

## **CITY COUNCIL AGENDA ITEM**

### **CITY OF SHORELINE, WASHINGTON**

<b>AGENDA TITLE:</b>	Discussion of Ordinance No. 843 - Extending the Expiration Period for the Transportation Impact Fee Exemption for Certain Business Categories
<b>DEPARTMENT:</b>	Public Works City Manager's Office
<b>PRESENTED BY:</b>	Tricia Juhnke, City Engineer Nathan Daum, Economic Development Program Manager
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

#### **PROBLEM/ISSUE STATEMENT:**

Ordinance No. 717 created a business exemption for Transportation Impact Fees with a sunset date of December 31, 2018. On May 7, 2018 the City Council discussed the business exemption and provided staff with direction to bring back an ordinance to extend the business exemption for five additional years. Proposed Ordinance No. 843 (Attachment A) would extend the business exemption with a new sunset date of December 31, 2023.

While this general direction was provided by Council and supported by staff, during the May 7<sup>th</sup> Council discussion, some Councilmembers were interested in alternatives to this five-year sunset timeframe, including options of a permanent exemption (no sunset date), a three year exemption, and a review of the exemption for possible removal of the exemption in its entirety. Proposed Ordinance No. 843's five year exemption is intended as starting point for Council discussion tonight.

Tonight, the City Council is scheduled to discuss proposed Ordinance No. 843. The proposed ordinance is scheduled to be brought back to the City Council for adoption on November 5, 2018.

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

The financial impact of this ordinance is measured in the amount of lost revenue associated with the business exemption to Transportation Impact Fees. Since implementation of the business exemption on January 1, 2015, current business exemptions total \$421,074 through September 31, 2018. Based on the current exemption amounts over the last 3.75 years, extending the exemption for five additional years would result in estimated exemptions of approximately \$560,000 to \$760,000.

The amount of impact fees not collected as a result of this exemption must be paid from public funds other than the impact fee account. The City currently has a federal Surface Transportation Program (STP) grant of \$3,546,500 for the N 175<sup>th</sup> Street project. This

grant can compensate for the impact fees associated with the business exemption. However, it is worth noting the design and construction of the designated growth projects will require additional funding beyond impact fees.

### **RECOMMENDATION**

No action is required tonight. This is Council's opportunity to discuss the extension of the business tax exemption. Adoption of the proposed Ordinance No. 843 is scheduled for November 5, 2018.

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

## **BACKGROUND**

On July 21, 2014, the City Council adopted Ordinance No. 690 establishing Transportation Impact Fees (TIF) to fund design and construction of transportation improvements needed to accommodate growth and maintain the City's adopted level of service standards. The staff report and ordinance for Transportation Impact Fees can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2014/staffreport072114-8a.pdf>. The collection of TIF became effective January 1, 2015.

Following creation of the TIF program, on March 21, 2016, the City Council adopted Ordinance No. 717 (Attachment B) which created a business exemption to the TIF for certain types of businesses. The ordinance identified which types of businesses qualified for the exemption using Institute of Transportation Engineers (ITE) business code categories. Ordinance No. 717 also included a sunset date of December 31, 2018, and required the Economic Development Manager to report back the results exemption program to the City Council six months prior to the sunset date.

On May 7, 2018 the Economic Development Program Manager provided the Council with the required update on the results and impact of the business exemption to TIF. The staff report for this Council discussion can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2018/staffreport050718-9a.pdf>.

Specifically, staff provided information on the TIF including total fees collected and businesses that have received the exemption. There have been no other applications since the May 7<sup>th</sup> Council meeting that would have benefited from the TIF business exemption. The brief summary of TIF and business exemptions is as follows:

	<b>Thru December 31, 2017</b>	<b>2018 (thru September 30)</b>
TIF Collected	\$2,183,815	\$883,281
Business Exemption	\$306,580	\$153,545

The Council provided general direction in that meeting to bring back an ordinance to extend the existing business exemption for an additional five years.

## **DISCUSSION**

Proposed Ordinance No. 843 provides for the Council-directed five year extension with a new sunset date of December 31, 2023. The proposed ordinance would also require a report of the Economic Development Program Manager six months in advance of the new sunset date that evaluates the use of the exemption by businesses for the City Council's consideration.

While this general direction was provided by Council and supported by staff, during the May 7<sup>th</sup> Council discussion, some Councilmembers were interested in alternatives to this five-year sunset timeframe, including options of a permanent exemption (no sunset date), a three year extension of the exemption, and a review of the exemption for

possible removal of the exemption in its entirety. Proposed Ordinance No. 843's five year extension is intended as starting point for Council discussion tonight. Staff continues to support a five year extension of the business exemption, but would also support a shorter three year extension.

Also during the May 7<sup>th</sup> Council discussion, while the majority of Council was comfortable with the listing of business categories that are eligible to receive the exemption, one Councilmember was interested in reviewing the business category listing. If there is still interest from Council in reviewing the eligible business category list or potentially amending the list, staff would want to understand from Council what Council's interest is or how the business categories listing should be altered.

The discussion of what types of businesses the exemption should apply to (all businesses or select businesses) was discussed by Council on February 29, 2016 as part of the series of discussions leading up to adoption of Ordinance No. 717 on March 21, 2016. As part of that discussion, Council reviewed multiple ways to identify eligible businesses, including the use of ITE business code categories, which was ultimately codified. Given the difficulty of only selecting certain business categories for the exemption, and the tradeoffs of that type of regulation, Council ultimately decided to exempt the business categories listed in Ordinance No. 717. The staff report for this February 29, 2016 Council discussion can be found at the following link: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2016/staffreport022916-9b.pdf>.

### **COUNCIL GOAL(S) ADDRESSED**

This item addresses Council Goal 1: Strengthen Shorelines economic climate and opportunities.

### **RESOURCE/FINANCIAL IMPACT**

The financial impact of this ordinance is measured in the amount of lost revenue associated with the business exemption to Transportation Impact Fees. Since implementation of the business exemption on January 1, 2015, current business exemptions total \$421,074 through September 31, 2018. Based on the current exemption amounts over the last 3.75 years, extending the exemption for five additional years would result in estimated exemptions of approximately \$560,000 to \$760,000.

The amount of impact fees not collected as a result of this exemption must be paid from public funds other than the impact fee account. The City currently has a federal Surface Transportation Program (STP) grant of \$3,546,500 for the N 175<sup>th</sup> Street project. This grant can compensate for the impact fees associated with the business exemption. However, it is worth noting the design and construction of the designated growth projects will require additional funding beyond impact fees.

### **RECOMMENDATION**

No action is required tonight. This is Council's opportunity to discuss the extension of the business tax exemption. Adoption of the Ordinance is scheduled for November 5, 2018.

### **ATTACHMENTS**

Attachment A: Proposed Ordinance No. 843

Attachment B: Ordinance No. 717

**ORDINANCE NO. 843**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON  
EXTENDING THE EXPIRATION PERIOD FOR THE  
TRANSPORTATION IMPACT FEE EXEMPTION FOR CERTAIN  
BUSINESS CATEGORIES.**

WHEREAS, the City of Shoreline is a non-charter optional municipal code city as provided in Title 35A RCW, incorporated under the laws of the state of Washington, and planning pursuant to the Growth Management Act, Title 36.70C RCW; and

WHEREAS, on July 21, 2014, the City Council adopted Ordinance No. 690, implementing a Transportation Impact Fee for new development within the City as authorized by RCW 82.02.050; and

WHEREAS, on March 21, 2016, the City Council adopted Ordinance No. 717 temporarily exempting certain categories of businesses from the Transportation Impact Fee; and

WHEREAS, the business exemption provisions are currently codified in SMC 3.08.070(I); and

WHEREAS, the temporary exemption authorized by Ordinance No. 717 will expire on December 31, 2018, unless otherwise extended by the City Council; and

WHEREAS, in May 2018, the City's Economic Development Manager, as required by Ordinance No. 717 Section 2, presented a report evaluating the use of the exemption by businesses; and

WHEREAS, the City Council has determined that continuation of the Transportation Impact Fee exemption for certain businesses categories will provide incentives for businesses to locate within the City; and

WHEREAS, economic development is a broad public purpose and will fulfill the community's visions and goals as stated in the City's Comprehensive Plan and Vision 2029.

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

**Section 1. Business Exemption – Transportation Impact Fees – SMC 3.08.070(I).**

A. **Extension.** The exemption for certain categories of businesses from the City of Shoreline's Transportation Impact Fee is extended for a period of five (5) years, commencing on January 1, 2019.

B. **SMC 3.08.070(I)** is amended to add a new section to read as follows:

**SMC 3.08.070(I)(3). Term.** This section shall expire on December 31, 2023.

**Section 2. Report of the Economic Development Program Manager.** No later than six (6) months prior to the date this Ordinance is to be expired, as provided herein, the Economic Development Program Manager shall prepare a report evaluating the use of the 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. Corrections by City Clerk or Code Reviser.** Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

**Section 4. Severability.** Should any section, subsection, paragraph, sentence, clause, or phrase of this ordinance or its application to any person or situation be declared unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of this ordinance or its application to any person or situation.

**Section 5. 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 be of no further effect on December 31, 2023, unless otherwise extended by the City Council.

**PASSED BY THE CITY COUNCIL ON NOVEMBER 5, 2018.**

\_\_\_\_\_  
Mayor Will Hall

ATTEST:

APPROVED AS TO FORM:

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

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

Date of Publication: , 2018  
Effective Date: , 2018

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 AN 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 an 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 –Exemption.** A business building permit applicant shall receive an exemption of impact fees under the following conditions:

1. To be eligible for an exemption, an applicant shall meet the following criteria:

- a. Qualify as a “business” based on the following Institute of Transportation Engineers (ITE) code categories:

ITE Code	Land Use Category/Description
110	Light industrial
140	Manufacturing
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

- b. If none of the ITE fee categories in Section 1(a) accurately describes or captures a new business, the director shall determine the applicable ITE fee category and whether that ITE category is the type of business intended to be eligible for exemption under this Section.

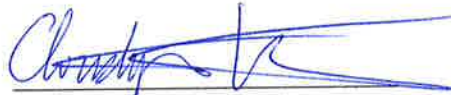
2. The amount of impact fees not collected from businesses pursuant to this exemption shall be paid from public funds other than the impact fee account.

**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 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.

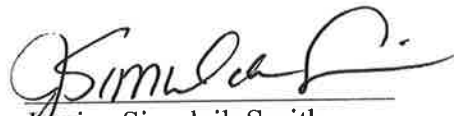
**Section 3. Severability.** If any portion of this chapter is found to be invalid or unenforceable for any reason, such finding shall not affect the validity or enforceability of any other chapter or any other section of this chapter.

**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 21, 2016**

  
Mayor Christopher Roberts

ATTEST:

  
Jessica Simulcik Smith  
City Clerk

APPROVED AS TO FORM:

  
Margaret King  
City Attorney

Date of Publication: March 24, 2016  
Effective Date: March 29, 2016