

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Ordinance No. 717 - Transportation Impact Fee Amendment for Certain Businesses
DEPARTMENT:	Economic Development
PRESENTED BY:	Dan Eernisse, Economic Development Program Manager
ACTION:	<input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

On July 21, 2014, the City Council adopted Ordinance No. 690 establishing a transportation impact fee (TIF) program for the City of Shoreline. Five minor amendments to the program were discussed on July 13, 2015. Four amendments moved forward and were adopted as Ordinances Nos. 716, 718, 719, and 720 on August 3, 2015. One proposed amendment, Ordinance No. 717, which added a deferral of TIF for small businesses, was further discussed on January 11, 2016 and on February 29, 2016, after which Council directed staff to prepare a new Ordinance No. 717 for adoption. Tonight, staff is bringing proposed Ordinance No. 717 back to Council for final review and adoption.

RESOURCE/FINANCIAL IMPACT:

Using 2015 as a baseline, a 50% exemption of the business TIF would reduce TIF collections by \$100,000 each year. Council should note that 2015 is only the first year of TIF collections; an accurate baseline will emerge only over time. RCW 82.02.060(2) states that any impact fees not collected under this type of exemption must be paid for from public funds rather than from the impact fee account. Later this year Council will consider potential revenue sources to back-fill the TIF business exemption as part of its Ten Year Financial Sustainability Plan discussion. Proposed Ordinance No. 717 does not require additional staff resources to administer.

RECOMMENDATION

Staff recommends that Council adopt proposed Ordinance No. 717.

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

BACKGROUND

On July 21, 2014, the City Council adopted Ordinance Nos. 689 and 690, modifying the City's transportation concurrency methodology (Ord. No. 689) and establishing a transportation impact fee program (Ord. No. 690). This program became effective January 1, 2015. With the adoption of Ordinance No. 690, Shoreline Municipal Code (SMC) Chapter 12.40 Transportation Impact Fees (TIF) was established, and Section 3.01.015 Impact Fee Rate Table was added to Title 3 of the SMC.

On January 11, 2016, Council considered whether the TIF program posed a barrier to new businesses investing in Shoreline and if some form of relief should be considered. Council determined that the TIF program's impact on business was significant enough that some kind of relief should be considered, that deferring payment of TIF was not an effective means of providing relief, and whatever relief was provided should be objective and easy to administer.

This discussion was continued on February 29, 2016, where Council directed staff to bring back Ordinance No. 717 with a 50% exemption on the TIF rate, which would be applied to all eligible businesses. The staff report for the February 29 discussion can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2016/staffreport022916-9b.pdf>.

DISCUSSION

As noted above, proposed Ordinance No. 717 (Attachment A) provides a 50% exemption on the TIF Rate applied to all eligible business applicants. Applicants qualify based on Institute of Transportation Engineers (ITE) code proposed land use categories.

These categories include:

- Hotel (310),
- Motel (320),
- Movie theater (444),
- Health/fitness club (492),
- Day care center (565),
- General office (710),
- Medical office (720),
- General retail and services including shopping center (820),
- Car sales (841),
- Supermarket (850),
- Convenience market – 24 hr. (851),
- Discount supermarket (854),
- Pharmacy/drugstore (880),
- Bank (912),
- Restaurant: sit down (932),
- Fast food (934),
- Coffee/donut shop (937),
- Quick lube shop (941),
- Gas station (944), and
- Automated car wash (948).

Council also provided direction on February 29 that proposed Ordinance No. 717 should provide for an expiration date. Therefore, proposed Ordinance No. 717 expires on December 31, 2018. The proposed Ordinance also requires that no later than six months prior to expiration, the Economic Development Program Manager will prepare a report evaluating the use of the partial exemption by businesses for the City Council's

consideration. This will provide the Council information as they consider whether to continue with, abolish or extend the expiration date in the Ordinance.

Proposed Amendment – Full TIF Exemption

At the February 29 meeting, Councilmember Salomon also asked staff to prepare an amendment to proposed Ordinance No. 717 that provides for a 100% exemption on the TIF Rate for all eligible businesses. This amendment, which would need to be moved by a Councilmember, is attached as Attachment B. If a Councilmember is interested in making this amendment, the Councilmembers should move the following:

I move to amend proposed Ordinance No. 717 to allow for a full exemption of the Transportation Impact Fee for Businesses as outlined in Attachment B to the staff report for this agenda item.

RESOURCE/FINANCIAL IMPACT

Using 2015 as a baseline, a 50% exemption of the business TIF would reduce TIF collections by \$100,000 each year. Council should note that 2015 is only the first year of TIF collections; an accurate baseline will emerge only over time. RCW 82.02.060(2) states that any impact fees not collected under this type of exemption must be paid for from public funds rather than from the impact fee account. Later this year Council will consider potential revenue sources to back-fill the TIF business exemption as part of its Ten Year Financial Sustainability Plan discussion. Proposed Ordinance No. 717 does not require additional staff resources to administer.

RECOMMENDATION

Staff recommends that Council adopt proposed Ordinance No. 717.

ATTACHMENTS

- Attachment A – Proposed Ordinance No. 717
- Attachment B – Potential Amendment to Proposed Ordinance No. 717 – Full TIF Exemption

CITY OF SHORELINE, WASHINGTON

ORDINANCE NO. 717

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON,
AMENDING CHAPTER 12.40 TRANSPORTATION IMPACT FEES TO
THE SHORELINE MUNICIPAL CODE TO INCLUDE A PARTIAL
EXEMPTION FOR BUSINESS.**

WHEREAS, on July 21, 2014, the Shoreline City Council adopted Ordinance 690, establishing a transportation impact fee program and adopting a new Chapter 12.40 to Title 12 of the Shoreline Municipal Code; and

WHEREAS, impact fees can impose a substantial burden on all types of businesses, especially if applicants must pay fees at the time of building permit issuance, well before business operations begin; and

WHEREAS, this burden may have a detrimental effect of a business's ability to locate within the City of Shoreline, adversely impacting economic development within the City as well as frustrating the vision for the community; and

WHEREAS, the community's vision, as stated in Vision 2029, is to create vibrant, walkable neighborhoods that feature a diverse array of local shops, restaurants, and services; and

WHEREAS, the City's Comprehensive Plan contains framework community and economic development goals including one to create a business friendly environment that supports small and local businesses; and

WHEREAS, by providing incentives for businesses to locate within the City, a broad public purpose is achieved by fulfilling the community's vision and goals; and

WHEREAS, the City seeks to amend Chapter 12.40 to establish a partial exemption of transportation impact fees to fulfill these goals;

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

Section 1. SMC 12.40.070. A new section, section "I," of SMC 12.040.070 *Exemptions*, is hereby adopted to read as follows:

12.40.070(I) Businesses – Partial exemption. A business building permit applicant may receive a fifty percent (50%) partial exemption of the full amount of applicable impact fee. This partial exemption of impact fees for businesses is considered under the following conditions:

1. An applicant for a partial exemption must request the exemption no later than the time of application for a building permit. Any request not so made shall be deemed waived.
2. An applicant is entitled to a partial exemption of fifty percent (50%) of the full amount of applicable impact fees. That portion of the impact fees not exempt shall be due and payable before the issuance of a building permit by the City.
3. To be eligible for an exemption, an applicant shall meet the following criteria:
 - a. Submit an impact fee exemption application for the development which the applicant wishes to receive an exemption; and
 - b. Pay the applicable administrative fee; and
 - c. Qualify as a “business” based on the following Institute of Transportation Engineers (ITE) code categories:

ITE Code	Land Use Category/Description
310	Hotel
320	Motel
444	Movie theater
492	Health/fitness club
565	Day care center
710	General office
720	Medical office
820	General retail and services (includes shopping center)
841	Car sales
850	Supermarket
851	Convenience market – 24 hour
854	Discount supermarket
880	Pharmacy/drugstore
912	Bank
932	Restaurant – sit down
934	Fast food
937	Coffee/donut shop
941	Quick lube shop
944	Gas station
948	Automated car wash

4. The City Manager, or designee, shall review an application for partial exemption pursuant to the above criteria and shall advise the applicant, in writing, of the granting or denial of the application. The determination of the City Manager, or designee, shall be the final decision of the city with respect to the applicability of the business partial exemption.
5. The City shall collect an administrative fee from the applicant seeking a partial exemption of impact fees under this section as provided in SMC 3.01.015(B).

6. The amount of impact fees not collected from businesses pursuant to this partial exemption shall be paid from public funds other than the impact fee account.

Section 2. Report of the Economic Development Program Manager. No later than six (6) months prior to the date this Ordinance is to expire, as provided in Section 4, the Economic Development Program Manager shall prepare a report evaluating the use of the partial exemption by businesses for the City Council's consideration. The report should detail, at a minimum, how many businesses, by land use category, were granted the exemption, how much in transportation impact fees were foregone by the exemption, and the source of public funds identified to cover the exempted impact fees.

Section 3. Severability. If any portion of this chapter is found to be invalid or unenforceable for any reason, such finding shall not affect the validity or enforceability of any other chapter or any other section of this chapter.

Section 4. Publication, Effective Date, and Expiration. A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five days after publication and shall expire and be of no further effect on December 31, 2018, unless otherwise extended by the City Council.

PASSED BY THE CITY COUNCIL ON MARCH 14, 2016

Mayor Christopher Roberts

ATTEST:

APPROVED AS TO FORM:

Jessica Simulcik-Smith
City Clerk

Margaret King
City Attorney

Date of Publication: _____, 2016

Effective Date: _____, 2016

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~~2. An applicant is entitled to a partial exemption of fifty percent (50%) of the full amount of applicable impact fees. That portion of the impact fees not exempt shall be due and payable before the issuance of a building permit by the City.~~

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4.3. The City Manager, or designee, shall review an application for ~~partial~~ exemption pursuant to the above criteria and shall advise the applicant, in writing, of the granting or denial of the application. The determination of the City Manager, or designee, shall be the final decision of the city with respect to the applicability of the business ~~partial~~ exemption.

5.4. The City shall collect an administrative fee from the applicant seeking a ~~partial~~ exemption of impact fees under this section as provided in SMC 3.01.015(B).

6.5. The amount of impact fees not collected from businesses pursuant to this ~~partial~~ exemption shall be paid from public funds other than the impact fee account.

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