly fluid and dynamic legislative environment. They guide staff in determining whether the City supports or opposes specific legislation and amendments in Olympia during the legislative session. The City actively monitors legislative proposals at the state level, as success in advancing the City's position in Olympia depends on providing accurate and timely information to Legislators and their staff that illustrates the impacts of pending legislation on Shoreline.

The legislative priorities are the general policy positions that provide staff and Council representatives the flexibility to respond to requests for information and input. Key topics of legislation that do not fall under the adopted Legislative Priorities will be presented to the Council in regular briefings. The City also continues to partner with the Association of Washington Cities (AWC) and Sound Cities Association (SCA), which provides a consistent voice and a strong presence for cities in Olympia.

At its November 16th meeting, the City Council reviewed and discussed the proposed 2021 State Legislative Priorities. The staff report for this November 16th Council discussion can be found at the following link: http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2020/staffreport111620-9b.pdf.

DISCUSSION

During the course of the November 16th Council discussion of the draft State Legislative Priorities, Council, by general consensus, directed staff to make two modifications to the Priorities:

1. Add a fourth Shoreline-Specific Priority: "Continue to pursue a pathway for State partnership in the future development of a Community and Aquatics Center"; and
2. Insert an item, which will now be the third bullet under "Legislative Issues the City Supports", "Develop more sustainable revenue sources that are less regressive and targeted toward high-earning individuals and corporations" to the end of that item.

Pursuant to this Council direction, staff has revised the Priorities, which are attached to this staff report as Attachment A. Tonight, Council is scheduled to adopt the City's 2021 State Legislative Priorities.

RESOURCES/FINANCIAL IMPACT

This item has no direct financial impact.

RECOMMENDATION

Staff recommends that the City Council adopt the 2020 State Legislative Priorities.

ATTACHMENTS

Attachment A: Final 2020 State Legislative Priorities

City of Shoreline 2021 State Legislative Priorities

Shoreline-Specific Priorities:

- Maintain project visibility for the N 148th Street non-motorized pedestrian/bike bridge as a strong candidate for any state transportation package.
- Partner with State agencies to seek legislative action that supports City goals and the long-term vision of an approved Fircrest Master Development Plan.
- Seek Local/Community Project funding in the Capital Budget for important Shoreline park improvements, including construction of a pavilion at Shoreline Park, renovation of outdated public restrooms at key park facilities, and habitat restoration at Southwoods Park.
- Continue to pursue a pathway for State partnership in the future development of a Community and Aquatics Center.

Legislative Issues the City Supports:

- Pursue statewide transportation funding and policy changes, including:
  - Creation of a statewide funding package that provides new financial resources, and increases funding for transit and non-motorized transportation;
  - Transportation policy changes that address climate change, including the use of carbon-based revenue sources and increase emphasis on sustainable investments; and
  - Secure funding options for local Transportation Benefit Districts that replace the vulnerable car tab source currently in use.
- Preserve City fiscal health with secure funding sources.
  - Maintain existing shared revenues; support increase in city distribution related to any increases in marijuana or liquor taxes.
  - Provide greater flexibility to use funds from existing revenue sources to help manage the impacts of the economic crisis.
  - Remove the existing 1% property tax limitation or revise by indexing it to inflation, population growth, or some related indicator.
- Develop more sustainable revenue sources that are less regressive and targeted toward high-earning individuals and corporations.
- Continue to address homelessness and opportunities to increase affordable housing at the state and local level through incentives and support, while avoiding mandates.
- Develop additional resources to address housing instability created by the economic impacts of the COVID-19 pandemic, including rent assistance and foreclosure-prevention assistance.
- Pursue the creation of a tax increment financing option for cities to use in potential high-growth areas, such as light rail station areas.
- Continue to advance a watershed-based approach and strategic plan to address local fish-blocking culverts along with state culverts and provide significant local funding.
- Support legislation that addresses climate change impacts, across all sectors.
- Support for statewide policing reforms, including those identified by the Association of Washington Cities legislative priorities, that address social injustice, police accountability and promote equitable treatment for people of color.

Council Meeting Date: November 30, 2020	Agenda Item: 9(a)

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	185th Street Station Subarea Plan Progress Report 2015-2020
DEPARTMENT:	Planning and Community Development
PRESENTED BY:	Andrew Bauer, Senior Planner
ACTION:	_____ Ordinance ____ Resolution ____ Motion
	__X__ Discussion ____ Public Hearing

PROBLEM/ISSUE STATEMENT:
In March 2015, the Shoreline City Council adopted the 185th Street Station Subarea Plan and area-wide re-zoning. Rather than rezoning the entire subarea at once, it was broken into three distinct phases. Phase 1 of the rezone took effect immediately, while phase 2 goes into effect March 16, 2021, and phase 3 will become effective March 16, 2033.

The plan's adopting ordinance (Ordinance No. 706) requires that "prior to the effective date of either phase 2 or phase 3 zoning, the Director of Planning and Community Development shall prepare a report reviewing and evaluating development assumptions and objectives contained in the Comprehensive Plan relevant to the subarea with the actual growth and development that has occurred since the effective date of the last phased zoning. The report should also detail the progress of mitigation measures set forth in the 185th Street Station Subarea Planned Action Final Environmental Impact Statement (FSEIS)."

The purpose of the 185th Street Station Subarea Plan Progress Report (Attachment A) is to satisfy the requirements of Ordinance No. 706 prior to phase 2 zoning becoming effective on March 16, 2021.

RESOURCE/FINANCIAL IMPACT:
There is no financial impact associated with the 185th Street Station Subarea Plan Progress Report. Future actions taken in response to the report's findings could have impacts, but those will be evaluated independently.

RECOMMENDATION

Action by Council is not needed. Staff recommends Council discuss the report and ask any questions of staff.

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

BACKGROUND

Since adoption of the 185th Street Station Subarea Plan in March 2015, there has been a steady pace of development activity. The plan assumed an annual growth rate of 1.5-2.5%. Staff have conducted a thorough review of the plan and analyzed it against the redevelopment and capital investments that have been made in the 5+ years since its adoption. This analysis is documented in the “Progress Report” in Attachment A.

DISCUSSION

Report Findings

The 185th Street Station Subarea Plan Progress Report analyzed permit data from March 24, 2015 through September 24, 2020 (5 years and 5 months). As noted in the report, some of the key findings are as follows:

- A net total of 371 new dwelling units are either under review or have been permitted, including:
    - 264 townhomes
    - 171 apartments
    - Demolition of 64 single-family homes (34 of these are associated with the Lynwood Link Extension project)
- Actual growth is averaging approximately 73 net units per year over the first five years of the plan. This average is within the growth projection which anticipated 57-109 new units per year (1.5-2.5% rate).
- There has been a decline in permit activity in 2020, likely attributed to the COVID-19 pandemic.
- There has not been any development activity in the MUR-70’ zone.
- Most of the new units (61%) are owner-occupied (e.g. townhomes).
- Of the 171 apartment units under review or permitted, most are one-bedroom. There have not been any three-bedroom units.
- There has not been any new commercial development activity to-date.

Aside from permit activity, other key findings include:

- The Planned Action SEPA Environmental Impact Statement continues to contain sufficient capacity for continued growth and remains relevant. Many of the mitigation measures identified are planned or underway.
- Overall, utilities have the system capacity necessary to serve anticipated growth. However, utilities typically require upgrades to serve new development. For example, a water line may need to be upsized to meet capacity for a denser development.
- Improvements in-and-around the Shoreline North/185th Station will help improve mobility options.
- The 185th Street Multimodal Corridor Strategy was completed earlier this year and builds on the work of the subarea plan.
- Potential sites for community gathering places to serve the subarea with parks and open space options have been identified.

Potential Topics for Future Study

The report highlights several challenges for redevelopment within the subarea. From the challenges, topics were identified for potential future study and action including:

- Development incentives: A thorough analysis of development incentives and public benefits could identify imbalances and opportunities to align the value of incentives with the costs of providing the benefits.

- Property aggregation: Explore opportunities to proactively encourage property aggregation to facilitate the large-scale developments envisioned in the plan.

- Parking requirements: Further study and comparison is needed to determine whether the City's minimum parking ratios and eligible parking reductions for new development are appropriate for an emerging high capacity transit-supportive community. Reducing parking requirements or changing parking management policy (such as allowing landlords to charge tenants for parking) should assess the interrelationship between the public and private parking systems.

- Conversion of single-family structures to commercial: Building from preliminary staff research, identify barriers to converting residential structures and options to lessen their impact while still advancing the goals of the 185th Street SSP.

- Extension and potential expansion of the MFTE program: The current eligibility applies only to MUR-45' and MUR-70' properties within the phase 1 rezone area and is scheduled to expire at the end of 2021.

- Implementation and strategic planning: Conduct detailed planning in opportunity areas with specific infrastructure or transportation needs where further study could help inform future decision-making and potential partnerships.

RESOURCE/FINANCIAL IMPACT

There is no financial impact associated with the 185th Street Station Subarea Plan Progress Report. Future actions taken in response to the report's findings could have impacts, but those will be evaluated independently.

RECOMMENDATION

Action by Council is not needed. Staff recommends Council discuss the report and ask any questions of staff.

ATTACHMENT

Attachment A – 185th Street Station Subarea Plan Progress Report 2015-2020

Attachment A

185th Street Station Subarea Plan

Progress Report – 2015-2020

November 3, 2020

185th Street Station Subarea Plan

Progress Report – 2015-2020

Purpose

The 185th Street Station Subarea Plan (SSP) was adopted by the Shoreline City Council on March 16, 2015. In conjunction with the SSP, the Council adopted implementation measures that included area-wide zoning changes, new Development Code regulations, and a Planned Action Environmental Impact Statement (EIS). Collectively, these actions were the culmination of years of community planning to set the stage for compact growth to occur near the future Shoreline North/185th light rail station opening in 2024 as part of Sound Transit's Lynnwood Link Extension (LLE).

Rezoning of the subarea is being implemented in phases instead of rezoning the entire subarea at once. The first phase took effect immediately upon adoption of the plan in 2015, while phase 2 goes into effect in 2021, and phase 3 goes into effect in 2033. The adopting ordinance requires that "prior to the effective date of either phase 2 or phase 3 zoning, the Director of Planning and Community Development shall prepare a report reviewing and evaluating development within the 185th Street Station Subarea. The report should compare growth and development assumptions and objectives contained in the Comprehensive Plan relevant to the subarea with the actual growth and development that has occurred since the effective date of the last phased zoning. The report should also detail the progress of mitigation measures set forth in the 185th Street Station Subarea Planned Action Final Environmental Impact Statement (FSEIS)."

The purpose of this 185th Street Station Area Progress Report is to satisfy the requirements of Ordinance No. 706 prior to phase 2 zoning becoming effective on March 16, 2021.

Recent and Ongoing Planning

Several planning efforts that relate, both directly and indirectly, to the 185th Street SSP have either recently been completed or are ongoing. While this list is not comprehensive, it illustrates the planning that continues to occur in order to both implement the plan and to ensure the region's investment in light rail is leveraged to its fullest extent by planning for the capital improvements and infrastructure necessary to accommodate anticipated growth. Recent and ongoing planning efforts include:

- Deep Green Incentive Program Expansion, April 2019
- Light Rail Station Subareas Parking Study, October 2019
- Townhouse Design Standards, January 2020

- 185th Street Multimodal Corridor Strategy, April 2020
- Station Area Walkability & Connectivity Analysis prepared by UW Evans School, June 2020
- Parks planning and property acquisitions, ongoing
- Ground-Floor Commercial Code Amendments, (North City/Ridgecrest) completed October 2020
- Housing Action Plan, ongoing (anticipated completion 2021)
- Community Transit Swift Blue Line Expansion, ongoing (anticipated completion 2024)
- Surface Water Capacity Modeling Study, ongoing (anticipated completion 2021)

Background

185th Street was selected as a light rail station location through the public process for Sound Transit's LLE. The 2012 Shoreline Comprehensive Plan update incorporated several light rail station area policies. These policies established the foundation for the 185th Street SSP and have informed the ongoing partnership with Sound Transit and other agencies as the planning, permitting, and construction of the LLE project continues to advance. The 8.5-mile LLE is planned to open in 2024 and will extend from the Northgate Station in Seattle to Lynnwood.

Planning for the 185th Street SSP began in spring of 2013. The purpose of this planning effort was to address future land use and transportation needs in the vicinity of the Shoreline North/185th Street Station.

Figure 1 – 185th Street Station Subarea

Timeline

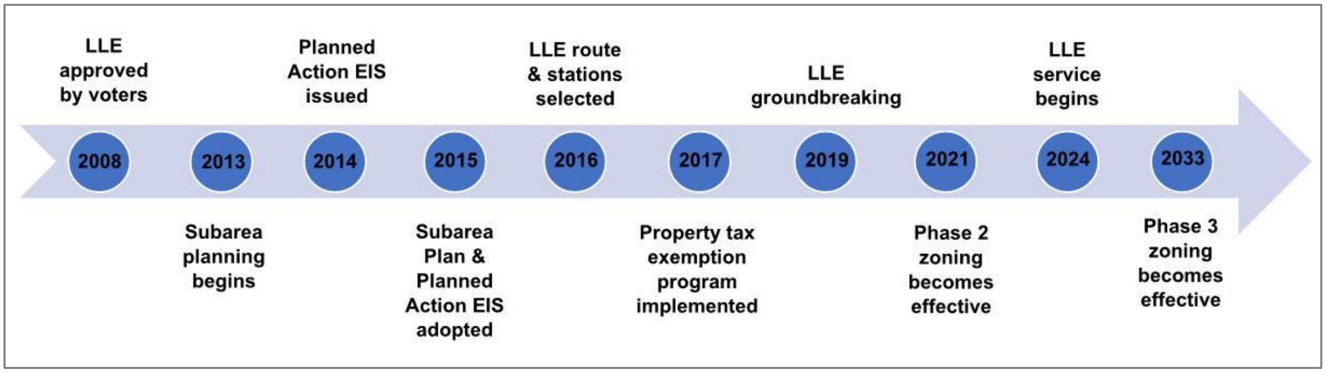


Figure 2 – Timeline of major milestones

Vision Statement

The 185th Street SSP summarizes the community's vision for the subarea:

> *"The 185th Street Station Subarea will transform into a vibrant transit-oriented village with a variety of housing choices for people of various income levels and preserving the livable qualities that Shoreline citizens cherish. Over time, public and private investment will enhance the village setting, creating a walkable, safe, healthy, and livable place for people of all ages and cultures. People will be able to easily walk and bicycle to and from the light rail station, shopping, parks, schools, and other community locations from their homes. Neighborhood-oriented businesses and services will emerge as the village grows, along with places for civic celebrations, social gatherings, and public art. Eventually, the new transit-oriented village will become one of the most desirable places to live in Shoreline."*
> *– 185th Street Station Subarea Plan Vision Statement*

Growth Projections

Although buildout of the subarea is anticipated to take many decades, the specific actions and anticipated impacts in the 185th Street SSP are limited to a 20-year planning horizon (2035). The plan assumes an annual growth rate of 1.5-2.5% within the subarea. The plan also assumes 15% of the City's 2035 growth target of 4,657 new units will be directed to the subarea.

	2014 Subarea (est.)	2035 Planned Action Area	2095-2140 Planned Action Area (buildout)
Population	7,944	10,860-13,343	56,529
Households	3,310	4,450-5,500	23,554
Employees	1,448	1,950-2,370	15,340

Table 1 – Subarea growth projections

Phased Zoning

One of the primary purposes of the phased zoning is to focus initial development closer to the station and define an area for concentrating improvements in the first 20 years to support initial growth. It also provides an opportunity to monitor the development market and redevelopment results prior to the entire area being rezoned.

Phase	Effective	Approx. Size
Phase 1	March 2015	260 acres
Phase 2	March 2021	72 acres
Phase 3	March 2033	100 acres

Table 2 – Phased zoning

Phase 1 of the rezoning made up approximately 60% of the total subarea to be rezoned. Phase 2 is the smallest of the three phases, consisting of approximately 17% of the total subarea to be rezoned and will take effect in March 2021.

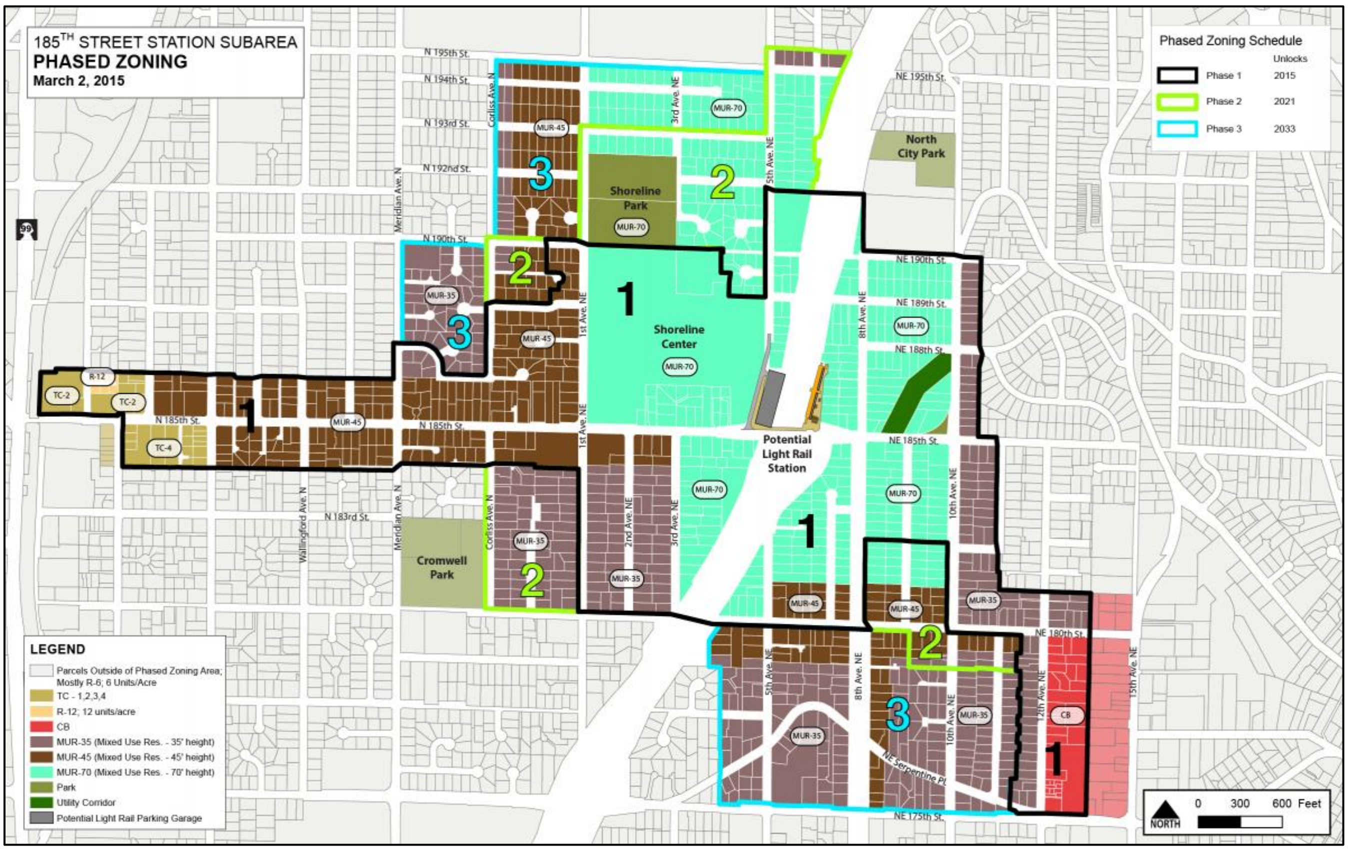


Figure 3 – Phased zoning

Planned Action EIS

A key component of the 185th Street SSP is the Planned Action EIS. The Planned Action EIS was prepared concurrently with the 185th Street SSP and was adopted with Ordinance No. 707. As part of the State Environmental Policy Act (SEPA), a Planned Action EIS provides detailed environmental analysis during the formulation of planning proposals, rather than at the project permit review stage. A Planned Action designation reflects a decision that adequate environmental review under SEPA, for each specific development proposal or phase, would not be necessary if it is determined that each proposal or phase is consistent with the development levels specified in the adopted Planned Action ordinance and supporting environmental analysis.

The limits of the Planned Action EIS include all the phase 1 and phase 2 rezone areas.

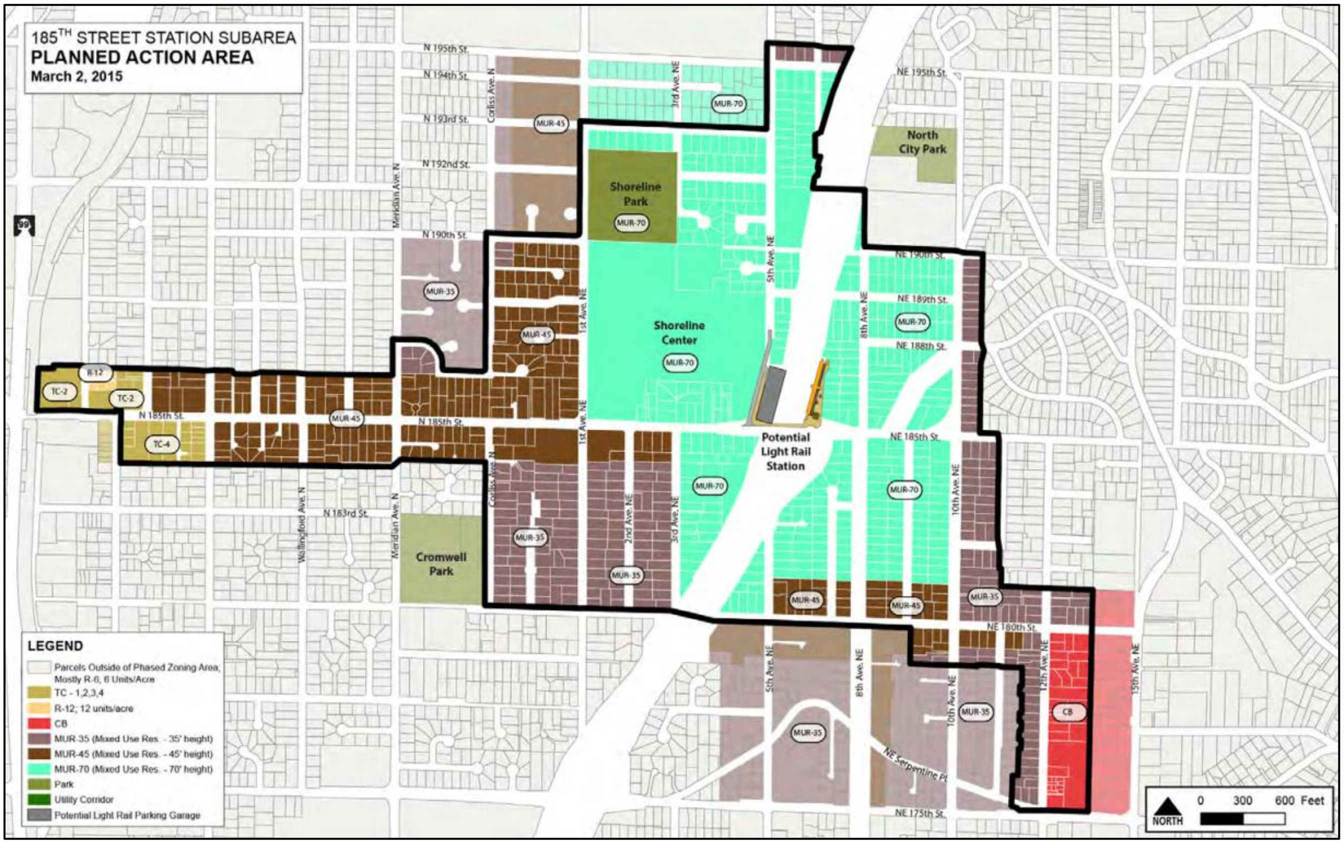


Figure 4 – SEPA Planned Action Area

Mitigation

The Planned Action EIS identifies the range of anticipated impacts associated with the 185th Street SSP. Mitigation measures, both short term and long term, are identified and intended to mitigate impacts from growth. Appendix A to this report includes a detailed summary of the mitigation measures and the status of each.

Monitoring and Review

The adopting ordinance for the Planned Action EIS notes the SEPA Official will review the document every six years from the effective date and determine the continuing relevance of the Planned Action's assumptions and the effectiveness of mitigation measures. This 185th Street SSP Progress Report satisfies the intent of the six-year Planned Action EIS review, and as detailed below the 185th Street SSP Planned Action EIS remains relevant.

Affordability and Property Tax Exemption

Mandatory minimum affordable housing provisions for new apartment developments were incorporated in the Mixed Use Residential (MUR) 45' and MUR 70' zones as part of the Development Code amendments adopted to implement the 185th Street SSP. Participation in the MUR-35' zone is optional. In addition to development incentives for designating affordable units, the City Council adopted Ordinance No. 776 in 2017 to incorporate portions of the light rail station subareas (including 185th Street) into the City's Multifamily Property Tax Exemption (MFTE) program.

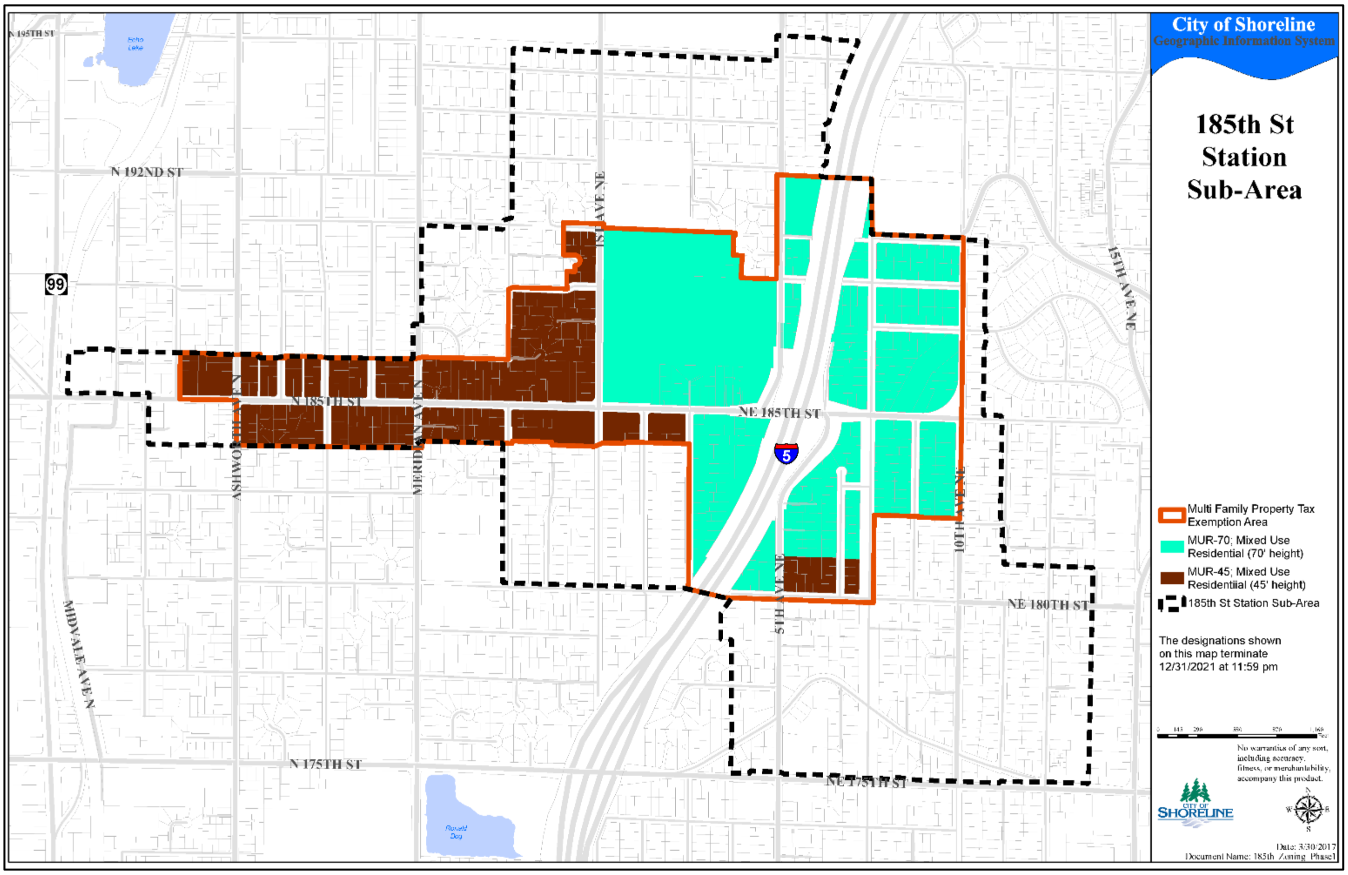


Figure 5 – Multifamily Property Tax Exemption Area

Properties eligible for the MFTE program in the 185th Street subarea are limited to those areas within the phase 1 rezone area and zoned MUR-70' and MUR45'. Eligible projects are exempt from *ad valorem* property tax of the value of new or rehabilitated multifamily housing for up to 12 years. The MFTE program in both the 185th Street and 145th Street subareas is set to expire on December 31, 2021.

Development Trends

Data presented in this report was collected primarily from permit applications. The date range of the data is March 24, 2015 (effective date of the 185th Street SPP) through September 24, 2020, the first 5 years and 5 months since adoption.

Residential Units

A net total of 371 new dwelling units are either under review or have been permitted. The net total subtracts units that have been demolished as part of the redevelopment process (e.g. one house demolished to construct 8 townhomes). A total of 34 of the 64 total single-family units demolished during this timeframe are associated with the Sound Transit LLE project. There have not been any applications filed for new units in the MUR-70' zone.

Net New Dwelling Units by Year - (3/24/15-9/24/20)

Year Applied	2015	2016	2017	2018	2019	2020	Total
Apartment	0	81	46	0	44	0	171
Townhome	0	13	20	51	175	5	264
Single-Family	0	-2	-1	-27	-32	-2	-64
Total	**0**	**92**	**65**	**24**	**187**	**3**	**371**

Table 3 – New dwelling units by year

The high number of townhome units filed in 2019 is likely associated with the Development Code amendments for townhome design standards that were under consideration in 2019 and adopted in early 2020. Development applications that were filed and deemed complete vest to the standards in effect at that time and would not be subject to newly adopted regulations. The COVID-19 pandemic is likely a contributing factor to the decline in permit activity in 2020.

Two applications have been filed for new single-family houses (one in 2016 and one in 2020). Both of the applications were for property in the phase 3 rezone area (effective in 2033).

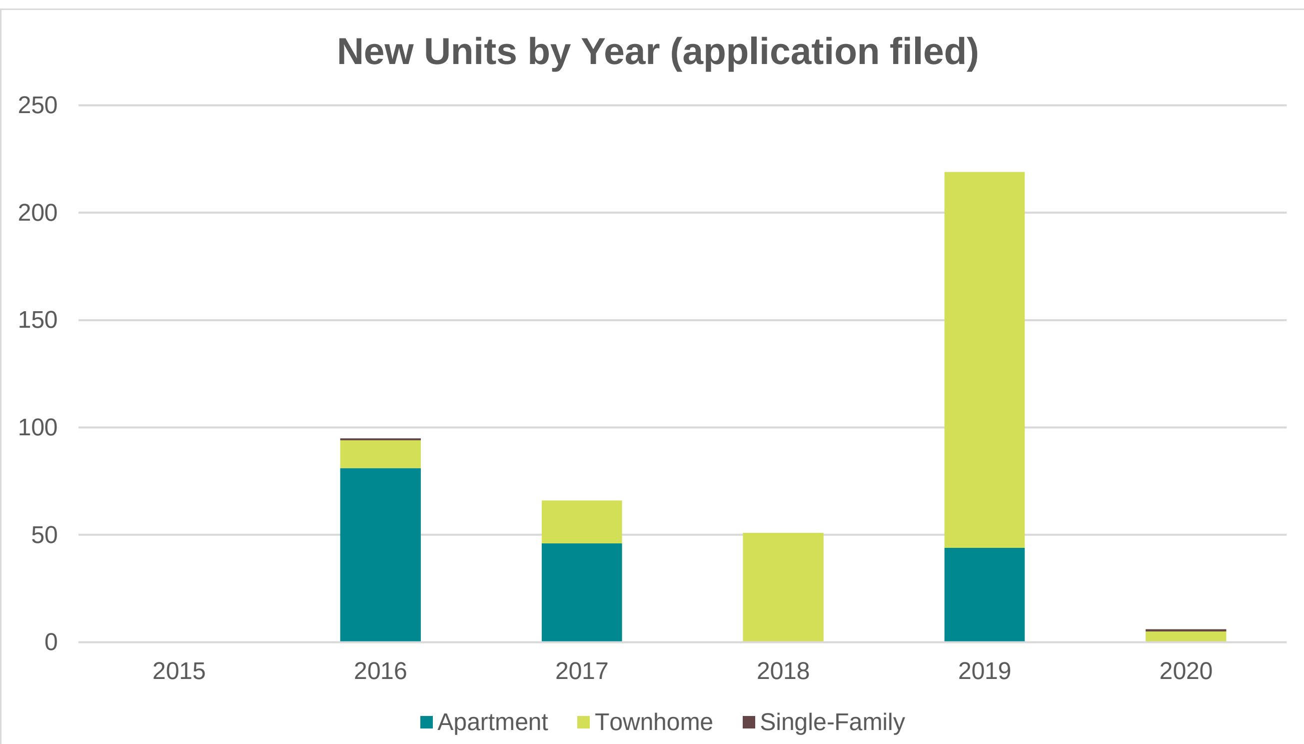


Figure 6 – New dwelling unit types by year

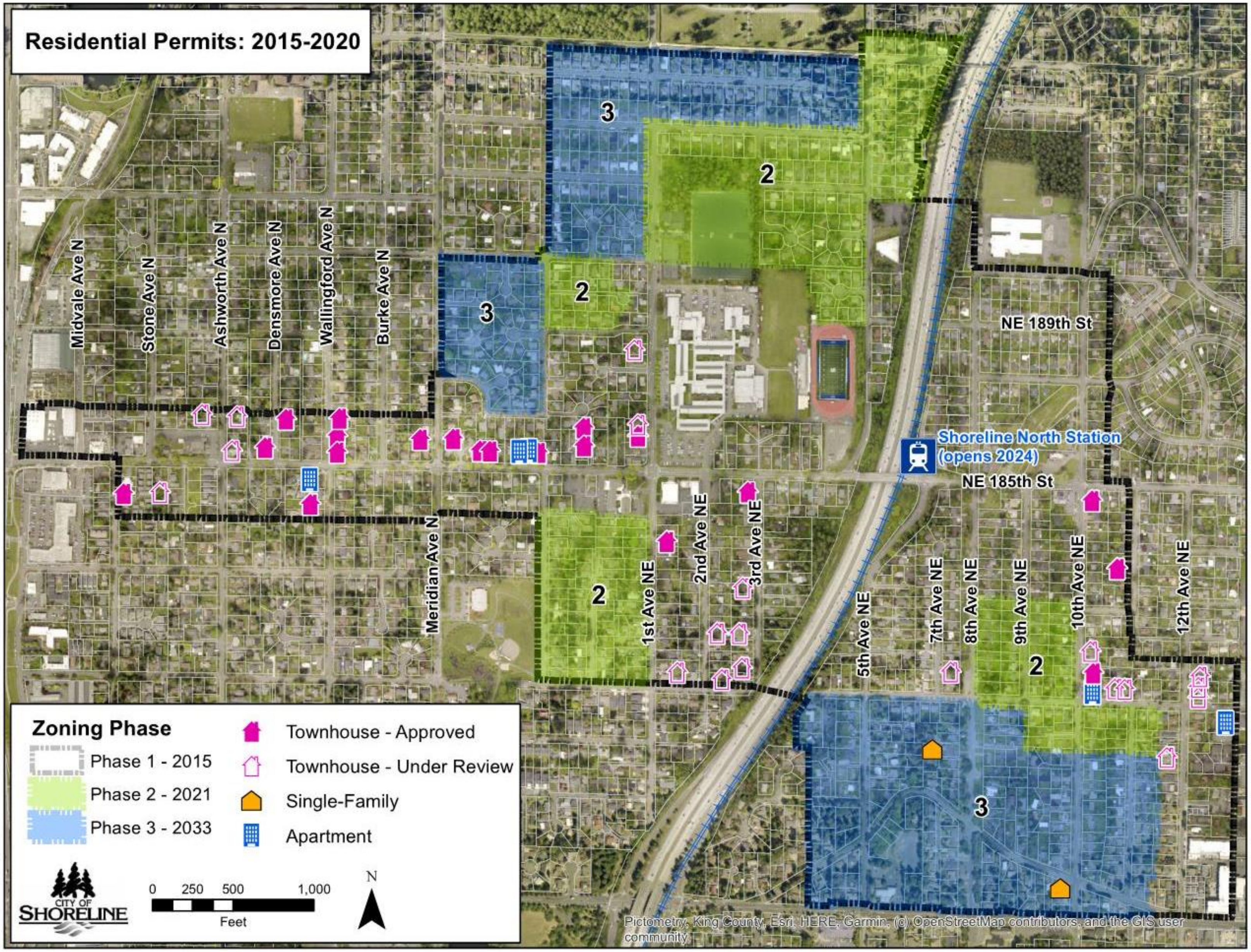


Figure 7 – Residential permits

Growth Projection Vs. Actual

The 185th Street SSP assumed an annual growth rate of 1.5-2.5%, which equates to approximately 57-109 new units per year on average. Actual growth is within range of the projections and is averaging approximately 73 net new units per year over the first complete five years of the plan. Citywide growth historically averages approximately 350 new units per year according to data from the Urban Growth Capacity Study (aka "Buildable Lands"). Population growth across the Central Puget Sound Region averaged 1.78% from 2015-2020 (PSRC).

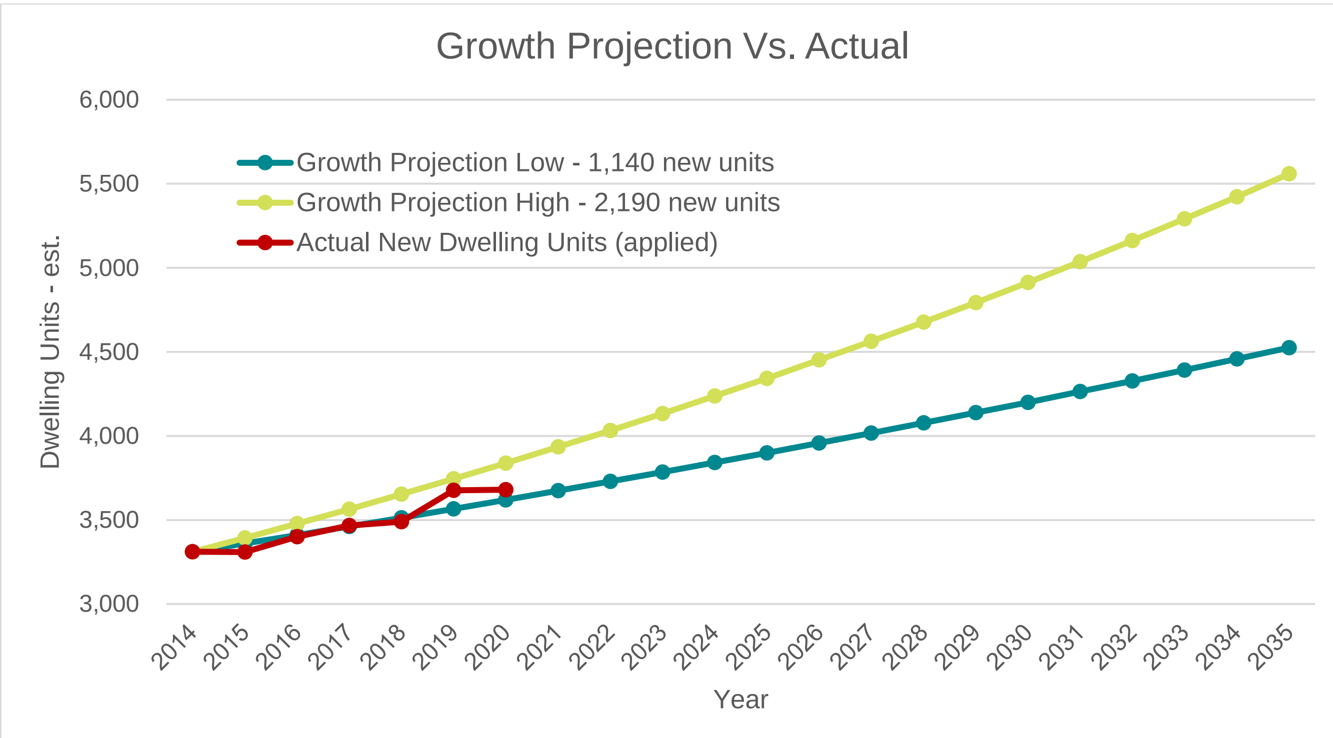


Figure 8 – Growth projection vs. actual

**Growth was assumed between 1.5% annually (low) and 2.5% annually (high)*
**Actual growth uses net new dwelling units*

Unit Type and Occupancy

Figure 9 illustrates the status of new dwelling units in the permitting and construction process. There is a relatively equal number of units under review (142 units), or in the "pipeline," as there are currently approved (164 units) – making for a potentially steady pace of development activity in the near-term.

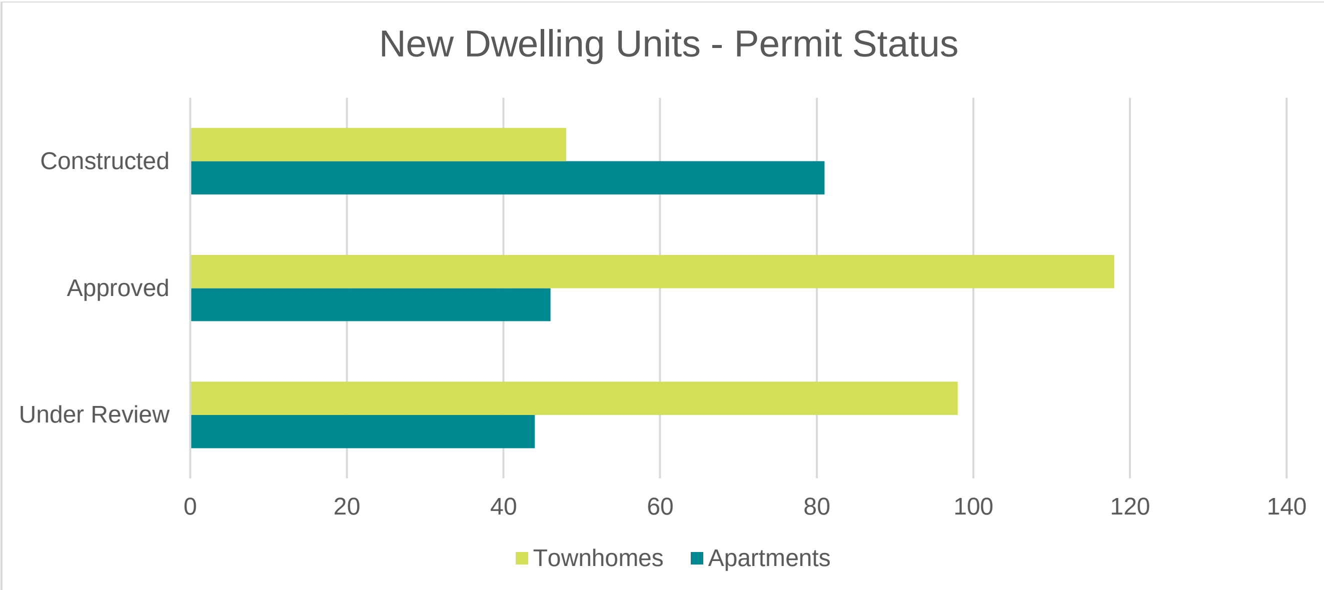


Figure 9 – Permit status of new dwelling units

Under Review = applications filed, but not yet approved
Approved = applications ready to issue, approved, issued, under construction
Constructed = applications finaled, completed, archived

The majority of new dwelling units filed over the initial 5+ years of the plan are owner-occupied (i.e. townhomes). The subarea is similar to citywide data for 2018 which shows approximately 61.7% owner-occupied, 35% renter-occupied, and the remaining 3.3% of housing units as vacant.

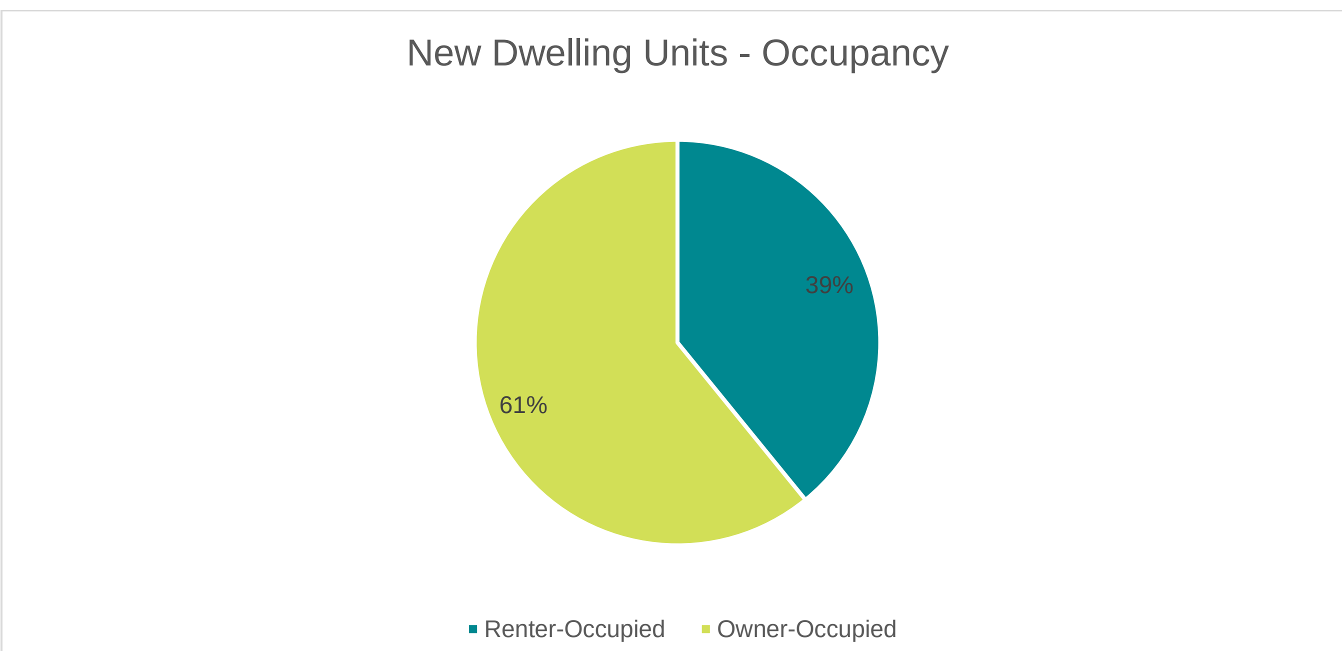


Figure 10 – Occupancy of new dwelling units

Apartment Units

There are five apartment developments which are either under review or permitted, containing a total of 171 apartment units. A majority of these new apartments are one-bedroom units. Of the new apartment units thus far, there have not been any three-bedroom units. Thirty apartment units (21%) have been designated as affordable (occupancy limited to tenants with a maximum of 80% area median income). One of the five apartment developments, one has entered the City's 12-year MFTE program, while three others have expressed interest in the program and are continuing to work through the permit application process.

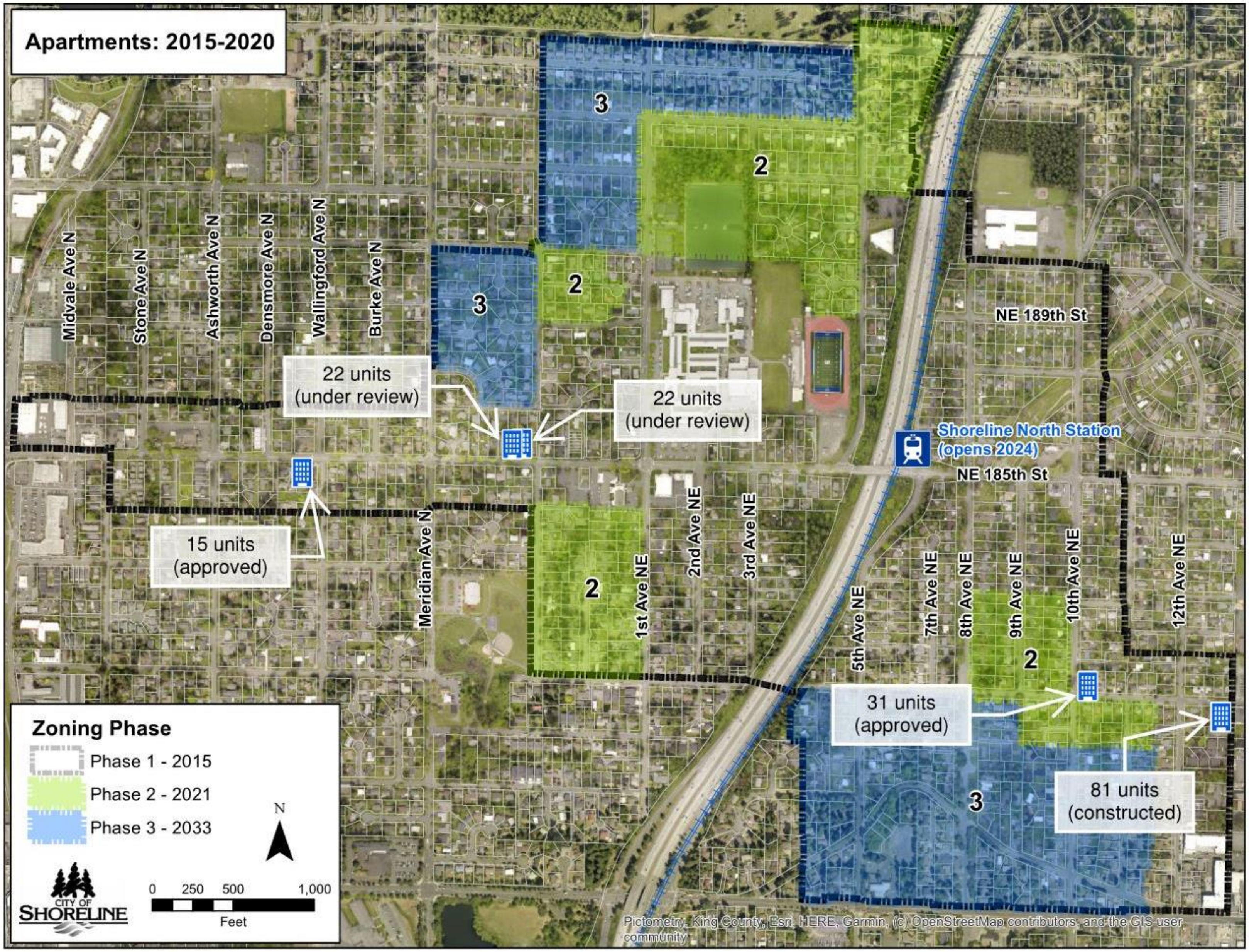


Figure 11 – New apartment development

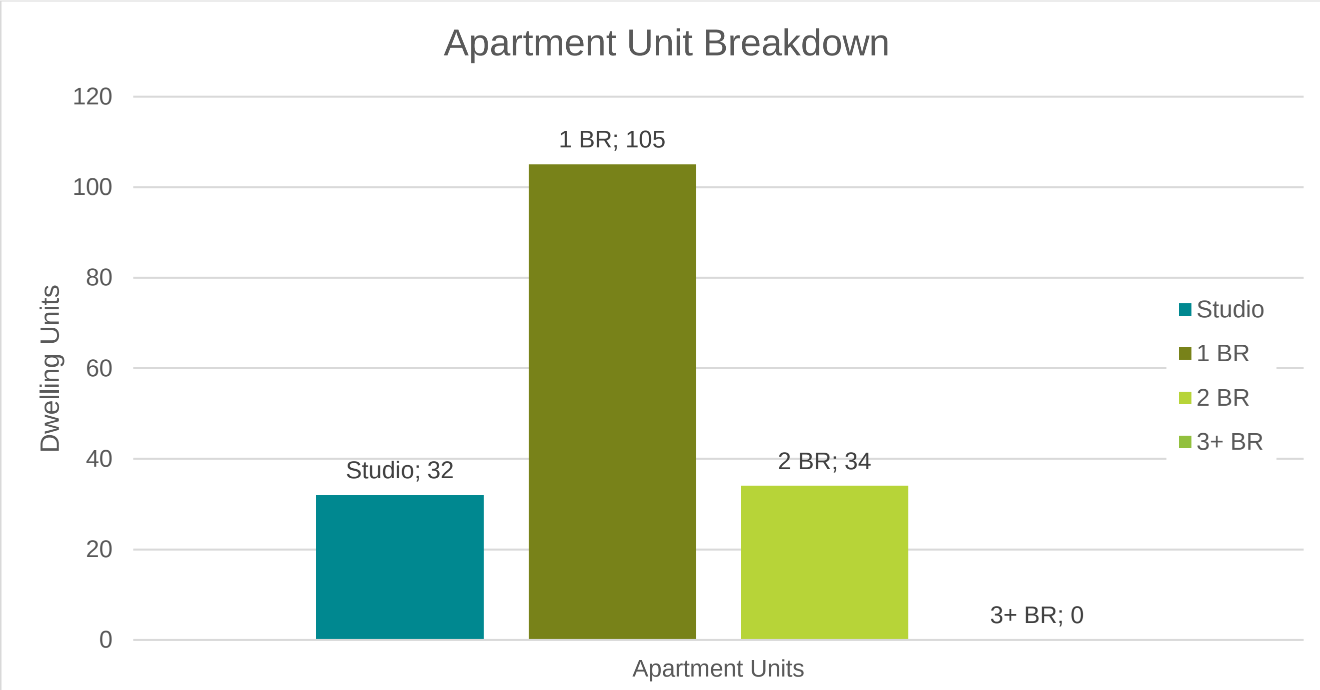


Figure 12 – Apartment unit type

Parking

The Development Code sets out the required number of parking stalls to be constructed to serve a specific land use. For dwelling units, the parking requirements are typically expressed as a ratio of stalls per unit (see Table 4).

Land Use	Minimum Parking Ratio
Townhome	1.0 per unit
Studio – One BR	0.75 per unit
Two BR +	1.5 per unit

Table 4 – Parking ratios

Based on a sample review of townhome permit applications, these units typically contain at least a one-car garage or dedicated off street parking space. Across all 171 apartment units thus far, the average ratio is 0.81 stalls per unit.

Impact Fees

Development impact fees are collected on a per-unit basis in accordance with the adopted rates in Chapters 3.70-3.80 of the Shoreline Municipal Code. Impact fees are assessed at the time of application and collected at the time a permit is issued. Table 5 shows the impact fees collected for permits issued within the 185th Street SSP thus far. The fees detailed below do not account for projects under review for which fees will be collected at the time permits are issued.

Impact Fees Collected (3/24/15-9/24/20)

Impact Fees	Fees Collected
Traffic	$ 1,321,501
Parks	$ 656,468
Fire	$ 451,333
Total	**$ 2,429,302**

Table 5 – Impact fees

Commercial Development

To date, there has not been any new commercial development activity within the subarea. While converting existing single-family homes into commercial uses is allowable from a land use perspective, it is possible that the strength of the regional housing market and regulatory requirements have minimized interest in doing so.

A market assessment was completed in 2014-15 as part of the 185th Street SSP. Of the many key findings of the market assessment, it noted specifically the "primary market opportunity for new development at the NE 185th Street Station Subarea is the development of residential units over the next 20 years." The market assessment also noted limiting factors for commercial development such as the City's overall low demand for office development and the existing development pattern of the subarea being difficult to facilitate larger mixed-use redevelopments. The market assessment anticipates demand for convenience-oriented retail would increase after the light rail station is operating.

Converting existing residential structures for commercial use can also be complicated and cost prohibitive in some instances due to requirements to retrofit an older home to meet ADA standards, current building and fire codes, and the City's Development Code which requires complete site improvements such as frontage improvements (i.e. sidewalks, landscaping, etc.).

Capital Investment

Beyond the private investment in the form of redevelopment, the 185th Street SSP anticipates a consistent level of public investment into the subarea's infrastructure to accommodate the anticipated level of growth.

Following is an overview of significant sources (City and other agencies) of capital investments in the subarea. A list and status update of all the mitigation actions identified in the Planned Action EIS are included in Appendix A.

Water System

Water service in the majority of the subarea is provided by the North City Water District, and by Seattle Public Utilities (SPU) generally in the areas west of I-5. Both agencies have a policy of "growth pays for growth" – meaning that any improvements necessary to accommodate a specific development is one that must be completed by the developer. In some instances, there may be a Water Extension Service Agreement which runs for a 15-year duration and allows a developer to be reimbursed a proportionate share of the water system costs as other developments utilize the improved water extension.

As identified in the 185th Street SSP, the water system serving the subarea will be upgraded incrementally to serve the intended growth. The North City Water District completed their long-range plan and Capital Improvement Plan in 2020 and takes into account anticipated future growth in the subarea.

Wastewater

Ronald Wastewater serves the subarea for wastewater. The 185th Street SSP identifies improvements necessary to serve the anticipated growth. Just as the water system will be upgraded incrementally, so will the wastewater distribution system.

Surface Water

Pump Station 26 is in the subarea and is beyond its useful life. The City’s Capital Improvement Plan includes a project to remove and replace the pump station to improve reliability to the surface water system.

Recent amendments to the Engineering Development Manual have incorporated standards to ensure new developments better manage surface water flow control and improve water quality.

Electricity

Seattle City Light (SCL) is the electricity utility in the City. The 185th Street SSP notes that incremental growth and redevelopment would be able to be served through typical extensions of lines and services supported by customer fees and charges with each connection and for this reason no specific capital improvements were identified at that time.

Since adoption of the plan, SCL has informed the City of the need to provide three-phase power on the 185th Street corridor to serve the increasing density. The existing single-phase power along 185th Street from Stone Avenue to 1st Avenue has power lines attached to poles vertically on the south side of 185th Street. Converting to three-phase power requires a horizontal cross bar spanning 10 feet on center (“T-Top”). In most instances, because the existing utility poles are located on the property line, the south portion of the T-Top would extend onto private property and require an easement. SCL is currently working on a design to move poles approximately five feet north into the existing amenity zone to provide space for the T-Top without the need for easements on private property. It is anticipated SCL could file application with the City to complete the utility pole relocation in the first half of 2021.

Link Light Rail

Construction of the LLE began in 2019 and is anticipated to open for service in 2024. Beyond the guideway, highlights of the major work in the subarea include:

- Shoreline North/185th Station with a 495-stall parking garage and frontage improvements
- Reconstructed/re-aligned 5th Avenue NE with pedestrian pathway improvements
- New traffic signal at NE 185th Street and 5th Avenue NE
- New roundabouts on NE 185th Street at 8th Avenue NE and 10th Avenue NE

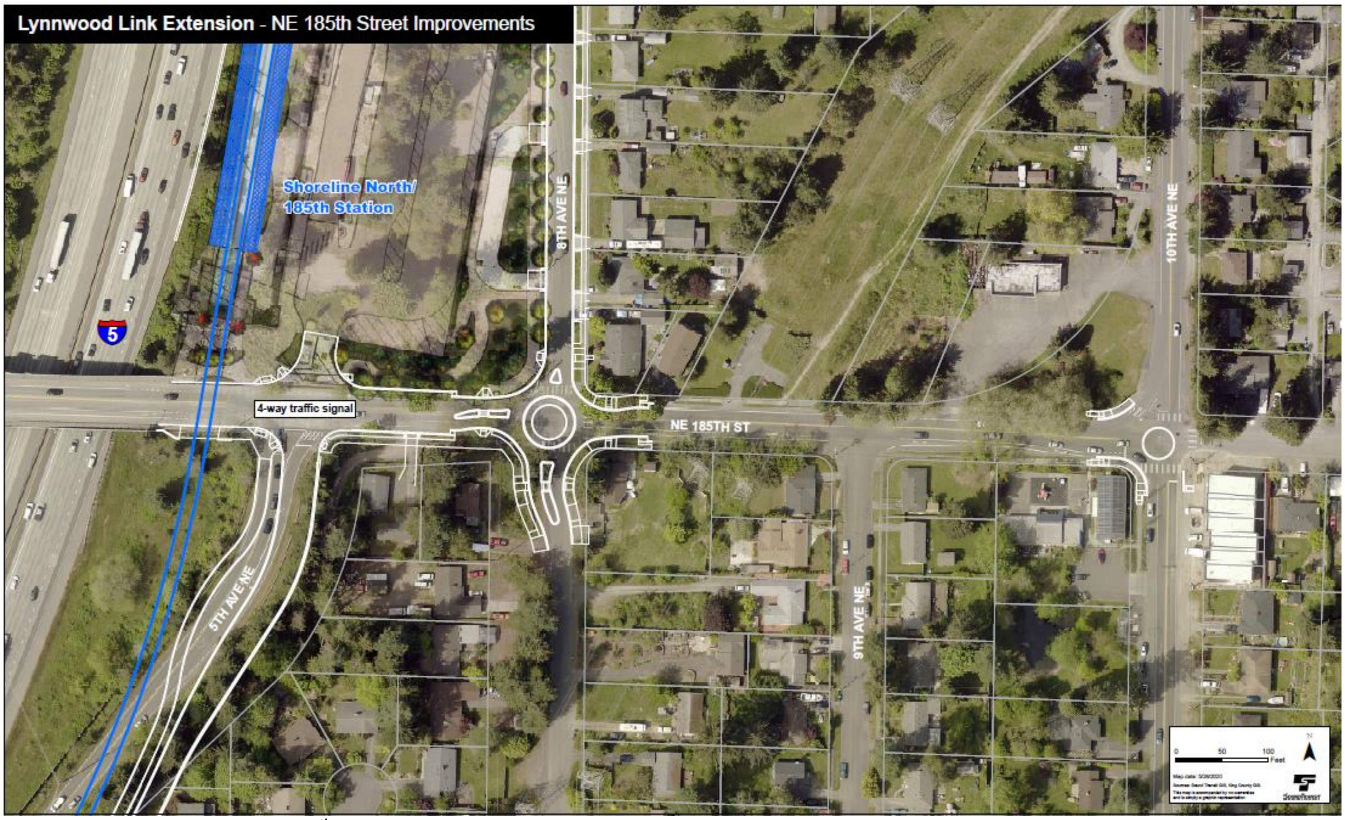


Figure 13 – LLE NE 185th Street Improvements (Credit: Sound Transit)

Transportation

The 185th Street Multimodal Corridor Strategy (185th MCS), completed in April 2020, was a significant action step identified in the 185th Street SSP. It builds on the work of the subarea plan and provides a refined vision specific to the 185th Street corridor that is safe for pedestrians and bicyclists, supports transit, addresses traffic flow, creates opportunity for gathering spaces, and encourages transit-oriented development. The 185th MCS will inform future decisions for design and construction of the corridor.

Currently, there is no designated City Capital Improvement Plan funding for improvements to the corridor. Changes to the 185th Street Corridor will happen incrementally over time as redevelopment occurs. The 185th MCS will serve as a guide to ensure that future public and private development projects contribute to a cohesive vision and will help the City competitively seek funding opportunities.

The 185th Street Preferred Option accepts a certain level of future congestion for general-purpose traffic while prioritizing fast and reliable bus transit connecting to-and-from the future light rail station. It also establishes a multimodal street design intended to complement the land use vision for a walkable/bikeable station subarea. None of the options studied in the 185th MCS would meet the City's adopted Level of Service (LOS). Creating an option for 185th Street that would meet the City's current volume-to-capacity (V/C) ratio would require a roadway configuration of greater than five lanes for general-purpose vehicles and would compromise the safety, access, and mobility of pedestrians, bicyclists, and reliable transit; and have a much larger roadway footprint than is economically feasible.

As a follow up action, because the LOS for Segment B, C, and D will fail in the future (refer to Figure 14), the City Council will need to either lower the general-purpose vehicle LOS for 185th Street or shift to a Multimodal Level of Service (MMLOS) in the City's Comprehensive Plan.

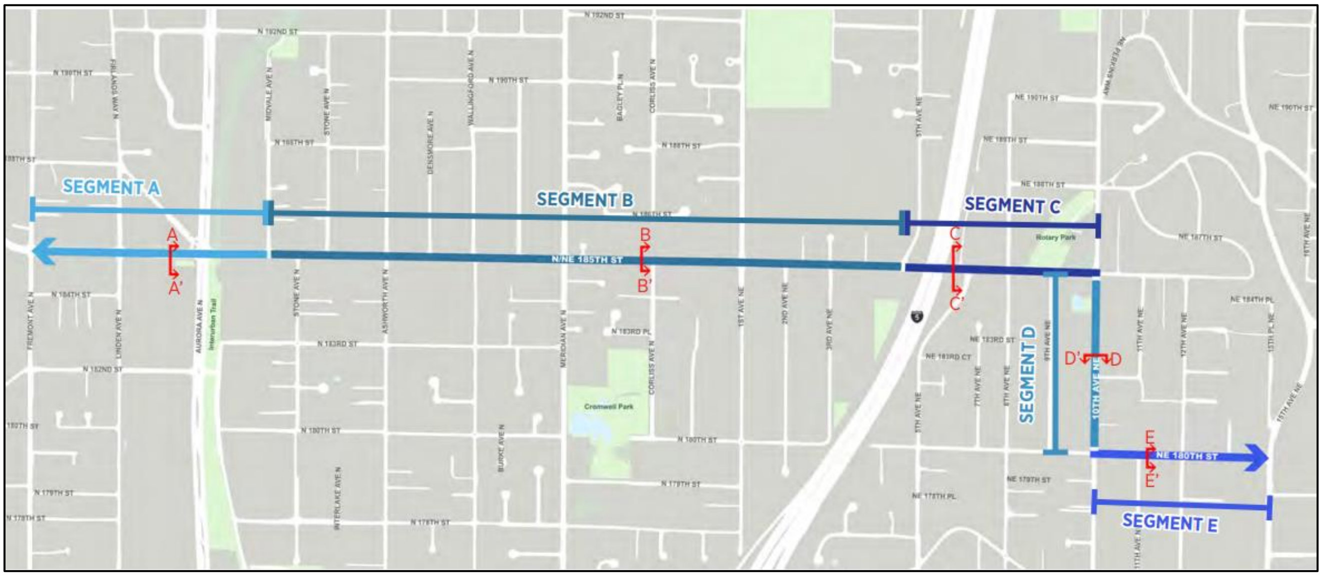


Figure 14 – 185th Street MCS Segments

Numerous other transportation actions are ongoing and address the mitigation actions identified in the Planned Action EIS. A list and status update of these actions are included in Appendix A.

Parks

The City of Shoreline Parks, Recreation, and Open Space (PROS) Plan projects that approximately 43 acres of new parks and open space in and around the City's two light rail station areas is needed to serve the community and keep pace with anticipated growth.

The 185th MCS identified four opportunity sites along the 185th Street Corridor that could be utilized for better multimodal connections, placemaking, and enhanced open spaces. These four sites are referred to as community gathering places and are shown below in Figure 15.

Figure 15 – 185th MCS Community Gathering Places

Currently, the following prospects exist that could help to advance opportunities for the community gathering places:

- **Site 1:** The City owns a portion of the parcel at the corner of Aurora Ave/N 185th Street, so ideas for space activation and beautification could be incorporated if funding becomes available.
- **Site 2:** The City received King County Conservation funding to acquire Site 2 (0.7 acres of vacant land at N 185th Street and Ashworth Avenue N) for parks/open space purposes.
- **Site 3:** The City owns the right-of-way at the corner of NE 185th Street/5th Avenue NE, so trailhead amenities for the future Trail Along the Rail could be incorporated if funding becomes available.
- **Site 4:** The City and SCL have been discussing the possibility of a surface easement to allow park improvements under the SCL easement, similar to the Interurban Trail. The City has been coordinating closely with Sound Transit, who is currently using a portion of Rotary Park for construction staging, to leave the site's grading and utilities in the right place to begin future park improvements.

As noted in the surface water discussion above, Pump Station 26 is planned to be replaced. Site improvements associated with the replacement will include new park space with nature-play elements, flexible open space, and walking paths.

In addition to the actions above, the City will contribute funding for adjacent frontage improvements for any park redevelopment projects.

The PROS Plan will continue to be the guiding plan to monitor and address parks and open space needs within the City.

Conclusions

It has been 5+ years since the 185th Street SSP was adopted. Major assumptions related to growth and infrastructure have been mostly in-line with actual growth. The plan assumed an annual growth rate of between 1.5% and 2.5% – with actual growth in the first five years of the plan averaging 1.8% annually.

Capital investments in infrastructure have continued at a steady pace and functional plans have now incorporated projects needed to accommodate future growth called for in the plan. Most of the mitigation actions identified in the Planned Action EIS are either planned or underway (Appendix A).

There continues to be interest in development of the subarea. There have been 15 pre-application meetings held in the last 12 months for potential development projects. Of those pre-application proposals, 12 of them were for townhome developments, while the remaining three were for apartments.

The plan's primary objective to transition the subarea into a transit-supportive community with a variety of housing types is being met. However, opportunity exists for future refinements to the Development Code, functional plans, and other implementation measures. The plan notes:

> *"The ten-year timeframe after light rail begins operating likely will result in more change and redevelopment activity in the subarea than the previous ten years before 2024." – 185th Street Station Subarea Plan*

Challenges to Redevelopment

Although growth within the 185th Street Subarea is generally tracking with the assumptions from 2015, there are challenges and opportunities for improvement. Below is a brief discussion of some of the most commonly identified challenges for redevelopment within the subarea.

Development Agreements and Incentives

Even though the subarea has been (and will be in future phases) significantly up zoned, it may not always add sufficient value to offset costs associated with redevelopment. For example, developers have expressed interest in pursuing development agreements as allowed in the MUR-70' zones, but the value of development incentives such as added building height or more units have not shown to outweigh the costs of additional requirements and need to provide public benefits. In other words, either the incentives or the accompanying tradeoff may not be attractive enough to get the large-scale development intended. This imbalance may be partially the reason for a lack of development in the MUR-70' zone.

Property Aggregation and Plat Restrictions

Data thus far show the demand for townhome developments, with approximately 61% total units coming in the form of townhomes. One factor that may be impacting outcomes related to housing type is the existing small-lot single-family land use pattern in the subarea. Assemblage of multiple lots allow for development at a larger scale. The 185th Street SSP noted:

> *"Site assemblies of one or two parcels could support cottage houses, townhouses, or small rental projects (e.g. fourplexes). Larger land assemblies are likely to be more challenging because of the lower likelihood of successfully getting a large number of property owners to all agree upon terms and conditions of sale." – 185th Street Station Subarea*

The recently adopted townhome design standards may make it more advantageous for aggregation of more lots, but challenges may still exist in combining enough parcels to realize large-scale mixed-use redevelopment opportunities. There are examples of groups of property owners that have jointly marketed their properties for redevelopment, but these have yet to result in any development applications. Further study would be needed to explore ways for the City to proactively encourage property aggregation that would facilitate the large-scale redevelopment envisioned in the subarea plan.

In other instances, there are restrictions relating to minimum lot sizes or prohibited land uses that were established during the platting of areas throughout the subarea. The only way to remove plat restrictions is through a plat alteration process requiring approval from the majority of property owners within the plat. Plat alterations can add uncertainty, time, and cost to a development.

Utilities

No known capacity constraints currently exist based on discussions with individual utility purveyors. The 185th Street SSP identified several planned and recommended utility improvements. However, there remain locations within the subarea which require upgrades of utilities to provide adequate capacity for the compact land uses called for. For example, if parcel(s) proposed for apartment development are currently served by a water line that is undersized then the developer will assume the cost to improve the entire length of the line necessary to bring it up to the needed capacity. This example is the "growth pays for growth" policy in action. Tools do exist, and have been utilized, to provide for reimbursement and/or cost sharing in these instances.

SCL's utility pole relocation and work to convert to three-phase power is another example of upgrading utilities to serve the density and intensity of land uses in the subarea.

Ongoing coordination with individual utility purveyors is necessary to identify areas of potential deficiencies and opportunities to improve.

Building Height

The Development Code allows for a base height of 35 feet, 45 feet, and 70 feet, respectively. The base height in the MUR-70' zone may go to a maximum height of 140 feet with an approved development agreement. However, regulations in the International Building Code limit the height for wood frame construction and has resulted in a development pattern that in many instances defaults to "5-over-2 construction" (i.e. 5 stories of wood frame construction on a two-story concrete podium). The economics of going beyond 5-over-2 and achieving 140 feet may be limited based on costs associated with moving from wood frame to a concrete and steel frame construction type.

An alternative to concrete and steel construction, cross laminated timber (CLT) construction methods continue to evolve and may prove to be a more economical option in the future. With recent examples of CLT buildings rising to 18 stories, Washington state, and subsequently the City, have adopted building code provisions to allow for CLT construction.

Parking

Parking demand and the need for further parking management will continue to evolve with the subarea. The City has started data collection of the public parking supply in both station areas to establish a baseline condition for ongoing monitoring (Light Rail Station Subareas Parking Study, October 2019). Parking data will be monitored and will inform decisions related to parking policy and management.

The amount of parking built as a component of new development is driven by the parking requirements within the Development Code. While a relatively small sample size, apartment developments in the subarea thus far average 0.81 stalls per unit.

It is well documented that minimum parking ratios can be a barrier to development and can have negative impacts on the environment and housing costs, among others. Developers in Shoreline have routinely reported challenges with achieving viable projects when factoring in the City's minimum parking ratios and the requirement that tenants cannot be charged for an off street parking space separate from their monthly rent, effectively forcing a development and the future residents living in it to subsidize free parking.

However, adjusting parking minimums or making other policy changes which affect private parking supply can ripple through and affect the public parking supply. An in-depth study and analysis of parking ratios, and corresponding public parking management policy decisions is beyond the scope of this report.

Conversion of Single-Family Structures to Commercial

There has not been any new commercial development within the subarea during the initial 5+ years since its adoption. The City has been made aware of some interest in converting existing single-family structures for commercial use. However, conversion can be cost prohibitive because of requirements to meet ADA standards and current building and fire codes. Other site improvements, such as sidewalks, are often required as well. Together, these requirements can be a barrier for conversion of single-family structures to commercial use. Preliminary staff research on this topic was started in 2019. Further study would be necessary to identify options and areas for potential policy or code amendments on this topic.

Planned Action

The 185th Street SSP Planned Action EIS identifies impacts and mitigation measures associated with the adoption and implementation of the plan – and accordingly specific development proposals consistent with the development levels specified in the adopted Planned Action ordinance and supporting analysis do not require further review under SEPA.

Development levels, impacts, and mitigation in the Planned Action ordinance continue to adequately address growth within the subarea.

Property Tax Exemption and Affordable Housing

The MFTE program in the 185th Station Subarea is limited to properties zoned MUR-45' and MUR-70' in the phase 1 area. The program's eligibility in the two light rail station subareas is set to expire on December 31, 2021. Further study of the program within the light rail station subareas should be conducted and a recommendation should be made for potential expansion (e.g. extend to phase 2 rezone area) and/or extension of the program prior to its expiration.

Affordable housing requirements will continue to exist within the subarea even if the MFTE program expires. The property tax exemption for qualifying projects lasts a maximum of 12 years. The required duration for affordable units is 99 years from the date of initial occupancy. Some developers have cited the 99-year requirement as a challenge – even with the initial 12-year property tax exemption.

Implementation and Strategic Planning

Implementation of the 185th Street SSP that meets or exceeds the goals of the plan will require ongoing collaboration and partnerships. There are areas within the subarea that may benefit from more detailed planning work to identify opportunities to improve transportation connectivity (e.g. street grid connections) and to "master plan" portions of the subarea for specific infrastructure and transportation needs that could inform future decision-making.

Potential Topics for Future Study and Action

Based on the data summarized above and analysis of progress to date of the 185th Street SSP the following topics may warrant further study to assess whether there is opportunity to more effectively implement the plan in the years to come:

- **Development incentives:** A thorough analysis of development incentives and public benefits could identify imbalances and opportunities to align the value of incentives with the costs of providing the benefits.
- **Property aggregation:** Explore opportunities to proactively encourage property aggregation to facilitate the large-scale developments envisioned in the plan.
- **Parking requirements:** Further study and comparison is needed to determine whether the City's minimum parking ratios and eligible parking reductions for new development are appropriate for an emerging high capacity transit-supportive community. Reducing parking requirements or changing parking management policy (such as allowing landlords to charge tenants for parking) should assess the interrelationship between the public and private parking systems.
- **Conversion of single-family structures to commercial:** Building from preliminary staff research, identify barriers to converting residential structures and options to lessen their impact while still advancing the goals of the 185th Street SSP.
- **Extension and potential expansion of the MFTE program:** The current eligibility applies only to MUR-45' and MUR-70' properties within the phase 1 rezone area and is scheduled to expire at the end of 2021.
- **Implementation and strategic planning:** Conduct detailed planning in opportunity areas with specific infrastructure or transportation needs where further study could help inform future decision-making and potential partnerships.

"…it is important to recognize that the 185th Street Station Subarea Plan will be a long-range plan to be achieved over generations." – 185th Street Station Subarea Plan

Note: build-out mitigation measures (beyond 2035) are not listed

SEPA MITIGATION MEASURE	STATUS	NOTES
Land Use		
Change will occur incrementally over many decades. Proactive planning and capital investments will support the implementation of the adopted Station Subarea Plan over time. The City will update the Shoreline Municipal Code Title 20, the Development Code, to encourage best design practices and design features that enhance the neighborhood and provide a suitable transition between uses. Potential implementation of phased zoning may provide more focus and predictability for the first stages of change.	Ongoing	• Development Code updates to implement subarea plan adopted in 2015 • Townhouse design standards adopted in 2020 • Phased zoning ongoing – Phase 2 scheduled to occur in March 2021 • Market-driven growth is occurring incrementally • Capital investments by City and other agencies such as ST
Population, Housing, and Employment		
Population is expected to grow incrementally over many decades. Proactive planning and capital investment to support implementation of the adopted Station Subarea Plan will occur over time. The City will update the Shoreline Municipal Code Development Code standards to encourage a greater level of affordable housing, housing choices, and expand uses allowed in the Station Subarea. The potential implementation of phased zoning will be explored to provide more focus and predictability for initial decades of growth.	Ongoing	• Development Code updates to implement subarea plan adopted in 2015 included a range of allowable housing types in the subarea as well as required affordable housing and property tax exemptions to encourage development of affordable housing • Market-driven growth is occurring incrementally • Phased zoning ongoing – Phase 2 scheduled to occur in March 2021 • The City is developing a Housing Action Plan that will prioritize development of additional housing tools
Transportation – by 2035 or Earlier		
Implement Transportation Master Plan (TMP) planned improvements and Lynnwood Link DEIS outlined projects	Ongoing	ST will complete all EIS requirements by Shoreline North/185th Station opening (2024). The TMP will be updated over the next several years to address housing/employment growth changes since last TMP (2011)

SEPA MITIGATION MEASURE	STATUS	NOTES
		- revised and/or additional growth projects resulting from new growth projections are expected.
N-NE 185th Street: two-way left-turn lane	Ongoing	ST will complete NE 185th St rechannelization with two-way left turn from approximately 2nd Ave NE to 8th Ave NE by 2024.
Meridian Ave N: two-way left-turn lane	Ongoing	Growth project – have been collecting TIF that would support this effort. There is a safety project that may implement part of this (155th to 175th) by 2022.
N 185th St/Meridian Ave N: 500-foot NB and SB add/drop lanes w/ second through lane and receiving lane; 50 foot EB right-turn pocket	Ongoing	Growth project – have been collecting TIF that would support this effort. ST will be making some improvements to intersection operation by 2024.
Expanded turn pocket lengths for Meridian Ave N and 175th St intersection	Ongoing	See 175th Corridor Project.
Intersection improvements at 15th Avenue NE and NE 175th St Intersection	Complete	Done in 2019 by Traffic Services.
Transportation – by 2035		
Transportation demand management strategies and actions to minimize traffic congestion along N-NE 185th Street, Meridian Avenue N, and other key corridors	Ongoing	See 185th Street Multimodal Corridor Strategy.
Ongoing expansion of the bicycle and pedestrian network along with transit service priority measures	Ongoing	See Sidewalk Program and station area sidewalk improvements described in TIP (funded via ST mitigation) - also described on the sidewalk program page.
Develop specific N-NE 185th corridor plan to prepare for redevelopment	Complete	See 185th Street Multimodal Corridor Strategy.
Continue to monitor traffic volumes on N-NE 185th Street on a bi-annual basis to identify changes in congestion patterns	Ongoing	See Annual Traffic Report.
Employ access management strategies for new development to reduce the number of curb cuts and access points along N-NE 185th Street	Complete	The adopted Engineering Development Manual (EDM) implements strategies related to access management.

SEPA MITIGATION MEASURE	STATUS	NOTES
Expand signal coordination and other intelligent transportation systems (ITS) strategies	Ongoing	No specific program for this, but would be addressed via corridor projects.
Consistent with the TMP, reconfigure the N 185th Street/Meridian Avenue N intersection	Ongoing	ST will complete 185th reconfiguration by 2024 as part of mitigation. 185th/Meridian intersection improvements are part of growth projects and will also be addressed through any funding of the Corridor Strategy follow up actions.
Provide protected/permitted phasing for NB and SB left-turn movements at N 185th Street and Meridian Avenue N	Ongoing	Should be completed by Fall 2020.
Signalization of the intersections along N-NE 185th Street at 5th Avenue NE and 7th Avenue NE may be necessary depending on actual station and parking garage access volumes with implementation of light rail service in 2023	Ongoing	See ST mitigation. No changes (except for 185th turn pocket) on west side of I-5 at 5th/185th. Signalization at 5th Ave NE on the east side of I-5 will be completed by ST by 2024. Roundabout will be installed at 185th/8th by ST by 2024.
As traffic volumes approach the capacity of N-NE 185th Street, evaluate adding lane capacity from Aurora Avenue N to 7th Avenue NE	Ongoing	See 185th Street Multimodal Corridor Strategy.
Consistent with the TMP, reconfigure the N 175th Street/Meridian Avenue N intersection	Ongoing	See 175th Corridor Project.
NE 175th Street and I-5 ramps are within WSDOT jurisdiction and may require additional mitigation	Not started	The City does not have a plan for this currently.
Consistent with the TMP, add bicycle lanes along 1st Avenue NE from the 195th Street trail to NE 185th Street	Complete	Completed in 2017. http://www.shorelinewa.gov/government/projects-initiatives/bike-plan-implementation
Consistent with the TMP, reconstruct 5th/7th Avenue NE with full sidewalk coverage and bicycle lane provision from NE 175th Street NE to NE 185th Street and 5th Avenue NE from NE 185th Street to NE 195th Street	Ongoing	ST completing 180th to 189th. Shoreline Sidewalk Program completing 175th to 180th.

SEPA MITIGATION MEASURE	STATUS	NOTES
Continue to monitor traffic volumes on Meridian Avenue N on a bi-annual basis to identify changes in congestion patterns	Ongoing	See Annual Traffic Report.
Consistent with the TMP, convert Meridian Avenue N to a three-lane profile with a two-way left-turn lane and bicycle lanes	Ongoing	Growth project – TIF currently being collected. Part of this conversion (155th to 175th) may be implemented with a safety project by 2022.
Consistent w/ TMP, install sidewalks on both sides of 10th Avenue NE from NE 175th St to NE 195th St	Ongoing	See 185th Street Multimodal Corridor Strategy. See also Sidewalk Program.
Consistent with the TMP, install sidewalks on both sides of NE 180th Street from 15th to 10th Ave NE	Ongoing	See 185th Street Multimodal Corridor Strategy.
Perkins Way: although future traffic volumes are forecast to be within the capacity of the roadway, evaluate bicycle facilities to improve connections from northeast of the station	Ongoing	Perkins Way is an identified facility on the Bike Master Plan, however there is no clear plan for how to make improvements as the City lacks a funded bike program, it would like be infeasible for a continuous facility to be addressed by redevelopment (outside of rezone), and bike facilities are not currently measured through our concurrency program. Bike facility planning will be addressed more comprehensively through the TMP update. Also see TIP.
Work with Sound Transit on the design of the light rail station and park-and-ride structure to integrate these facilities into the neighborhood and ensure that adequate spaces is provided for all uses (bus transfers/layovers, kiss and ride, shuttle spaces, bike parking ,etc.) to avoid spill over into the neighborhood	Complete / Ongoing Implementation	The City continues coordination with ST on the design and construction of light rail/transit facilities. The Shoreline North/185th Station will include bus layover/transfer space, rider drop-off, bike parking, etc.
Work with Sound Transit on the N-NE 185th Street bridge improvements with a focus on multimodal access and safety	Complete/Ongoing Implementation	See ST construction plan – sidewalks existing, buffered bike lanes will be added by 2024.
Transportation – Parking Management Strategies		
Consider implementation of a residential parking zone (RPZ) to help discourage long-term parking within residential areas by light rail station or retail customers	Ongoing	See Subareas Parking Study and ST Mitigation. Model Traffic Ordinance monetary penalties were recently increased in 2020 anticipating future need for dedicated parking enforcement resource.

SEPA MITIGATION MEASURE	STATUS	NOTES
Consider time limits and restrictions on specific streets to help limit spillover into residential areas and improve parking turnover near commercial use	Ongoing	See Subareas Parking Study.
Provide parking location signage directing drivers to available off-street parking locations to improve vehicle circulation and efficient utilization of parking	Ongoing	ST will install some signage to their garages. Additional real-time or static signage to off-street parking would likely require private-public partnership - See Subareas Parking Study.
Consider changes in parking rates (variable parking pricing) based on time period and demand to manage available supply	Ongoing	See Subareas Parking Study.
If existing parking facilities are being used efficiently, City or property owners may consider adding off-street parking to ease the pressure off of on-street supply	Ongoing	See Subareas Parking Study.
Transportation – Traffic Calming		
Monitor the need for traffic calming on non-arterial streets to discourage cut-through traffic working through the Neighborhood Traffic Safety Program	Ongoing	NTSP has been discontinued but traffic calming practices will be continued through Annual Traffic Report or Driver Education and Awareness efforts. Traffic calming can also be required through development activities; in some cases we are requiring funds be set aside for a certain time period to monitor local street impacts, and will use the funds for traffic calming where necessary.
Transportation – Transit Service Improvements		
As part of the transit service integration plan currently under development, provide specific focus on the N-NE 185th Street corridor to ensure transit vehicles can operate efficiently through the study area.	Ongoing	See 185th Street Multimodal Corridor Strategy. The TMP update may also address this.
Strategies the city may employ include construction of signal priority systems, queue jumps and bus bulbs.	Ongoing	See 185th Street Multimodal Corridor Strategy.
Target potential chokepoints along N-NE 185th Street for these improvements, such as Meridian Avenue N and/or 5th Avenue NE.	Ongoing	See 185th Street Multimodal Corridor Strategy.

SEPA MITIGATION MEASURE	STATUS	NOTES
Evaluate the potential signalization of NE 185th Street and 7th Avenue NE to allow for efficient access of busses into and out of the light rail station.	Ongoing	ST will be constructing signal at 5th/7th/185th intersection (east of I-5) by 2024.
Transportation – Pedestrian & Bicycle Facilities		
Evaluate potential improvements on N-NE 185th from the Interurban Trail to the station including cycle tracks	Ongoing	See 185th Street Multimodal Corridor Strategy.
Coordinate with Sound Transit on bike facilities at the station	Ongoing	ST will be constructing bike lanes on 185th, 5th (both station areas), as well as shared use paths in other locations. They are also building portions of the Trail Along the Rail.
Require bike parking and pedestrian and bicycle facilities as part of redevelopment projects	Ongoing	To create an integrated transportation system accommodating each mode of travel the city's Engineering Development Manual establishes design criteria, standards, and guidelines for complete streets based upon recognized best practices and sound engineering principles in street design, construction and operations (SMC 12.50). New developments are required to construct sidewalks meeting current standards as well as bike parking (both long term and short term) consistent with the Development Code (SMC 20.50.440).
Work with Sound Transit to identify potential locations for a shared use path (pedestrian/bicycle) along the right-of-way secured for the light rail alignment on the east side of I-5; this trail could provide a dedicated north-south connection from the NE 195th Street pedestrian and bicycle bridge to the station	Ongoing	See Trail Along the Rail.
See Perkins Way recommendation above	Ongoing	Perkins Way is an identified facility on the Bike Master Plan, however there is no clear plan for how to make improvements as the City lacks a funded bike program, it would like be infeasible for a continuous facility to be addressed by redevelopment (outside of rezone), and bike facilities are not currently measured through our concurrency program. Bike facility planning will be addressed more comprehensively through the TMP update. Also see TIP.
Install bike lanes on 10th Avenue NE	Ongoing	See 185th Street Multimodal Corridor Strategy.

SEPA MITIGATION MEASURE	STATUS	NOTES
Consider opportunity to implement bike sharing program and additional bike storage near station	Upcoming	To be considered as part of the Transportation Master Plan update in 2020.
Transportation – Other Mitigation Measures		
Continue to implement traffic calming measures along non-arterial streets to prevent cut through traffic, working through the Neighborhood Traffic Safety Program	Ongoing	NTSP has been discontinued but traffic calming practices will be continued through Annual Traffic Report and/or Driver Education and Awareness efforts. Traffic calming can also be required through development activities as a permit condition; in some cases, the City is requiring funds be set aside for a certain time period to monitor local street impacts, and will use the funds for traffic calming where necessary.
Continue to support transit service mitigation measures as needed	Ongoing	Will potentially be addressed more holistically (with possible performance measures) through TMP update.
Implement programs such as bike sharing and car sharing programs working with service providers	Upcoming	To be considered as part of the Transportation Master Plan update in 2020.
Continue to require and implement pedestrian and bicycle facilities and improvements	Ongoing	Continues to be required via code/EDM. Complete Streets Ordinance (SMC 12.50) bolstered requirement for bike facilities.
Public Services		
Provide outreach to and coordinate with service providers (City and non-City) to proactively plan for additional facilities and services from the outset of adoption of rezoning to address needs, which will increase incrementally over many decades	Ongoing	City continues to partner with service providers to identify and plan for necessary capacity improvements to accommodate anticipated growth.
Increases in households and businesses would result in increased tax and fee revenue to help offset cost of providing additional services and facilities	Ongoing	Modest growth within the subarea continues.
Consider the need for potential increases in fees for services to address growth	Ongoing	The City regularly assesses whether fees cover services provided and adjusts as necessary.
In some cases, behavioral changes may help to offset some demand for services (e.g., less waste generated, more recycling, etc.)	Upcoming	

SEPA MITIGATION MEASURE	STATUS	NOTES
Water – by 2035		
Utility providers would need to implement already planned improvements and update service planning and comprehensive plans to address potential growth as a result of rezoning	Ongoing	Regular periodic updates to water master plans take into consideration land use growth projections.
Evaluate/verify long-term storage and facilities needs	Ongoing	See North City/SPU plans.
Upgrade 8,610 linear feet (LF) of 12" water mains, valves, and hydrants in the North City Water District	Ongoing	See North City Water District CIP.
Upgrade 3,030 LF of 12" water mains and 1,480 of 8" water mains, as well as valves and hydrants in the Seattle Public Utilities (SPU) system	Ongoing	See SPU CIP.
Wastewater – by 2035		
Utility providers would need to implement already planned improvements and update service planning and comprehensive plan to address potential growth as a result of rezoning	Ongoing	See Ronald Wastewater District 2020 Comp Plan (currently in works, published by 2035)
Upgrade 9,450 LF of 18" or larger mains, and 648 LF of 12" to 15" mains; upsize lift station #15	Ongoing	Ongoing capacity studies address this mitigation. LS#15 will need to be upsized as well as finding a solution to the emergency overflow onto the WSDOT ROW.
Surface Water – by 2035		
Upgrade 2,617 LF of 24" pipe, 20,422 of 18" pipe, and 4,257 of 12" pipe	Ongoing	The Surface Water Capacity Modeling Study is in the process of identifying existing system capacity and a recommended plan for future systems under redevelopment fully built-out conditions. • In 2020, the scope of this project was amended to focus on redevelopment hot spots, including the 185th Station subarea. • This study is expected to conclude near the end of 2020. • Deliverables include a modeling plan and a capacity model, which the City can use to identify appropriate pipe sizing and routing for full build-out conditions. • Capacity Modeling is a key first step in this effort as it will identify where new pipes should be located, what size those

SEPA MITIGATION MEASURE	STATUS	NOTES
		pipes should be, and which existing pipes may need to be relocated and/or upsized. • Since most redevelopment is expected to trigger on-site flow control and the City is currently exploring other opportunities (such as regional flow control and maximizing GSI) to better manage stormwater flows, the lengths of pipe estimated for upsizing by the SEPA Mitigation Factor are expected to be significantly higher than will be actual needed. The Surface Water Capacity Modeling Study will help to clarify the planned need for upgrades. • Most public stormwater pipe installation and upsizing is currently expected to be completed by redevelopment projects, in service of redevelopment. The SWU will continue to refine the processes in place to delineate the responsibilities of redevelopment for upgrading the public stormwater system. Any possible need for future City CIP projects to install or upsize stormwater pipes within the 185th Station subarea will be evaluated under the next Surface Water Master Planning effort, to begin in 2022. Annual Surface Water programs to repair and upgrade pipes which can be used to implement selective improvements as needed outside of the above efforts include: • Stormwater Pipe Repair and Replacement Program • Surface Water Small Projects Surface Water Utility has also coordinated with the internal Sound Transit team to review SWU infrastructure to be newly constructed or otherwise impacted by ST, to ensure that this infrastructure is consistent with the City’s standards for design, construction, maintenance, and long-term needs.

SEPA MITIGATION MEASURE	STATUS	NOTES
Upsize MC03 pump station	Ongoing	The preliminary design report for upgrading MC03 (also known as Pump Station 26, or PS-26) and other surface water pump stations was completed in 2020. • The design contract will begin in 2020. • Construction of MC03 (PS-26) improvements is scheduled for 2021. • The existing small detention pond and 50-year old pump station will be removed and replaced with all-new underground facilities designed to maximize reliable flood protection, infiltration, storage volume, and flow control. • The additional flow control capacity of the new pump station can potentially be used to provide regional stormwater management for redevelopment within the 185th station subarea. • Other surface water pump stations within the 185th station subarea (Serpentine PS and PS-25) were also included in the 2020 preliminary design report. Minor upgrades these pump stations are anticipated to be designed and constructed in 2022 and 2023, respectively.
Encourage and implement low impact development (LID) and green stormwater infrastructure to higher level than required by DOE	Ongoing	In 2020, the Engineering Development Manual (EDM) was updated with the following new guidance to encourage LID/GSI in development/redevelopment: • A new threshold for flow control was added for sites proposing over 50% impervious surface. LID/GSI features will help projects stay under this threshold. • Permeable sidewalks in the ROW are now explicitly allowed in the EDM. • New standard details for LID facilities, including permeable sidewalks and bioretention

SEPA MITIGATION MEASURE	STATUS	NOTES
		In 2020, Surface Water will work with Development Review to review the next version of Ecology's Surface Water Management Manual for Western Washington • Review the infeasibility criteria for LID/GSI and consider revising • Continue to add and update new standard details for LID facilities
Explore sub-basin regional approach to stormwater management to reduce costs and incentivize redevelopment	Ongoing	Surface Water has begun to explore opportunities to implement regional stormwater facilities within the 185th Station Subarea: • The most currently promising opportunity is the additional storage volume and flow control facility to be created under the MC03 pump station (PS-26) upgrade project. PS-26 receives drainage from a large portion of the heart of the subarea. Fully utilizing this facility for regional stormwater management will require creating new legal and funding mechanisms which were previously explored under the Boeing Creek Regional Stormwater Facility Study, but have yet to be developed. • Other opportunities being explored include identifying other potential locations for regional stormwater facilities as part of the Surface Water Capacity Modeling Study, and having discussions with Parks regarding possible underground regional facilities at optimal City park locations. These explorations are currently very preliminary.
Electricity, Natural Gas, & Communications (to serve 2035 & build-out growth)		
Provide outreach to and coordinate with service providers to proactively plan for additional facilities and services from the outset of adoption of rezoning to address needs, which will increase incrementally over many decades	Ongoing	Coordination with service providers as needed on a project-by-project basis.

SEPA MITIGATION MEASURE	STATUS	NOTES
Increases in households and businesses would result in increased fee revenue to help offset cost of providing additional services and facilities	Ongoing	Modest growth within subarea continues.
Consider the need for potential increases in fees for services to address growth	Ongoing	Service providers regularly assesses whether fees cover services provided and adjusts as necessary.
Explore district energy options and incentivize green building	Ongoing	City has adopted Deep Green Building Incentive Program for the subarea.
Behavioral changes may offset some demand for services	n/a	

Council Meeting Date: November 30, 2020	**Agenda Item:** 9(b)

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussing the Addendum to the Feasibility Study for Transfer of Development Rights and the Landscape Conservation and Local Infrastructure Program (LCLIP) in Shoreline
DEPARTMENT:	Planning & Community Development Administrative Services
PRESENTED BY:	Steven Szafran, AICP, Senior Planner Sara Lane, Administrative Services Director
ACTION:	____ Ordinance ____ Resolution ____ Motion _X__ Discussion ____ Public Hearing

PROBLEM/ISSUE STATEMENT:

The Landscape Conservation and Local Infrastructure Program (LCLIP) was passed into State Law in 2011. 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 program gives the City access to a new form of revenue in return for TDR from regional farms and forests. LCLIP creates incentives for both land conservation in the county and infrastructure improvements in the city.

The City received a grant to study the feasibility of applying LCLIP in the 145th and 185th light rail station subareas, Town Center, and the Community Renewal Area (Aurora Square). Council discussed the updates to the LCLIP Feasibility Study (LCLIP Study) on July 27, 2020 and directed staff and the consultants to provide examples of how the program would work with real examples throughout the City.

Tonight's meeting is a chance for Forterra, ECONorthwest, King County, and staff to present practical examples of placing TDR credits with new development projects in various zones in the City. Included with tonight’s report is an addendum to the LCLIP Study that address Council’s comments from July 27, 2020. The addendum includes three development scenarios that show how Shoreline may implement LCLIP with the placement of TDR credits using proposed incentives.

After tonight’s discussion, Council may provide direction to City staff on whether the City should continue pursuing a TDR program including LCLIP based on the results of the updated LCLIP Study and information from tonight’s presentation. This would include the development of an LCLIP ordinance and a complimentary TDR program for future Council consideration. If Council chooses to pursue an LCLIP program, staff will work with Forterra and King County to implement the program.

RESOURCE/FINANCIAL IMPACT:
If the Council chooses to pursue a TDR program and LCLIP for Shoreline, there may be a range of financial implications. The 2020 Feasibility Report has been updated and the report finds that the City stands to gain $8.3 to $12.8 million dollars for infrastructure improvements from revenue generated by new development over a 25-year period if all the City's allocated TDR credits are placed.

RECOMMENDATION

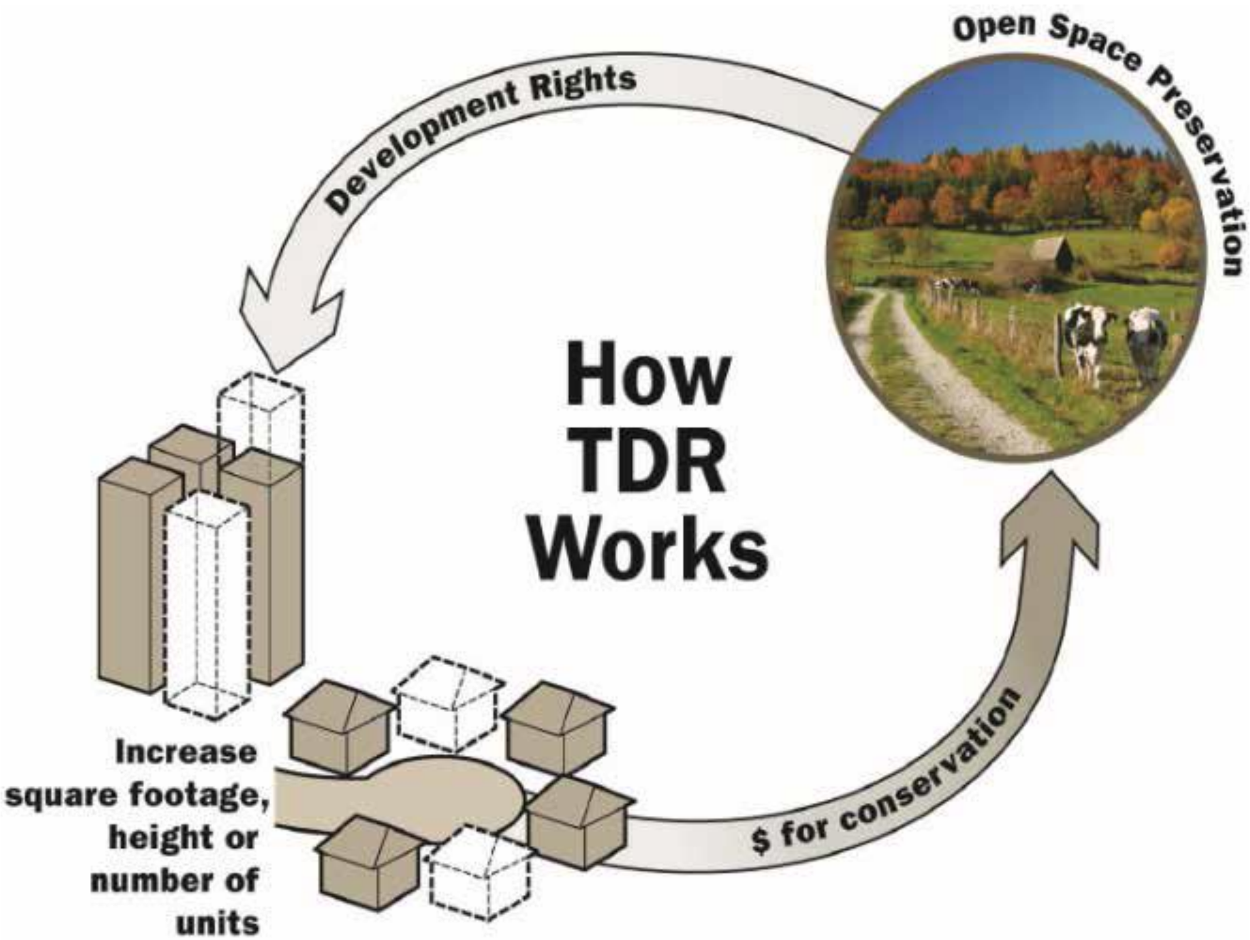
Staff recommends that Council direct staff to draft an LCLIP ordinance for potential future adoption and a complimentary TDR program for future Council consideration. The draft program would include Development Code Amendments for incentives to sell TDR credits, TDR exchange rates, receiving areas, sending areas, and Local Infrastructure Project Area (LIPA), as well as Council direction from this evening's discussion.

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 within the county and infrastructure improvements in cities. 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, that encourage vibrant, livable cities.

A TDR is considered a unit of development. Instead of prime rural farm, forests, and open space lands being developed with new residential units, those units are relocated to urban areas with services that can support increased densities. Developers may pay property owners of rural resource lands for those TDRs and cities can provide an incentive for doing so. Incentives can come in many forms and are addressed later in this staff report.



An initial discussion of the LCLIP was held with Council 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 to include TDRs into the light rail station subareas. In exchange for zoning low density areas to transit supportive densities, the City will have access to financing for revitalizing designated districts. The City could bond against the future tax revenue generated by the development projects to make essential infrastructure improvements.

On July 20, 2015, City staff, King County, ECONorthwest, and Forterra presented the findings of the Shoreline LCLIP Feasibility Study (LCLIP Study) 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.

On November 6, 2017, Council authorized $30,000 to update the LCLIP Study to determine if the City should continue to work with Forterra and King County to implement a TDR program with LCLIP. The staff report for this meeting can be found at the following link: http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport110617-9a.pdf.

On July 27, 2020, City staff, King County, ECONorthwest, and Forterra presented the findings of the 2020 update to the Shoreline LCLIP Feasibility Study (LCLIP Study) 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/2020/staffreport072720-9b.pdf.

DISCUSSION

Following a presentation to Shoreline City Council on July 27, 2020 on the revised LCLIP Study (Attachment A), Councilmembers requested additional context and examples to illustrate a wider range of potential scenarios under which the City could implement LCLIP. Based on requests from Councilmembers, the consultant team prepared a supplemental analysis (Attachment B) that demonstrates a more graduated array of options for how LCLIP could work based on a range of factors. These scenarios provide additional detail to inform Council decision-making on how to proceed with LCLIP, noting that the consultants' recommendations remain consistent with those in the main body of this report. The primary recommendation is that Shoreline will gain the most value and achieve the most conservation through the program by using it to the fullest potential by accepting the full 231 TDR credit allocation.

The following scenarios reflect three different configurations of how Shoreline might implement LCLIP based on Council direction and preferences. A summary table comparing all the options follows the narrative descriptions and discussion. As a reminder of the dynamics of LCLIP, revenue is a function of three factors:

1. Geography. The more assessed value a city includes in the program (up to a maximum of 25%), the more revenue it will generate.
2. TDR use. The more credits a city commits to placing, the more revenue it will generate.
3. Growth. The more new construction that occurs, the more revenue it will generate.

The three scenarios, which are summarized below, represent small, medium, and large choices in terms of scale of utilization. It is also helpful to know the definition of building types used in the scenarios below and in the addendum. The three building types are:

1. **Stacked-flat.** This type of building refers to a multifamily or mixed-use building that is purely wood construction between two and five stories.

2. **Podium.** This type of building refers to a multifamily or mixed-use building that is wood-framed construction over a base of concrete. These types of building typically consist of five stories of wood framed construction over one or two stories of concrete and can be up to 85 feet high.

3. **Midrise.** This type of building fills the gap between podium buildings and high-rise buildings. In Shoreline's case, a midrise building is between 85 feet and 140 feet high, which is the maximum height allowed in the MUR-70' zone with an approved Development Agreement.

Each scenario also provides an "Example Revenue Benefits" section that helps to illustrate the value of the funds generated by presenting examples of some actual projects that could be supported by the additional revenue. Actual projects and work funded would be identified as part of the plan for development of public infrastructure within the Local Infrastructure Project Area (LIPA).

Scenario One – Station Emphasis

This scenario limits the LCLIP program to the light rail station subareas (MUR-70' and MUR-45' zones), which represents 5% of the City's total assessed value. The incentives offered include additional building height, parking reduction, and multifamily tax exemptions (MFTE). In this scenario, a single midrise project would place 14 TDR credits, netting a return on investment of approximately $420,000. A stacked flat project would place two TDR credits, netting a return of approximately $58,000.

If Shoreline commits to half of its total TDR allocation – 115 credits – then the City could achieve this placement through a combination of six midrise projects and 15 stacked flat projects over a 20-year period. In other words, each station area might see three midrise projects and seven or eight stacked flat projects. With this combination of TDR placement, geography, and growth, LCLIP would generate between $3.2 million and $6.3 million over the term of the program, or $1.9 million to $3.8 million net present value (the amount for which the City could bond for should it choose that revenue stream).

If the City commits to its full TDR allocation – 231 credits – it could achieve this placement through a combination of 12 midrise projects and 29 stacked flat projects over a 20-year period. In other words, each station area might see six midrise projects and 14 or 15 stacked flat projects. This scenario would generate $6.3 million to $12.6 million over the duration of the program, or $3.8 million to $7.5 million net present value (NPV).

Example Revenue Benefits:

1. Fund parks repair and replacement, playground replacement, and turf and lighting repair.
2. Fund Sidewalk Rehabilitation Program through 2022 and install new sidewalks on 1st Avenue NE from N 145th Street to N 155th Street and from N 192nd Street to NE 195th Street.

Incentives Needed:

1. One additional story in MUR-45'.
2. Parking reduction for TDR placement.
3. 8-year MFTE.

<u>Scenario Two – Expanded Emphasis</u>

This scenario broadens program use to a geography containing zones in the light rail station subareas (MUR-70' and MUR-45') as well as Town Center zones (TC-1, 2, and 3), which represents 15% of the City's total assessed value. The types of construction suited for these zones are midrise – potentially constructed from cross-laminated timber – podium, and stacked flats. In this scenario, a single midrise project would place 14 TDR credits, netting a return on investment of approximately $420,000. A podium project would place six credits, netting a return of approximately $186,000. A stacked flat project would place two TDR credits, netting a return of approximately $58,000.

If Shoreline commits to half of its total TDR allocation – 115 credits – then the City might achieve this placement through a combination of four midrise projects, eight podium projects, and 12 stacked flat projects over a 20-year period. In other words, each station area might see two midrise projects, four podium projects, and six stacked flat projects. With this combination of TDR placement, geography, and growth, LCLIP would generate between $6.3 million and $9.5 million over the term of the program, or $3.8 million to $5.7 million net present value.

If the City commits to its full TDR allocation – 231 credits – it could achieve this placement through a combination of eight midrise projects, 16 podium projects and 16 stacked flat projects over a 20-year period across both light rail station areas and Town Center. This permutation would generate $12.6 million to $18.9 million over the duration of the program, or $7.5 million to $8.2 million NPV.

Example Revenue Benefits:

1. Fund improvements to pedestrian and bike connectivity along N 195th Street from 5th Avenue NE to the I-5 pedestrian bridge, as well as citywide surface water projects and park restroom improvements.
2. Fill the existing funding gap for constructing the 148th Street Non-Motorized Bridge.

Incentives Needed:

1. One additional story in MUR-45' and Town Center zones.
2. Parking reduction for TDR placement.
3. 8-year MFTE.

Scenario Three – Full Utilization

This scenario broadens program use to a geography containing zones in the light rail station subareas (MUR-70' and MUR-45') as well as Town Center zones (TC-1, 2, and 3), plus multifamily and commercial zones (Mixed-Business, Neighborhood Business, Community Business, and R-48) which represents 23% of the city's total assessed value. This geography strikes a balance of demonstrable nexus between growth and infrastructure need with the potential to generate revenue and achieve conservation.

If Shoreline commits to half of its total TDR allocation – 115 credits – then the City might achieve this placement through a combination of four midrise projects, eight podium projects, and six stacked flat projects over a 20-year period across the program geography. In other words, each station area might see two midrise projects and four podium projects, while the stacked flat projects are distributed across the MUR-45', TC-1, 2, and 3, commercial zones, and R-48 zones. With this combination of TDR placement, geography, and growth, LCLIP would generate between $9.5 million and $12.6 million over the term of the program, or $5.7 million to $7.5 million net present value.

If the City commits to its full TDR allocation – 231 credits – it could achieve this placement through a combination of eight midrise projects, 16 podium projects and 11 stacked flat projects over a 20-year period. A development pattern might look like four midrise buildings and four podium projects in each light rail station area, eight podium projects in Town Center, and the stacked flats spread across the commercial zones and R-48. This scenario would generate $18.5 million to $25.2 million over the duration of the program, or $8.2 million to $15.1 million NPV.

Example Revenue Benefits:

1. Fund improvements to the Westminster Way N and N 155th Street intersection, as well as upgrades to surface water pump stations 26 and 30.
2. Fund most of the cost of improvements to the I-5 and NE 145th Street interchange.

Incentives Needed:

1. One additional story in MUR-45', Town Center zones, commercial zones, and R-48.
2. Parking reduction for TDR placement.
3. 8-year MFTE.

TDR Incentive Recommendations

As you have read above, the addendum recommends three incentives be added to the Development Code to make placement of TDR credits work in the City of Shoreline. These incentives are building height, parking reduction, and MFTE. These incentives are analyzed below.

Additional Building Height:
Purchase of TDR credits will allow developers to build above the base zoning height limits in certain zones up to a defined maximum height. The addendum identifies adding an additional 10 feet of building height in the MUR-45', Town Center zones, commercial zones, and the R-48 zones. The Development Code already has provisions for additional building height in the Residential R-48, Mixed Use Residential (MUR)-35', MUR-45', MUR, 70', Neighborhood Business (NB), Community Business (CB), Town Center (TC)-1, 2, and 3, and Mixed-Business (MB) zones. For example:

1. MUR-70' allows up to a 20-foot height increase if 20 percent of the significant trees onsite are retained.
2. The CB zone allows an 18-foot height increase if restaurant ready spaces are constructed in the North City and Ridgecrest Neighborhoods.
3. Buildings in the commercial zones (MB, CB, and NB) can add up to 15 feet of building height if providing roof-top amenity spaces.

Council may want to consider the competing incentives for additional building height. Council could choose to allow the combination of incentives in order to encourage TDR placement. For example, a developer could save 10 percent of the significant trees on an MUR-70' site (adds 10-feet) and purchase TDR credits (adds 10 feet) for an additional 20 feet of building height. This scenario may be appropriate in the MUR-70' zone as these zones are near the light rail stations and are anticipated to be more intense.

Parking Reduction:
Purchase of TDR credits could allow developers to build fewer parking stalls in certain projects. Parking reductions are a valuable incentive as the price of a typical structured parking space now exceeds $60,000, whereas an average TDR credit costs $30,000. In the scenarios presented in the addendum, one TDR credit is roughly worth one structured parking space or up to seven (7) surface parking spaces.

The parking incentive can be restricted by the number of parking space reductions per project, areas of where reductions may occur (near light-rail station or other high-capacity transit areas), or a cap on the total reductions citywide. The City has conducted a parking study in the Station Subareas (185th and 145th Streets) and has concluded there is capacity for on-street parking for at least the next 10 years. This could be justification for allowing parking reductions near the light-rail stations in the MUR-70' and MUR-45' zones as suggested by the LCLIP study and addendum.

Multifamily Property Tax Exemption (MFTE):
Council may authorize an 8-year MFTE for mixed-use projects with no affordability requirement for developers that purchase TDR credits. This is a valuable incentive to developers when paired with additional incentives of building height and parking reductions. The study shows this will be an effective driver of TDR placement credit. For example, an 8-year MFTE on a mixed-use building saves a property owner an estimated $500,000 on taxes over eight years. In return, a developer may purchase for example, four TDR credits at a cost of $120,000, saving a developer $380,000 over the eight years. The City does not have an 8-year MFTE program in place at this time and would require Council to create one.

While the 8-year MFTE may encourage TDR placement, the City may lose out on new affordable housing units if developers choose to take advantage of the 8-year MFTE program instead of the City's current 12-year MFTE program. TDR credits will compete with affordable housing units until all 231 credits are extinguished. The Comprehensive Plan, Council Goals, and the Development Code encourage and mandate affordable housing to create housing for all economic segments of the population. Trading TDRs for affordable housing could delay the creation of a certain number of affordable housing units.

Another issue a developer, and the City, may face in the MUR-45' and MUR-70' zones is the requirement to provide 20% of the multifamily rental units as affordable. Because affordable housing is required to be developed in the MUR-45' and MUR-70' zones, a developer will most likely choose to take advantage of the 12-year MFTE program, making the placement of TDR's in the MUR-45' and MUR-70' zones unlikely. Staff have also heard from developers that the 12-year MFTE program is not long enough to support the reduced rents of the 99-year requirement to maintain the affordable housing unit. It's for this reason that developers are seeking legislative changes to extend the MFTE program to 20-years. The scenarios described above did not extinguish the affordability requirement in the MUR-45' and MUR-70' zone when building up to 70-feet high. The scenarios did exempt buildings over 70-feet high from the affordability requirement. Buildings between 70-feet and 140-feet would be exempt from providing affordable housing units but would be required to place TDR credits through the approval of a Development Agreement by Council.

Policy Direction Requested

During the July 27, 2020 Council meeting, staff asked Council to provide direction on various policy questions and whether Council wanted to move forward with a TDR Program and LCLIP Ordinance. Given the potential development scenarios provided in the updated LCLIP analysis, staff is interested in receiving confirmation from Council on the following policy questions, and whether Council would like to move forward with the implementation road map (next steps) described below.

1. **Does the Council support designating the three LIPA areas shown in Attachment C to this staff report, which cover nearly all the commercial and mixed-use zones in Shoreline?**
   As a reminder to Council, the LIPA must:
   - *Include contiguous land;*
   - *Not overlap another LIPA;*
   - *Contain all public improvements to be financed within its boundaries; and*
   - *In the aggregate, be of enough 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.*

2. **Is Council willing to consider the proposed incentives, including additional height in a majority of the commercial and mixed-use residential zones, parking reductions for TDR purchase, and an 8-year MFTE with no housing affordability requirement for the purchase of TDR credits?**

The proposed list of incentives would be drafted as Development Code amendments in a new section within the Development Code. Without incentives to sell TDR credits, staff believes a TDR program and LCLIP implementation will be ineffective and unused.

3. **How many TDR credits is the City willing to except?**
   Shoreline has been allocated 231 credits. The more credits that are placed, the more potential dollars can be realized.

Implementation Road Map

If the Council directs staff to move forward, staff will begin working on the following implementation road map next steps (dates are tentative and subject to change):

1. **Hold a public hearing on the proposed formation of the LIPA and adopt an ordinance or resolution creating 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. Since the notice of public hearing must be 180 days in advance of the hearing, the public hearing would not occur until after the six-month noticing period.

   The ordinance or resolution creating the LIPA must:
   - Describe the proposed public improvements.
   - Describe the boundaries of the proposed LIPA (currently this includes the Aurora corridor, Light Rail station areas, and commercial nodes in Hillwood and Echo Lake).
   - 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.

2. **Adopt a plan for development of public infrastructure within the LIPA.**
   The public infrastructure 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 how the public improvements will be financed.
   - Estimate the number of transferable development rights that will be used.
   - Estimate the cost of the public improvements.

   This plan will be developed and approved by the Public Works Department ideally during the public noticing period for the LIPA. The Public Works Department may need to amend the Capital Improvement Plan/Transportation Master Plan and possibly the Engineering Development Manual. Discussions with Public Works indicate that they would recommend that Council use the money generated from LCLIP for ongoing sidewalk maintenance within the LIPA Areas as well as a portion of infrastructure maintenance in order to address the fact that the City's new construction property tax growth in the LIPA areas that is currently general revenues will now have restrictions matching the King County LCLIP revenues.

3. **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.**
   As noted above, Shoreline's share of TDRs is 231 credits. Council can specify how many TDR credits the City is willing to accept through the Resolution adopting the TDR program. Potential revenue is impacted by any reduction in the number of TDR credits accepted. Council could also consider whether to include any TDRs from another city through an interlocal agreement.

4. **Adopt transfer of development rights policies and/or implement development regulations.**
   Adoption of transfer of development rights policies and/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 incentives 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.

Staff would propose to bring back Development Code amendments that include developer incentives to encourage the selling of TDR credits, a fee schedule addition to indicate the pricing for TDRs, proposed program mandates (for example, you must buy one TDR for every 10 units developed), and other incentives proposed in the LCLIP Study. Staff would coordinate the proposed Ordinance to amend the Development Code with the Ordinance for the LIPA Area and the Ordinance establishing the TDR Program at the same time for Council review and consideration. The City may also elect to adopt an optional

Comprehensive Plan element and optional Development regulations that apply within the LIPA.

RESOURCE/FINANCIAL IMPACT

If the Council chooses to pursue a TDR program and LCLIP for Shoreline, there may be a range of financial implications. The 2020 Feasibility Report has been updated and the report finds that the City stands to gain $8.3 to $12.8 million dollars for infrastructure improvements from revenue generated by new development over a 25-year period if all the City's allocated TDR credits are placed.

RECOMMENDATION

Staff recommends that Council direct staff to draft an LCLIP ordinance for potential future adoption and a complimentary TDR program for future Council consideration. The draft program would include Development Code Amendments for incentives to sell TDR credits, TDR exchange rates, receiving areas, sending areas, and Local Infrastructure Project Area (LIPA), as well as Council direction from this evening's discussion.

ATTACHMENTS

Attachment A – Final LCLIP Report
Attachment B – Supplemental Analysis – Potential Development Scenarios
Attachment C – Proposed LIPA Areas in Shoreline

Shoreline LCLIP

Findings and Recommendations

2020 update to 2015 report

Prepared for:

City of Shoreline

Final Report

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Contact Information

Morgan Shook (ECONorthwest) and Nick Bratton (Forterra) prepared this report.

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Executive Summary

Purpose of Report

This report reflects an update to a body of work originally completed in 2015. The need for an update reflects several factors:

- Changes in the real estate market and demand for growth in Shoreline since the initial study,
- A more imminent approach of light rail service opening in the City, and
- A growing need for infrastructure funding to pay for capital facilities that support current and future growth.

This revised version contains findings and recommendations that are based on analysis of the most recent data. The intent is to inform decision making around land use policy and development regulations in areas of the city where growth is desired and to present a refreshed picture of a new funding option that can pay for infrastructure improvements.

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 185th and 145th Street light rail station subareas, Town Center, Aurora Square, and parts of the Ballinger and Hillwood neighborhoods, 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 gives cities access to a new form of revenue in return for 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 local governments.

In exchange for the placement of development rights in designated districts, the jurisdictional county (in this case King County) agrees to contribute a portion of its regular property tax collected on all new construction in the designated districts to the sponsoring city for use for a period of 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 the 35 largest cities in the central Puget Sound counties of King, Pierce, and Snohomish.

What did the study find?

The analysis shows a range of situations in which LCLIP could succeed. In a scenario if half of the City's PSRC 2035 growth target occurs in the Study Area, LCLIP could generate net revenue of $8.5 million (net present value, or $14.4 million in nominal terms) for infrastructure in Shoreline. Should the City exceed that growth, the net revenue would increase to $12.8 million (net present value, or $21.6 million in nominal terms).

The future light rail station areas can play a role in the city meeting its growth targets. Following the adoption of subarea plans, the 185th 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 145th Street station area offers similar possibilities, while developer agreements in Aurora Square and multifamily projects in Town Center and business zones 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 enough 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.

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 subarea plans adopted for the light rail station areas encourage 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 and other neighborhoods highlights other areas in the City that could both support the City's use of LCLIP and benefit from public improvements – particularly around mobility and connectivity. Finally, redevelopment of Aurora Square could be a variable, and potentially influential, contributor to the success of LCLIP in Shoreline.

The 2015 analysis showed 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.

The 2020 updated analysis shows, assuming a 100% specified ratio (the City commits to all 231 credits), the program could generate $8.5 to $12.4 million (net present value, $14.4 to $21.6 million in nominal terms) over the 25-year period.

Shoreline can pursue a range of actions to maximize the benefits of LCLIP while minimizing the risks of not meeting performance milestones. In thinking about using LCLIP, the City should consider a suite of actions that collectively would take advantage of conditions for the program to succeed. The following is a course of action that the city can pursue to further integrate TDR and set the stage for LCLIP implementation.

Set the stage for LCLIP success with a sound TDR framework

This is the first of two steps for using LCLIP. Before proceeding to LCLIP adoption, Shoreline could pursue policy and code changes outlined in this (updated) report to create a viable TDR program. This would give the City a solid foundation with a complete set of mechanics and the administrative structure for using the tool. With a TDR program in place that is designed to anticipate the demand for growth that should accompany expanded regional transit service, Shoreline will be positioned to adopt LCLIP when the conditions are best suited for success.

Prepare LCLIP legislation and identify conditions for adoption

Secondly, subsequent to (or concurrent with) TDR program creation, Shoreline can prepare legislation for adopting LCLIP. The City could draft an ordinance containing all the components specified by the statute (see Implementation Road Map below) and keep it ready for introduction when development conditions are prime for adoption. This would be the opportune time to negotiate an interlocal agreement with King County, so it is also ready for adoption. In this approach all legislation and agreements are ready for consideration on short notice, giving Shoreline the ability to act quickly when the timing is ideal for starting LCLIP.

The 25-year clock begins on the effective date of a city's LCLIP ordinance. It is inefficient to start the clock in the absence of new construction or TDR credit placement – the program would neither generate revenue nor achieve conservation for an unknown period. In order to take full advantage of LCLIP's benefits, Shoreline should set the program in motion when a developer proposes a project in a LIPA that would place TDR credits. This way the City begins LCLIP with progress towards TDR credit placement goals and new construction generating revenue from the outset. Implementing this adoption strategy would require a specific sequence of actions:

1. Design and adopt TDR program framework
2. Draft LCLIP implementing ordinance
3. Negotiate interlocal agreement with King County
4. Track development activity in proposed LCLIP areas
5. When a development comes forward that would use TDR, bring LCLIP ordinance (and interlocal agreement, if applicable) through the legislative process for adoption

Summary recommendations for path to LCLIP implementation

- Create a TDR program first.
- Commit to all 231 credits to maximize revenues.
- Establish LIPAs that encompass the revised study area geography to include the widest possible growth potential and increase the opportunity for TDR placement.

- 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.
- Make the necessary code changes to implement TDR within the development code.

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.
- As needed, a shared strategy approach with King County or another partner agency should be included in an approach to retiring TDR credits.

Table of Contents

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1 Project Overview

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 145th and 185th 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.

The 2020 update to this study expands the geography of the Study Areas to include more of Aurora Avenue, an extension of the 145th station area to the east, and portions of the city zoned for business and higher intensity residential use. Section 3 covers this in greater detail.

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 retaining a portion of county revenues, cities agree to accept several 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. The intent is to achieve a nexus among encouraging growth where it is desired, investing in public improvements, and conserving important resource lands.

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 zoning and potential 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 2050 is the region's strategy for accommodating future growth through the next 30 years. The strategy focuses on concentrating population and employment growth in cities that are best suited for growth and have the infrastructure, parks, schools, transit, and services to support it. Individual cities implement the goals of the Vision through their comprehensive plans and zoning regulations in accordance with the Growth Management Act (GMA).[1]

The GMA encourages "innovative land use management techniques" such as TDR to help local governments achieve their planning goals.[2] 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 2050 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 planning horizon. 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 need 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 to 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 inform Shoreline'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?
- Added in the 2020 update: clarify the City's obligations, risks, and constraints under the program.

[1] Washington State Department of Commerce. Website accessed July 2015.

[2] 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.
- **Incentive Zoning and TDR Assessment:** This section summarizes the capacity for redevelopment in the Study Areas and provides an assessment of the feasibility of TDR under current development economics and offers some insight on its potential use. A 2020 addition is a deeper discussion of incentives and recommended framework for implementing the TDR portion of the program.
- **LCLIP Revenue Assessment:** This section reviews development trends in the study area, projects development over the next 25 years. This section then assesses the revenue potential of an LCLIP program under different growth and TDR absorption scenarios.
- **Program Findings and Recommendations:** This section summarizes the key findings from previous sections and provides recommendations for using LCLIP based on those findings.
- **Implementation Road Map:** Lastly, this section outlines the steps necessary should the City decide to establish a TDR program and participate in the Landscape Conservation and Local Infrastructure Program.

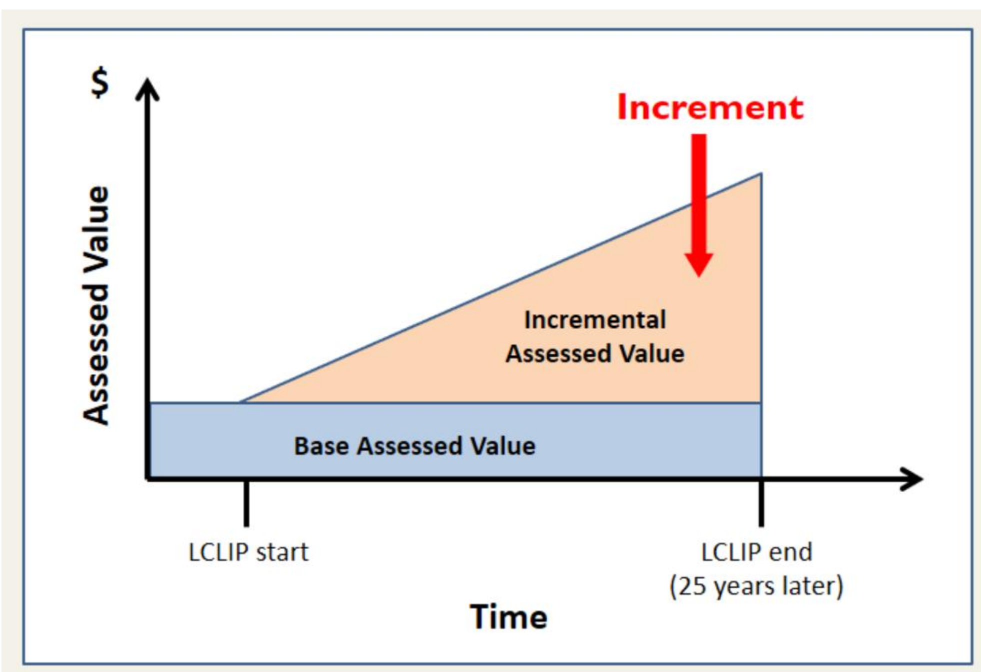
2 LCLIP Program Review

2.1 Program Overview

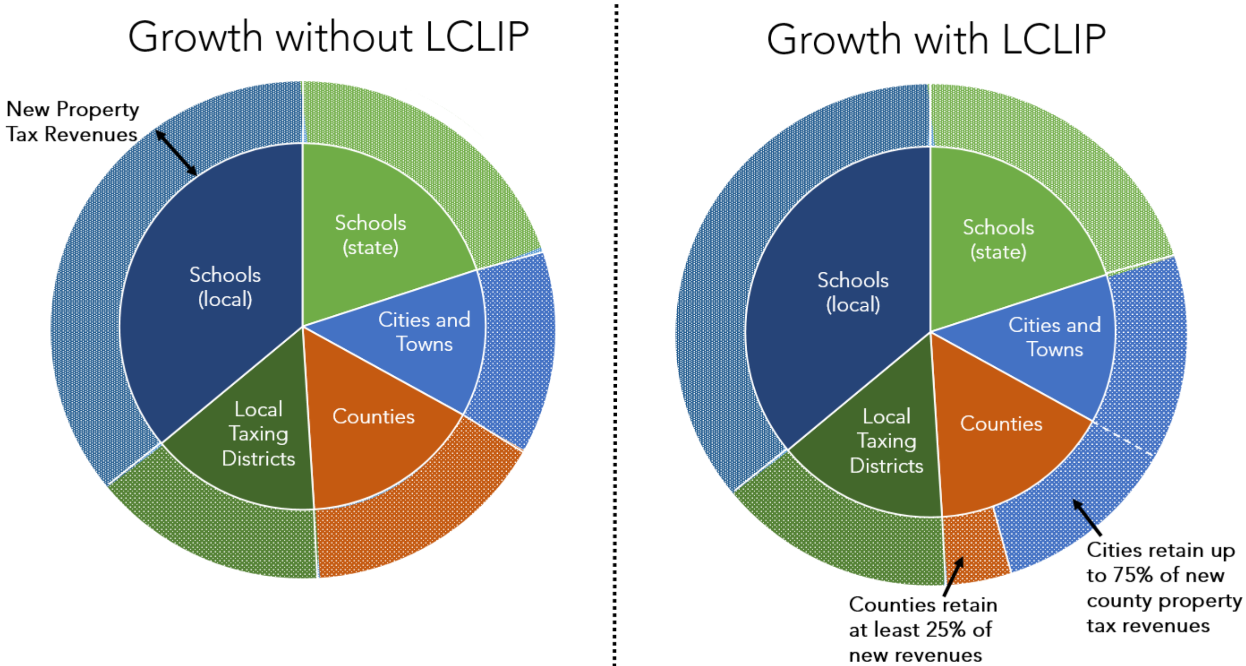
LCLIP is a form of tax increment financing combined with transfer of development rights. The program was enacted in 2011 (RCW 39.108) and is the only one of its kind in the country. The Washington State legislature created the program based on its finding that:

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 gives the cities access to a new funding source by allowing them to retain a portion of the county's regular property tax on all new construction in a defined area for a limited time. In return, cities must create a mechanism to place development rights and commit to the acceptance of a specified amount of regional development rights. In exchange for the placement of development rights in LCLIP districts, the jurisdictional county (King County in this case) agrees to contribute a portion of its regular property tax revenue to the City for a period of up to 25 years. The City benefits from the additional revenue, King County benefits from the conservation of resource lands as a result. Thirty-five cities in King, Pierce, and Snohomish Counties are eligible to participate in the program. The following graphic shows how LCLIP generates revenue from new construction over time. The incremental assessed value is the portion of revenue that cities retain.



LCLIP involves only a portion of the incremental property taxes generated from new development within the defined program geography. This is not a new tax to residents or businesses. The remaining portion of the property tax still accrues to the 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. The following graphic illustrates how property tax revenues are distributed with and without LCLIP:



2.2 Use of LCLIP Funds

As defined by the statute, cities can use LCLIP-generated funds to pay for public improvements in the program 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 tax increment financing in Washington in that it provides more flexibility on how the funds may 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

LCLIP generates revenues from new construction so existing buildings and revaluation do not count towards calculations. It is important to note that revenues come from all new construction in the program areas, not just from development projects using TDR. These revenues derive 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. Upon creating a district, the City retains a portion of the County's share of property taxes – up to 75% of the assessed value of new construction. How close to 75% depends on how many TDR credits the City commits to accept – see next section.

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, although accrual of these revenues commences upon LCLIP adoption. The program can run for a maximum of 25 years on the condition that cities meet performance milestones (explained below).

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% 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. This example assumes that a city commits to accepting its full complement of TDR credits.

TDR Credit Commitment

In adopting LCLIP, a 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. PSRC assigned more credits to those cities expecting higher growth. For comparison, a sample of allocations for different cities includes:

- Seattle - 3,440 credits
- Everett - 1,491 credits
- Tacoma - 1,843 credits
- Mountlake Terrace – 92 credits
- Puyallup – 365 credits

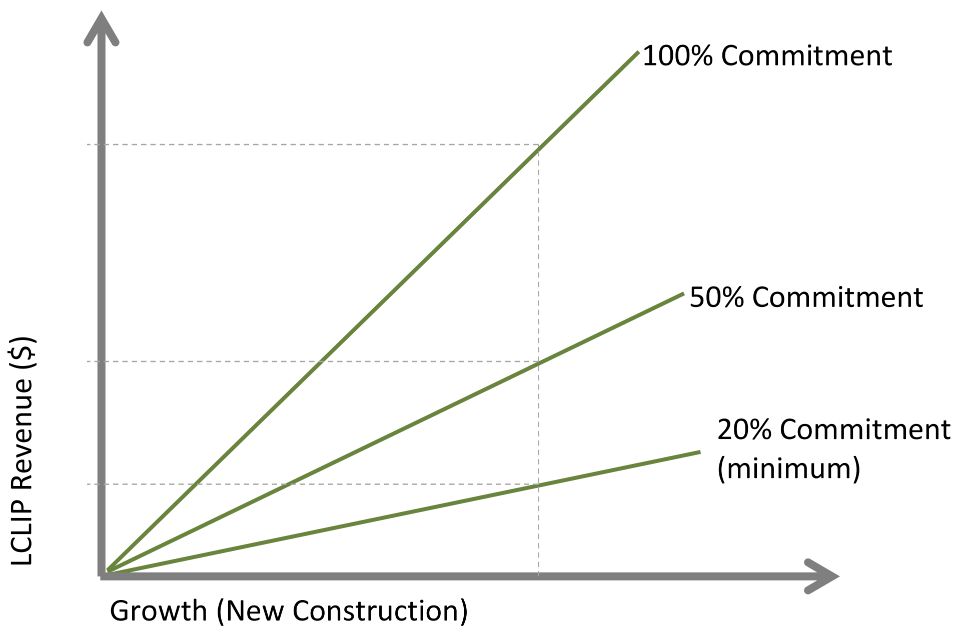
Shoreline's allocation from PSRC is 231 TDR credits. The statute requires that, in order to participate in LCLIP, a city must commit to accepting between 20% and 100% of its allocated credits. This gives cities flexibility in using the tool. Rather than an all-or-nothing proposition, cities can choose to commit to several credits that reflect its own needs or projected likelihood of placement. The decision of how many credits to accept directly affects the amount of revenues a city retains. The statute links TDR use to revenue: the more credits a city commits to accepting, the more revenue the program generates. To illustrate, if Shoreline chooses to accept the minimum number of credits (231 credits * 20% = 43 credits), its revenue will be 20% of the share it is eligible to retain. If Shoreline commits to half of its credits (116), the City will earn half of the revenue it can retain. If committing to its full complement of 231 credits, Shoreline will earn 100% of the revenue it can retain, the full 75% complement of the County's share of property tax (as illustrated in the pie chart in Section 2.1 above).

Program revenue is a function of two factors:

- How many credits the city commits to accepting. Higher commitment = higher revenue
- New construction activity. More construction = higher revenue

The graph below illustrates the relationships between city TDR commitment, growth, and revenue.

Exhibit 1: Conceptual LCLIP Revenue Scenarios



In choosing how many credits to accept, the City is trying to select an amount of credits it anticipates new construction will 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. Part of the analysis in this study identifies how many TDR credits the City can expect to place based on assumptions about growth and credit utilization.

LCLIP Performance: Credit Placement Thresholds

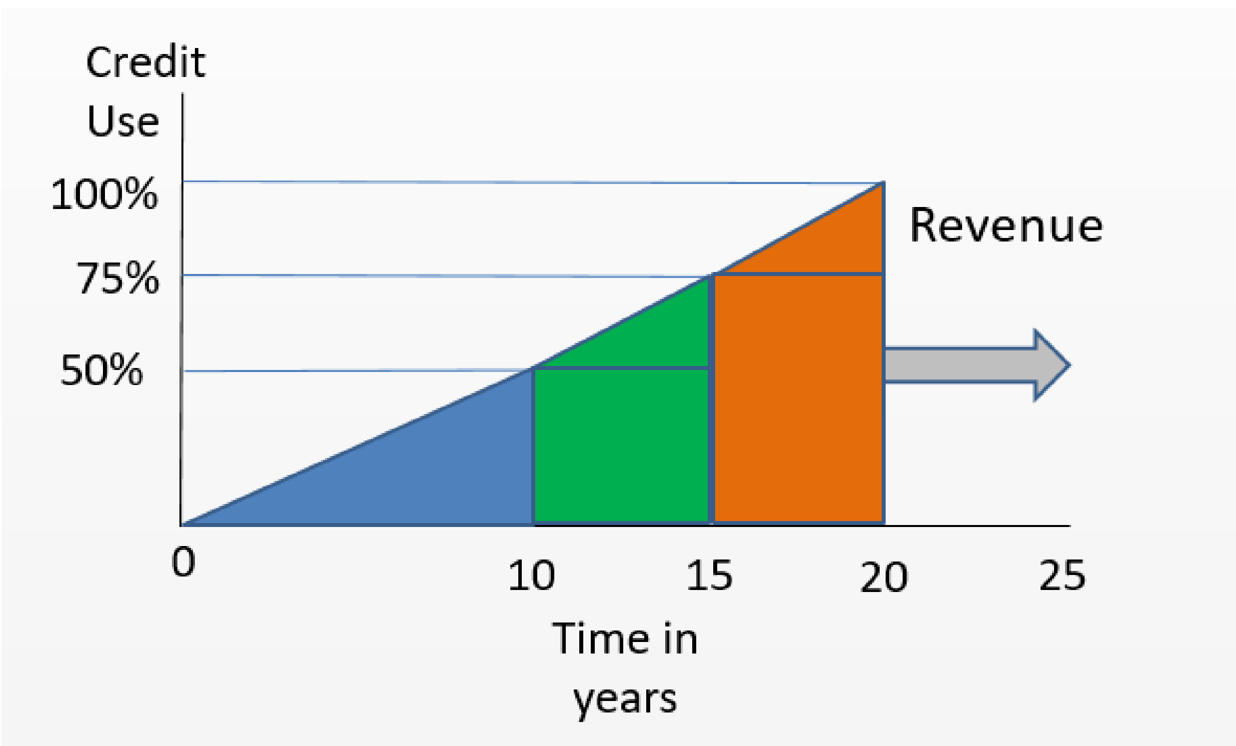
While LCLIP can run for a maximum of 25 years, the statute requires participating cities to demonstrate performance on the use of credits within their program district(s). Cities using LCLIP must meet a series of performance thresholds for placing credits in order to continue accessing the program revenues.

The purpose of these thresholds is to give counties assurance that cities are making progress towards their TDR placement commitments while counties are sharing their property tax revenues. The statute gives counties recourse if cities do not meet their TDR placement commitments – counties can stop revenues if cities do not hold up their end of the program.

Cities begin accruing revenue from the time they adopt an ordinance starting LCLIP. The earliest those revenues will be paid is in year 2 of the program and payments are made on an annual basis thereafter provided cities keep pace with the milestones laid out below.

LCLIP performance thresholds are as follows:

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.
2. Placement of 50% of the specified portion of TDR credits is required by year 10 to extend it by 5 years.
3. Placement of 75% of the specified portion of TDR credits is required by year 15 to extend it by five years.
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 the example of LCLIP implementation in Seattle, program partners made an interpretation as to what was required for the city to collect revenue. 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.**

LIPA(s) District Formation

The statute defines the district(s) in which a city enrolls in LCLIP as a LIPA – Local Infrastructure Project Area. This 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 LIPAs if the areas meet the requirements of containing less than 25% of the city's assessed value and don't exclude any areas within them (i.e. no donut holes). While a city may create multiple LIPAs, LCLIP works on a cumulative citywide basis and not an independent district basis – meaning the same program parameters apply to all LIPAs 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 LIPAs that meets the nexus requirements stated above. However, creating districts where development is expected will maximize the program revenue potential.
- **TDR provisions.** The number of TDR credits used is a function of several factors:
  - <u>The size and structure of the incentive component.</u> The city must determine how much demand there may be for building projects that will utilize TDR. The placement of TDR credits through incentive mechanisms determines how developers will use the tool. 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.
  - <u>The nature of the incentive associated with TDR.</u> Typical TDR incentives offer additional FAR or height; however, TDR can relate to 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, additional building height, reduction in parking requirements, or a reduction in on-site tree retention requirements.
  - <u>The exchange rate for TDR.</u> 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. Put a different way, TDR must be a profitable choice for developers otherwise they will not use it.

- **City credit commitment and program timing.** In order to optimize LCLIP revenues, the City has an incentive to meet all performance thresholds. Doing so means the city must commit to accepting several credits that anticipated growth can place through the private market over the timeline of the program. This element of LCLIP is the most difficult aspect to consider. Forecasting future development is challenging, much less determining the rate at which that development will use TDR in new construction.

3 Incentive Zoning and TDR Policy Review

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 185th 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 fund improvements that can be efficiently constructed in conjunction with light rail and other transit facilities.

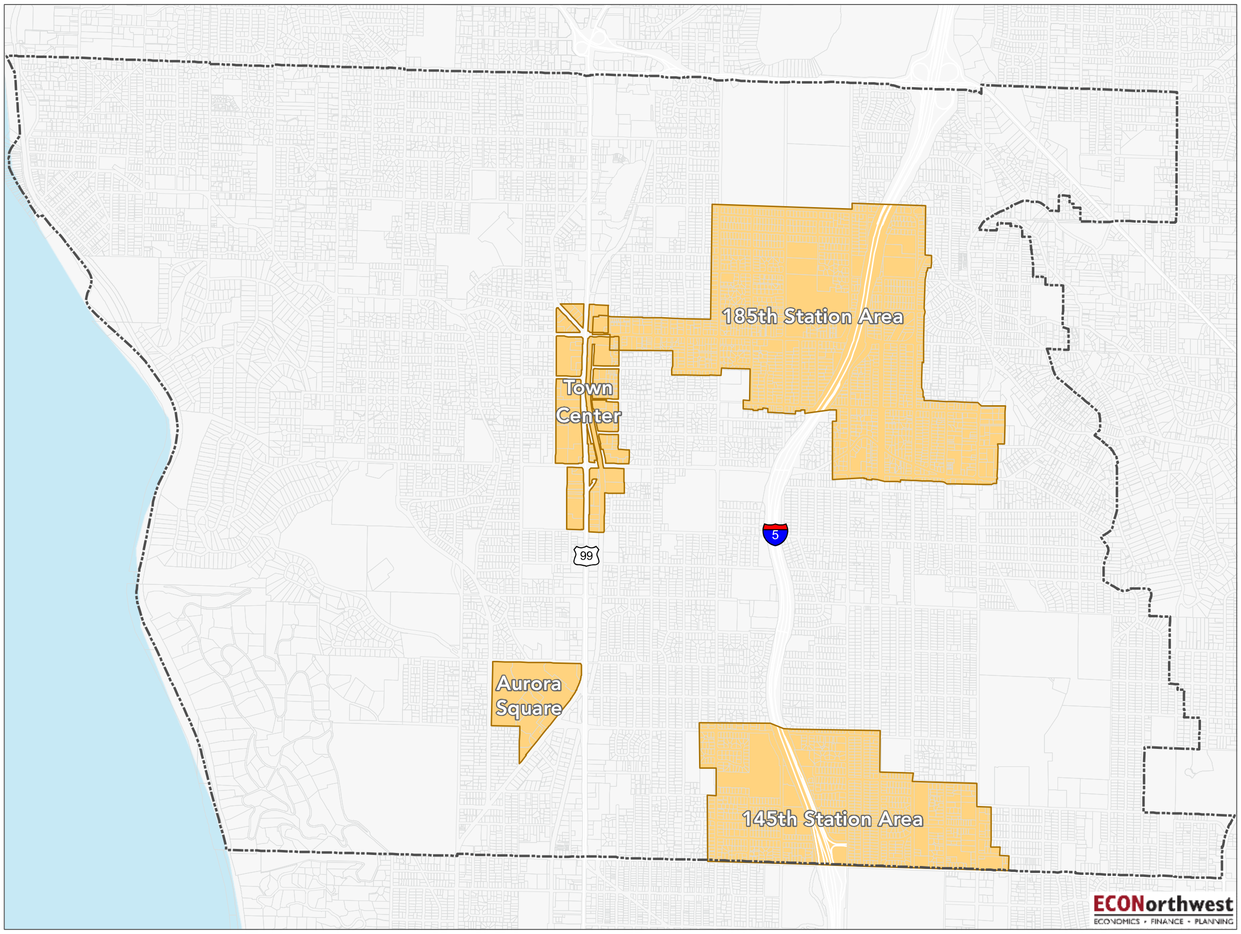
In addition, the city has other areas that encourage higher density land development in its Town Center (TC), Neighborhood Business (NB), and Community Business (CB) zones. These zones do not have current provisions in their code that allows the explicit use of TDR in them.

3.1 Study Area Context

The 2015 study evaluated four different areas within Shoreline for LCLIP feasibility. These areas included the Town Center zone, Aurora Square, and the future Link light rail station areas at 145th Street and 185th Street. This area is shown in Exhibit 1 covers the area examined in 2015.

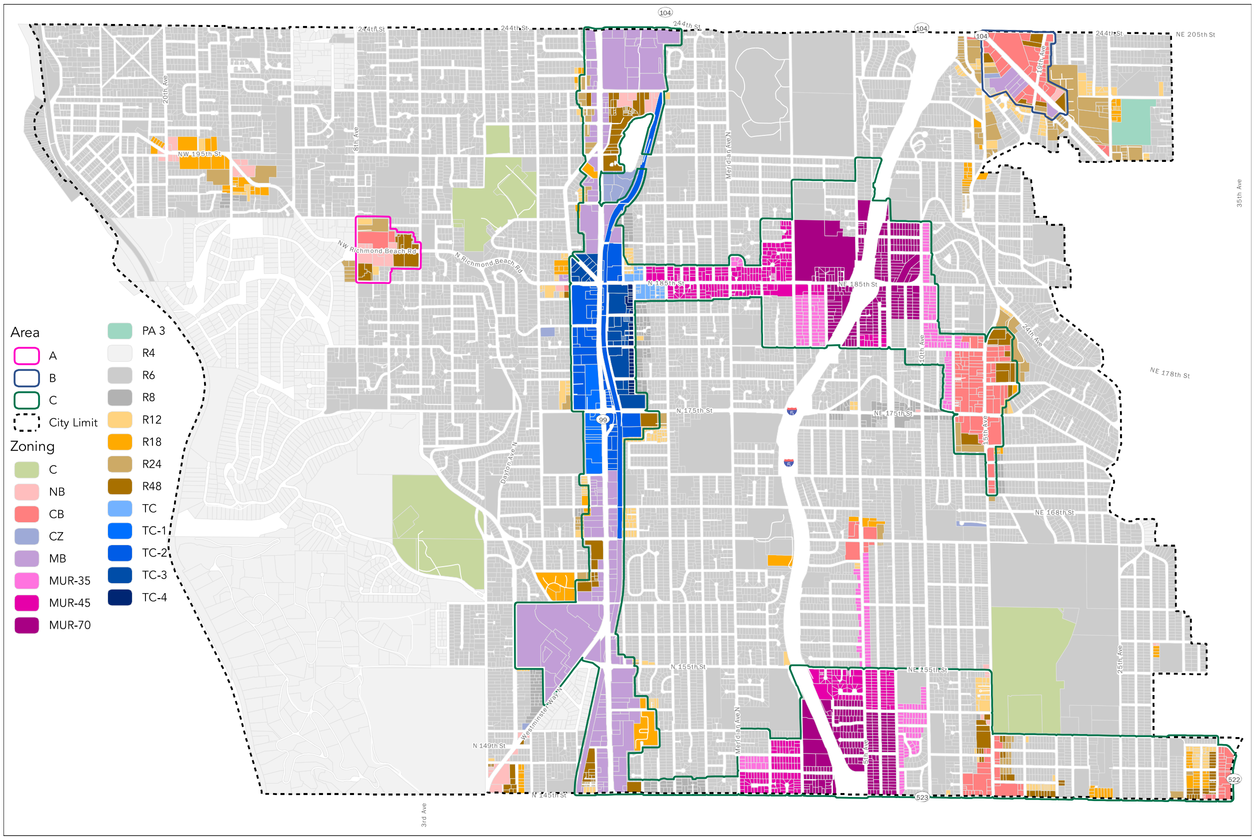
The updated study encompasses a larger geography (Exhibit 2). In addition to those areas already covered in the original study, the current review includes the corridors connecting the light rail stations to Aurora Avenue, an expanded area to the east of the 145th Street station area, and two separate areas of business and high-density residential land in the Hillwood and Echo Lake neighborhoods. The following maps show a comparison between the original and revised study areas.

Exhibit 1. Map of 2015 Study Area



Source: City of Shoreline, King County

Exhibit 2: Map of the 2019 Study Area



3.2 Review of Existing Development Regulations

One of the central objectives of updating the 2015 feasibility study is to identify ways for Shoreline to adopt a market-based approach to using TDR as a foundation for successful implementation of LCLIP. In other words, in order to make LCLIP viable as a source of infrastructure financing to support growth, the city must first create a predictable and usable market mechanism for TDR to work that aligns with existing regulations and policy intent. This section examines the city's zoning code in the areas under consideration for including in LCLIP and identifies opportunities for adding TDR to the code through an incentive-based approach. A challenge is identifying ways to add TDR retroactively to an existing zoning code. The findings show areas for modifying regulations in a way that balance Shoreline's desire to achieve multiple policy objectives while also setting the city up to use LCLIP successfully.

The policy, regulatory, and market context is different now than it was in 2015 when the city considered the original LCLIP report. In the previous analysis, one goal was to identify ways to include TDR into the subarea plans for the future light rail stations – creating something out of whole cloth. Now the goal is to fine tune existing zoning to incentivize multiple public benefits, including TDR and – by extension – LCLIP. Since the completion of the original report new construction has started and redevelopment in central areas is underway. The real estate market has responded to growth pressure and to the anticipated opening of the light rail stations in 2023. The chief findings of this regulatory review are that the existing code would benefit from clarification and reconfiguration to more effectively achieve the land use patterns that the city desires in areas where it wants growth.

Current Zoning Review

The geographical extent of the LCLIP study update focuses on the following areas and zones, organized around the proposed local infrastructure project areas (LIPAs, or the districts in which Shoreline might use LCLIP):

- MUR zones: all three zones in each of the light rail station areas, 35', 45', and 70'.
- TC zones: all TC zones along Aurora Avenue, TC 1, 2, 3, and 4.
- Business zones: MB, NB, and CB.
- Residential zones: R-48

Mixed-Use Residential

The MUR-70' regulations allow for bonus heights but they neither have a formal incentive program nor specify exactly how projects can achieve bonus height. In the MUR-70' zone, the maximum building height is 70 feet, however, projects can gain additional height by satisfying the following requirements:

- Meeting LEED Gold standards,
- Providing affordable units,
- Providing structured parking for 90% of units, and
- Purchasing TDR credits at a price of $5,000 per bonus unit.

The process by which projects can gain additional building height in the MUR zone is through a development agreement with the city. The elements to be included in developer agreements, as spelled out in SMC 20.30.355(D), reflect the priorities articulated by the city for what public benefits projects must provide in order to exceed maximum base heights: environmental building performance, long-term affordability, parking, and TDR. Code allows for a maximum building height of 140 feet under a developer agreement that provides the identified public benefits.

Town Center

The TC zones 1, 2, and 3 have a base height of 70 feet while TC-4 is a transitional zone with a base height of 35 feet. These zones are intended for high intensity uses around transit and east-west connectivity, including residential uses. Currently no provision for bonus heights exist in the TC zones.

Business zones

The Neighborhood, Mixed, and Commercial Business zones (NB, MB, and CB) encourage high density residential and mixed uses. The city has already seen multifamily residential development in the CB zone around 15th Avenue NE, for example. These zones have allowances for additional building height limited to mechanical facilities or rooftop amenities. No explicit provisions exist for higher occupied limits. There could be an opportunity for modest building height increases in these zones to increase TDR demand.

R-48

Base height in the R-48 zone is limited to 35 feet, however provisions exist for increases. Development on R-48 lots that are adjacent to other multifamily and business zones is limited to 50 feet but may be increased to 60 feet with the approval of a conditional use permit.

Challenges

The code establishes the developer agreement as the vehicle for projects seeking to build beyond the base height in the MUR-70' zone. This approach differs from the traditional approach by which cities regulate bonus heights: an incentive zoning program. Each approach has its tradeoffs.

The developer agreement has certain advantages. Chief among these is flexibility: a developer and the city can negotiate terms that meet specific needs of an individual property or project, resulting in a creative solution that may not otherwise be achievable. This method for determining bonus height, however, introduces challenges from a planning perspective. These include:

- A developer agreement is time-intensive for city staff to negotiate and draft.
- The code is ambiguous about aspects of the process, such as how much building height a project should be eligible to add in exchange for meeting the requirements.
- Developer agreements require legislative approval. This adds to the time, cost and complexity of the process.
- The certainty of the outcome is unclear for both the developer and the city.

A limitation of the current code is the cost implications of the requirements for gaining bonus height. To include requirements around LEED, affordability, parking, and TDR will hinder projects from exceeding the 70-foot base height. Feedback to the city from developers in pre-application meetings has echoed this perspective as has input from development consultants and builders.

Shoreline needs to make policy choices on how to prioritize the public benefits defined in an incentive zoning program. What are the most important objectives and what are the tradeoffs of each option? Are some public benefits a better fit as design standards? Would streamlining incentive choices create more certainty of use?

The overall goal is to make additional building height attractive using TDR in zones where it is consistent with city policy and growth objectives while lowering barriers to program use. Maximizing opportunities to place TDR credits throughout a range of zones and with a variety of incentives is important to increasing the certainty that Shoreline will achieve the conservation goals of LCLIP and generate revenue to fund infrastructure that supports this growth. The unique attributes of Shoreline's zoning and the need to retroactively insert TDR into regulations that have limited opportunity for bonus heights create a situation where program success will depend on a combination of the following factors:

- Enough value and growth to drive use of TDR to achieve marginal height gains where they are possible,
- Streamlining of process, lowering costs of public benefits, and creation of value in the use of TDR in the highest opportunity areas (MUR-70'), and

- Pursuit of a portfolio approach to incentives that generate value for developers in a diversity of ways that include both residential and nonresidential bonus options.

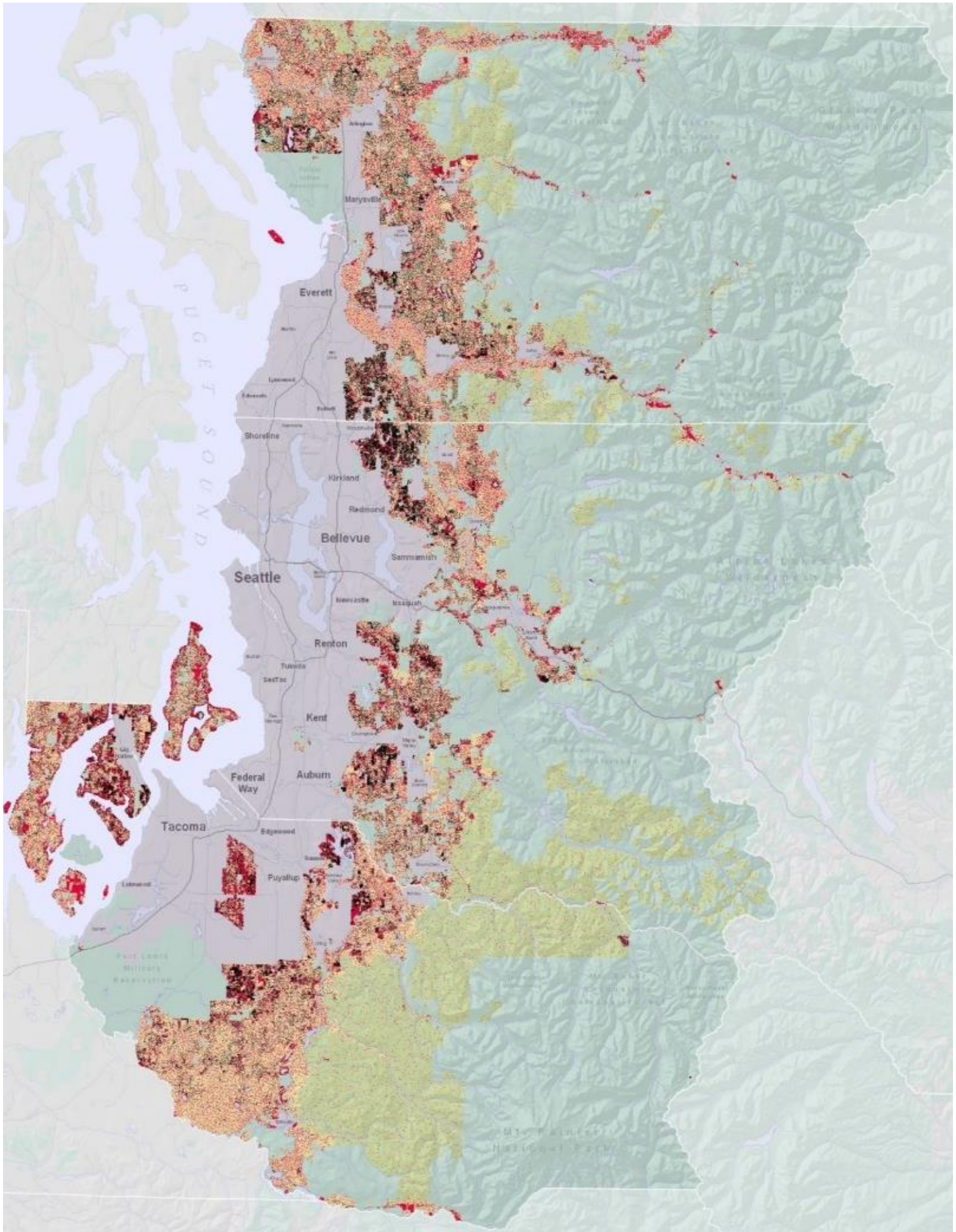
Recommendations for zoning changes include:
- Making height increases above 70 feet in the MUR-70' zone an administrative process with the use of TDR,
- Recalibrate the number or amount of public benefits required for projects exceeding 70 feet in the MUR-70' zone, for example by emphasizing TDR and affordable housing, and
- Make additional building height in other zones possible with TDR, such as the business zones (both NB and CB) and R-48.

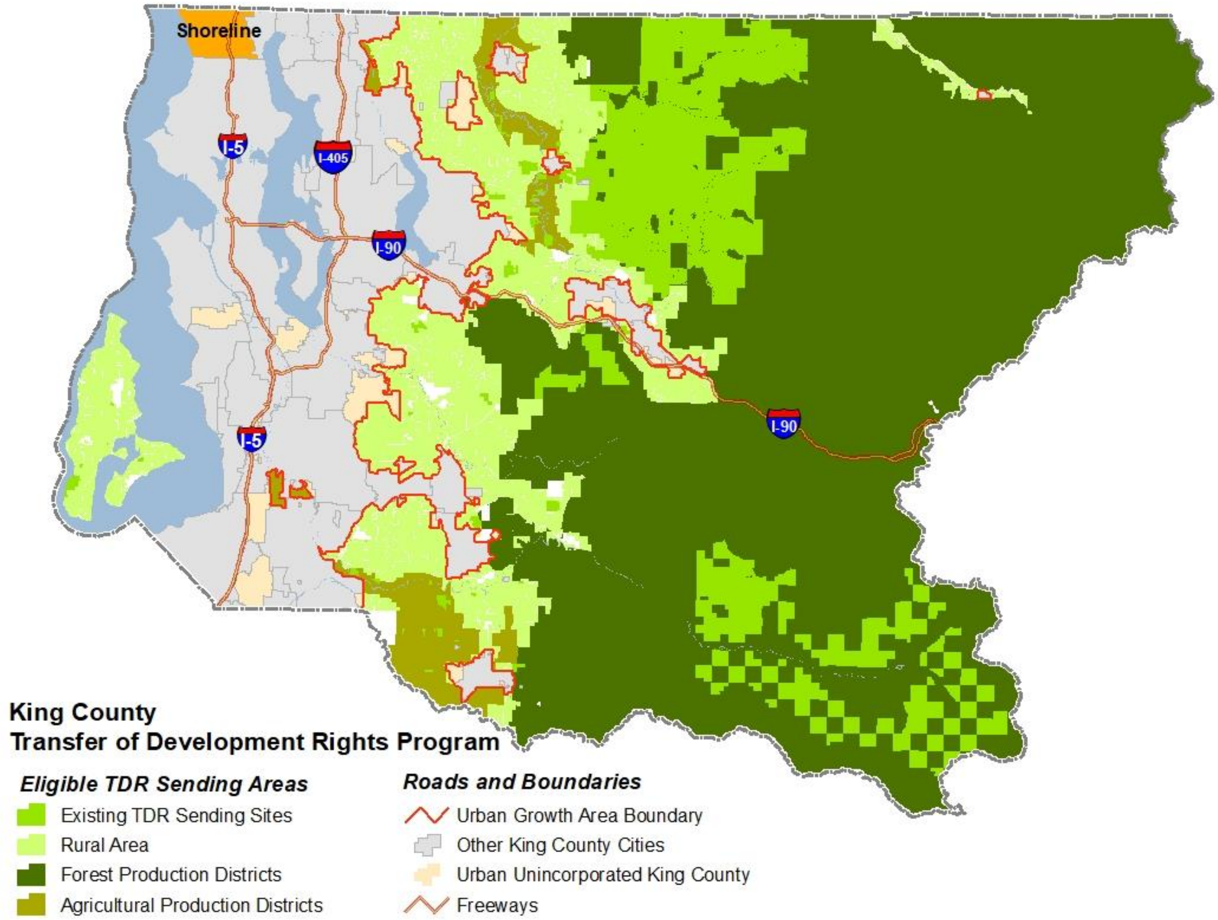
These recommendations are focused on zoning exclusively and are part of a broader suite of actions that include expanding development incentives and updating TDR exchange rates, which the report will cover in subsequent sections.

3.3 Sending Areas

In establishing a TDR program, a city must identify those lands it wants to protect through use of the tool. These lands to be conserved are called "sending areas" and are those properties from which landowners can sell development rights in the form of TDR credits. In central Puget Sound TDR programs sending areas are often resource lands or areas where growth is not desired. One of the goals of LCLIP is to create a regional marketplace to conserve farms and forests of long-term commercial significance, as well as specific riparian and rural lands. To this end, the statute requires that participating cities make these designated lands in all three counties (Pierce, King, and Snohomish) eligible as sending areas from which developers may purchase TDR credits for use in urban projects.

Beyond this requirement, cities have the discretion to prioritize specific lands for conservation within the eligible sending areas. For example, when adopting LCLIP the City of Seattle prioritized farms within its foodshed and King County resource lands by awarding higher development bonuses for TDR credits purchased from those areas. While there is no statutory obligation for cities to establish preferences for certain types of conservation within the regional market, it is an option. The choice to set such priorities is a policy decision and is appropriate to explore as a conversation between the City and counties. As the jurisdictional county that would share its property tax revenue with Shoreline, King County has an interest on this point. The following maps illustrate the regional sending areas and those specific to King County. In the regional map, red dots represent available TDR credits from sending areas while the grey cities along the I-5 corridor show the 35 cities that are eligible to use LCLIP.


Marysville
Everett
Shoreline
Kirkland
Redmond
Bellevue
Sammamish
Seattle
Newcastle
Issaquah
Renton
Tukwila
SeaTac
Kent
Federal Way
Auburn
Tacoma
Edgewood
Puyallup
PUGET SOUND



3.4 Receiving Areas

Another decision in TDR program design is deciding where the city wants to encourage growth. Places where developers can gain more value for projects by using TDR are called receiving areas. As a market-based tool, TDR works best when connected to demand for growth. Because this study is inherently focused on where growth will occur in Shoreline, the recommended receiving areas for the City coincide exactly with the geography of the study area.

A policy decision the City may consider is how to address future rezones outside the study area. For the purposes of using LCLIP, Shoreline should establish TDR receiving areas prior to (or concurrent with) adoption of the regional program. If, in the future, the City decides to rezone an area outside the defined LCLIP districts to higher densities, it may designate it as a TDR receiving area. This would not change how the City uses LCLIP, however it would achieve additional conservation benefits.

3.5 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.

The City currently requires developers to provide affordable housing in certain zones. It also has provisions for additional building height in some zones, however, Shoreline does not currently have a formal incentive zoning program. Shoreline's zoning in the Study Areas suggests that a range of incentives in addition to building height are needed to increase certainty of TDR utilization.

The City currently only provides for TDR use in the MUR-70' zone for projects exceeding 70 feet. Opportunities related to building height include:

- Making additional building height possible (within existing code limits) in the R-48 zone with TDR, or increasing them in parts of the zone adjacent to other zones with higher intensity uses,
- Increase building height limits in the NB and CB zones to 70 feet with TDR in parts of the zone adjacent to higher intensity uses,
- Change the bonus mechanism in the MUR-70' zone to an administrative process. In other words, replace the developer agreement framework with an incentive program that includes TDR to achieve height increases.

If there is interest from the city in considering building height increases the following table shows where and how these options could work. The base height and max height reflect current zoning provisions. The max option reflects a potential new height limit that is within limits already identified (for mechanical components, for example) but would expand the occupied portions of the building to those heights. This could be implemented selectively across zones to reduce incompatible uses or heights. As an example, the code already identifies this in SMC 20.50.020 (A)(8): *For development on R-48 lots abutting R-12, R-18, R-24, R-48, NB, CB, MB, CZ and TC-1, 2 and 3 zoned lots, the maximum height allowed is 50 feet and may be increased to a maximum of 60 feet with the approval of a conditional use permit*.

Zone	Base Height	Max Height	Max Option	Notes
NB	50	50	**70**	Adjacent to denser zones
CB	60	60	**70**	Adjacent to denser zones
MB	70	70	70	No change
TC (1, 2, 3)	70	70	70	No change
R-48	35	60	**70**	Adjacent to denser zones
MUR-70'	70	140	140	Administrative process

3.6 Alternative Incentives

There are two basic approaches to creating profitable incentives:

1. Award projects additional development value whose return exceeds the cost of TDR credits. These can take the form of bonus units, height, or floor area, for example, or
2. Create savings that are greater than the cost of buying TDR credits, by reducing parking requirements, for example.

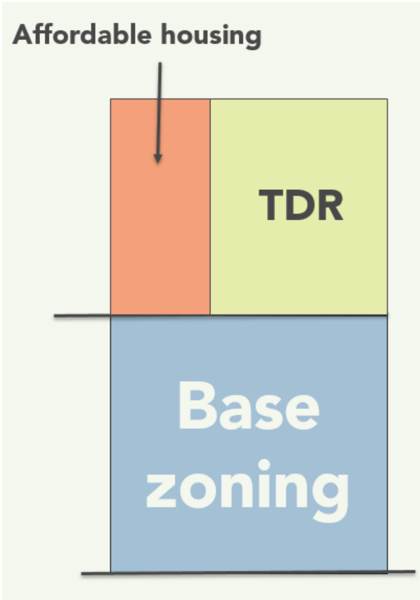
This section examines alternative incentives that Shoreline may consider, recognizing that retroactively inserting such options into the zoning code will require balancing other policy priorities with TDR, such as affordable housing. The recommendations illustrate how the City could achieve this. Incentives explored here include:

- Additional building height
- Parking reductions
- Property tax exemptions
- Tree exemptions
- TDR as an alternative to affordable housing
- Lowering incentive thresholds
- Administrative incentives

Additional building height

Shoreline's MUR-70' code currently allows for building heights above 70 feet and up to 140 feet if projects provide a range of public benefits. This incentive could be refined to allow for any additional height above base zoning up to the maximum specified through a combination of TDR and affordable housing. Additional height also appears to be an option in some of the business zones where code specifies different base and maximum heights. Using TDR to gain additional building height beyond current maximums is an opportunity in the business zones (potentially in the portions that border other high intensity zones).

The public benefits of TDR and affordable housing are complementary, and it is possible to design an incentive program such that new construction provides both. One such approach is to use the "silo model," in which a development must include both TDR and affordable housing in fixed proportions. This guarantees that no matter how tall the building, it will feature both benefits. The following graphic illustrates the relationship, recognizing that the proportion of each is a policy decision for the City to make. This graphic depicts approximately a 1/3:2/3 split between affordable housing and TDR as an example, but this could also be another proportion.



Parking reduction

Granting parking reductions in exchange for TDR use could be a valuable incentive, especially for structured parking in the MUR-70' zone (at taller building heights) and potentially other zones with high frequency transit service. Existing code (SMC 20.50.400(F)) gives the planning director discretion in granting parking reductions of up to 25% within ¼ mile of a light rail station. An opportunity for incentivizing use of TDR would be to grant administrative approval of a parking reduction with purchase of credits.

Currently the MUR-70' code requires structured parking for 90% of units as one condition for building above 70 feet. One way to design this incentive would be to set a ratio of stalls by which a project can reduce its parking if the project purchases a TDR credit. One consideration is that there would likely need to be a limit to how many parking spaces a project can reduce through TDR. New high-rise construction will still need to provide parking, however there may be flexibility on the amount in areas close to the light rail stations or transit corridors.

Property tax exemptions

This is a valuable incentive when paired with additional building height and for projects built to base density. The 2015 study showed that pairing TDR with an 8-year multifamily tax exemption would be an effective driver of credit placement. The key will be to structure the exemption such that it balances the incentive program's ability to deliver affordable housing. Shoreline currently has affordability requirements for multifamily projects in several zones. Combining a property tax exemption approach with TDR under current regulations (as originally envisioned in the 2015 study) would entail a reorganization of the existing exemptions related to affordability.

Tree exemptions

An incentive mechanism suggested by staff involves revising existing tree removal provisions in the MUR-70' zone to achieve a net increase in tree retention. SMC 20.50.310(A)(5) exempts from permit requirements removal of trees from property zoned NB, CB, MB and TC-1, 2 and 3, and MUR-70' unless within a critical area or critical area buffer. Having a healthy urban tree canopy remains a priority for Shoreline as demonstrated by a range of restoration efforts the City is pursuing. The policy decision to exempt tree removal from permit requirements in certain zones reflects a desire to encourage redevelopment focusing growth and employment in areas close to transit.

Revising tree permit requirements in MUR-70' would both support growth goals and create an opportunity for using TDR while promoting tree retention. If development potential is constrained by the presence of significant trees on a property, removal of those trees would allow for projects with a larger footprint. Instead of allowing tree removal in MUR-70' without a permit, tree removal could instead be conditional on the purchase of TDR credits. The amount of TDR credits needed to achieve this would be proportional to the additional building size the project would achieve. It would be important to structure this incentive so it would result in a net gain of trees for the City. This could be established by requiring tree replacement close to the project and by directing a portion of LCLIP revenues towards tree planting and maintenance within the LIPA.

TDR as an alternative to affordable housing

As part of the subarea plans for the future light rail station areas the City originally proposed an arrangement by which developers could substitute the use of TDR for the provision of affordable housing in multifamily projects until 75 credits were placed in each subarea. At the time there was no opposition to the concept. It would have created a situation where the use of TDR and affordable housing in new construction were mutually exclusive, albeit for a defined and limited period. As originally envisioned the long-term effect on housing might not be great, however it creates an either/or dynamic between two important public benefits. This option is included in the report update primarily because it was an approach that the City came close to adopting in the light rail station subarea plans. The combined use of TDR and affordable housing (as described in the Additional Building Height incentive) in the bonus tier would be a way to promote both policy objectives in a complementary fashion. In the MUR-35' and 45' zones, TDR could also be offered as an alternative to affordable housing under ownership models.

Changing incentive thresholds

This approach is not by itself an incentive, however it involves changing the thresholds for using them. For example, by lowering a threshold projects in MUR-70' might need to use incentives for building height above 45 feet instead of for building height above 70 feet, as the code currently specifies. Alternatively, if its objective includes encouraging more efficient land use in the areas closest to the light rail stations, the City could change the affordable housing MFTE provisions such that they apply only to projects exceeding 70 feet in height. Other jurisdictions that have attempted this approach discovered that taking away something that developers previously got for free and making them buy it back through incentive zoning is unpopular, however the situation may be different in Shoreline if redevelopment at this scale in the MUR-70' zone has not yet materialized.

Administrative incentives

Administrative incentives fall into the cost savings category. By purchasing TDR credits developers receive expedited permitting or other process-oriented benefits. The value is increased certainty in project approval and lower holding costs. The tradeoffs are that these kinds of incentives can be difficult to deliver on if multiple projects want to reach the front of the line simultaneously, or if the City doesn't have the capacity to review multiple permits in a shortened timeframe. Furthermore, the costs of these incentives are borne by the City and it's unclear how to price the benefits in the form of an exchange rate. Input from City staff suggests that these factors would be unlikely to create a burden on permitting from a cost standpoint, however multiple concurrent projects could potentially create a capacity issue.

A change identified in the zoning review section (3.2) would be to make use of incentives an administrative decision rather than taking the approach of a development agreement, thereby increasing the efficiency and certainty of the process.

The consultant team recommends pursuing an incentive strategy that includes a portfolio of options. No single incentive is likely to drive enough TDR placement for the City to reach 231 credits, so combining a range of incentives into a suite of choices will increase the demand for TDR. The current issue for the city with respect to TDR is integrating incentive-based mechanisms into its existing infill growth strategy. Much of that is expressed as part of its TOD approach in its MUR zones where the main public benefit of the zoning code is affordable housing. Such a strategy could include:

- Focus TDR use in MUR-70' where most growth is anticipated. A combination of incentives would create a range of different values for projects. For example:
    - Additional building height above 70 feet
    - Parking reduction
    - Tree removal offset
- Expand TDR use in business zones, including MB, NB, CB, and R-48 to allow additional building height

3.7 Exchange Rate

An exchange rate is a mechanism used to normalize the value of development rights across the landscape. The value of building one home on a large rural lot is much higher than the value of adding one unit to a downtown apartment building. Therefore, one development right purchased from a rural sending area rarely equates to one additional unit in an urban receiving area. Instead, the value that the receiving area project gains from purchasing a TDR credit is expressed in terms of a ratio – one additional floor per 5 credits, for example. The developer needs to gain enough additional value to justify spending the money on a TDR credit. An exchange rate should be calibrated to achieve profitable development while also conserving sending area lands. Too low of an exchange rate means TDR is cost-prohibitive for developers. Too high of an exchange rate means the program could be conserving more land. The following table illustrates these relationships.

Exhibit 3: Sample TDR Exchange Rates

Sending Area	Receiving Area	Incentive Type	Development Bonus Unit	Exchange Rate (per Floor)
King County Agriculture	MUR-70	Height	Additional Floor	1 TDR credit
	MUR-45	Height	Additional Floor	5 TDR credits
	Business zones	Height	Additional Floor	5 TDR credits
King County Forest	MUR-70	Height	Additional Floor	1 TDR credit
	MUR-45	Height	Additional Floor	8 TDR credits
	Business zones	Height	Additional Floor	8 TDR credits
Snohomish County Agriculture	MUR-70	Height	Additional Floor	1 TDR credit
	MUR-45	Height	Additional Floor	6 TDR credits
	Business zones	Height	Additional Floor	6 TDR credits
Snohomish County Forest	MUR-70	Height	Additional Floor	2 TDR credits
	MUR-45	Height	Additional Floor	9 TDR credits
	Business zones	Height	Additional Floor	9 TDR credits
Pierce County Agriculture	MUR-70	Height	Additional Floor	2 TDR credits
	MUR-45	Height	Additional Floor	9 TDR credits
	Business zones	Height	Additional Floor	9 TDR credits
	MUR-70	Height	Additional Floor	2 TDR credits
	MUR-45	Height	Additional Floor	11 TDR credits

Pierce County Forest	Business zones	Height	Additional Floor	11 TDR credits

These are preliminary examples to illustrate the types of exchange rates that the City might adopt. Final exchange rates would be established in Shoreline development code following further discussions among Shoreline, King County, Forterra and ECONorthwest.

In the sample table, the exchange rates take a range of values to reflect certain market factors. The first is sending areas. The exchange rates are calibrated to reflect the variations in TDR credit prices across the region, both in terms of geography and land type. Credit prices are different in all three counties and they also differ between farm and forest properties. In the sample table, a developer would buy more credits from Pierce County than from King, or from a forest property than a farm, because those are less expensive.

The second variation is by receiving area. The sample table shows that projects in the business zones need more TDR credits to gain an additional floor than do projects in the MUR-70' zone. Why this difference? The cost of adding one floor to a 50-foot tall building in a business zone is low compared to the additional cost of adding height to a 70-foot building. In the shorter building, there is no change to the construction type, while any increase above 70 feet requires a shift from podium construction to steel/concrete or mass timber. Although they use land more efficiently, these taller buildings can be significantly more expensive to build, which leaves less money available to use TDR in a way that makes it profitable.

The state statute requires that cities using LCLIP must make all regional sending areas eligible for transferring credits into receiving areas. Cities retain discretion on prioritizing sending areas, however, and adjusting exchange rates to award higher bonuses to certain lands is one approach to creating a preference.

3.8 TDR Credit Placement

How might new construction in the proposed Shoreline receiving areas use TDR? The following scenario illustrates how a prototypical project might apply the tool. The first example shows a project in the MUR-45' zone under the status quo: a 4-story building containing 180 housing units on a lot slightly smaller than one acre. The second example shows how adding two floors to the building would increase the amount of housing by 25% and place five to 11 TDR credits. Assuming this building placed 10 TDR credits (two floors gained from King County farm credits), the market would need to build 23 such projects over a 20-year period to meet LCLIP credit placement goals.

Zone	MUR 45	MUR 45 with TDR Incentive
Lot Size	40,000 square feet	40,000 square feet
Height	45 feet	65 feet
Stories	4	6
Use	Housing	Housing with retail
Housing Units	180	225
Parking Stalls	180 (surface and structured)	225 (surface and podium)
TDR Credits Placed	0	5 to 22

Other permutations are also possible. For example, if this type of building used King County forest credits, the market would need to build 14 such projects over 20 years to meet the LCLIP credit placement goals. Thinking of credit placement in the context of buildings and the pace of construction is a helpful frame for visualizing what 231 TDR credits looks like on the ground.

3.9 Administrative Model

A program's administrative model is the mechanism by which TDR transactions occur. It defines a city's role in the process, which can vary from hands-on to light touch. An administrative model should make transactions simple for the buyer and the seller, as well as provide certainty and transparency on how the program works. The types of administrative model reviewed here include simple buyer-seller, private market with public support, and public-private partnership. A brief overview of each follows.

Simple buyer-seller

Under this model buyers and sellers of TDR credits find each other and negotiate private real estate deals to effect transactions. A city's role is limited to recording the use of credits when applied to a project as part of the development permitting process.

Private market with public support

This is a variation on the simple buyer-seller model with key differences. Elements that remain the same are that the buyers and sellers of credits negotiate private deals to transact TDR credits while the city processes and records the use of TDR credits. This model takes the city's role further, however, by augmenting the resources available to support a private market. Foremost among these is providing program and market information to help participants understand how the program works, how to find each other, and what is involved in a transaction.

Public-private partnership

In this model the city would retain responsibility for essential administrative tasks (processing and recording use of TDR credits) while a private partner would market the program, recruit users, and facilitate transactions. In this approach the city would retain responsibility for central administrative functions that it already performs while the private partner would pursue deal-making that can be time-intensive and requires real estate market expertise.

TDR bank

A bank is an entity in the marketplace that buys and sells TDR credits. A bank can be useful in that it conducts transactions that are beyond the scale of the private market, it reduces transaction costs for participants, and it simplifies the acquisition process for credit buyers. The consultant team did not explore the TDR bank option for Shoreline because King County operates one that is already used by urban developers and creating another bank specific to the City would be duplicative.

Regardless of the administrative model Shoreline chooses, King County will be an important partner in the implementation of a TDR program and LCLIP. Counties serve several roles essential to the function of a marketplace, including:

- Certifying TDR credits from sending areas,
- Operating TDR banks (where applicable), which buy credits from sending area landowners and sell them to developers, reducing uncertainty and transaction costs, and
- Tracking TDR use across the county and in other cities.

Shoreline would share program activity information with King County and the Washington State Department of Commerce, such as the use of TDR credits in new construction projects. King County and Seattle signed an interlocal agreement to establish the terms and conditions of TDR credit transfers when Seattle adopted LCLIP. Should Shoreline pursue LCLIP, King County may also wish to enter into a similar agreement with the City.

Shoreline can take a range of steps to achieve greater transparency, visibility, and usability for its TDR program. These are addressed as responses to questions from the perspective of program users.

How do prospective participants learn about the program?

The City can:

- Create a page on its website dedicated to TDR that
  - Explains the program and benefits to buyers and sellers, including a walk-through of the entire process
  - Links to relevant code chapters
  - Shows maps of receiving areas and identifies what incentives may be used in each
  - Includes a FAQ section
  - Lists staff contact information
  - Has downloadable electronic application forms
- Reach out to prospective developers and inform them of the opportunity to use TDR in the city. This can take the form of phone calls, a developer workshop, a webinar that the city posts on its website, mailing program summaries, or partnering with industry groups (realtors, Master Builders Association, chamber of commerce, etc.)
- Pursue media coverage to highlight the innovative aspects of the program and the benefits to residents

What does a TDR credit get me?

- Based on the market analysis for this study, the City should adopt exchange rates to define what density bonus a developer gains for purchasing a TDR credit. This is information that should be included on the city TDR website program overview, in code, and in a FAQ document.

How do buyers and sellers find each other?

- As part of the TDR web page, the city can provide resources for participants to connect. This can include contact information for the King County TDR program or private partners who can serve as sources for TDR credits.

What does a TDR credit cost?

- This is a simple question with a complicated answer, but for the purposes of encouraging program activity it is important to make market data publicly available. Each developer will calculate a willingness to pay that varies depending on individual project factors and each landowner will have a unique price expectation. King County publishes sales data of transactions as a public resource to share information about the TDR market.

What does the city have to do?

At minimum, the City's responsibilities in administering the TDR program involve:

- Establishing a review process for the use of TDR credits in receiving area projects. This includes setting a point in the development process at which an applicant must furnish certified TDR credits (or a substitute, such as an option agreement), such as at issuance of building permit or prior to certificate of occupancy.
- Tracking TDR credits used in receiving area projects, sharing credit use with King County so it can extinguish credits applied to new construction and reporting to the Washington State Department of Commerce on an annual basis.

Additional responsibilities may include:

- Making an annual report to planning commission and city council on TDR program activity.
- Marketing the program, recruiting participants.

What are the steps in a transaction?

This needs to be spelled out both in code and in program overview materials that the City publishes, including on its website. Some programs, like Snohomish County, have drafted visual flow charts to illustrate the process. The basic elements include:

For the buyer –

1. Developer holds pre-application meeting with city.
2. Developer and city discuss use of TDR and other incentive components to achieve bonus density.
3. City calculates number of TDR credits developer needs to achieve desired project density based on exchange rate and other program elements.
4. Developer seeks TDR credit seller, negotiates a price, closes a transaction, and furnishes necessary documentation to city (this can be an option agreement or original TDR certificates, as the city prefers) at the established point in the development process.

What happens after the transaction?

- The city tracks TDR credit use and communicates program activity to King County so the two jurisdictions can coordinate their respective sides of the process.

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 and the projected amount of growth within that area. The next two sections discuss these in detail.

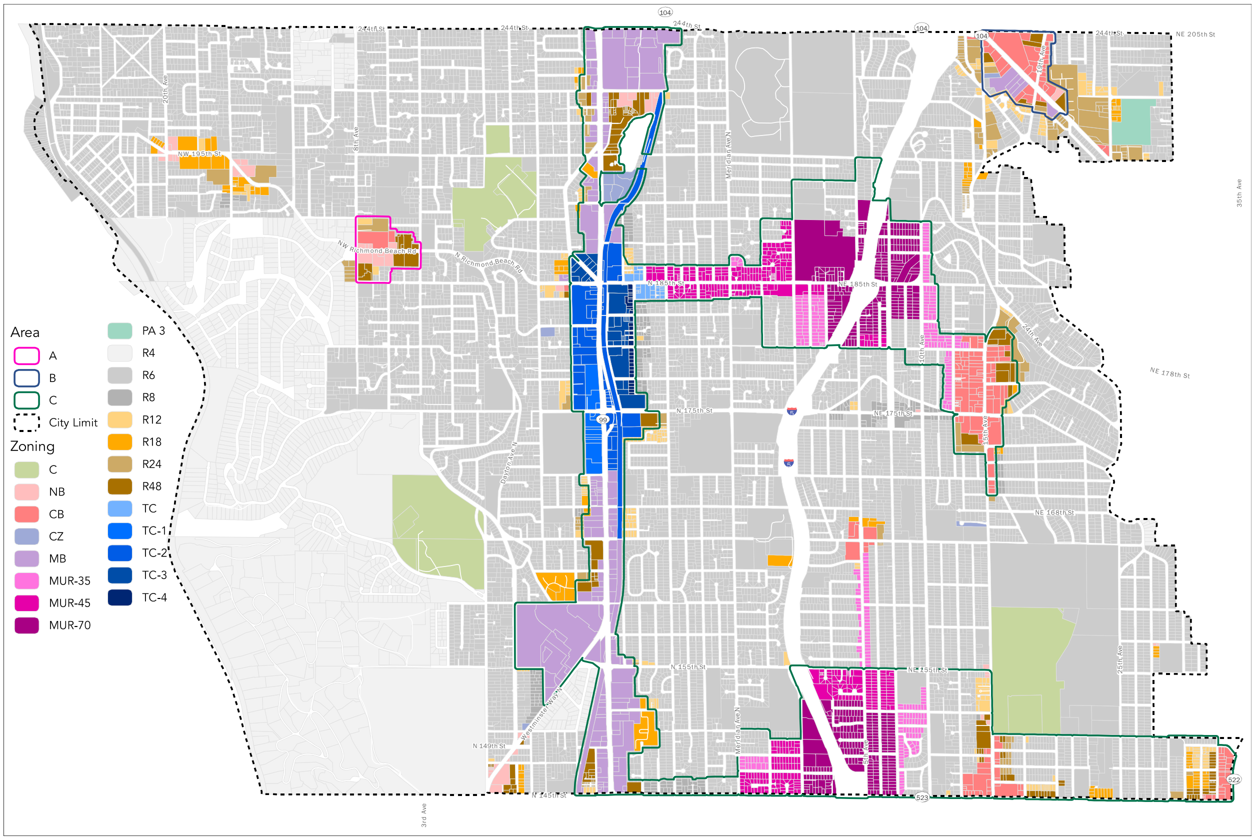
4.1 LIPA Opportunities

In the 2015 study the analysis focused initially on a combination of four discrete geographies. 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 fully achieve the program's revenue potential. Specifically, the city should select LIPAs in areas where it is planning the most assessed value expansion. 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 4. There are three LIPAs that cover the principal higher density areas of the city/

Land values have changed in the intervening time since the publication of the initial LCLIP study. The current, revised analysis recalculated the Study Area to include extensions of the original geography as well as two additional LIPAs. Collectively, these three LIPAs represent 22%of the City's assessed value at the time of the analysis. The following maps depict current Study Area.

The revised LIPA configuration was designed with input from Shoreline and King County staff to optimize program benefits (both revenues and conservation). The updated LIPAs include corridors between Aurora Avenue and the light rail stations, reflecting Shoreline's desire to improve connectivity among major commercial and transit centers. New, separate LIPAs were added in the Echo Lake and Hillwood neighborhoods to include redevelopment potential in the high-density residential and commercial zones.

Exhibit 4. Expanded LIPA Area


Area
A
B
C
City Limit
Zoning
C
NB
CB
CZ
MB
MUR-35
MUR-45
MUR-70
PA 3
R4
R6
R8
R12
R18
R24
R48
TC
TC-1
TC-2
TC-3
TC-4

4.2 LCLIP Revenue Testing – Scenarios

Overview

Using a LCLIP revenue model designed for the City, the analysis assessed the number of TDR credits potentially placed and corresponding revenues generated through the LCLIP program. There is a. baseline forecast with a higher and lower bound estimate. Each estimate assumes different levels of growth to test how sensitive the revenues are to the assumed amount of growth. Given the TDR exchange rates and LIPA geography, it is estimated that future growth can accommodate the full PSRC allocation of 231 development rights.

TDR Mechanism

The revenue analysis assumes that the primary mechanism used to place TDR credits is through the following areas.

- MUR-70' zones
  - Additional building height above 70 feet
  - Parking reduction
  - Tree removal offset
- Height bonus in MB, NB, CB, and R-48

All new multi-family residential development would use the 12-year MFTE program with affordable housing requirements.

The MFTE program would delay a portion of revenue to the City until the 12-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. It is important to note, however, that the revenues from other sources (sales tax, B&O tax, utilities tax, etc.) would likely exceed the foregone revenue from the 12-year property tax exemption.

Assumptions

The analysis uses several common assumptions for all scenarios. The analysis assumes that the LCLIP program would start in 2021 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 ranging from is $20,000 and increase to $41,000 per the sending areas below.

Exhibit 5: Assumed Sending Site Costs

Sending Area	Cost Assumptions (per Development Right)
King County Agriculture	$41,000
King County Forest	$28,000
Snohomish Coouty Agriculture	$35,000
Snohiomish County Forest	$25,000
Pierce County Agriculture	$25,000
Pierce County Forest	$20,000

LCLIP Revenue Results

Under these assumptions the private market would be able to place all the City's 231 TDR credits and meet each performance threshold without public support. As a result, the LCLIP program would produce significant funding benefits to the city. Assuming a 100% specified ratio (the City commits to all 231 credits), the program could generate $8.3 to $12.8 million (net present value, $13.9 to $18.9 million in nominal terms) over the 25-year period.

Exhibit 5. Summary Lower Bound Estimate

TDR Credits Used	231	
Revenues	2020 Dollars (Present Value)	Nominal (Non-Inflation Adjusted)
Total LCLIP Revenues	$16 Million	$27.0 Million
City Allocation Revenues	$7.5 Million	$12.6 Million
County Allocation Revenues	$8.5 Million	$14.4 Million
City TDR Acquisition Cost	$0	$0
City Net Revenue	**$8.3 Million**	**$13.9 Million**

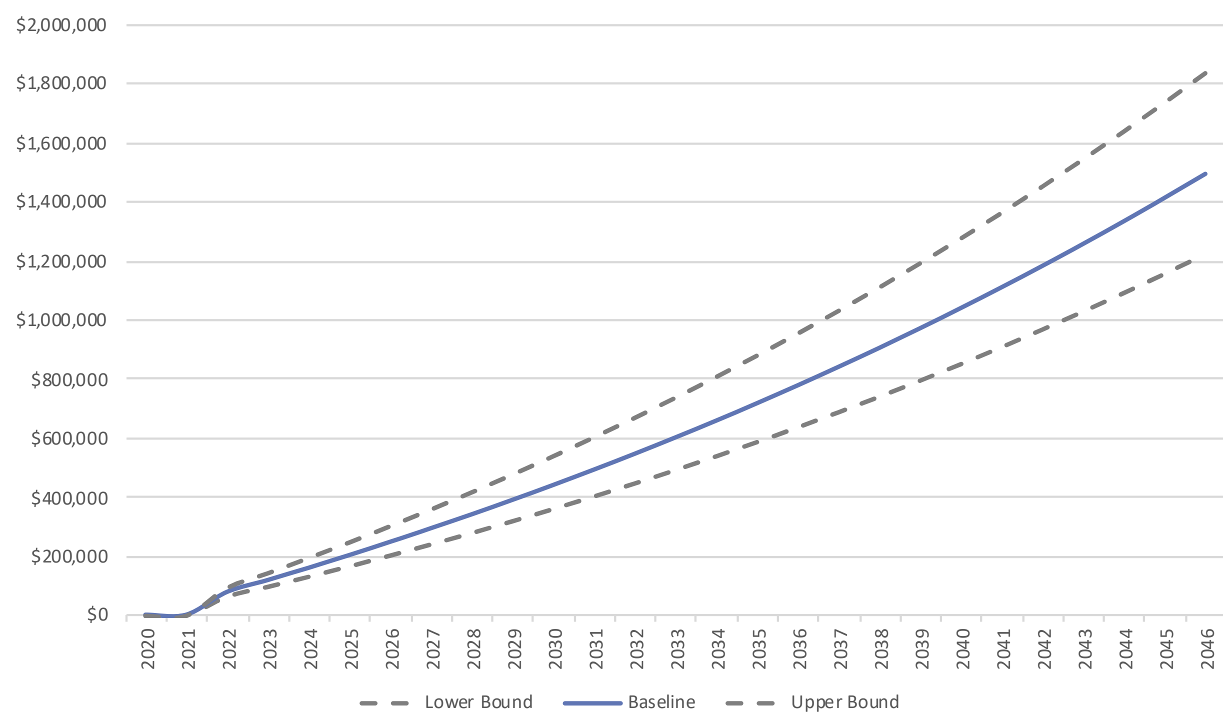
Source: ECONorthwest. Note all figures in 2020 dollars; 25-year present value at 3% discount rate

Exhibit 5. Summary Upper Bound Estimate

TDR Credits Used		231
Revenues	2020 Dollars (Present Value)	Nominal (Non-Inflation Adjusted)
Total LCLIP Revenues	$24.1 Million	$40.5 Million
City Allocation Revenues	$11.3 Million	$18.9 Million
County Allocation Revenues	$12.8 Million	$21.6 Million
City TDR Acquisition Cost	$0	$0
City Net Revenue	**$12.8 Million**	**$18.9 Million**

Source: ECONorthwest. Note all figures in 2020 dollars; 25-year present value at 3% discount rate

Exhibit 6. Annual LCLIP Revenues



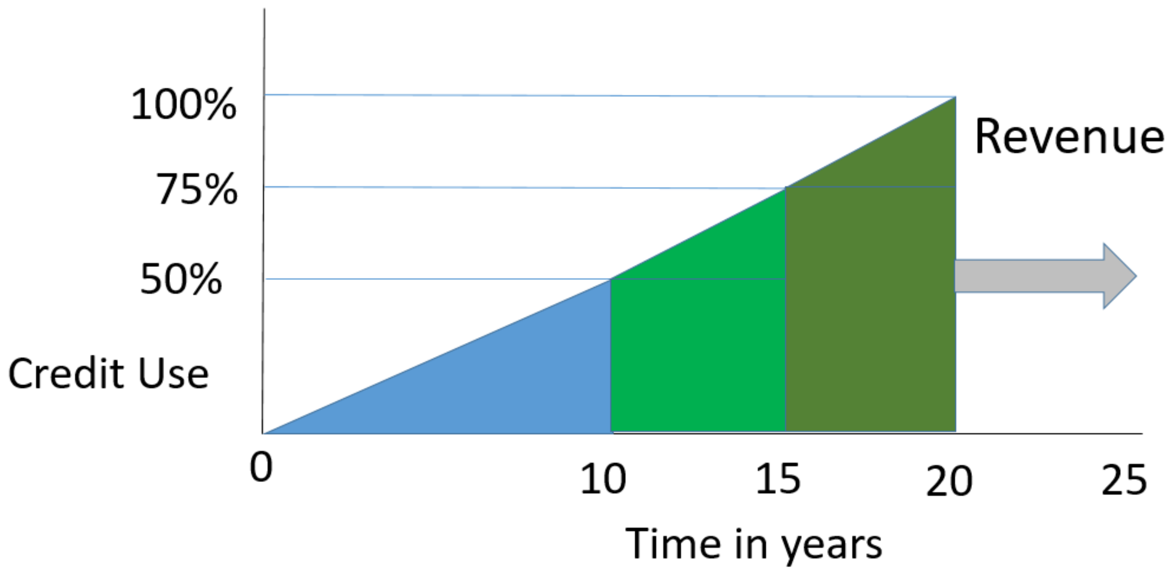
Source: ECONorthwest

4.3 Risks and Requirements

A city's decision to participate in LCLIP does not guarantee program success. As described already, several factors determine revenue and conservation outcomes, primarily the amount of redevelopment that occurs and how well calibrated the TDR mechanism is to place credits as a result of that growth. A goal of this study update is to identify an implementation strategy by which Shoreline can use TDR to optimize the benefits of LCLIP and maximize the likelihood of program success. That being said, cities want to know the ramifications of using LCLIP and what the consequences are if they are unable to achieve program objectives.

Risks

An unknown factor in pursuing LCLIP is that anticipated redevelopment may not occur at either the pace or the scale at which a city needs in order to meet program obligations. Projecting future growth is difficult and, while the analysis in this report is based on the best available information and reasonable assumptions, there is some degree of uncertainty in predicting land use patterns. The design of LCLIP recognizes this uncertainty in the timeline of the performance milestones and the consequences of missing them. The following diagram illustrates the schedule of TDR placement needed to keep the program running:



The best way to achieve the objectives of LCLIP is to adopt an implementation strategy that is most likely to succeed. This includes creating appropriate incentives for using TDR, exchange rates matched to the market, and an administrative model that meets the needs of participants. If, however, the demand for growth doesn't materialize, what happens? The short answer is that counties have the option to end the program. This means three things:

1. Counties can stop sharing revenue if cities fall short of performance milestones. The result is that cities forgo all future earnings. This is an opportunity cost as the compounding effect of LCLIP means that revenues are highest in the later years of the program.
2. There is no penalty or fee to cities if the program ends early.
3. Cities retain all the revenue already collected. They do not have to pay back anything.

Two scenarios illustrate potential outcomes of missed program milestones.

In the first scenario, imagine that Shoreline adopts LCLIP and commits to accepting all 231 TDR credits. Under the statute, the City must place half of those, or 116 credits, by the end of year 10. Over the first 9 years of the program new construction has placed 101 credits. No pipeline projects that could use TDR will materialize by the end of the year and it appears that the City will fall short of its placement goal by 15 credits. If the program ends the City will not earn any further revenue. Shoreline and King County could negotiate an extension to the program, as it is in both jurisdictions' interests to do so and the shortfall could be made up by a future project. Shoreline might purchase 15 credits with City funds to meet its TDR goal and could re-sell those credits into future projects. Shoreline and King County might negotiate an alternative arrangement that allows the City to continue the program. The result is that the two parties agree to extend LCLIP for another five years.

In the second scenario (same assumptions), imagine that the pace of growth has been far below expectations and new construction has placed 50 credits by the end of year 9. Facing a gap of 66 credits to meet the placement target within a one-year period and low growth rates, the City may not wish to buy the remaining credits to satisfy program requirements. The result is that King County ends the program at year 10. This scenario is unlikely, however, as the City will be monitoring program use continually and will know if it's on track to reach TDR placement goals. If placement is not high enough, the City will have time in which to adjust the program to increase TDR use.

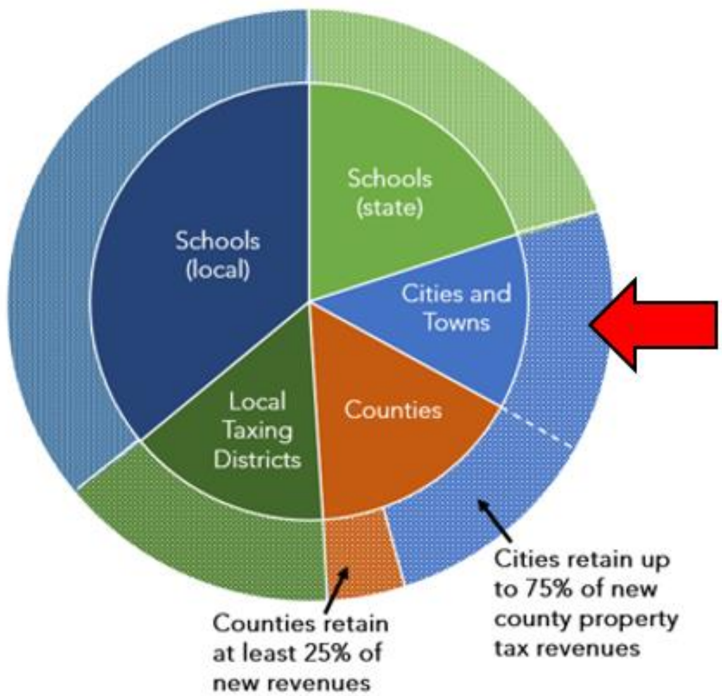
As a general statement, there is low risk to cities to participate in LCLIP. The main risk is the opportunity cost of not earning future revenues if a city does not meet TDR credit placement goals. Since it's unlikely that a city would start LCLIP if the conditions for success were not favorable, the likelihood of missing placement milestones would largely be driven by external factors, such as a market downturn.

In either scenario described above, a city has an additional option, which is to buy the balance of TDR credits itself to meet the placement goals. This is allowed by statute and gives a city the opportunity to intervene if the private market alone does not meet credit placement goals. Purchasing TDR credits with City funds would offset a portion of the financial gain through LCLIP but depending on the situation it could result in a city earning more than the expense over the duration of the program.

Another issue identified by cities that are considering multifamily property tax exemptions (MFTE) as a mechanism for placing TDR credits is that these tax exemptions will erode their overall revenue. For example, if a city uses TDR as a means for developers to access MFTE, the city forgoes revenues on those projects for a portion of LCLIP's duration. While that may be the case, the bigger picture tells a different story. Property tax is not the only source of revenue to a city from new construction. A city also collects sales and B&O taxes, among others. The revenues from sales tax during construction and ongoing taxes collected after occupancy in most cases will more than offset the loss of property tax through MFTE. That is revenue that would not otherwise be generated but for MFTE, which can create enough savings to justify building a project. Although MFTE may reduce LCLIP revenue, in the broader context a city still earns more revenue than it would have – through a multitude of sources – absent MFTE.

Requirements

Cities pursuing LCLIP assume certain responsibilities identified in the statute. Beyond those already discussed, cities must commit to allocating their own portion of property tax revenue from new construction in the LIPAs to infrastructure improvements in those areas. To return to the earlier visual example of tax revenue distributions through LCLIP, the red arrow in the following graphic shows the portion of earnings a city must direct to infrastructure funding in LIPAs (which is separate from and additive to the revenues retained from counties).



This requirement does not cover continued property tax assessments on existing buildings, it pertains only to new construction for the limited duration of LCLIP. Some cities have raised the concern that this requirement constrains their use of tax funds, however it is important to consider two factors on this point. First, because a city using LCLIP is committing to use revenues for infrastructure, this program requirement represents an expenditure on capital improvements that a city would make anyway. Second, because revenues from new construction in LIPAs must go towards infrastructure, property tax revenues from other parts of the city that would otherwise go into the capital facilities budget can be used for other purposes. The net result is flexibility in how cities deploy property tax revenues while ensuring that infrastructure investments in high-growth areas are adequately funded.

5 LCLIP Program Findings and Recommendations

5.1 Summary of Findings

There is strong policy case for LCLIP in Shoreline.

The Study Area, including Town Center, Aurora Square, the future light rail station areas, major east-west corridors, and two business/high density districts can play a central role in the city meeting its growth targets. These areas have the capacity to accommodate most of the City's new residents and employment, plus they have a need for capital facilities to support this growth. Residential capacity, particularly in the area where the city is planning on more intense land development, 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.

The 2015 study found that 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). Assuming a 100% specified ratio (the City commits to all 231 credits), the program could generate $8.5 to $12.4 million (net present value, $14.4 to $21.6 million in nominal terms) over the 25-year period.

Looked at another way, if the City wanted to bond against future revenue, the relevant revenue figures would be the range of $8.5 million to $12.4 million. If the City instead wanted to collect the revenue and spend it as it comes in, the relevant revenue figures would be $14.4 million to $21.6 million.

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

Shoreline currently has TDR provisions in portions of the light rail station areas. In their current form they are unlikely to achieve the desired outcome because of the overall cost of including an array of public benefits in taller developments. Revisions to the development code that prioritize use of TDR, simplify the process, and offer more ways to use TDR should result in a market-driven approach in which new projects place credits in areas where the City desires growth.

Shoreline can augment the MFTE approach by combining it with TDR for projects in the commercial zones. An overall market-based strategy of offering an appropriate suite of incentives in areas expecting growth will maximize the likelihood of program success. However, some changes to affordable housing provisions would improve the capacity for new construction to provide multiple public benefits.

Timing the start of LCLIP

As demand for growth around the future light rail station areas emerges (and continues in business districts), this will drive further redevelopment. New projects are already emerging in Town Center and redevelopment at Shoreline Place is another project that will influence LCLIP utilization. There are two main approaches to how to time the start of LCLIP. Each has its own advantages and tradeoffs. The City can weigh which factors matter most to plan for adoption in a way that best meets local needs.

One timing strategy involves waiting to start LCLIP until a developer proposes a new construction project that would place TDR credits. By launching the program just prior to such a project, the City achieves two objectives: making progress towards its TDR goals and ensuring revenue from the outset of the program. This approach mitigates – to some extent – the risk that redevelopment won't achieve program TDR credit placement goals. One tradeoff is that it would not capture the revenue of other new construction that happens in the interim that doesn't use TDR – in other words, the City might forgo revenue by waiting. Additionally, this approach postpones action, potentially reducing the likelihood of the program being adopted at some indeterminate future point.

The other strategy involves adoption of LCLIP now (or as soon as is feasible). This approach ensures that no value will be missed by waiting. Staff reports that three new construction projects within the proposed program area have already started the permitting process. Adopting LCLIP prior to completion of these projects would ensure that they generate revenue. A tradeoff to this approach is that the 20-year clock on TDR use begins without any credit placement. If the City makes code changes that result in greater certainty of TDR use in future projects, it mitigates the risk of missing credit placement goals.

A simple summary of the choice is this: adopt LCLIP now with the certainty of revenue from proposed new construction while relying on future redevelopment to place credits pursuant to code changes, or defer adoption to ensure some progress towards TDR credit placement goals with an opportunity cost of foregone revenue from known redevelopment.

5.2 Recommendations

Shoreline can pursue a range of actions to maximize the benefits of LCLIP while minimizing the risks of not meeting performance milestones. In thinking about using LCLIP, the City should consider a suite of actions that collectively would take advantage of conditions for the program to succeed.

Potential LCLIP Approaches

The 2015 report proposed three potential approaches to proceeding with LCLIP: no action, participate at the maximum level, and time the start of the program to a known project. The update to that report proposes a modified sequence of steps.

No Action in the Immediate Future

The "no action" alternative remains an option. While it was appropriate to consider in the context of the conditions informing the 2015 report, subsequent changes have introduced new factors influencing this choice. Since then, Shoreline adopted a subarea plan for the 145th Street light rail station area. Now both station areas have zoning that supports transit-oriented development. Additionally, growth has continued in multiple areas within the City. Multifamily projects are in various stages of completion, showing that a market for growth exists in advance of light rail service. Furthermore, opening of the light rail stations is less than three years away, which is a different timeline for prospective development than at the date of the original report (at which point opening was 8 years distant). Finally, the LCLIP revenue projections are higher than in the original analysis, so the opportunity cost of not using the tool goes up accordingly. Conversely, because both light rail station area plans were adopted with limited and functionally constrained TDR provisions, retroactively expanding the use of TDR in existing zoning would be a complex (but not insurmountable) task.

Set the stage for LCLIP success with a sound TDR framework

This is the first of two steps for using LCLIP. Before proceeding to LCLIP adoption, Shoreline could pursue code changes outlined in this (updated) report to create a viable TDR program. This would give the City a solid foundation with a complete set of mechanics and the administrative structure for using the tool. With a TDR program in place that is designed to anticipate the demand for growth that should accompany expanded regional transit service, Shoreline will be positioned to adopt LCLIP when the conditions are best suited for success.

Prepare LCLIP legislation and identify conditions for adoption

Secondly, subsequent to (or concurrent with) TDR program creation, Shoreline can prepare legislation for adopting LCLIP. The City could draft an ordinance containing all the components specified by the statute (see Implementation Road Map below) and introduce it at a time that best supports City needs – either as soon as feasible or when a new project comes forward that would use TDR, depending on the City's strategic preference around timing the start of LCLIP. This would be the opportune time to negotiate an interlocal agreement with King County, so it is also ready for adoption. In either approach, all legislation and agreements should be ready for consideration on short notice, giving Shoreline the ability to act quickly.

The 25-year clock begins on the effective date of a city's LCLIP ordinance. It is inefficient to start the clock either in the absence of new construction or of TDR credit placement – the program would neither generate revenue nor achieve conservation for an unknown period. In order to take full advantage of LCLIP's benefits, Shoreline should set the program in motion when either a project (or projects) would create value or use TDR credits, depending on City priorities. Implementing this adoption strategy would require a specific sequence of actions:

1. Design and adopt TDR program framework
2. Draft LCLIP implementing ordinance
3. Negotiate interlocal agreement with King County
4. Track development activity in proposed LCLIP areas
5. When a development comes forward that would use TDR, bring LCLIP ordinance (and interlocal agreement, if applicable) through the legislative process for adoption

Summary recommendations for path to LCLIP implementation

- Create a TDR program first.
- Commit to all 231 credits to maximize revenues.
- Establish LIPAs that encompass the revised study area geography to include the widest possible growth potential and increase the opportunity for TDR placement.
- Prepare all the groundwork for adoption of LCLIP so the City may start the program when ready (now or later, depending on council direction).

- Make the necessary code changes to implement TDR within the development code.

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. This does not have to be a new, standalone plan. It can include investments already identified in the capital improvement plan.
- As needed, a shared strategy approach with King County or another partner agency should be included in an approach to retiring TDR credits.

Summary recommendations for TDR program framework

- Receiving area is the geography of the study area.
- Sending areas are consistent with the intent of the LCLIP statute – make all regional resource lands eligible.
- TDR incentives are a suite of options including additional building height, parking reductions, and tree replacement.
- Incentives are streamlined to prioritize TDR and other public benefits like affordable housing.
- Projects gain incentives at a rate determined by market analysis (exchange rates are based in empirical understanding of the development market).
- Set development thresholds and exchange rates for accessing incentives at levels where TDR will be used.
- Administrative model is easy to use for all parties and the City provides information and resources to support participation.

6 Implementation Road Map

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 enough 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 may be referenced in the adopting ordinance and appended to the interlocal agreement with King County. 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 1st 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 1st 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.

1 Appendix A to Shoreline LCLIP Feasibility Analysis: Supplemental Scenarios

Following a presentation to Shoreline City Council on March 16, 2020, council members requested additional context and examples to illustrate a wider range of potential scenarios under which the City could implement LCLIP. Based on requests from council members, the consultant team prepared a supplemental analysis that demonstrates a more graduated array of options for how LCLIP could work based on a range of factors. These scenarios provide additional detail to inform council decision-making on how to proceed with LCLIP, noting that the consultants' recommendations remain consistent with those in the main body of this report: Shoreline will gain the most value and achieve the most conservation through the program by using it to the fullest potential.

The following scenarios reflect three different configurations of how Shoreline might implement LCLIP based on council direction and preferences. A summary table comparing all of the options follows the narrative descriptions and discussion. As a reminder of the dynamics of LCLIP, revenue is a function of three factors:

- Geography. The more assessed value a city includes in the program (up to a maximum of 25%), the more revenue it will generate.
- TDR use. The more credits a city commits to placing, the more revenue it will generate.
- Growth. The more new construction that occurs, the more revenue it will generate.

The three scenarios represent small, medium, and large choices in terms of scale of utilization.

Scenario One – Station Emphasis

This scenario limits program use to a geography containing only zones in the light rail station subareas (MUR-70' and MUR-45'), which represents 5% of the city's total assessed value. The incentives offered include additional building height, parking reduction, and multifamily tax exemptions (MFTE). The types of construction suited for these zones are midrise – potentially constructed from cross-laminated timber – and stacked flats. In this scenario, a single midrise project would place 14 TDR credits, netting a return on investment of approximately $420,000. A stacked flat project would place 2 TDR credits, netting a return of approximately $58,000.

If Shoreline commits to half of its total TDR allocation – 115 credits – then the City could achieve this placement through a combination of 6 midrise projects and 15 stacked flat projects over a 20-year period. In other words, each station area might see 3 midrise projects and 7 or 8 stacked flat projects. With this combination of TDR placement, geography, and growth, LCLIP would generate between $3.2 million and $6.3 million over the term of the program, or $1.9 million to $3.8 million net present value (the amount for which the City could bond should it choose that revenue stream). This amount of revenue would fund the following combination of projects in the capital improvement plan:

If the City commits to its full TDR allocation – 231 credits – it could achieve this placement through a combination of 12 midrise projects and 29 stacked flat projects over a 20-year period. This permutation would generate $6.3 million to $12.6 million over the duration of the program, or $3.8 million to $7.5 million NPV.

This amount of revenue would fund combinations of the following projects in the capital improvement plan:

- Parks repair and replacement, playground replacement, and turf and lighting repair
- Sidewalk Rehabilitation Program through 2022, and install new sidewalks on 1st Ave NE from N 145th St. to N 155th St. and from N 192nd St. to NE 195th St.

In order to implement this scenario, the City would need to change the existing MUR incentive structure to award one additional story in MUR-45', emphasize TDR and affordable housing in the MUR-70' zone, award parking flexibility for TDR in one or both of these zones, and pair these incentives with MFTE.

For illustration purposes, the following images are examples of what midrise cross-laminated timber construction and 5-story stacked flats could look like.

Scenario Two – Expanded Emphasis

This scenario broadens program use to a geography containing zones in the light rail station subareas (MUR-70' and MUR-45') as well as Town Center zones (TC-1/2/3), which represents 15% of the city's total assessed value. The incentives offered include additional building height, parking reduction, and multifamily tax exemptions (MFTE). The types of construction suited for these zones are midrise – potentially constructed from cross-laminated timber – podium, and stacked flats. In this scenario, a single midrise project would place 14 TDR credits, netting a return on investment of approximately $420,000. A podium project would place 6 credits, netting a return of approximately $186,000. A stacked flat project would place 2 TDR credits, netting a return of approximately $58,000.

If Shoreline commits to half of its total TDR allocation – 115 credits – then the City might achieve this placement through a combination of 4 midrise projects, 8 podium projects, and 12 stacked flat projects over a 20-year period. In other words, each station area might see 2 midrise projects, 4 podium projects, and 6 stacked flat projects. With this combination of TDR placement, geography, and growth, LCLIP would generate between $6.3 million and $9.5 million over the term of the program, or $3.8 million to $5.7 million net present value.

This amount of revenue would fund improvements to pedestrian and bike connectivity along N 195th St. from 5th Ave NE to the I-5 pedestrian bridge, as well as citywide surface water small projects and park restroom improvements.

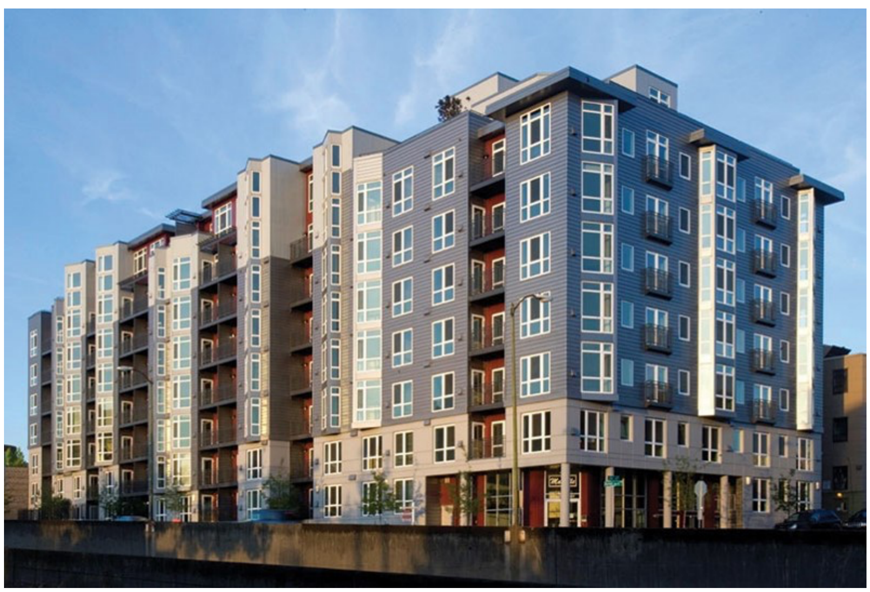
If the City commits to its full TDR allocation – 231 credits – it could achieve this placement through a combination of 8 midrise projects, 16 podium projects and 16 stacked flat projects over a 20-year period across both light rail station areas and Town Center. This permutation would generate $12.6 million to $18.9 million over the duration of the program, or $7.5 million to $8.2 million NPV.

This amount of revenue would fill the existing funding gap for constructing the 148th St. non-motorized bridge.

In order to implement this scenario, the City would need to change the existing MUR incentive structure to award one additional story in MUR-45' and TC zones, emphasize TDR and affordable housing in the MUR-70' zone, award parking flexibility for TDR in one or both of these zones, and pair these incentives with MFTE.

For illustration purposes, the following images show examples of podium construction.


STATIONHOUSE



Scenario Three – Full Utilization

This scenario broadens program use to a geography containing zones in the light rail station subareas (MUR-70' and MUR-45') as well as Town Center zones (TC-1/2/3), plus multifamily and business zones (MB, NB, CB, R-48) which represents 23% of the city's total assessed value. This geography strikes a balance of demonstrable nexus between growth and infrastructure need with the potential to generate revenue and achieve conservation. The incentives offered include additional building height, parking reduction (limited to the MUR zones), and multifamily tax exemptions (MFTE). The types of construction suited for these zones are midrise – potentially constructed from cross-laminated timber – podium, and stacked flats.

If Shoreline commits to half of its total TDR allocation – 115 credits – then the City might achieve this placement through a combination of 4 midrise projects, 8 podium projects, and 6 stacked flat projects over a 20-year period across the program geography. In other words, each station area might see 2 midrise projects and 4 podium projects, while the stacked flat projects are distributed across the MUR-45', TC-1/2/3, business, and R-48 zones. With this combination of TDR placement, geography, and growth, LCLIP would generate between $9.5 million and $12.6 million over the term of the program, or $5.7 million to $7.5 million net present value.

This amount of revenue would fund improvements to the Westminster Way N and N 155th St. intersection, as well as upgrades to pump stations 26 and 30.

If the City commits to its full TDR allocation – 231 credits – it could achieve this placement through a combination of 8 midrise projects, 16 podium projects and 11 stacked flat projects over a 20-year period. A development pattern might look like 4 midrises and 4 podium projects in each light rail station area, 8 podium projects in Town Center, and the stacked flats spread across the business zones and R-48. This permutation would generate $18.5 million to $25.2 million over the duration of the program, or $8.2 million to $15.1 million NPV.

This amount of revenue could fund the majority of the cost of improvements to the I-5 and NE 145th St. interchange.

In order to implement this scenario, the City would need to change the existing MUR incentive structure to award one additional story in MUR-45', TC zones, and business/R-48 zones; emphasize TDR and affordable housing in the MUR-70' zone; award parking flexibility for TDR in one or both of these zones; and pair these incentives with MFTE.

Discussion

The scenarios outlined here present Shoreline with a continuum of options for how it might participate in LCLIP. The additional detail also provides more context around the development patterns that would support success of the program. In evaluating opportunities for using LCLIP, many factors inform the decision of whether to adopt the tool and how best to use it. One of the most influential factors determining the success of the program is how much growth the City can expect, as this will affect both how many TDR credits it can place and how much revenue it will earn. Anticipating future growth is difficult to project, so the consultant team has taken a conservative approach to modeling its estimates. Given the recent and current range of projects constructed in the City, is it reasonable to expect the addition of 30 to 40 multifamily projects over a 20-year program? Is an average rate of 1 ½ to two new projects per year in line with what the City has been experiencing and expects to see? Do these development patterns support Shoreline's goals for the light rail station areas, Town Center, and business zones? Will the projected revenues make a meaningful contribution to parks, mobility, or stormwater improvements that will support growth and enhance the quality of life for its residents?

Each scenario presents tradeoffs. Smaller scale implementation, both in terms of geography and credits placed, will generate lower revenues. Full utilization of the program will generate higher revenue and will necessitate more extensive zoning and incentive program updates to realize these benefits. The opening of the light rail stations in 2023 will improve connectivity between Shoreline and the rest of the region. The resulting growth that the City anticipates could create additional public benefits for the community.

Summary Table of Scenarios

	Station area emphasis	Expanded emphasis	Full Utilization
Geography	Both light rail station subareas	Both LR areas + Town Center	LR areas + TC + business zones (3 LIPAs)
% AV	5%	15%	23%
Incentives	Height: MUR-70 > 70' to max	Height: MUR-70 > 70' to max	Height: MUR-70 > 70' to max
	Height: MUR-45 +1 story	Height: MUR-45 +1 story	Height: MUR-45 +1 story
	Parking reduction	Height: TC 1/2/3 from 70'-85'	Height: TC 1/2/3 from 70'-85'
	MFTE	Parking reduction (MUR zones only)	Height: +1 story in business/R-48 zones
		MFTE	Parking reduction (MUR zones only)
			MFTE
Construction types	Midrise (up to 140' in MUR-70')	Midrise (up to 140' in MUR-70')	Midrise (up to 140' in MUR-70')
	Wood frame stacked flats	Podium 7-story (TC)	Podium 7-story (TC)
		Stacked flat 5-story (MUR-45)	Stacked flat (MUR-45/Business/R-48)
Credits placed in protypical project	Midrise = 14	Midrise = 14	Midrise = 14
	Stacked flat = 2	Podium = 6	Podium = 6
		Stacked flat = 2	Stacked flat = 2
Development patterns:			
115 credits (50% allocation)	Combo of projects over 20 years = 21	Combo of projects over 20 years = 18	Combo of projects over 20 years = 14
231 credits (100% allocation)	Combo of projects over 20 years = 41	Combo of projects over 20 years = 36	Combo of projects over 20 years = 30 to 35
Revenue:			
115 credits nominal	\$3.2M - \$6.3M	\$6.3M - \$9.5M	\$9.5M - \$12.6M
115 credits NPV	\$1.9M - \$3.8M	\$3.8M - \$5.7M	\$5.7M - \$7.5M
231 credits nominal	\$6.3M - \$12.6M	\$12.6M - \$18.9M	\$18.9M - \$25.2M
231 credits NPV	\$3.8M - \$7.5M	\$7.5M - \$8.2M	\$8.2M - \$15.1M
CIP - what improvements could this revenue fund?	Parks repair/replacement	Ped/bike connectivity on 195th St	Pump station upgrades
	Sidewalk rehabilitation program	Surface water improvements	Westminster Way/155th intersection
	New sidewalks on 1st Ave NE	148th St non-motorized bridge	Most improvements to I-5/145th interchange
Code changes needed	Change MUR incentive structure to emphasize TDR and affordable housing	Change MUR incentive structure to emphasize TDR and affordable housing	Change MUR incentive structure to emphasize TDR and affordable housing
	Parking flexibility	Parking flexibility	Parking flexibility
	MFTE	MFTE	MFTE
		Add one story to TC 1/2/3	Add one story to TC 1/2/3, business, R-48

Notes on updated analysis

Some of the findings differ between the analysis performed for the March 2020 draft of this report and the November 2020 additions, including revenue projections, TDR credit placement rates, and development patterns. These differences reflect refinements to credit placement rates and credit pricing assumptions, including an average weight of projects by square footage. Revenues increase as a result of development models attributing more growth to station areas owing to a more robust incentive package and more incremental density in updated scenarios compared to those modeled in the March report. Within each scenario, the greater degree to which the City offers incentives that enable development at larger scale (both in terms of height and the number of projects), the more opportunities this creates to use TDR and the more revenue will be generated by the program.

Attachment C

City of Shoreline LIPA Areas A, B and C