



**MEETING NOTES
CENTRAL WATERFRONT COMMITTEE
FINANCE & PARTNERSHIPS SUBCOMMITTEE**

**MEETING #2 February 8, 2011
3:30 — 5:00 PM Room 1610, Seattle Municipal Tower**

Meeting Attendees

Subcommittee Members

- Gerry Johnson, Co-Chair
- John Nesholm, Co-Chair
- Greg Johnson
- Bob Klein
- Ron Turner
- Maiko Winkler-Chin (*Call-In*)

Other Central Waterfront Committee Members

- Maggie Walker
- Charley Royer
- Carol Binder

City Staff & Consultants

- Nathan Torgelson
- Hannah McIntosh
- Steve Pearce
- Marshall Foster
- Bob Chandler
- David Conway
- My Tam Nguyen
- Ken Johnsen
- Hugh Spitzer
- Deborah Foreman

Other

- Norm Schwab
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Committee Business

MEETING SUMMARIES

- **Finance & Partnerships Subcommittee Co-Chairs noted that:**
 - Moving forward, meeting summaries will be in bullet point format instead of being a detailed account of who said what
 - Finance & Partnership Subcommittee Co-Chairs will review the minutes as they come out and once the minutes are approved they will be posted to the website
 - Committee members will then have a chance to make changes and the minutes will be re-posted if necessary in the interest of keeping the process transparent, open and timely

- **City Staff & Consultants noted that:**
 - Right now the minutes are still being posted on the City site but they'll ultimately be going over to the Waterfront Seattle site; the goal is to get the minutes finalized and posted as soon as possible

POTENTIAL SUBCOMMITTEE ADVISORS

- **Finance & Partnerships Subcommittee Co-Chairs noted that:**
 - The current schedule for meetings is twice per month; if there is nothing substantial to discuss the meeting will be cancelled
 - The Subcommittee is interested in adding advisors, potentially including:
 - Kate Joncas, Matt Griffin, Dwight Dively, Thatcher Bailey, Maud Daudon, Blair Burroughs, John Finke, Tay Yoshitani (Port of Seattle partner) , David Moseley (Washington State Ferries Partner)
 - The process for selecting these additional advisors will be determined by the Executive Committee
 - Advisors will not be considered regular committee members; rather, they will participate during appropriate/relevant periods of time
 - Subcommittee members should feel free to provide additional suggestions for potential advisors as appropriate

Draft Subcommittee Work Plan

*Committee reviewed and referenced documents including: *DRAFT Subcommittee Work Plan*

- **Finance & Partnerships Subcommittee Co-Chairs noted that:**
 - A draft work plan has been created to help determine what sources of funding are and who potential partners might be; the work plan is subject to change as the Subcommittee moves forward
 - The financing strategy will need to be in place by early 2013, and there will many meetings leading up to that time; work will also need to be integrated with the plan for the design team
 - Some financing work may need to be accelerated in the near term; the Subcommittee will play-by-ear to determine that
 - There is a new Maintenance & Operations Subcommittee and there may need to be some joint discussion of the issues affecting each
- **City Staff noted that:**
 - They would like to make sure that the Finance & Partnership Subcommittee gets a design briefing around the time of the first iteration
 - This way, Subcommittee members can start tracking which potential partners will be impacted and start putting together an outreach plan

Peer Project Review

*Committee reviewed and referenced documents including: *DRAFT Peer Project Review*

- **Finance & Partnerships Subcommittee Co-Chairs noted that:**
 - The work plan starts by focusing on projects; Co-chairs asked City Staff (D. Conway/SDOT) to identify big civic major projects around the country including capital source and future operating plans

- The primary goal for the document is to get a sense of the financial tools that have been used for comparable projects around the country and see if the Subcommittee is missing any resources
 - It might be nice to have someone come here, if budget allows, or participate in a conference call, to discuss their particular program, maintenance and operations (i.e. Chair of Rose Kennedy Greenway Conservancy)
 - The Subcommittee Co-chairs encourage members to think about visitors that might come and talk to the group about relevant topics
- **City Staff (D. Conway, SDOT) noted that:**
 - The peer project review document attempts to classify different types of funding and maintenance/operations resources, broken out by elements
 - The document includes information from the Urban Land Institute (Seattle Chapter), which did research for the city last year
 - Projects reviewed include Millennium Park (Chicago), Rose Kennedy Greenway Conservancy (Boston) and Brooklyn Bridge Park (New York), among others
 - The rough draft list of projects is nearly 75 percent complete; it is open to questions and comments and will evolve over time **Subcommittee Co-Chairs suggested that a date be added to the grid as there will likely be many iterations and that Subcommittee members should feel free to share any additional suggestions for parks to review*
- **Finance & Partnerships Subcommittee Members noted that:**
 - Adding Pioneer Courthouse Square in Portland to the peer project review document
 - Two organizations have produced documents that can be great resources to help complete the review document: the Project for Public Spaces and the Seattle branch of the Urban Land Institute
 - The former Mayor of Pittsburgh is particularly tuned into financing this type of project and he is now employed by ULI; he could be an interesting resource
 - Subcommittee Co-Chair J. Nesholm visited the Highline in New York and shared some observations:
 - The design team (jcfo) for the Highline is the same as for the Waterfront; the design, detailing and planning materials are impressive. **City Staff noted that the Highline Park website is also impressive; they have a blog, contests and special events*
 - Right now the project is in Phase 1 and they will be opening up another ten blocks soon, with a third and final stage much farther down the line
 - The tour leader noted that a neighborhood group formed Friends of Highline which morphed into Highline Conservancy
 - The Highline Conservancy does all of the maintenance and has a great deal of outreach going on, including friend-raising for private capitol
 - The tour leader noted that there is no city money dedicated toward operations and maintenance **City Staff said that their research showed that Friends of Highline funded 70 percent and Parks & Recreation picked up remaining 30 percent*
***Subcommittee members noted that one reason for the 30/70 percent disparity may exist is that the contribution could be in-kind; this is often the case with parks public support and it should be identified as such (city is providing services in-kind so it's invisible money)*
 - The Highline is an easement (width and height of the elevated train track platform) and development rights are owned by underlying property owners

- This was hugely difficult and complicated to figure out; the best way not to compromise is to allow development rights to be sold offsite
- The Highline also has a volunteer corps and they have hundreds of people doing the maintenance work
- Subcommittee members noted that their public art program premise is that a piece of public art is only in place for 18 months

Local Improvement Districts 101

- **Consultants (Hugh Spitzer of Foster Pepper PLLC) noted that:**
 - Local Improvement Districts (LIDs) and special assessment finances generally have a fairly old history; they've been around in Washington State for 130-140 years
 - In the 1840's they took off in a huge way; they were instrumental in Chicago because people south of the river had no interest in improving bridges across the river to the north
 - Citizens wanted the City to finance with general obligation bonds so people north of the bridge got the LID created: assessing your own property to pay for public improvement
 - They organized an LID to pay for the bridge; it was structured as public-private partnership
 - The same mechanism was used for the Aurora Bridge in Seattle; a big portion of financing came from people on Aurora Avenue north of current bridge
 - There are many parts of Seattle where streets and sidewalks were paid for through LIDs
 - LIDs were built into the Washington State constitution in 1889; a legislature can vest powers to make LIDs by special assessment or taxation of property benefited
 - Assessments are based on increase in value of property by virtue of the improvement; they are not based on property value, rather on the increase in property value as determined by an appraiser
 - There are two rules:
 - In theory, all property benefited, whether big or small, should be in LID
 - Once you have LID, every parcel gets assessed proportionately and its proportionate based on the increase in property value by virtue of improvement
 - It's possible to capture all of the increase in value or just some of it
 - LIDs are not taxes; they are based on the value of the improvement
 - For general benefits, owners will pay the same assessment; allocating cost of the improvement to properties that see an asset increase in value because of improvement
 - Special benefit can be allocated to properties showing increase in value
 - There are different methods of assessment; they're all meant to capture what the increase in value is from the improvement going in
 - The process of creating LIDs is complex; fundamentally there are two ways to do the formation / special assessment process:
 - Property owners /owners of a majority sign a petition saying they want it; if Council agrees it happens
 - The other way is a Resolution of Intention
 - The City forms the LID; goes through hearings and many notices, then Council can chose to create LID
 - It can be blocked by owners who would have to pay 60 percent or more of assessments based on preliminary assessment role
 - After the project is done and the assessment role is finalized; owners can decide to pay entire amount up front or pay over time

- Whatever money isn't paid now, the city issues a bond with a maturity date at the end. In this case:
 - Property owners pay equal annual installments of principal plus interest on the outstanding balance
- There's also something called a Utility LID where bonds are backed by assessments plus revenues of utility; this is probably not on the table here

*Committee reviewed and referenced documents including: *Alaskan Way Viaduct Replacement Program*
<confirm title>

- **Consultants (Deborah Foreman of Allen Brackett Shedd) noted that:**
 - Allen Brackett Shedd (ABS) has worked on major LID projects; they were appraisers for the City on the South Lake Union Streetcar Special benefits are the difference between market values of the property before and after the proposed improvement; requires two appraisals on each property When working with feasibility, have to determine where project influence ends with special benefit and becomes more general
 - The appraiser uses techniques like mass valuation but still adjusts for property conditions they know exist (i.e. whether or not owner maintains air rights)
 - ABS has done several studies for Waterfront; one in 2006 and one in 2010
 - Central Waterfront project creates value as a result of improvements and removal of viaduct and some utilities being enhanced; all areas potentially have full build out for development. It also includes:
 - Improved views for properties on waterfront and east of viaduct
 - Increased rents
 - Open space improvements
 - Neighborhoods along viaduct will have greater access, better exposure and circulation
 - There will be reduced noise, vibration and pollution
 - With regard to assessment methods; RCW spells out zone and termini method; other methods use frontage or per lot method/some people talked about using trips as method
 - As with South Lake Union, ABS supports using special benefits methodology as opposed to other because there are such a wide variety of property types, different zoning and different proximity to improvements; valuing each property twice is in their opinion the way to move forward
 - The appraiser is part of a legal process in defending special assessments; the informal process where support is gained for the LID project (method where property owners can petition but if city is forming LID by resolution) seems the best
 - One thing ABS always recommends is an informal meeting or two with the property owners as a group when they first come up with their draft special benefits that translates into assessment
 - In that meeting, ABS presents what they did; their methodology and each property owner gets characteristics the appraiser relied upon to form opinions
 - This allows the property owners to clarify certain elements, if necessary, i.e. business is a manufacturer not an office, or air rights have been sold
 - Since many property don't deal with valuations all the time; ABS will do Appraisal 101 with them so they are being treated fairly
 - In ABS' experience, the most successful LIDs are when we do the homework and due process with property owners
 - The Central Waterfront feasibility study does not evaluate the properties on a property by property basis;

- Property types and ages will be instrumental; ABS will also need to determine the highest and best use for each property—they rely on assessors’ information
- If a property’s building assessed value compared to total value is somewhere in the range of 20 to 30 percent, those are properties they look closer at—whether they’re analyzed as vacant, or with building improvements
- ABS’ range for potential special benefits value is about \$395 million to \$1.5 million; probably the most likely range of special benefits is from \$675 to \$900 million
- The analysis included the Central Waterfront, Seawall, First Avenue Streetcar and Mercer West
**(Hugh Spitzer noted that each one has different types of benefit impacts*
- It is not atypical that you look at various elements; i.e. some properties get an additional lane in front of them
- ABS looks at whether they have included all elements for a property in their before and after assessment. ABS has estimated special benefits from \$450 to \$600 million dollars and values increase 1.1% to 4.5% cumulatively for all properties benefited
- Several comments/replies between Committee members and Consultant (Deborah Foreman) followed:

- Committee Member Comment: *Does this only deal with before and after value changed by specific investments, and doesn’t include any response on city policy i.e. changing zoning?*

- Consultant Reply: *If city proposed change in zoning that’s result of improvements then we could consider zoning as an element of the project*

- Committee Member Comment: *How do we make sure we get to \$600 million?*

- Consultant Reply: *you need a more in-depth study*

- Committee Member Comment: *Is LID is a good strategy in tandem with others?*

- Consultant Reply: *It’s definitely a financing tool.*

- Committee Member Comment: *Does your method capture operating of properties likely to increase in value through increased foot traffic?*

- Consultant Reply: *Yes*

- Committee Member Comment: *Is there a difference in the potential special benefit depending on the actual waterfront design?*

- Consultant Reply: *As time gets closer we want to see the varying design elements; we’re loosely thinking about it now.*

- City Staff Reply: *It’s important to reinforce that if you look at list of things that generate value from LID sense, demolition of viaduct is a huge component of that and it’s integral to capturing value.*

- Consultant Reply: *The view element is huge. The high range of property values increase at 25 percent can be substantiated through rent differentials and transactions.*

- Committee Member Comment: *Is there any rational basis for having King Street be the southern boundary? It cuts off at I-5—what about International District and Pioneers Square benefits?*

- Consultant Reply: *The marginal benefit drops off steeply as you get to edges and capturing marginal benefits is not usually worth the effort.*

- Committee members should note that properties in the grey area (on map in the Study) have been nominally benefited; up to 1 percent; the range of benefits is \$34 million to \$13 million.
- It is important to separate funding stream from benefit; there is benefit from project then you have the financing plan—most cases are successful if it’s at 50 to 60 percent of benefit.