



WATERFRONT LOCAL IMPROVEMENT DISTRICT FREQUENTLY ASKED QUESTIONS

July 2018

A Local Improvement District (LID) is a key component of the Waterfront Seattle Program funding plan, along with City and State funding and private philanthropy. The Seattle City Council will consider whether to form the Waterfront LID over the course of 2018. This process will include a series of steps with opportunities for property owners to give direct input on the proposed LID.

ABOUT THE WATERFRONT SEATTLE PROGRAM

What is Waterfront Seattle?

Waterfront Seattle will create about 20 acres of improved parks and public spaces connecting Seattle's central waterfront to downtown. It includes a new promenade park from Pioneer Square to the Seattle Aquarium and a new elevated pathway over Alaskan Way, connecting the waterfront to the Pike Place Market. Waterfront Seattle projects include improved sidewalks and streetscapes along Pike and Pine streets from First Avenue to Capitol Hill, and sidewalk and streetscape improvements to east-west streets in Pioneer Square and Belltown. Details on the specific improvements can be found at www.waterfrontseattle.org.

Who is managing the Waterfront Seattle Program?

The Office of the Waterfront and Civic Projects was created in 2014 as a special-purpose capital project office dedicated to the design, development, and construction of the Waterfront Seattle Program. Many of the staff who are leading construction management for Waterfront Seattle have led similar large construction projects for the City and bring this experience to Waterfront Seattle. The two lead project managers each have nearly two decades of construction project management experience with the City and are particularly skilled at construction management in a dense urban environment. Examples of large-scale projects they have managed are the \$250 million Mercer Corridor Project and \$132 million First Hill Streetcar project, both of which were delivered on time and on budget.

How are costs for the Waterfront Seattle Program determined?

Cost estimates are produced by the Office of the Waterfront and Civic Projects at each design milestone (10%, 30%, 60%, 90% and 100% design). These are developed by an integrated team including the design and engineering consultants at Jacobs Engineering (formerly CH2M Hill) as well as the Program's management team. While the Seattle Department of Transportation (SDOT) participates in development of the design itself, SDOT is not involved in developing



these cost estimates. These estimates are built from the ground up from specific and up-to-date cost information from contractors and vendors on each bid item and quantity – not from historical assumptions or averages from past projects.

Following submission of the cost estimate, the Office of the Waterfront and Civic Projects reviews the cost estimate, typically bringing in the Washington State Department of Transportation (WSDOT), SDOT, Parks and Recreation, Seattle City Light and Seattle Public Utilities to ensure it meets City and State standards, as well as doing in-depth review with independent experts. For WSDOT-funded elements, WSDOT staff and their own independent experts also take part in the estimate review process.

As part of this process, construction contingency for the Program is applied to cover additional/unforeseen Program costs during construction. These Program-level contingencies are typically 20-25%, depending on the complexity of the project. In addition to the project-level contingency, our office maintains a comprehensive “risk register” that estimates costs for potential risks to the Program as a whole. Thirty million dollars are budgeted overall (about 5 to 10% of the total Program budget) in programmatic contingency at the Capital Improvement Projects Master Project level to address these larger risks, in addition to the Program-level contingencies. If risks materialize, whether they are at a project level or a Program level, a Change Control Board, led by the Office of the Waterfront and Civic Project and including representation other relevant departments / expertise, reviews those changes and is required to approve any use of contingency funds.

How will new public space be maintained and operated?

The City is committed to transparency and accountability to ensure the waterfront is a democratic and inclusive space. The waterfront will have a dedicated annual City budget of \$4.8 million and \$1-\$2 million in philanthropy for operations and management. A strong partnership between the City and Friends of Waterfront Seattle will deliver a package of enhanced operations and maintenance, through: year-round activities and events, a dedicated and specialized maintenance team, managed spaces with full-time concierge staff and private security, and additional concession and retail offerings.



LOCAL IMPROVEMENT DISTRICT (LID)

What is an LID?

An LID is a funding tool, governed by state law, by which property owners pay to help fund the costs of public improvements that directly benefit their property. For the proposed Waterfront LID, property owners would contribute to a portion of the improvement costs because they receive a “special benefit.” The amount they contribute would be based on the anticipated increase in their property value that can be directly attributed to park and streetscape improvements that will be built by the City’s Waterfront Seattle Program.

Can properties defer LID payments?

Under state statute [RCW 84.38](#) low-income seniors and low-income disabled adults with annual income of \$45,000 or less may defer or postpone paying 100% of their special assessment payments under certain conditions. Under state statute [RCW 84.37](#) low-income adults with annual income of \$57,000 or less may defer or postpone paying 50% of special assessment payments each year. These programs are administered by the State of Washington. To learn more, call (360) 534-1409 or visit the [State website](#).

In addition, the City offers a deferral program available to property owners within the district experiencing economic hardship. The City’s deferral program allows deferral of 100% of payments for two years for individuals at 200% of the poverty level. Under both State and City deferral programs, the deferral amount is subject to interest. The principal and accumulated interest is due upon sale or change of ownership, or at the end of the deferral term.

The above deferrals are available only to property owners themselves.

Are there other tax programs to help affected property owners?

While not applicable to LID assessments, the State of Washington has a property tax relief program that may help to reduce the overall tax burden for qualifying property owners. Qualifications for property tax exemption under this program include annual household income of \$40,000 or less and at least one of the following:

- 61 years of age or older by December 31 of the previous year, OR
- Retired because of a disability, OR
- Veteran with a 100% service-connected disability.

Widows, widowers, or state registered domestic partners at least 57 years of age whose spouse or state registered domestic partner had an exemption at the time of death also qualify. Learn more and read about additional exemptions on [King County’s Taxpayer Assistance webpage](#).

What is the formal process for submitting a protest?

The formal protest period began on May 21, 2018, when the Seattle City Council passed the Resolution of Intent to Form the Waterfront LID. In early June, the City mailed property owners



a letter with their special benefit, preliminary assessment amount, public hearing information, and how to protest the LID formation. To protest, property owners must write a letter to the City with the following information: full name, parcel number, the words “I protest” and an original signature from the property owner(s) of record. Protests can be mailed to Seattle City Clerk, PO Box 94607, Seattle, WA 98124-6907, or provided as a written protest at the public hearing to be held in July. Email is not an accepted format for written protest. Property owners may use a proxy at the public hearing to submit a protest. Information about the public hearings is available on the [LID webpage](#).

When and how will assessments be paid?

If the LID is approved, LID assessments are anticipated to begin in late 2019. Property owners will have the option to either make a single payment for the entirety of their assessment, or to finance the assessment over 20 years, paying in installments with interest and financing costs over that period as required by law.

How will an LID assessment be handled during the sale of a property?

In the case of a sale, there are two ways that the assessment can be handled. If a buyer pays cash for a property with an LID lien on it, the assessment would stay with the property and continue to be paid off by the new owner. If a buyer finances the purchase, the bank issuing the new loan will likely require that the assessment be paid at the time of sale. The assessment amount could then be added to the total amount of the new loan.

If there are cost overruns for the Waterfront Seattle Program, will the LID assessment amounts change?

In May 2018, the Seattle City Council passed a resolution stating its intention to cap the LID total assessment amount at \$200 million. If the overall Waterfront Program costs are higher than planned, the City will be responsible for finding other funding sources to deliver the Waterfront Seattle Program.

If an ordinance to form an LID is passed, can the City legally increase the assessment amount in the future?

According to state law, a future council could choose to contradict the current Council’s proposal to cap assessments and seek to impose a supplemental assessment. The City Council’s recent legislation on the LID clearly states that it is the City’s intent to cap LID funding at \$200 million and to not exceed that total assessment amount now or in the future. Ultimately, if a future City Council decided to ignore this body of legislative intent, the City would need to undergo an additional lengthy public process, including public hearings and appeals to the potential assessments that would be associated with a supplemental assessment. By making its intent publicly known not to do a supplemental assessment, the City is making it more difficult to do one.



LID BACKGROUND INFORMATION

What is “special benefit”?

Special benefit is the increase in a property’s market value resulting from a set of public improvements. For the proposed Waterfront LID, special benefit to each property would be the difference between the market value of each property before and after the City’s Waterfront Seattle Program builds the park and streetscape improvements. Only benefits associated with park and streetscape improvements will be considered, not general appreciation or the value from other projects that are also improving the area, such as the removal of the Alaskan Way Viaduct and replacement of the Elliott Bay Seawall.

How is special benefit determined?

An independent real estate appraiser hired by the City has developed a preliminary study of the special benefit that each property in the LID study area will receive as a result of the Waterfront LID improvements. The appraiser looked at each property and determined the extent to which park and streetscape improvements in the Waterfront Seattle Program will generate special benefit to that property. The preliminary special benefit study for the proposed Waterfront LID was published in May 2018 and is available on the [LID website](#). A final special benefit study will be developed if the Council decides to form the LID.

What is an LID assessment?

An LID assessment is the portion of each property’s special benefit that the City collects to pay for the improvements. LID assessments are one-time assessments; they are not an annual assessment. An LID assessment for an individual property cannot exceed that property’s total special benefit. By state law, the assessment percentage must be uniform across all types of properties – commercial, residential, hotel, retail, etc. must each pay an equal percentage of their special benefit.

What is the difference between property taxes and an LID assessment?

While both property taxes and LID assessments are tied to increases in property value, they are two distinct funding mechanisms with different uses. Property taxes support general government operations or voter-approved levies or bonds and can increase year over year. In contrast, LID assessments are *one-time assessments* on properties for the purpose of funding a specific set of capital improvements that directly benefit those properties.

Are any properties exempt from the LID?

State law establishes which properties are exempt from LID assessments. Only federal government property, public housing authority property, and agricultural and timber lands are



exempt from LID assessments. All other property, including property owned by the State of Washington, the City of Seattle, the Port of Seattle, and the University of Washington, will receive an LID assessment to the extent that the properties are specially benefited by the LID improvements.