



# Municipal Financing Alternatives Review

Duwamish Valley Resilience District

September 22, 2023

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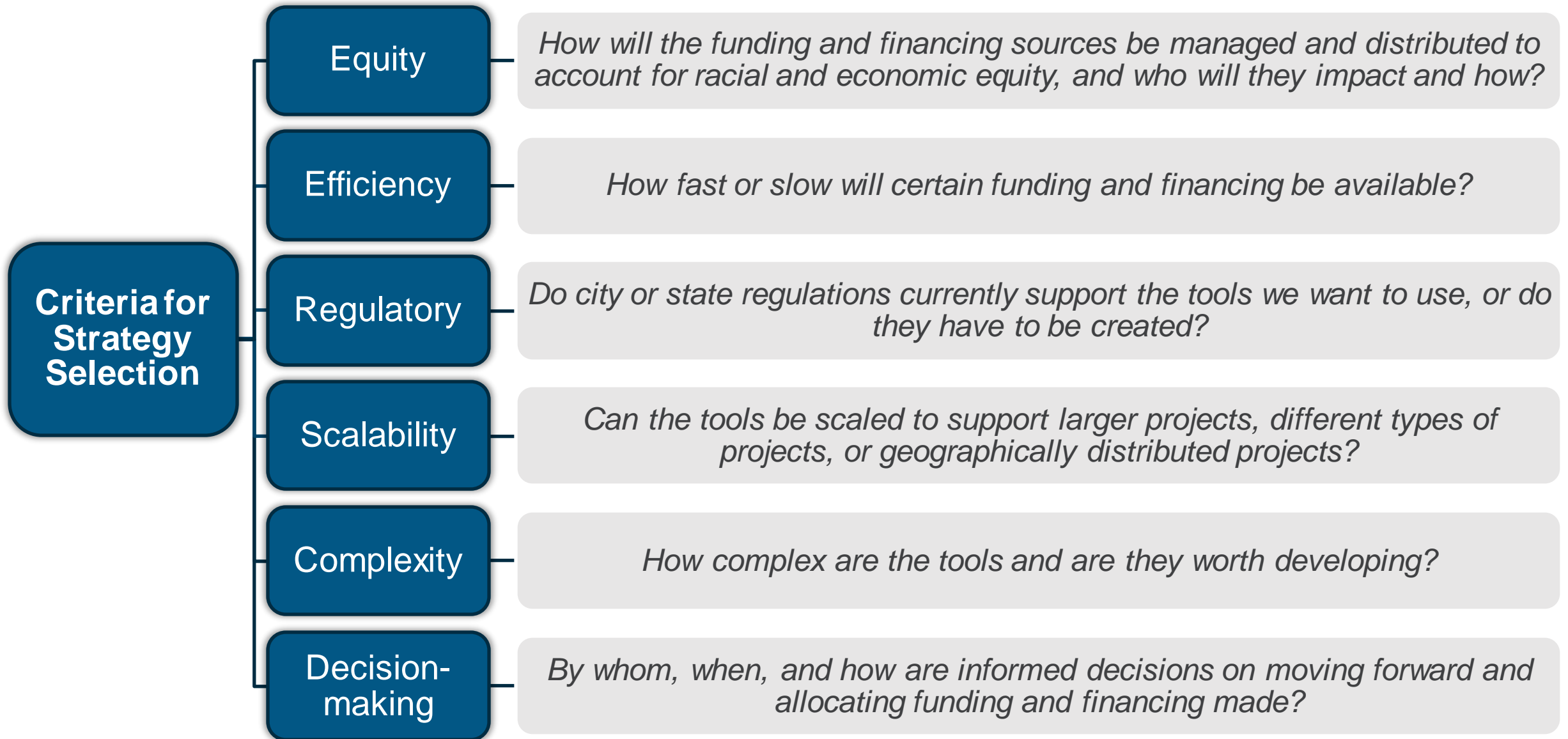
# Municipal Financing Survey – 15 min



# Summary of Municipal Financing 101 Survey Results

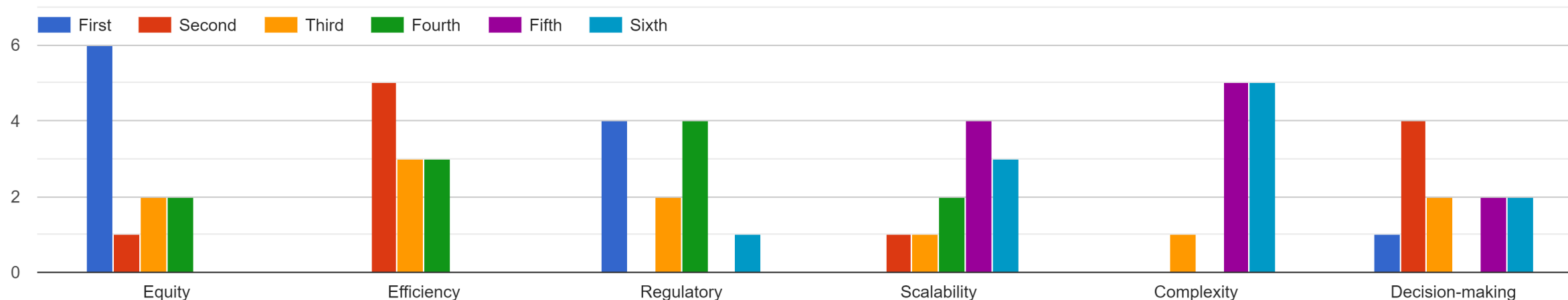


- Responses from 11 Advisory Group members
  - Ranked draft criteria by order of priority
  - Provided feedback on the criteria, if any criteria should be added to the list
  - Provided feedback on the content of Municipal Financing 101 case studies
- General Feedback:
  - Mixed positive and negative responses on the level of depth given to discussing municipal funding and financing concepts
  - Full group agreement on the evaluation criteria list as being sufficient
  - Strong interest in prioritizing wealth-building for current residents and not straining under-resourced commercial and residential stakeholders in the Duwamish Valley



# Evaluation Criteria Survey Feedback

How would you organize the draft criteria by order of importance?



## Prioritization:

1. Equity: *How will the funding and financing sources be managed and distributed to account for racial and economic equity, and who will they impact and how?*
2. Efficiency: *How fast or slow will certain funding and financing be available?*
3. Regulatory: *Do city or state regulations currently support the tools we want to use, or do they have to be created?*
4. Decision-making: *By whom, when, and how are informed decisions on moving forward and allocating funding and financing made?*
5. Scalability: *Can the tools be scaled to support larger projects, different types of projects, or geographically distributed projects?*
6. Complexity: *How complex are the tools and are they worth developing?*

- Mechanisms highlighted (exactions, construction permits, environmental impact bond) were noted as useful but require appropriate scaling and to be paired with a strong equity analysis to avoid undue burden on Duwamish Valley community members and risk of displacement
  - Consider the limitations of mostly private ownership
  - Prioritize community over developers and tourists
- *Question: What infrastructure is most highly valued?*
  - Commercial / industrial members of the Duwamish Valley community value ease of transit (streets, highways, waterway) and business-friendly policies
  - Residential members of the Duwamish Valley community value water access and public space
- *Question: What draws new community members?*
  - Affordability
  - Diversity
  - Proximity to downtown

Any additional feedback?



# Understanding Value Capture – 20 min



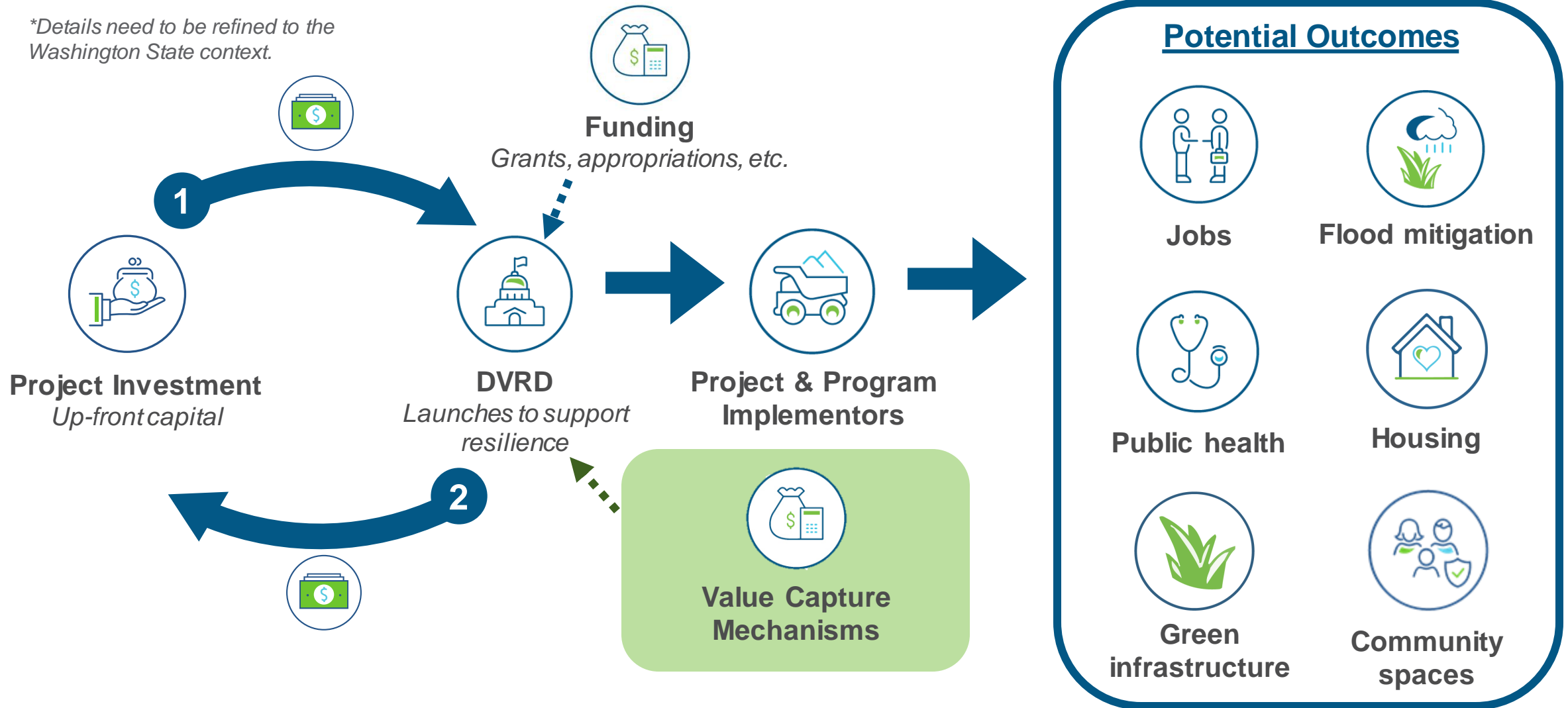
# Overview of Value Capture

- Infrastructure improvements often increase the value of nearby land, benefitting landowners and developers. Land value capture techniques harness a portion of the increased property values in order to pay for the improvement or for future infrastructure investment.
- Infrastructure improvements also tend to exacerbate existing displacement pressures, so community wealth-building needs to be part of their design.
- Although value capture techniques can generate significant revenues, they are a complement to, rather than a substitute for, traditional funding sources.
- The most common forms of value capture used in the United States include:
  - impact fees
  - special assessments
  - negotiated exactions
  - *air rights*\*
  - *joint development*\*
  - *sales tax districts*\*
  - *tax increment finance*\*

***\*Many forms of value capture are not feasible in Washington State, require State legislative action, have limited use for public purposes, and/or could reinforce WA State's regressive tax system.***

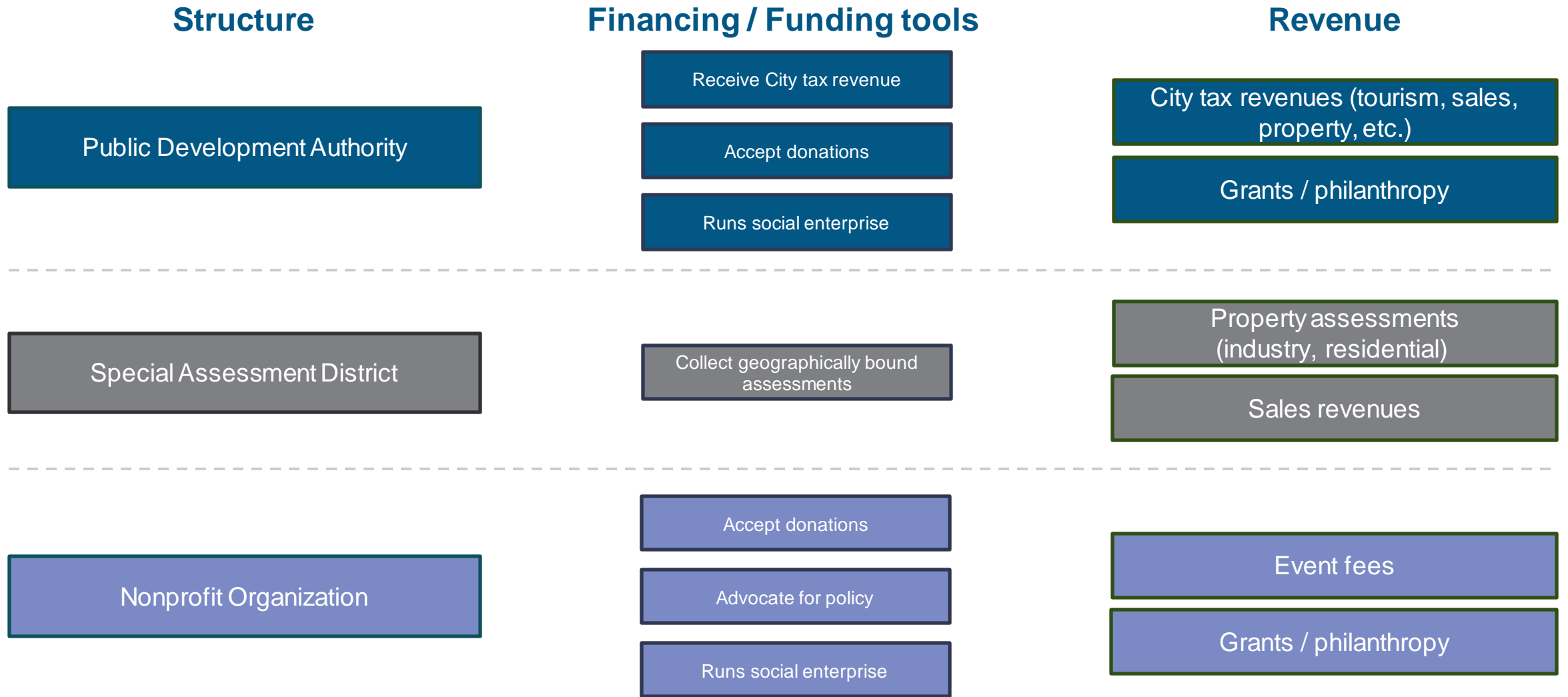
# Funding, Finance, and Value Capture

*\*Details need to be refined to the Washington State context.*



*The images do not represent City of Seattle policies or proposals. Any images, descriptions, or content are intended to facilitate conversations with community, agencies, and decision-makers. This work will be refined over multiples phases of work, including additional community engagement; technical and financial analysis; consultation with Tribes and agencies; policies review; and City Mayoral and Council decisions.*

# Organizational Development & Value Capture



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# Potential Sources of Value



## Business / Industry

Property values  
Site use  
Commercial activity  
Flood insurance



## Residential

Property values  
Site use  
Flood insurance



## Ecosystem Services

Wetlands  
Carbon  
Stormwater  
Recreation

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## Potential Business Value from Infrastructure Investments:

- Property values typically increase when new infrastructure is installed, often during the construction and design phase, and can turn into higher asset value for industry
- Land use flexibility, explore using negotiation points for current industry/businesses to expand site functions
- Commercial activity may increase with construction in the area / new recreation opportunities
- Flood insurance can price risk reduction and incorporate improvements as factors in premium adjustments

## Potential Value Capture Mechanisms:

- Local Improvement District
- Business Improvement District
- Site permitting (Boston Marine Park case study; needs further analysis to assess feasibility in Seattle)
- Innovative flood insurance product

## Considerations:

- It will be critical to explore how to capture value without putting undue burden on industry and staying in alignment with community vision and guiding principles of Racial Equity and a thriving community

## Potential Residential Value from Infrastructure Investments:

- Property values typically increase when new infrastructure is installed, often during the construction and design phase, and can turn into higher asset value for residential property owners
- Land use changes, explore using negotiation points for residential properties to incorporate resilience and/or affordability objectives
- Flood insurance can price risk reduction and incorporate infrastructure improvements as factors in premium adjustments

## Potential Value Capture Mechanisms:

- Local Improvement District
- Site permitting / Negotiation points (needs further analysis to assess feasibility in Seattle)
- Community-based Flood Insurance

## Considerations:

- The neighborhoods of South Park and Georgetown have a history of environmental injustice and BIPOC residents facing the consequences of development. Limiting displacement is a critical component of this work.
- It will be critical to work with affordable housing stakeholders in the area to ensure that naturally occurring affordable housing can be maintained

## Potential Value Capture from Ecosystem Services:

- Infrastructure may include the creation of wetlands and other habitat that can be required for industry to restore based on business activities
- Stormwater runoff will be filtered and/or captured by green infrastructure, treating nutrients and reducing Combined Sewer Overflow burdens
- Carbon sequestration and improved air quality is a result of new green space
- Recreation assets such as parks and trails can create new activities and community spaces

## Potential Value Capture Mechanisms:

- Compensatory wetland mitigation banking (Duwamish Peoples Park)
- Stormwater credit trading and carbon markets
- Recreation user fees / permits
- Recreation space rental fees
- Greater tax revenue from increased visitation

## Considerations:

- Ecosystem services from nature-based infrastructure can add both tangible and intangible value to the Georgetown and South Park neighborhoods. It is important to prioritize the more difficult to price benefits (such as air quality) while also prioritizing the revenue generating benefits (carbon sequestration).



# Providing Perspective and Feedback on Value Capture Options – 30 min



# What are your thoughts on value capture mechanisms?

Discussion questions:

- What challenges might arise if certain value capture mechanisms are pursued?
- Are there challenges or gaps in community knowledge about certain value capture mechanisms?
- How can the Guiding Principles inform how the DVRD pursues value capture?



**Business / Industry**



**Residential**



**Ecosystem Services**

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# For Reference – Municipal Finance 101 slides



# What is Municipal Financing?

Tools and policies that the City of Seattle can use to generate money to support Duwamish Valley Resilience District. The City can directly fund this work through the City budget, or it can pursue financing to have money upfront for projects that will be paid back through a specific revenue stream.

## Municipal Funding

- Grants (Federal, State, Philanthropy)
- Ballot measures
- Utility payments
- Taxes / Tax incentives

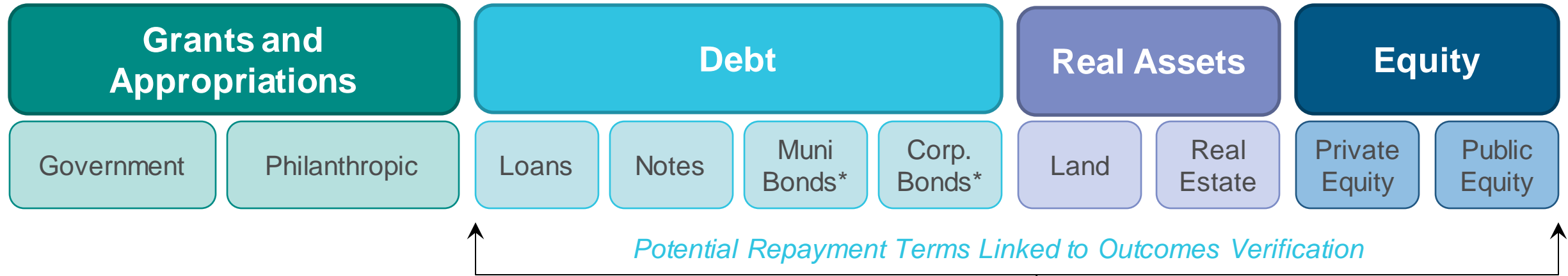
## Municipal Financing

- Loans and investments
- Environmental markets
- Revolving incentive funds

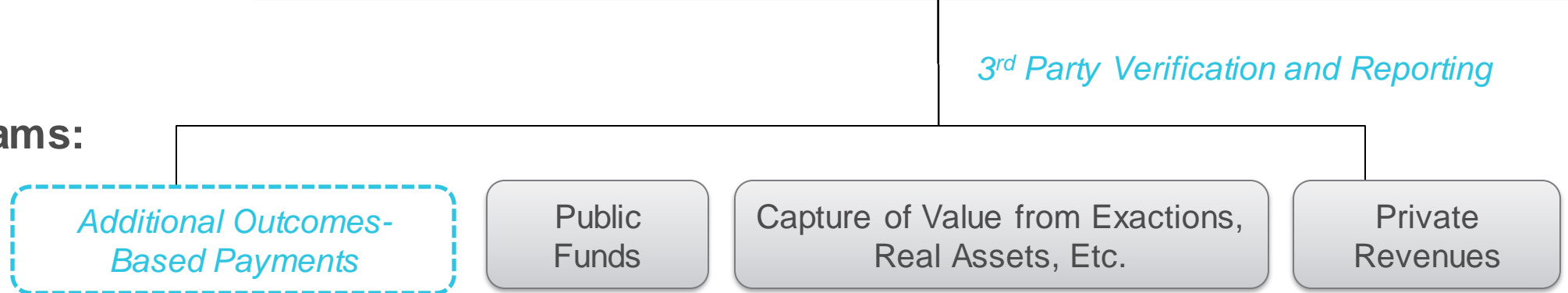
# Funding and Finance 101: Tools and Stacking

“Municipal finance” refers to the tools and policies that the City of Seattle can use to generate money to support projects in the Duwamish Valley Resilience District. Financing involves pursuing money upfront for projects that will be paid back through a specific revenue stream.

## Asset Classes:



## Repayment Streams:



\*Environmental Impact Bonds (EIBs)