

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Local Improvement Districts for Sidewalks
DEPARTMENT:	Public Works, Finance, City Attorney
PRESENTED BY:	Mark Relph, Public Works Director Robert Hartwig, Administrative Services Director Ian Sievers, City Attorney
ACTION:	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion

PROBLEM/ISSUE STATEMENT:

Sidewalks continue to be a high priority transportation need for Shoreline residents. However, given the limited financial resources in the City's capital and operating budgets, there is not an on-going revenue source to fund new sidewalk projects.

During the review of the 2013-2018 Transportation Improvement Plan (TIP) earlier this year, Council directed staff to research and report on options for the implementation of a local improvement district program as one mechanism to help finance the design and construction of sidewalks. This report examines some of the larger policy issues for Council to consider when deciding whether to adopt, develop and implement a local improvement district program.

RESOURCE/FINANCIAL IMPACT:

The financial impacts to the City will vary depending upon the nature of the adopted local improvement district program. These options are discussed in this report. There is no financial impact associated with tonight's discussion.

RECOMMENDATION

This report is for discussion purposes only. However, if there is interest in further investigation of the creation of a local improvement district program as a tool to help finance a sidewalk program, staff recommends that Council direct staff to develop a process to solicit public input to help inform a future Council decision.

Approved By: City Manager **JU** City Attorney **IS**

INTRODUCTION

Shoreline residents and the City Council have consistently identified sidewalks as a high priority transportation investment for the City. On September 24 Council reviewed the results of the 2012 Citizen Survey which showed that sidewalks continue to be important to residents and an area of lower satisfaction. In the area of transportation, availability of sidewalks near a residence ranked highest as the area that should receive the most emphases in the next two years. Availability of sidewalks on major streets/routes ranked third.

Since incorporation, sidewalks have been constructed throughout the City, either as stand alone sidewalk specific projects or in conjunction with larger capital projects (such as Aurora Avenue N Corridor Improvements and North City Business District Improvements). In 2006 a six year program was established to construct pedestrian enhancements along priority routes identified in the then adopted Transportation Master Plan (TMP). Specific projects were selected on an annual basis from the Sidewalk Priority map based on need, project costs, and impacts. In total the City spent approximately \$2.6 million in constructing a number of priority sidewalk projects. Although this is the case, there are still many priority sidewalk projects identified in the updated TMP adopted by the Council in 2011. With the recent decline in capital revenues, the City is faced with a reduced capital budget and the ability to fund new sidewalk projects.

The City identifies sidewalk projects and includes them within the six year CIP, with funding from available revenues and/or grants. Sidewalks can also be part of larger capital projects, such as the Aurora Corridor Improvements project. New, private development or significant redevelopment is often required to construct sidewalks. In 2010, Council eliminated the requirement for a single lot, single family residential construction project to provide sidewalks primarily because the impacts a new single family home or remodel were not commensurate with requirements for frontage improvements – the development must create a measurable impact and then the City can require mitigation such as construction of frontage improvements or payment of a fee in lieu of improvements.

The 2011 Transportation Master Plan includes a list of sidewalk projects needed to complete the City's Pedestrian System Plan. The projects on this list were scored based upon criteria that included proximity to schools, parks, transit and commercial areas, as well as locations on arterials. These scores were used to rank and prioritize the projects. A map showing the high priority sidewalk projects in the TMP is included as Attachment B.

There are several financing options available to the City to fund sidewalk construction. These are outlined in the City's adopted Transportation Master Plan (TMP). During discussion of the 2013-2018 TIP earlier this year, staff described local improvement districts as one of these options. Council requested staff to research the process and options for establishing a local improvement district and to present the findings at a later date. This report identifies some of the larger policy decisions Council will need to make

should the City choose to proceed with the creation of a local improvement district program.

Sidewalk Local Improvement Districts (SLIDs – this acronym is being used as opposed to LID, in order to avoid confusion with Low Impact Development) are a financing tool that local governments can employ to construct improvements to the benefit of adjacent property owners. SLIDs provide a mechanism to design and construct improvements which will be financed and paid for over a period of time through assessments to property owners of the benefiting properties. SLIDs are created under the sponsorship of a city and must be approved by both the local government and benefitted property owners. Many cities use these for sidewalk improvements and they often include a city match or contribution to the project.

DISCUSSION

Creation of SLIDs is a complicated process, requiring a series of steps to garner public support, create cost estimates, design and build projects, and administer assessments. The flow chart shown on Attachment A identifies the multiple steps required for creation of a SLID.

In addition to a complicated process for each individual SLID, development of a SLID program for a city is complex. Following is a series of policy issues for Council consideration when deciding whether to establish a SLID program in Shoreline. Many of these issues are highly interrelated and a decision on one will influence others.

1. City participation in the cost of SLID funded projects

State law does not require cities to participate in funding projects through an established SLID program. Cities have the option to set up programs in different ways, which includes the establishment of a program where all project costs are borne by benefitted property owners. If the City opts to participate in funding projects, Council will need to determine the percentage or formula for participation. For example, the City could decide to participate at different levels based upon street classification (higher contributions for arterials, lower contributions for non-arterials) or prioritization of projects in the TMP. It should be noted that even if the City opts not to participate in funding, there will always be a level of City contribution in the form of activities such as petition and ordinance preparation, staff reports, cost estimating, etc, as well as on-going maintenance of new facilities. In fact the City must do many of these functions prior to the actual formation of a SLID for a specific project. Additionally, if a total project cost exceeds the combined increased property value from the project, the City must cover the difference (explained further in the section discussing property owner assessments). The City's level of participation in the funding of SLID projects will influence several other decisions that must be made as the program is designed.

A variety of sources can be used by the City to contribute toward the costs of sidewalk projects funded through the SLID program. These include roads capital funds (i.e., real estate excise tax (REET), general fund contribution, etc.), grants, transportation benefit district funds (this would require additional voter authorized funding) or other voter approved funding.

In all circumstances, the City would need to provide some level of funding, such as preliminary administrative and design costs (even if a project does not move forward). Additionally, the City would need to fund all aspects of a project at its onset, as the assessments would be repaid to the City over time. Most likely this would include issuing long-term debt which would be repaid through annual property assessments.

2. SLID creation and public support

State law establishes the manner in which a SLID is created. When using the petition method (initiated by residents as opposed to a Council initiated resolution), the petition must be signed by owners of property aggregating a majority of the area of the proposed SLID. However, cities can establish higher thresholds for support before creating a SLID as this results in greater support for a given project. The City currently employs this method through the Neighborhood Traffic Safety Program (NTSP). Before a new traffic control measure is installed through this program, sixty percent of the neighborhood must approve of its installation. It should be noted that it is unlikely that a given project would ever receive unanimous approval from all affected property owners. Programs that include substantial financial participation by the City generally receive more support, as the costs to individual property owners are decreased (see below).

Right-of-way acquisition for sidewalk projects can also be a factor that influences public support. Not only will right-of-way acquisition add to project costs, but property owners may be reluctant or unwilling to sell. In these instances, Council would need to decide whether to exercise its condemnation authority, build a project that is not consistent with established City design standards or not build a project at all. Due to the added complications that arise, staff recommends that projects for which right-of-way acquisition is needed should not qualify as a SLID funded project.

3. Property owners assessments

State law provides flexibility to cities when determining how to assess the individual property owners for project costs. For example, property owners could be assessed based upon their proportionate acreage in the benefit area, their proportionate frontage along the sidewalk length or an equal assessment for each property owner. Regardless of the method selected, the assessment must be proportionate to the benefit gained by the property owner. One very important note about assessments: the value of an assessment for an individual property cannot exceed the estimated increase in property value that will occur as a result of the project. Therefore, if the combined assessments of the properties within the SLID are less than the total project cost, the City is responsible for paying the remainder.

The table below is an example of how the costs of an SLID project may be allocated to property owners using the recent sidewalk project on Ashworth Ave N from N 185th St – N 192nd St as a case study. The Ashworth Ave N sidewalk project included the construction of seven blocks of sidewalk, provisions for on-street parking and incorporated several sustainable or low impact drainage techniques including porous concrete and bioretention swales. The table provides examples of the average cost per property owner, with minimum and maximum costs for the properties with the smallest

and largest linear frontages. The table also shows the difference in cost based upon varying participation levels by the City. It should be noted that the design for this project was performed in-house by City staff, resulting in low design costs, and thus a lower project cost. Not all projects could be designed in-house by City staff due to circumstances such as project complexity or staff workloads. Additionally, no right-of-way acquisition was needed for this project. The project cost noted does not include additional internal administrative costs associated with SLID administration, such as petition and ordinance development, preparation of staff reports creation of cost estimates, property owner searches, advertising, mailing and publishing costs, and accounting and collection costs.

ASHWORTH AVE N SIDEWALK PROJECT	
Total Project Cost	\$488,206
Number of Parcels	21
Longest Parcel	103 feet
Shortest Parcel	60 feet
Total Frontage (excludes cross-street right-of-way)	1509 feet

	0% City Contribution (\$0)		25% City Contribution (\$122,051)		50% City Contribution (\$244,103)		75% City Contribution (\$366,155)	
	One-time payment*	Annual payment**	One-time payment*	Annual payment**	One-time payment*	Annual payment**	One-time payment*	Annual payment**
Cost per foot to property owner	\$324		\$243		\$162		\$81	
Average cost per parcel	\$23,282	\$3,792	\$17,461	\$2,844	\$11,641	\$1,896	\$5,820	\$948
Highest cost (based upon lineal feet of frontage)	\$33,372	\$5,435	\$25,029	\$4,077	\$16,686	\$2,718	\$8,343	\$1,358
Lowest Cost (based upon lineal feet of frontage)	\$19,440	\$3,167	\$14,580	\$2,375	\$9,720	\$1,583	\$4,860	\$792

*Assessment must be equal to or less than the increased property valuation related to improvements

**Annual payment over 10 years at five percent interest.

4. Prioritization and processing requests

In 2011, Council adopted the TMP, which included a Pedestrian System Plan for Shoreline, identification of projects needed to build out that system and prioritization of those projects based upon criteria that included proximity to schools, parks, transit and commercial areas, as well as locations on arterials, all of which are related to safety due to exposure. The system plan is focused on completing sidewalks on arterials throughout the City, with some sidewalks identified on non-arterial (local) streets that

provide good pedestrian connections. A map showing the high priority sidewalk projects in the TMP is included as Attachment B. These projects are estimated to cost \$36 million. The policy direction in the TMP emphasizes construction of a pedestrian system that is safe, connects to destinations, accesses transit and is accessible by all. The projects identified in the TMP are used in the creation of both the six year TIP and CIP.

During development of the City's Neighborhood Traffic Action Plans (NTAPs), residents identified areas in their neighborhoods where sidewalks were a priority. Many of the locations were on arterials, with some non-arterial streets identified that provide access to destinations such as schools or parks. The non-arterial routes identified as high priorities in the NTAPs are included as part of the TMP Pedestrian System Plan.

With limited funding to allocate to sidewalk projects, the City would need to establish a procedure to determine the order in which to process requests and construct projects. Council will also want to determine how much funding is allocated toward SLID projects instead of other sidewalk projects that may be fully funded by the City, as the projects requested for construction through a SLID program are likely to be different than those identified as priority projects in the City's planning and budgeting documents.

One option is to process requests in the order in which they are received (first come, first served). These applications would be evaluated for completeness and then programmed into the City's CIP for design and construction when the City's funding match becomes available. Another option is to create an annual application process where there is an established timeframe for submittal of applications by residents, similar to the City's process for accepting applications for comprehensive plan amendments. Staff would review all of the applications at the same time and make a recommendation for the order in which they should be processed, potentially in conjunction with the annual adoption of the CIP. The criteria for these recommendations could include highest level of support, affordability or highest priority in the TMP. Approved projects would then be integrated into the CIP. In all circumstances, the City would need to manage the expectations of residents with respect to the limited City funding.

5. Costs included in a SLID project

Sidewalk projects have several costs associated with the different phases of development. They include:

- Project management
- Design
- Right-of-way acquisition
- Construction
- Construction management

In addition, there are other costs associated with administration of a SLID program. These include petition preparation, development of cost estimates, staff reports and ordinance preparation. Residents would be responsible for the circulation of petitions. The City would also be responsible for the costs of formation of the SLID and debt

issuance and repayment. If the City asked King County to administer the assessments to property owners, they would pass their administration costs to Shoreline.

6. Project design and construction

The City has established design standards for sidewalks including widths for amenity zones and the sidewalks themselves, as well as an internal process for deviation from these standards. Adherence to these standards will influence the costs of a project.

It is important that projects are designed and built in accordance with the City's established standards. Staff's expertise in project and construction management can help to control costs, ensure quality and allow projects to be undertaken more efficiently, as well as offer liability protection.

7. Controlling project costs

Project costs will vary from location to location due to a variety of conditions (sidewalk length, existing conditions, needed right-of-way). A project cost estimate can be included on the initial petition in order to give residents an idea of what the overall project costs will be. Before a public hearing for the SLID formation is held, detailed cost estimates must be prepared. Placing a cap on the project costs, such as a maximum price per foot, provides assurance for participating property owners by helping them understand the maximum cost to them. If the final project cost comes in lower, then the assessment is readjusted. If the final project cost comes in higher, then the City is responsible to cover that cost, assuming reserves are available and budgeted to cover the City's share. This puts greater responsibility on the City to get the cost estimate accurate early in the process. It is staff's opinion that the project costs along with the "cap" to the property owners would have to be set at the time the petition is circulated if the City is wanting to encourage SLIDs.

8. Low income property owners

SLID payments can represent a significant financial burden for some residents. Two types of deferrals are identified in state law. One is an indefinite deferral for qualified senior citizens. The other provides for a deferral of up to four years for economically disadvantaged property owners. In both cases, the deferred assessment does not go away but it becomes a lien against the property. The City may opt to contribute additional resources, such as CDBG funds, for projects in areas with a greater proportion of elderly and economically disadvantaged property owners. The City currently allocates approximately \$107,000 of its CDBG funds towards capital projects. The majority of these funds, \$84,000 in 2012, support the Minor Home Repair Program. In addition to supporting housing and other non-profit agency capital projects, in past years when the City had more CDBG funding the balance of these capital funds supported the installation of ADA improvements to existing sidewalks.

COUNCIL GOAL(S) ADDRESSED

This project addresses Council Goal 2: Improve Shoreline's utility, transportation, and environmental infrastructure. One action step identified to help achieve this goal is "Identify funding strategies for constructing new non-motorized improvements".

RESOURCE/FINANCIAL IMPACT

The financial impacts to the City will vary depending upon the nature of the adopted local improvement district program. These options are discussed in this report. There is no financial impact associated with tonight's discussion.

RECOMMENDATION

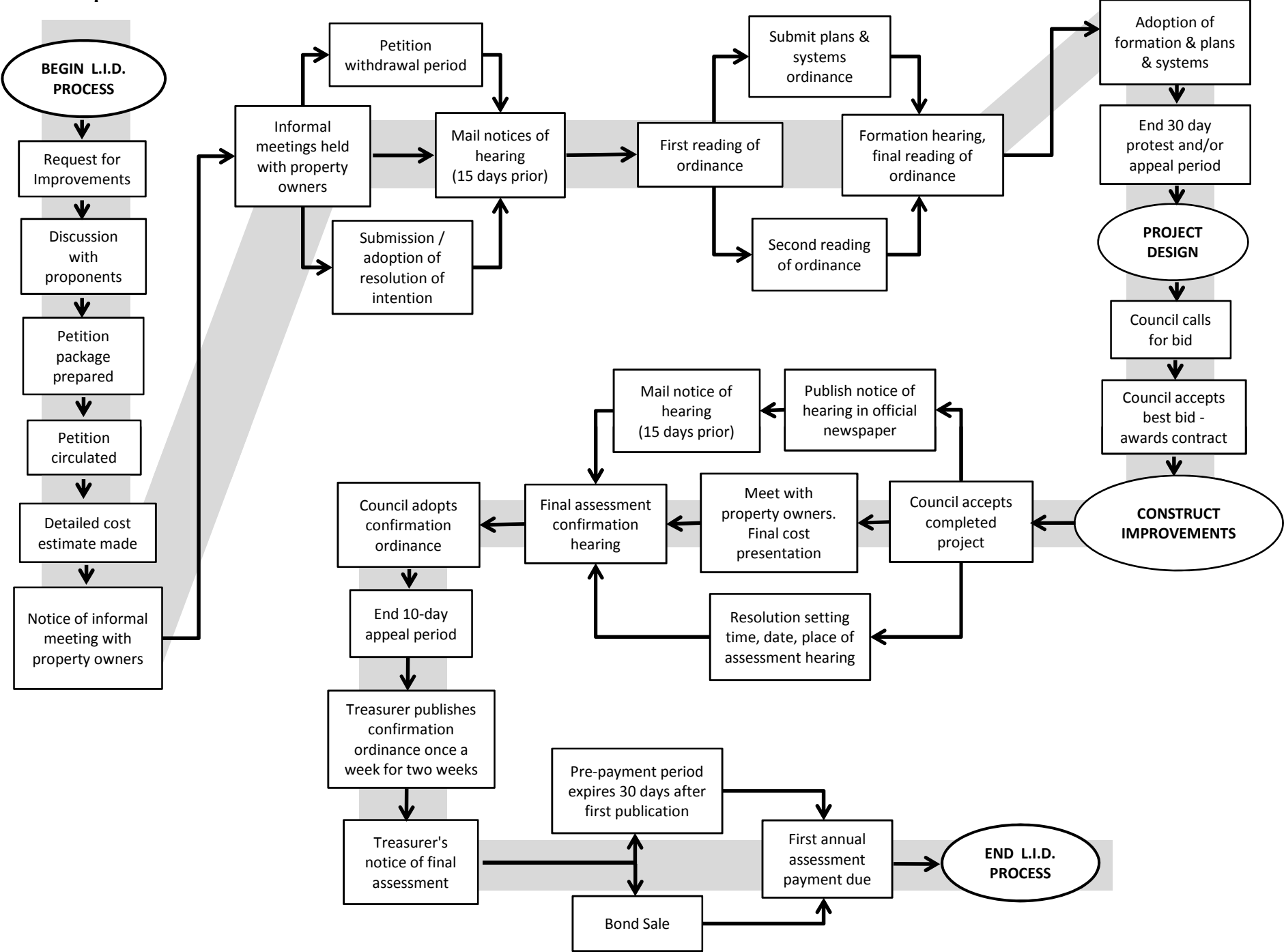
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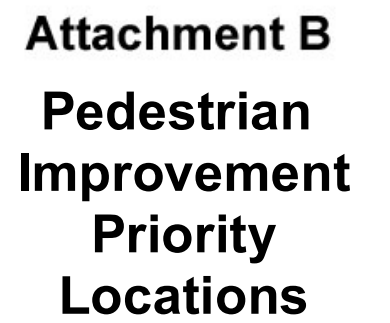
Attachment A: Local Improvement District Creation Flow Chart

Attachment B: Pedestrian Improvement Priority Locations

ATTACHMENT A

Local Improvement District Flow Chart





- ### Other Map Features:
- Trail
 - School
 - City Boundary
 - Park



Name: Pedestrian Improvement Project Locations2012b