



Seattle
Department of
Transportation



Seattle
Public
Utilities

LAND VALUE CAPTURE TOOLS ANALYSIS

Compiled Slides from
August and September
Workshops
October 1, 2021





ASSUMPTIONS – Goals & Purpose

Seattle's Duwamish Valley Program (DVP) has been working to create real positive change in the Duwamish Valley and build a more equitable and resilient city.

Infrastructure investments, while critical, are raising concerns about gentrification and displacement of current residents and businesses.

Desire to identify **land value capture (LVC)** tools to finance infrastructure that will protect the residential and industrial communities from expected sea level rise impacts and fund improvements to improve health and equity outcomes for residents.

- Potential infrastructure projects include sea level rise berms

LAND – mechanism and existing asset

Private ownership – hard to compel voluntary action; taxing land (even for public benefit) may not align with other goals around neighborhood stabilization as you generally can't tax in one location and spend in another; significant limitations to what can be done with property tax (see sidebar);

Public ownership – more opportunity to use land for public benefit. **47%** of land area in the Resilience District is publicly owned (**4%** by Seattle). Office of Housing recently acquired property for affordable housing.

Property Tax Option Limitations

Uniformity Clause

- WA State Constitution requires property taxes be “uniform” on the same class of property.
- Precludes many property tax exemptions and reductions, as well as differential rates within the same jurisdiction.

101% Revenue Increase Limit (budget-based property tax)

- Property tax revenue can increase by no more than 1% year over year.
- Governments can't capture full increased value of existing property (new property is exempt) via property taxes.

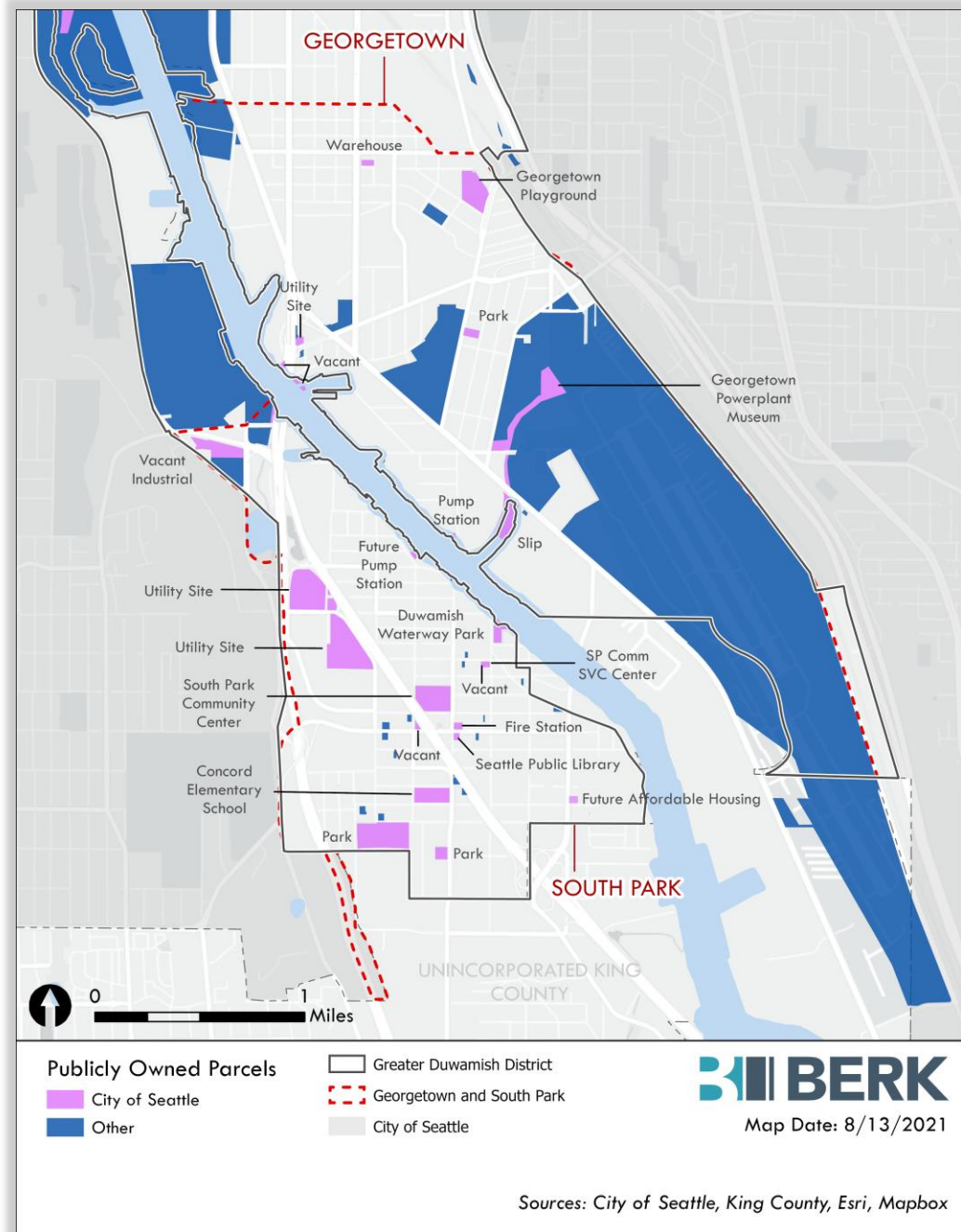
Land Value Tax Precluded

- Taxes must be uniform upon the same class of property, and all real property (land and improvements) constitutes a single class.

LAND - mechanism and existing asset

According to recent data from King County and the City of Seattle, there are nearly **300** publicly owned parcels in the Greater Duwamish neighborhood, and more than **70** in Georgetown and South Park.

Seattle owns nearly **30** properties in Georgetown and South Park, with an aggregate assessed value of nearly **\$130 million**.





ASSESSMENT CRITERIA

Efficacy – does the option advance SPU goals of a more equitable and resilient city?

Scale– can the mechanism/approach be applied within the district or is authorization/implementation at the city level?

Cost - does it require upfront capital?

Administrative feasibility – does the option require a new administrative process/ and/or body or can it be done with existing resources?

Unintended consequences – what are the risks related to this option?

Sustainability – does the option provide sustainable revenue or long-term benefits?

Political feasibility– can the option be implemented today or are policy or regulatory changes or voter approval required?

Legality – Do voters, electeds, and key decisionmakers support the tool?

Pilot potential – could it be tried in the next one to two years?

Estimated timeframe – how long would it take to implement?

Options Review



Revenue Options

Tax Increment Financing (TIF)

What? TIF is a method of allocating a portion of property or sales taxes to finance public improvements in designated areas (Increment Areas). Typically, a local government issues bonds to finance public improvements.

Allowed in WA? Yes. [ESHB 1189](#) signed by Inslee May 2021 granting new powers of TIF to cities, counties, and port districts. TIF for Jobs Bill eliminates the one percent rule - jurisdictions can now capture nearly all of the additional local tax revenue (which increases borrowing capacity). Seattle would be allowed two active Increment Areas at any given time. Increment Areas may not have an aggregate assessed valuation of greater than \$200 million or 20 percent of the jurisdiction's total assessed value, whichever is less. If two areas are used, this amount applies to both areas. Expire no later than 25 years after the first year of revenue collection.



TIF History

- **TIF 1.0** – 1982-1995
 - Ruled **unconstitutional**
- **TIF 2.0** – 2001-present
 - Several different programs
 - A limited number of projects have come out of these programs, primarily only when state matching funds were available
 - Effectively limited to revenues from new construction in the increment area – which are **uncertain, volatile, and limited**
- **TIF 3.0** – 2021-present
 - Exempt from the 1% revenue increase limit
 - However, limited to increment areas of \$200 million in AV or 20% of total AV in sponsoring jurisdiction, whichever is less
- **TIF 4.0** – ?
 - Would require advocacy for expanded TIF authority for resilience districts

TIF 2.0 (pre-2021 TIF mechanisms)

Name	Community Revitalization Financing (CRF)	Local Infrastructure Financing Tool (LIFT)	Local Revitalization Financing (LRF)	Local Infrastructure Project Area (LIPA)
Year implemented	2001	2006	2009	2011
Mechanism	Property tax	Property tax, sales and use tax <i>(sales tax mechanism no longer available)</i>	Property tax	Property tax
State funding	None	Closed	Closed	None
Requires approval from overlapping jurisdictions?	Yes, requires approval of jurisdictions that levy 75% of regular property tax in increment area	No, but overlapping jurisdictions do not have to participate	No, but overlapping jurisdictions may opt out	Yes, requires county approval
Feasibility challenges	Overlapping jurisdictions unlikely to agree because it would reduce their property tax revenues below current levels; Revenue captured from existing property is limited by 1% statute, possible revenues from new construction are uncertain and limited	Without state matching funds, possible revenues are uncertain and limited	Without state matching funds, possible revenues are uncertain and limited	Possible revenues are uncertain and limited



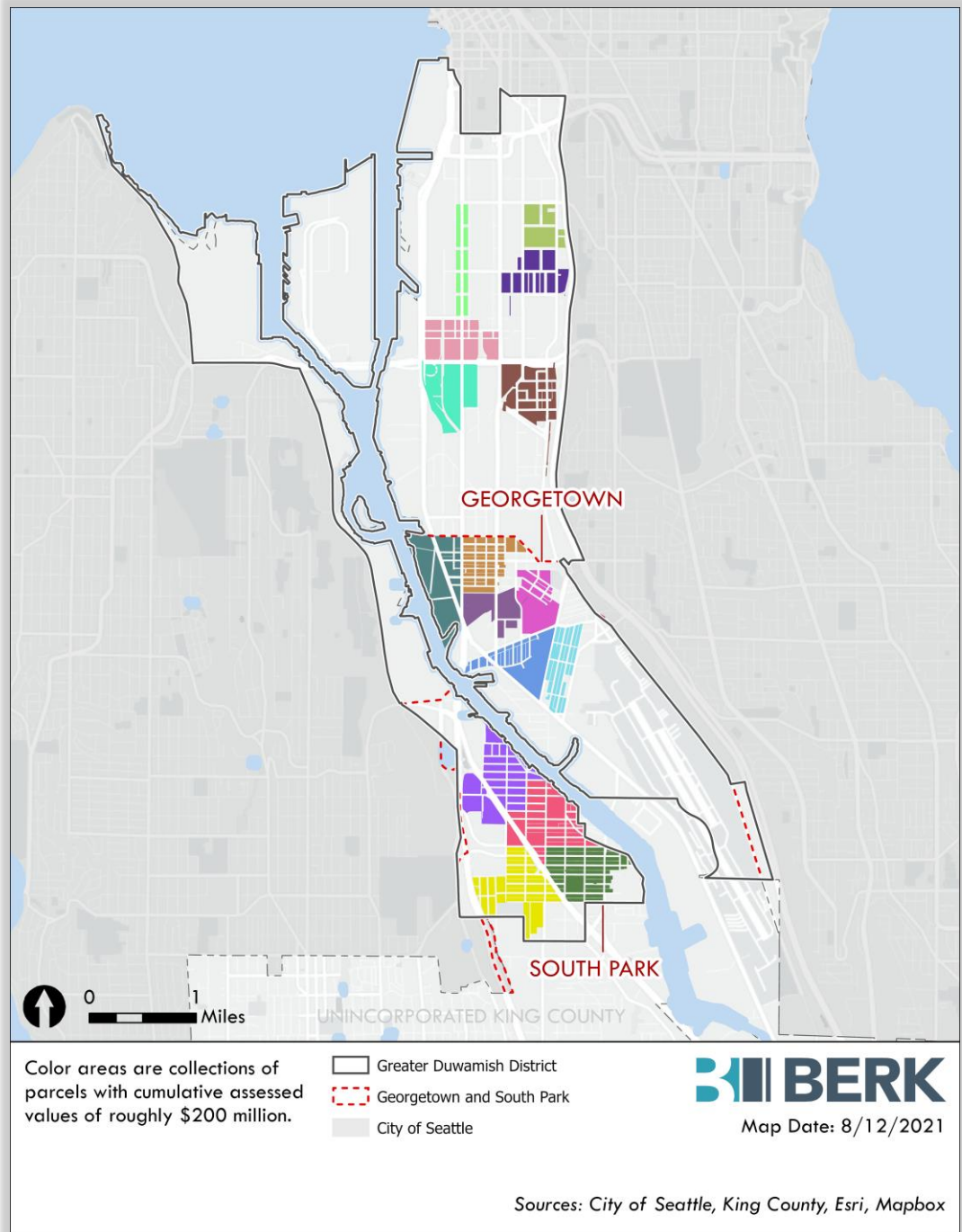
TIF 3.0

New TIF (ESHB 1189) Opportunities

- Project examples
 - Street and road construction
 - Water and sewer system construction and improvements
 - Sidewalks and other nonmotorized transportation improvements
 - Public transit park and ride facilities
 - Stormwater and drainage management systems
 - Mitigation of brownfields
- Expenditure examples
 - Creating or preserving long-term affordable housing
 - Creating or improving facilities for childcare (serving vulnerable populations)
- Potential Partnerships
 - Other eligible jurisdictions (Port of Seattle, King County) can sponsor TIFs inside Seattle, creating potential for more than two TIF districts within the City
 - Opportunity for adjacent TIFs to expand revenue potential for similar goals/projects

Tax Increment Financing (TIF)

The map on the right shows illustrative areas with an aggregate assessed value of roughly \$200 million





TIF 3.0 (process)

Two-Step Process to Establish TIF District

1. Project analysis
 - Scenario analysis – expected private development with/without public improvements
 - Impact assessment and potential need for mitigation
 - Includes holding 2 public hearings
 - Submit TIF proposal to state office of the treasurer for review
2. Draft/adopt ordinance that sets TIF boundary and designates TIF-funded projects

Other Conditions / Considerations

- Cannot add additional projects or change the boundary after adoption
- Need to include deadline for the start of construction of TIF-supported projects
- Can only collect TIF revenues for the period of time necessary to pay the costs of the TIF-supported projects
- Eligible jurisdictions cannot opt out of TIF
- TIF-supported public improvements can be inside or outside the increment area, as long as the improvement serves the community inside the increment area



TIF 4.0 (possible future mechanisms)

- **Concept 1:** Advocate at the state level for the creation of Resilience Districts with the same funding mechanisms as the existing Hospital Benefit Zones (see Appendix)
 - **Funding mechanism:** TIF based on increase (increment) of sales and use tax revenues in the increment area
 - **Limitations:** The HBZ program is structured such that it requires a state allocation of funds, a factor which complicates the political feasibility of any potential legislation
- **Concept 2:** Advocate at the state level for the creation of Resilience Districts with a property tax TIF funding mechanism for increment areas with a maximum AV of greater than \$200 million
 - **Funding mechanism:** TIF based on increase (increment) of property tax revenues in the increment area, not subject to 1% limit and for an increment with AV of greater than \$200
 - **Limitations:** The Legislature has been very cautious/limited in its approach to TIF, an expanded version may not be politically feasible, though limiting it to resilience districts and possibly to the Puget Sound area (where AVs are higher) could help

Hospital Benefit Zone (HBZ)

What? Passed in 2006 by the legislature to provide capital financing for hospitals with a State Certificate of Need (similar to the LIFT program).

Purpose: Encourage private business development and the development of a hospital within an HBZ. Similar to the LIFT program, the HBZ program authorizes a state contribution for public improvements within the zone.

Mechanism: Rather than the sales tax increment (the increase in sales tax revenues) going directly to the HBZ, the revenue comes from a local credit against the state sales tax. That way, the local jurisdiction doesn't lose out on the sales tax increase they would have otherwise received. This creates two problems:

1. If a resilience district program were funded like an HBZ program, it would require the State to appropriate funds for the program, which would make it more politically difficult at the state level.
2. If a resilience district program with a sales tax TIF mechanism were implemented without the state sales tax credit, the City of Seattle would effectively agree to forgo any revenue beyond the existing sales tax revenue from the Duwamish Resilience District. Given typical inflation rates, this means the City would need to effectively agree to reduce its sales tax revenue from the increment area.

Citywide Environmental Equity Levy

What? A voted, citywide property tax levy to fund climate resilience and environmental equity-focused projects.

Purpose: Create a dedicated funding source for large capital projects (bond levy) or operations and smaller capital projects (levy lid lift).

Mechanism: Two most likely mechanisms are:

1. Unlimited tax general obligation (UTGO) bond levy

- Requires 60% voter approval
- Best option for major capital projects
- Can ONLY be used for capital projects
- Capital revenue collected by City upfront (bonds), paid back over time with levy revenues
- Example: Alaskan Way seawall (2012)

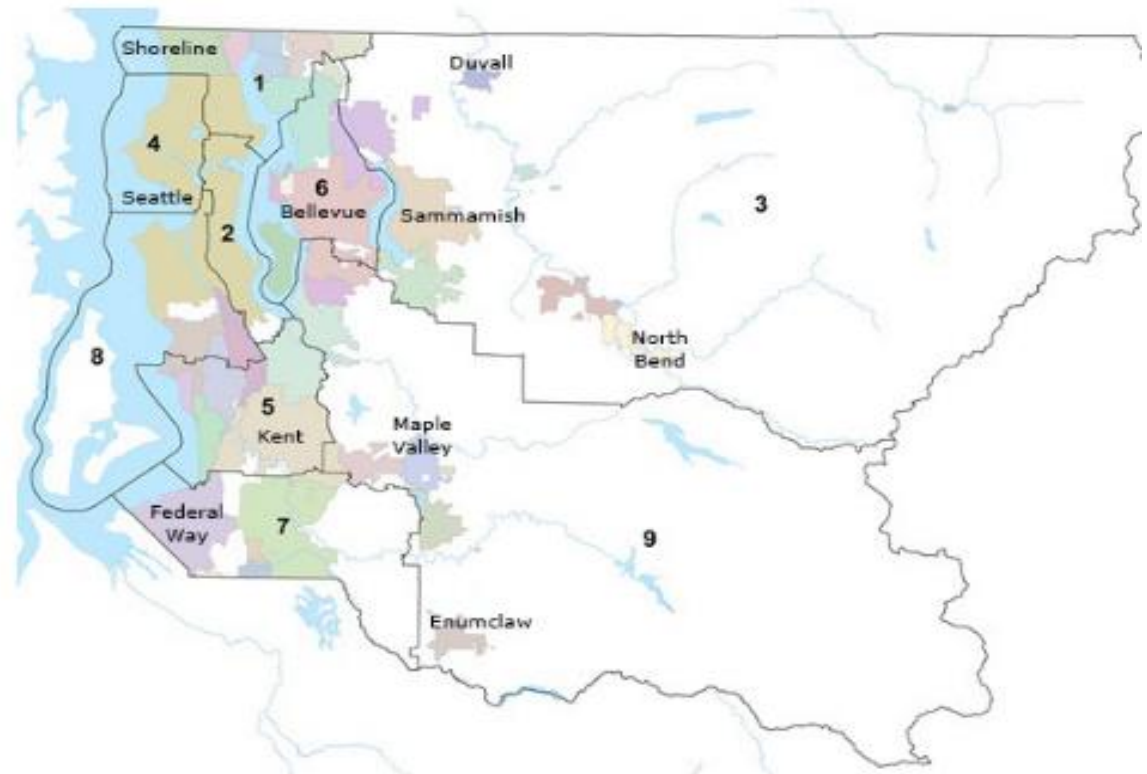
2. Levy lid lift

- Requires 50% voter approval
- Typically used for operational purposes OR a series of smaller scale capital projects
- Can fund operations OR capital projects
- Capital revenue collected over time via levy
- Example: Move Seattle levy (2015)

Longer-term Strategy Options

King County Flood Control District

Opportunity: Seattle districts contribute significant assessed value tax revenue, yet projects tend to be in other districts with river watersheds. Could this be addressed by adding climate adaptation and sea level rise to eligible capital projects and programs?



Private Funds for Non-profit Partners

Opportunity: Major funders and corporations have signaled a commitment to climate change, addressing racial injustices, focusing on communities of color or all of the above. Many of the desired projects championed by groups like the Duwamish River Cleanup Coalition could be a good fit for philanthropic priorities and potentially generate more funding than several of the revenue options.

Other Options – discussed in Meeting 1 that still have potential

Revenue Generating

- Impact Fees
- LID

Non-revenue Generating, but achieves other Goals

- Land banking
- Public land disposition
with public benefit
requirement

Impact Fees

What? Mechanism jurisdictions can use to help pay for certain types of capital improvements (transportation; fire protection facilities; schools; parks, open space, and recreation facilities) to accommodate growth. One-time charges paid by new development. The rationale is that “growth should pay for growth.”

Allowed in WA? Yes. Authorized by GMA and State Law [RCW 82.02.050-110](#) and [WAC 365-196-850](#). Projects must be in jurisdiction’s Capital Facilities Plan. Impact fees can only fund the proportional share of a project’s cost needed to accommodate new growth and cannot be the sole source of funding for any capital improvement. Impact fees cannot pay for existing deficiencies, ongoing costs such as maintenance and operations, or for growth outside of a jurisdiction.

A zoned fee structure is allowed but this would require coordination and study for the City as a whole.

Needs a citywide approach, but if implemented could fund some transportation projects in the district once included in the CFP.



Impact Fees - Assessment

Efficacy: Limited to allowable capital project types.

Scale: Must be implemented citywide and need development activity in the area to spend funds in the area.

Cost: Administrative costs.

Administrative feasibility: Feasible (already in practice in other cities).

Unintended consequences: Displacement is a risk if there is significant development, and it could also make desired development less likely/feasible.

Sustainability: Dependent on development cycles; project specific.

Political feasibility: Mixed views given other City requirements but used by other jurisdictions in the region.

Legality: Legal for specified project types.

Timeframe: Can be established quickly, but developing properties takes time.

Local Improvement District (LID)

What? A financing tool, governed by state law, by which property owners pay an assessment to help fund the costs of public improvements that directly benefit their property.

Allowed in WA? Yes. [35.56 RCW](#) addresses LID in cities. If 60% of the property owners (assessed value) protest the formation, it will not go forward so communication around benefits is critical.

[Chapter 84.38 RCW](#) provides indefinite deferrals for qualified senior citizens. [RCW 35.43.250](#) and [RCW 35.54.100](#) provide for an up to 4-year deferral economically disadvantaged property owners.

Seattle allows deferral of 100% of payments for two years for individuals at 200% of the poverty level.

Under all deferral programs, the amount is subject to interest and the deferred assessment does not go away but becomes a lien against the property.

Financing tool that needs an identified project. See Legality on p.24 for a potential complication



LID - Assessment

Efficacy: Limited to financing a specific project.

Scale: Can be pursued at the district level

Cost: Multiple, significant costs due to complexity: administrative, assessment, communications, legal.

Administrative feasibility: Feasible (already in place with Waterfront).

Unintended consequences:

Sustainability: Time limited to produce funds for the specified project.

Political feasibility: Complicated with multiple owners that need to be persuaded that it makes sense to tax themselves for the project.

Legality: Yes, allowed provided 60% of assessed value does not protest.

Timeframe: Several years to identify boundaries, generate assessments, meet all noticing requirements, and implement.

Land banking

What? A govt. entity established to acquire, maintain, and/or convert properties.

Efficacy: Variable – scale is often the largest barrier to efficacy. Appropriate properties may be expensive or rare if not already publicly-owned.

Scale: Can be implemented at the neighborhood level.

Cost: Variable – depends on existing inventory of City-owned vacant land.

Administrative feasibility: Complex – finding, procuring, managing properties requires significant time and effort.

Unintended consequences: Displacement is a risk, but it can be mitigated via income requirements for housing projects and other requirements.

Sustainability: Benefits are long-term.

Political feasibility: Likely high if bank is used for affordable housing, as City is already pursuing this strategy.

Legality: Authorized for specific uses; not prohibited otherwise, but explicit authorizing legislation could reduce admin. complexity

Timeframe: Can be established quickly, but developing properties takes time.

Public land disposition with public benefit requirement

What? Competitive disposition process for vacant public land with requirement for private developers to include public benefit in plans.

Efficacy: Limited by the availability of appropriate publicly-owned lands to be disposed of.

Scale: Can be implemented at the neighborhood level.

Cost: Minimal if applied to existing City-owned land.

Administrative feasibility: Feasible (already in practice).

Unintended consequences: Displacement is a risk, but it can be mitigated via income requirements for housing projects and other requirements.

Sustainability: Benefits are long-term.

Political feasibility: Likely high if used for affordable housing, as City is already pursuing this strategy.

Legality: Legal for affordable housing; limited otherwise.

Timeframe: Can be established quickly, but developing properties takes time.

Other Options – discussed in Meeting 1

Revenue Generating

- Lease of public land

Non-revenue Generating, but achieves other Goals

- Land Readjustment
- Health Equity Zones



Lease of public land

What? A govt. leases public land to a private entity. The private entity pays for the cost of infrastructure via property taxes, but the govt. retains value by maintain ownership.

Efficacy: Limited by the availability of appropriate publicly-owned lands to be leased.

Scale: Can be implemented at the neighborhood level.

Cost: Minimal if applied to existing City-owned land.

Administrative feasibility: Feasible.

Unintended consequences: Displacement is a risk, but it can be mitigated via income requirements for housing projects and other requirements.

Sustainability: Benefits are long-term.

Political feasibility: Likely high if used for affordable housing, as City is already pursuing this strategy.

Legality: Legal for affordable housing; limited otherwise.

Timeframe: Can be established quickly, but developing properties takes time

Land Readjustment

What? The government pools privately owned parcels of land, creates a new land use plan for the area (which includes public infrastructure and services), implements the plan + builds infrastructure, re-subdivides land into areas of proportional value to the original private parcels, and returns those areas to the private landowners.

Land exchange is voluntary. Public improvements are often paid for (in part or whole) through selling or leasing new government-owned land that was acquired through the readjustment process (see example, above).

Allowed in WA? Likely yes. But there are several political and process challenges. Nothing compels landowners to participate in the exchange, which can lead to ad hoc pooling and an inefficient adjustment process (a specific legal framework could address this). The process also requires extensive area-wide planning, consistent with ongoing and/or existing planning processes. Involves extensive public engagement. Uncertain timeframe.

Source: International Growth Centre





Health Equity Zones E2SSB 5052

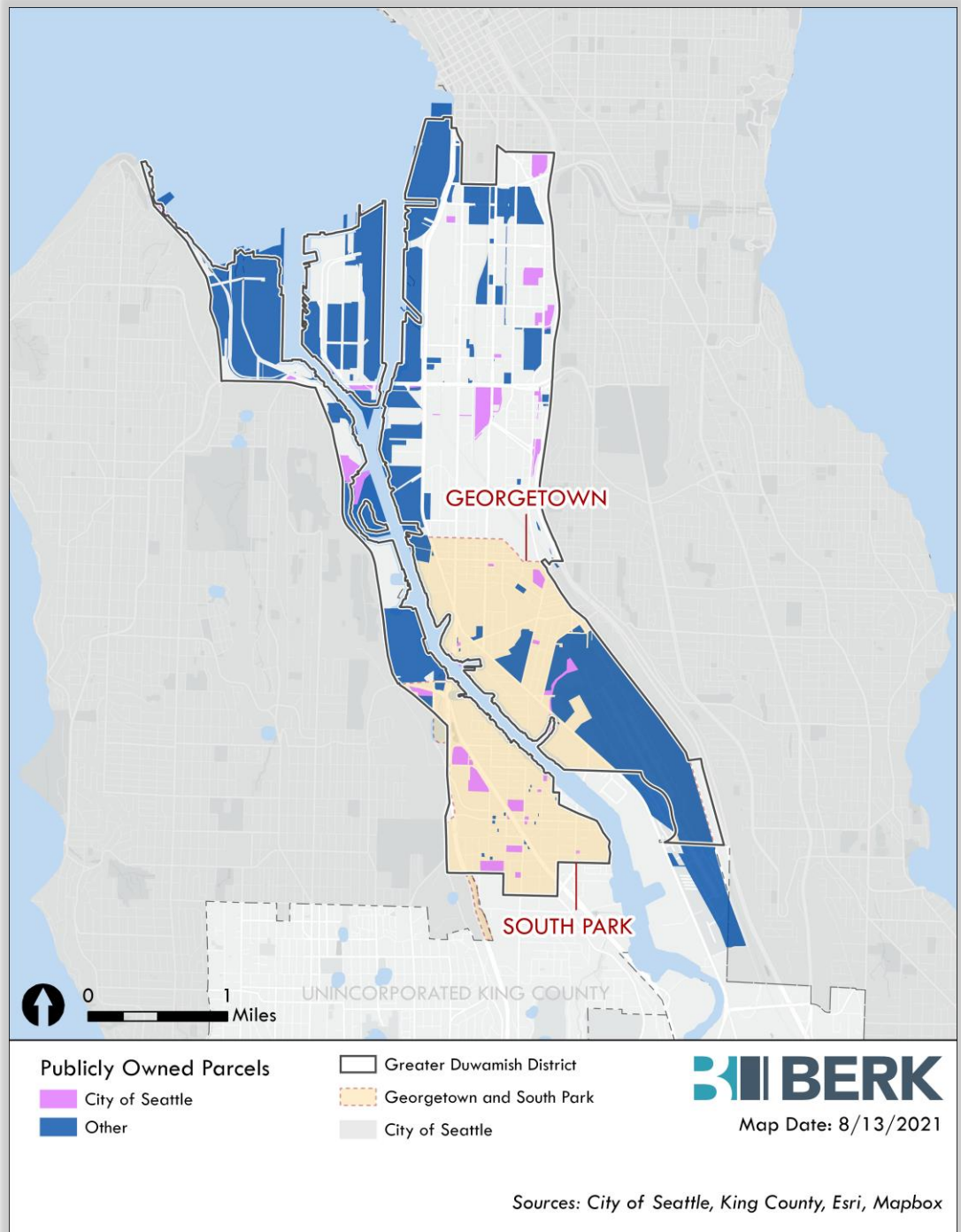
What? a contiguous geographic area that demonstrates measurable and documented health disparities and poor health outcomes, which may include high rates of maternal complications, newborn health complications, and chronic and infectious disease, is populated by communities of color, Indian communities, communities experiencing poverty, or immigrant communities, and is small enough for targeted interventions to have a significant impact on health outcomes and health disparities. Documented health disparities must be documented or identified by DOH or the CDC.

Allowed in WA? Yes. [E2SSB 5052](#) signed by Inslee May 2021 requires DOH to spend 12 months to develop a plan and process to allow communities to implement health equity zone programs statewide. Locally, Seattle King County Public Health will likely be involved, and projects are likely to focus on provider access and health services delivery, information/data sharing, outreach and educations, and systems/policy change to improve population health.

If a health equity zone is established in the Duwamish, the coalition could be tapped as an advisory board.

Appendix - Maps

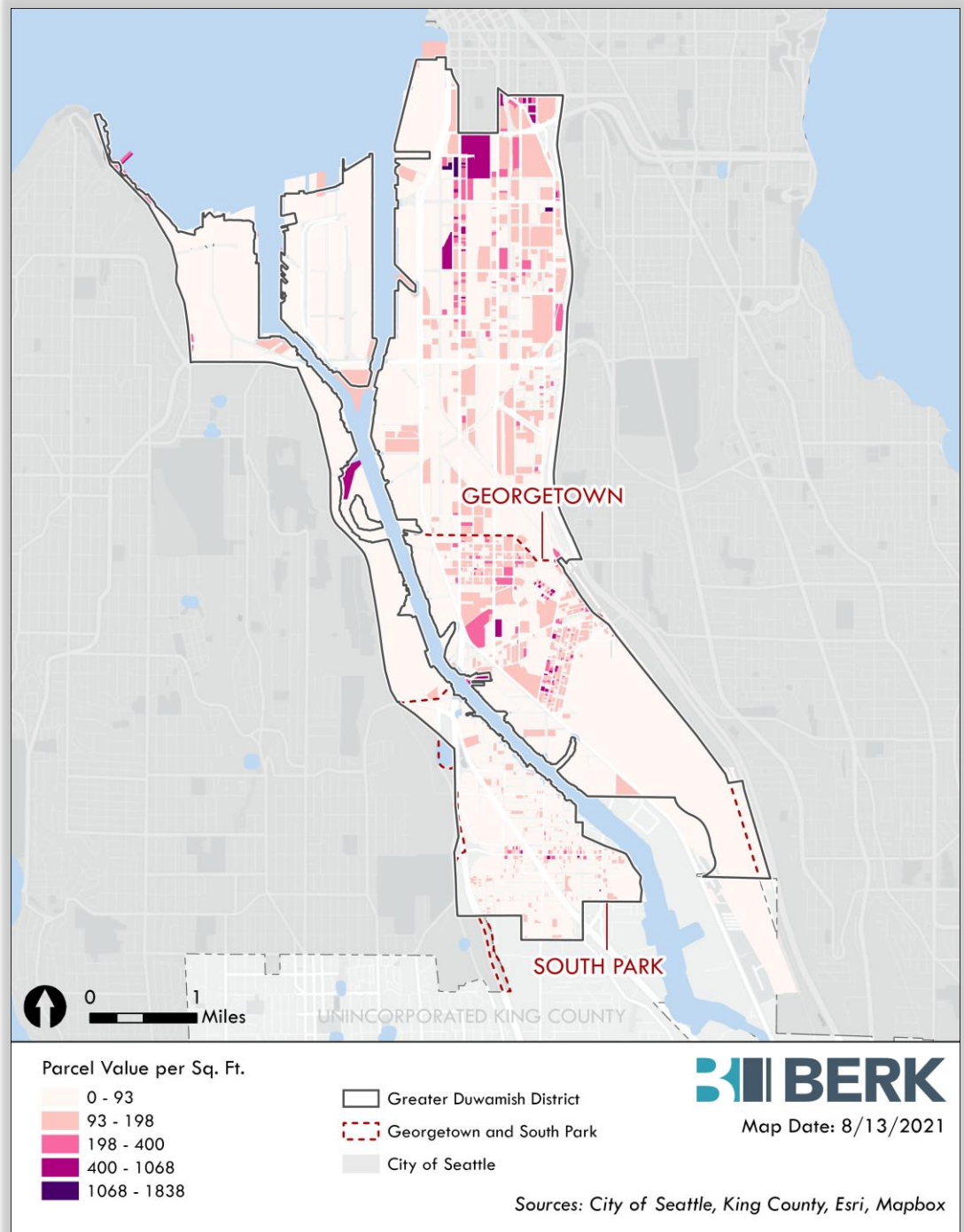
Publicly Owned Parcels in the Greater Duwamish



Sources: City of Seattle, King County, Esri, Mapbox

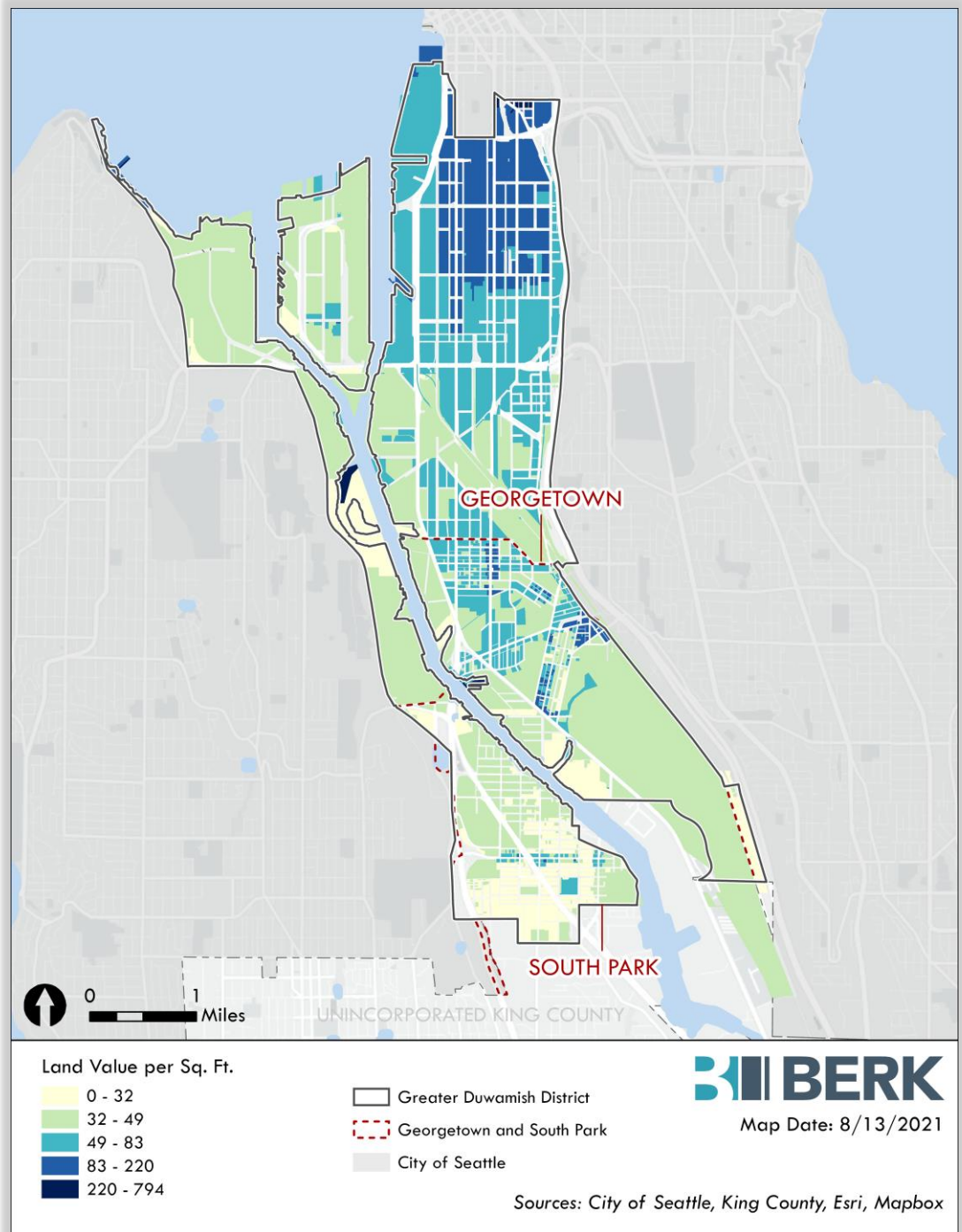
Assessed Parcel Value per Square Foot

(all parcels in the Greater Duwamish)

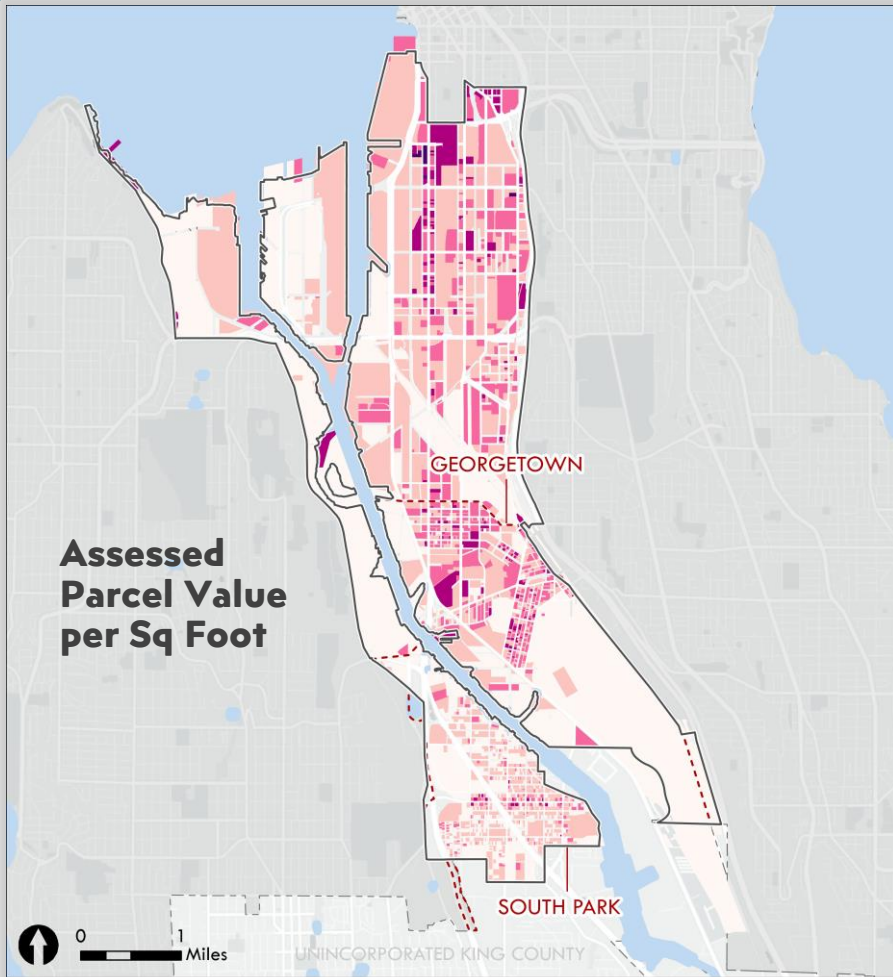


Assessed Land Value per Square Foot

(all parcels in the Greater Duwamish)



Total Parcel Value vs Land Value (normalized for direct comparison)



Assessed Parcel Value per Sq Foot

0 1 Miles

Parcel Value per Sq. Ft.

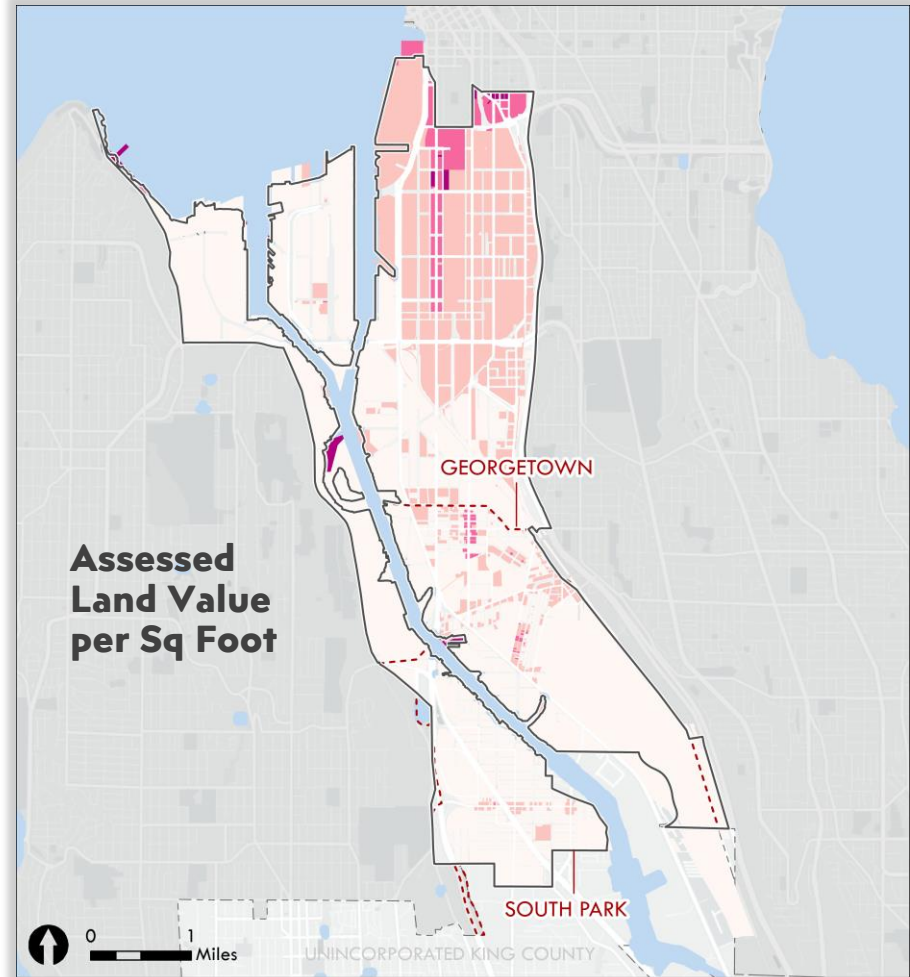
- 0 - 50
- 50 - 100
- 100 - 200
- 200 - 1,000
- 1,000 - 1,838

- Greater Duwamish District
- Georgetown and South Park
- City of Seattle



Map Date: 8/13/2021

Sources: City of Seattle, King County, Esri, Mapbox



Assessed Land Value per Sq Foot

0 1 Miles

Land Value per Sq. Ft.

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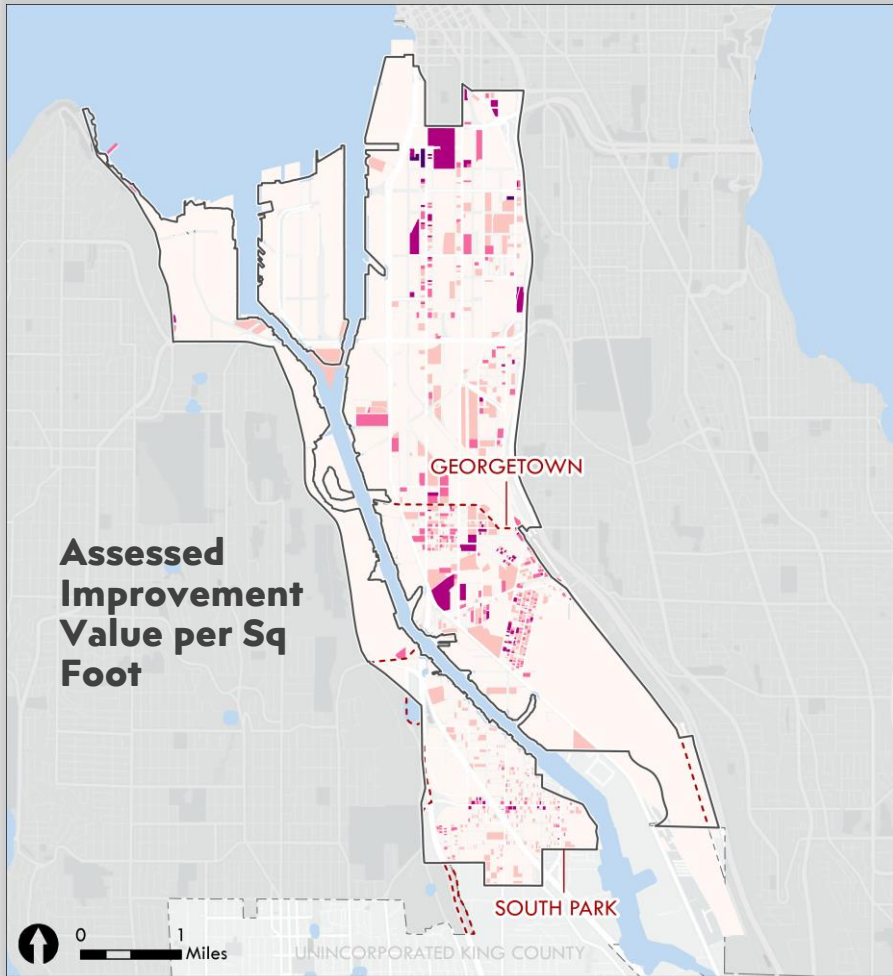
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Map Date: 8/13/2021

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Improvement Value vs Land Value (normalized for direct comparison)



Improvement Value per Sq. Ft.

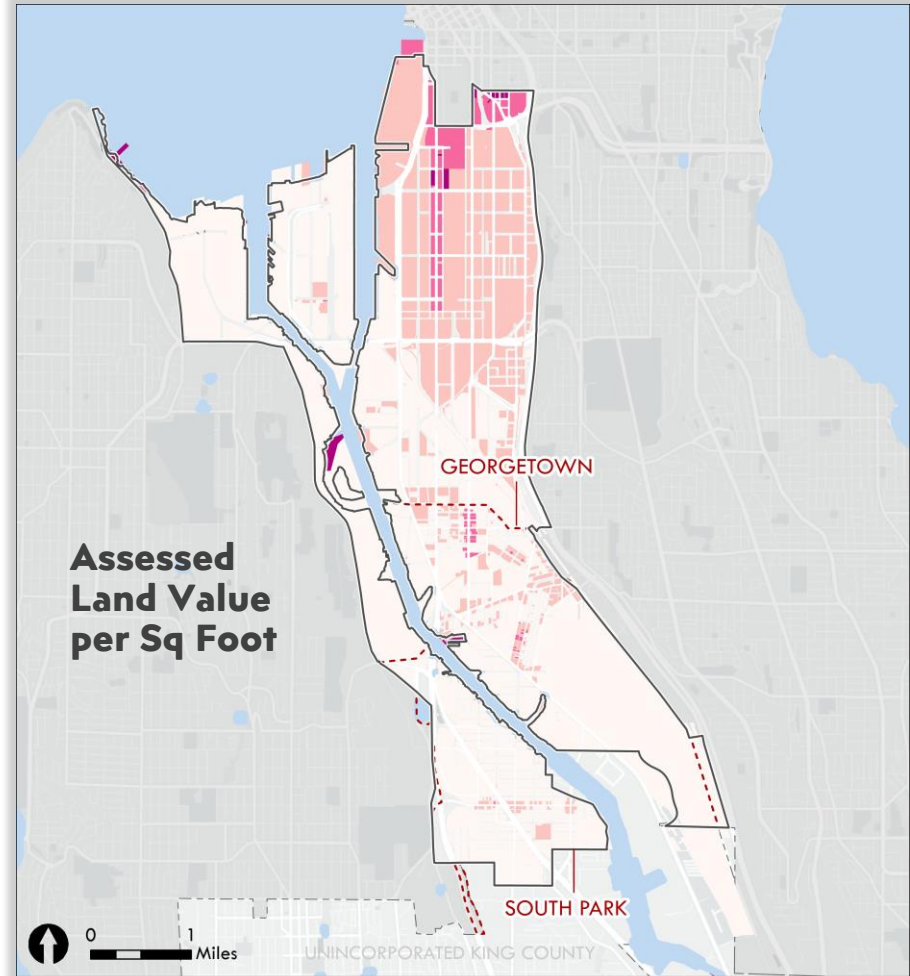
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BERK

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Land Value per Sq. Ft.

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