

## **CITY COUNCIL AGENDA ITEM**

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

**AGENDA TITLE:** Adoption of Ordinance No. 843 - Extending the Expiration Period for the Transportation Impact Fee Exemption for Certain Business Categories

**DEPARTMENT:** Public Works  
City Manager's Office

**PRESENTED BY:** Tricia Juhnke, City Engineer  
Nathan Daum, Economic Development Program Manager

**ACTION:**     ☒ Ordinance     ☐ Resolution     ☐ Motion  
                  ☐ Discussion     ☐ 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. On October 22, 2018 the City Council discussed proposed Ordinance No. 843 (Attachment A) to extend the business exemption with a new sunset date of December 31, 2023. Tonight, Council is scheduled to adopt proposed Ordinance No. 843.

**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**

Staff recommends that Council adopt Ordinance No. 843 extending the Transportation Impact Fee business exemption until December 31, 2023.

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 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>.

On October 22, 2018 Council discussed proposed Ordinance No. 843 to extend the business exemption for five years with a sunset date of December 31, 2023. The staff report for the October 22 discussion can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2018/staffreport102218-8b.pdf>

## **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.

The general discussion by Council at the October 22, 2018 meeting was supportive of Ordinance No. 843 as attached. There were some questions and concerns regarding the lost revenue as a result of the business tax exemption and the five year duration of the exemption. The original goal of reducing barriers to new businesses was discussed, as well as the continued need to ensure City policies do not unintentionally confound economic development goals or funding of transportation projects. Councilmembers discussed large corporations, believed to be more capable of paying the impact fees without effect on their site-selection decision-making, and smaller local businesses for whom the fees could be a barrier to starting up. In previous Council discussion, no viable alternative was identified which would allow for differences in fee-collection from businesses in the same category based on their ability-to pay.

A council member also questioned the number of business categories on the exemption list as well as the degree to which the impact fees would, if not exempted, disadvantage the City of Shoreline as a place to do business compared to competing markets nearby. Staff is happy to continue to explore these policy questions and conduct additional research at the direction of Council.

While proposed Ordinance No. 843 requires a formal check-in six months prior to the sunset date, there was also interest in an update on the business tax exemption part way through the five year period. As a result of the concerns and questions associated with proposed Ordinance No. 843 it was not placed on the consent agenda for tonight's meeting and is scheduled as an action item for approval by the Council.

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

This item addresses Council Goal 1: Strengthen Shoreline's 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**

Staff recommends that Council adopt Ordinance No. 843 extending the Transportation Impact Fee business exemption until December 31, 2023.

### **ATTACHMENTS**

Attachment A: Proposed Ordinance No. 843

**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 3.80.070(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 3.80.070(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 3.80.070(I)** is amended to add a new section to read as follows:

**SMC 3.80.070(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

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Margaret King  
City Attorney

Date of Publication: November 8, 2018  
Effective Date: November 13, 2018