



Administration and Finance Committee Meeting Minutes

October 11, 2018

4:00 PM

SeaTac City Hall - Riverton Room 128

Members:	Present:	Absent:	Commence:	4:01 P.M.
			Adjourn:	4:50 P.M.
Erin Sitterley, Chair	X			
Peter Kwon	X			
Clyde Hill	X			

Other Council Members Present: Joel Wachtel, Pam Fernald, Rick Forschler

Staff Coordinator: Gwen Pilo, Finance & Systems Director

1. Call to Order	<i>Committee Chair Erin Sitterley called the meeting to order at 4:01 PM</i>
2. Public Comment	<i>None</i>
3. Review of the Minutes	<p><u> X </u> Recommended for Approval</p> <p><i>A copy of the 9/27/2018 minutes was provided to the committee for review. The committee approved the minutes as written.</i></p>
4. Council/City Manager Travel Pre-Approval or Final Approval	<p><u> X </u> Recommended for Approval</p> <p><i>Executive Assistant, Lesa Ellis, provided the following two items for committee approval:</i></p> <ol style="list-style-type: none"> <i>1. Expense Approval for Clyde Hill NLC Summit Registration: \$330.00</i> <p><i>Council members Sitterley and Kwon voted to approve. Council member Hill abstained from voting.</i></p> <ol style="list-style-type: none"> <i>2. Expense Approval for Joseph Scorcio APA Planning Conference Lodging: \$165.73 Meals: \$48.63 Transportation: \$15.00 Amount Total: \$229.36</i>

	<i>The committee voted to approve.</i>
5. Vacant Positions Update	<u> X </u> Informational Update <i>City Manager Joe Scorcio provided the committee with a brief update of vacant positions within the City.</i>
6. Audit Entrance Conference	<u> X </u> Informational Update <i>Audit Manager Sandra Groshong, and Audit Lead Sean Fitzgerald from the State Auditor's Office briefed the committee on the audit currently in progress at the City. The entrance conference explained the audit scope, estimated costs, timeline, and expected communications while on site.</i>
7. Unclaimed Property Resolution	<u> X </u> Recommended for Approval <i>Finance & Systems Director Gwen Pilo presented the committee with a draft resolution reporting unclaimed property to the state. Each year the City is required to file an unclaimed property report with the Department of Revenue for accounts payable and payroll checks that have not been cashed. State statute requires a resolution to cancel these stale checks. The committee recommended this item for approval and it will be brought to the October 23 City Council meeting.</i>
8. 2017-2018 Biennial Budget Amendment	<u> X </u> Recommended for Approval <i>Finance & Systems Director Gwen Pilo presented the committee with a proposed budget amendment for the 2017-2018 biennial budget. The committee recommended approval and this item will be brought the October 23 City Council Meeting.</i>
9. Sound Transit Parking Agreement	<u> X </u> Recommended for Approval <i>City Manager Joe Scorcio discussed with the committee the lease with Sound Transit for the parking garage located on the SeaTac Center property. Sound Transit has contacted the City to request a lease extension. The committee discussed the lease terms and was in favor of the lease extension. The committee directed staff to increase the lease by 3% over the 2018 amount. This item will be brought forward to a future Council Meeting.</i>
10. October 25 and	<i>The committee discussed the upcoming committee meetings on October 25 and November 22. These meetings were cancelled due to scheduling</i>

November 22, 2018	<i>conflicts and the Thanksgiving holiday. The December 27 meeting was also cancelled.</i>
11. Future Meeting Schedule	<i>The next A&F Meeting will be held on November 8, at 4:00PM in Riverton Room 128.</i>
12. Adjourn	<i>Committee Chair Erin Sitterley adjourned the meeting at 4:50 PM.</i>



Vacancy	AFSCME	Position Funding	Dept	Notes/Status
City Manager	N	100% General Fund	CMO	Candidate's Public Meeting Scheduled 11/14/2018
Plans Examiner/Inspector 2	Y	100% General Fund	CED	Interviewing Candidates
Engineering Manager	N	75% 307 Fund, 25% 403 Fund	PW	Kamal Mahmoud starts 11/13/2018
Civil Engineer 1	Y	50% 102 Fund, 50% 307 Fund	PW	Hiring Manager Reviewing Applications
Parking Compliance Officer (2 year limited term)	Y	100% General Fund	PD	Interviewing Candidates
Parking Compliance Officer (2 year limited term)	Y	100% General Fund	PD	Interviewing Candidates

Fund Key

102 Fund = Street

307 Fund = Public Works Engineering/Transportation CIP

403 Fund = Surface Water Management

404 Fund = Solid Waste

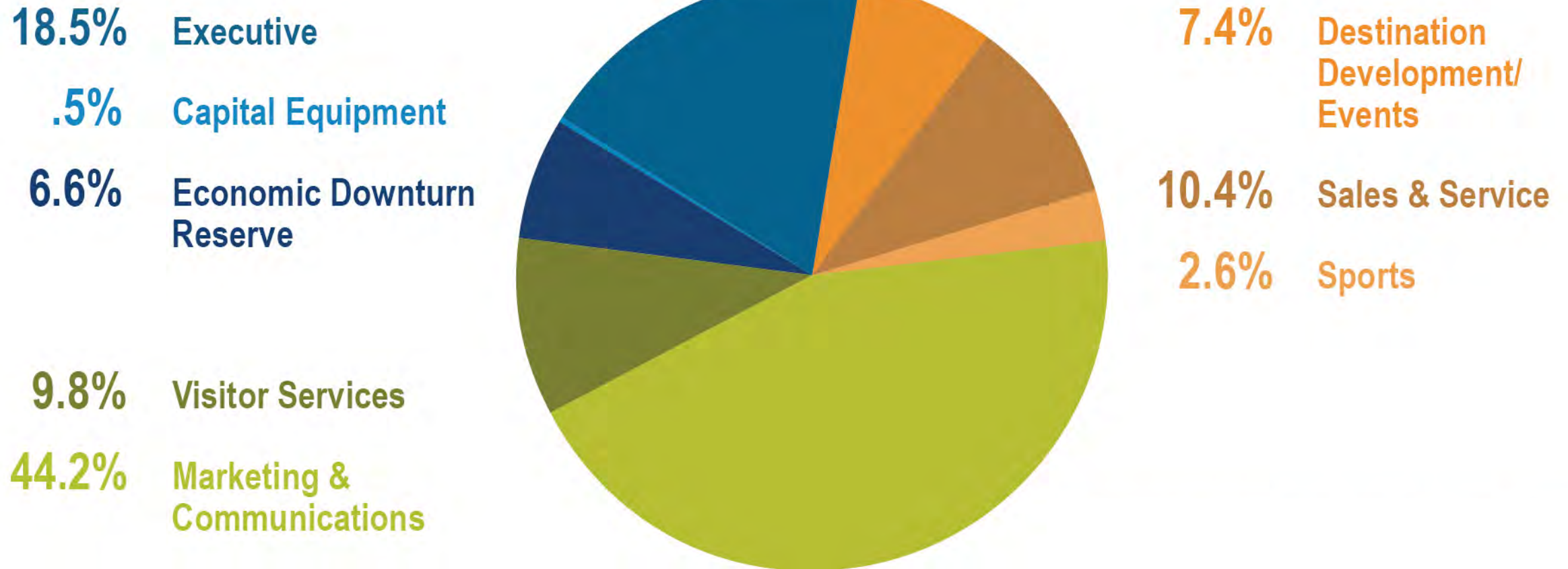
501 Fund = Equipment Rental



SEATTLE 
SOUTHSIDE 
Regional Tourism Authority

SEATTLE SOUTHSIDE RTA BUDGET ALLOCATION

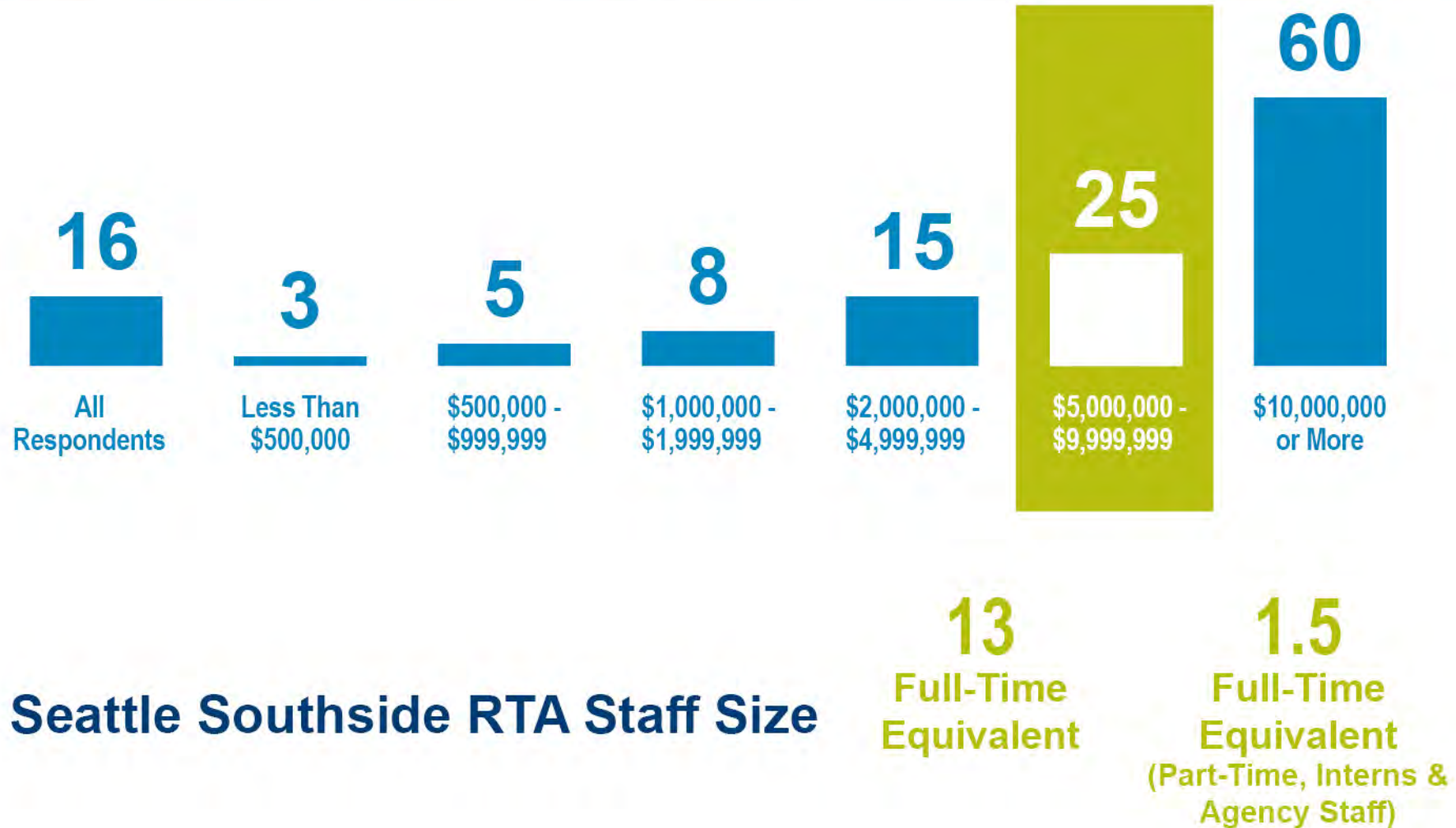
2018 Budget by Division • \$5.3 Million



SEATTLE SOUTHSIDE RTA STAFF COMPOSITION



STAFF SIZE BY DMO BUDGET CATEGORY



SEATTLE SOUTHSIDE RTA ONLINE VS OFFLINE

Online/Digital Activities



70%

Offline/Traditional Activities



30%

SEATTLE SOUTHSIDE RTA MARKET SECTOR SPENDING



49%
Leisure
Market



13%
Meetings &
Conventions



11%
Sport/Event
(w/out opportunity fund)

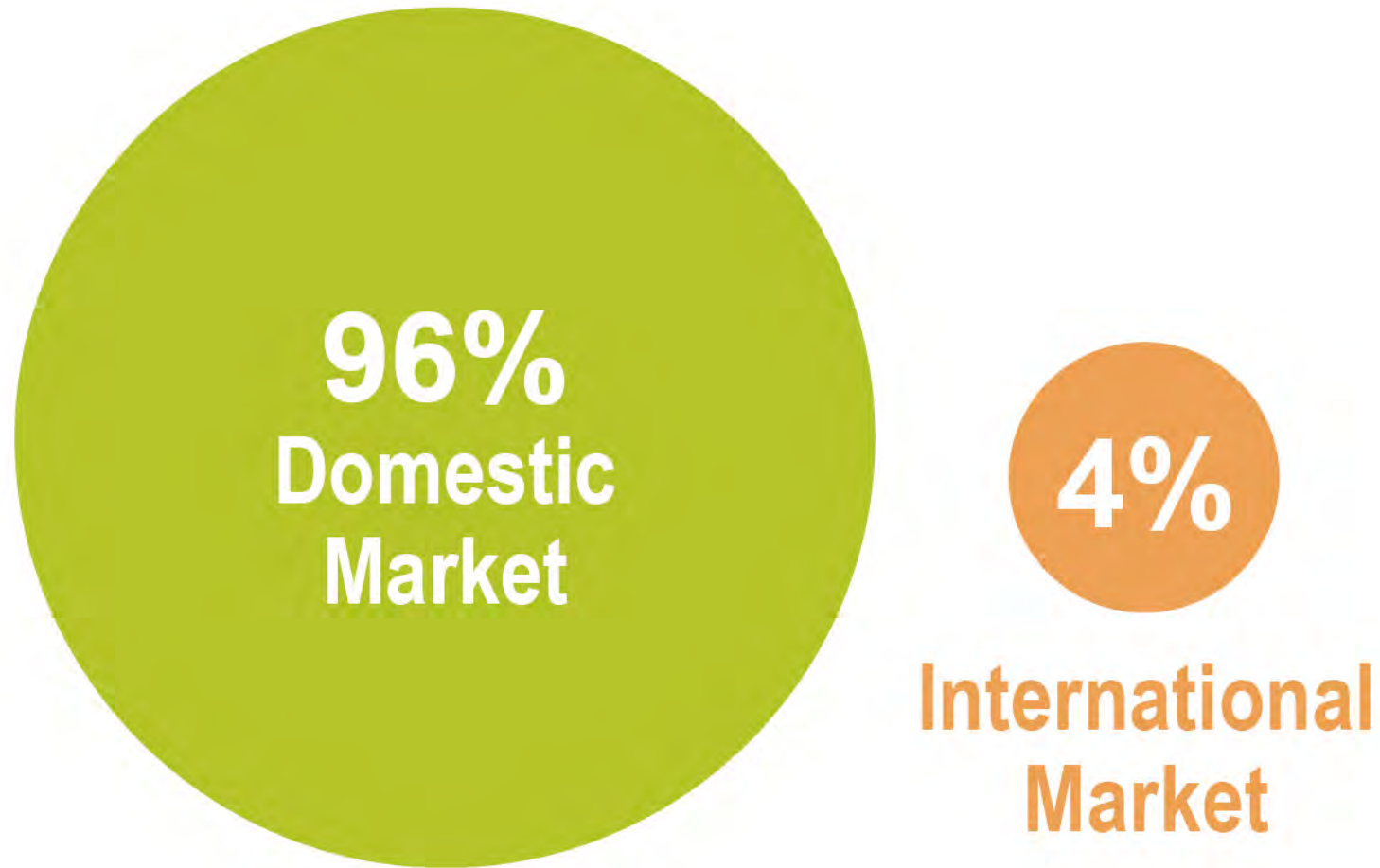


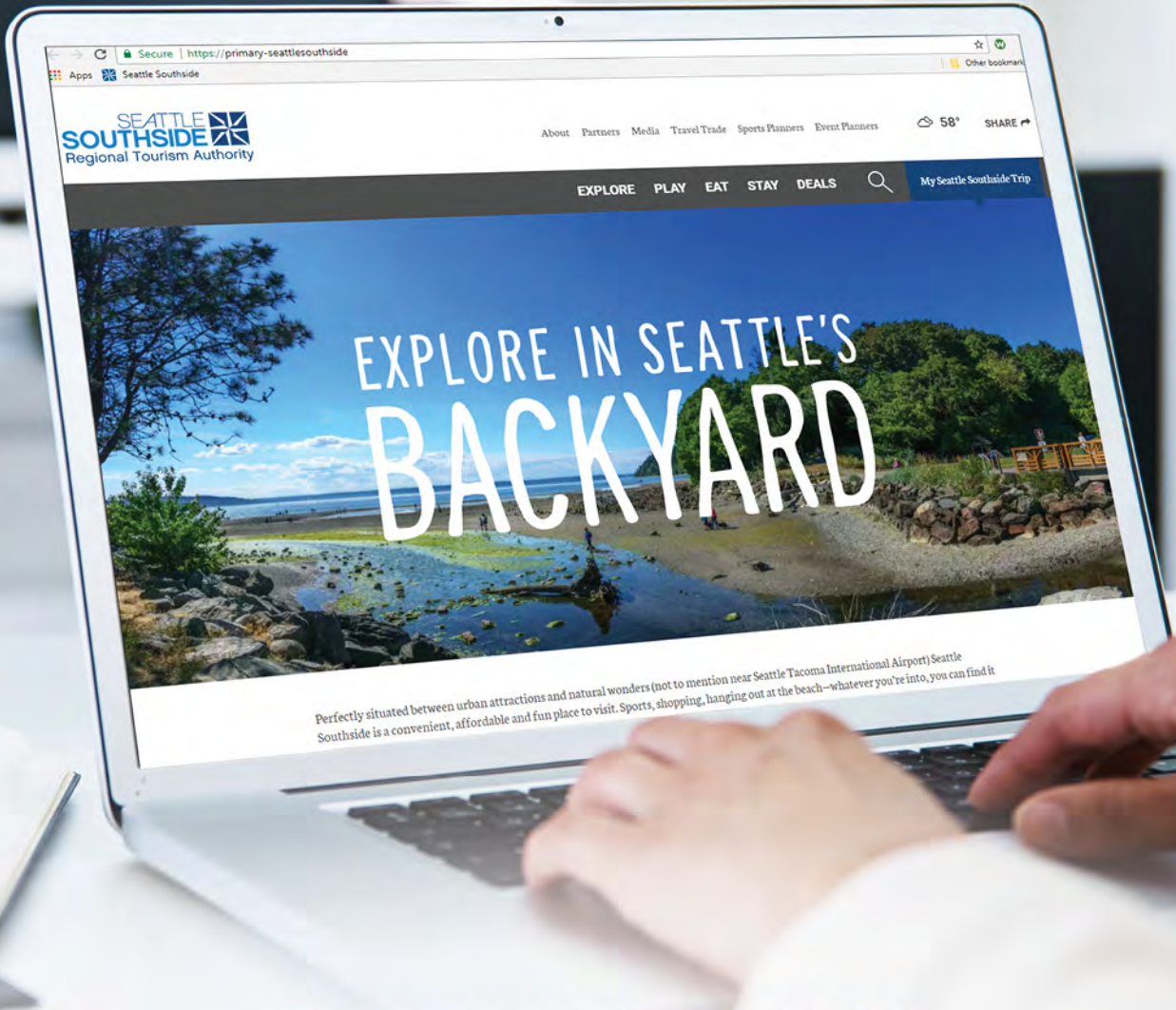
6%
Travel
Trade



21%
Other/Local/
Visitor Centers

SSRTA SPENDING GEOGRAPHIC MARKETS





SEATTLE
SOUTHSIDE
Regional Tourism Authority

About Partners Media Travel Trade Sports Planners Event Planners

58° SHARE

EXPLORE PLAY EAT STAY DEALS

My Seattle Southside Trip

EXPLORE IN SEATTLE'S BACKYARD

Perfectly situated between urban attractions and natural wonders (not to mention near Seattle Tacoma International Airport) Seattle Southside is a convenient, affordable and fun place to visit. Sports, shopping, hanging out at the beach—whatever you're into, you can find it

RESEARCH

TECHNOLOGY



AFFILIATIONS



For every \$1 spent by the RTA, \$42.86 is generated for the Seattle Southside region in visitor spending.



Each King County household would pay \$916 more in taxes without the revenue generated by tourism.

- Tourism Economics

The Seattle Southside Regional Tourism Authority 2019-2020 funding request is \$830,000.

This is the same amount we've requested for the past 10 years. The RTA is not asking for an increase, instead we are advocating for additional lodging tax funding from King County beginning in 2021.

1. Core Marketing Services Identified within the ILA (Website, Travel Guide, Maps, Dining Guide, etc.) \$230,000
2. Shuttle to Westfield \$200,000
3. SeaTac Special Project – SEM Hotel Campaign \$110,000
4. SeaTac Visitor Center with I-5 Directional Signage \$290,000

A wide-angle photograph of a rocky beach at low tide. The foreground is filled with numerous tide pools of varying sizes, each containing clear blue water and patches of bright green seaweed. A man in a blue t-shirt and khaki shorts stands on a rock in the lower right, looking down at something in his hands. A young girl in a pink and white striped shirt and blue jeans stands on a rock in the lower center, looking towards the man. The middle ground shows a wide expanse of wet, grey rocks and pebbles leading to a sandy beach. In the background, the ocean stretches to the horizon under a blue sky with scattered white clouds. A dense forest of green trees covers a hillside on the right side of the frame. The overall scene is bright and sunny, suggesting a clear day.

QUESTIONS?

Seattle Southside Regional Tourism Authority (RTA) Proposed Budget

For the Fiscal Year Ending December 31, 2019

Updated 8/22/2018

	2019 Budget
Revenues:	
345-60-00 TPA Special Assessments	\$ 3,674,825
337-00-01 LTC-Tukwila	202,500
337-00-02 LTC-SeaTac	830,000
337-00-03 LTC-Des Moines	111,000
361-11-00 Investment Earnings	45,000
361-40-00 Other Interest on TPA SA	3,500
369-91-01 Misc Prior Year Adj	-
369-XX-XX Misc Other Revenue	2,500
369-91-05 Advertising	75,000
Total Revenues:	\$ 4,944,325
Expenses:	
Salaries (10) & Benefits (20)	\$ 1,622,209
Supplies (30)	31,000
Small Equipment (35)	20,000
Professional Services/Ads/Promotions (41)	2,200,000
Communications/Postage (42)	81,000
Travel (43)	115,000
Operating Leases (45)	120,000
Insurance (46)	12,000
Maintenance (48)	6,000
Miscellaneous/Printing (49)	900,000
Subtotal Operating Expenses	\$ 5,107,209
Cap Equip/Furn, Images & Trademarks (64)	100,000
Subtotal Operating Expenses & Capital Expenses	5,207,209
Economic Downturn/Recession Reserve (11% of SA)	404,231
Total Expense Budget	5,611,440
Change in Net Position	(667,115)
Budgeted Beginning Net Position	\$ 2,153,571
Add: Changes in Financial Statement Non-Spendable and Committed Balances from 2016	N/A
Budgeted Ending Net Position	\$ 1,486,456
Contingency Reserve (2 months)	\$ 868,042
Capital Asset Replacement Reserve	\$ 110,000
Unrestricted Balance	\$ 508,414

- (a) The general promotion of tourism within the Seattle Southside TPA as specified in the business plan of the SSRTA;
- (b) The marketing of convention and trade shows that benefit local tourism and the Lodging Businesses in the Seattle Southside TPA;
- (c) The marketing of the Seattle Southside TPA region to the travel industry in order to benefit local tourism and the lodging businesses in the Seattle Southside TPA;
- (d) The marketing of the Seattle Southside TPA region to recruit sporting events in order to promote local tourism and to benefit the Lodging Businesses and tourism industry within the Seattle Southside TPA; and
- (e) Direct administration, operation, formation, and start-up costs associated with the Seattle Southside TPA and the ongoing management and maintenance of the Seattle Southside TPA program, including but not limited to staff costs, public notice advertising, legal costs, accounting and auditing (including audits of the Parties and the SSRTA as they relate to this Agreement), as approved by the SSRTA Board of Directors, provided no funds will be used for costs not directly related to the operation of the Seattle Southside TPA, this Agreement, or the SSRTA.

Sunrise Garden Suites Tukwila/SeaTac Airport*	Tukwila, WA	98168	88
Days Inn Seattle South Tukwila	Tukwila, WA	98168	119
Econo Lodge SeaTac Airport North	Seattle, WA	98168	47
Ramada SeaTac Airport North	Tukwila, WA	98168	38
Cedarbrook Lodge	SeaTac, WA	98188	167
Clarion Hotel Seattle Airport	Seatac, WA	98188	214
Coast Gateway Hotel	Seattle, WA	98188	143
Comfort Inn & Suites SeaTac Airport	SeaTac, WA	98188	119
Comfort Suites Airport Tukwila	Tukwila, WA	98188	138
Country Inn & Suites SeattleTacoma International Airport	Seattle, WA	98188	120
Courtyard Seattle SeaTac Area	Tukwila, WA	98188	211
Courtyard Seattle South Center	Tukwila, WA	98188	149
Crowne Plaza Seattle Airport	Seattle, WA	98188	260
Days Inn Seattle SeaTac Airport	Seattle, WA	98188	85
Doubletree Seattle Airport	Seattle, WA	98188	850
DoubleTree Suites Hotel Seattle Airport Southcenter	Seattle, WA	98188	219
Embassy Suites Seattle Tacoma International Airport	Seattle, WA	98188	242
Extended Stay America Seattle Southcenter	Tukwila, WA	98188	94
Extended Stay America Seattle Tukwila	Tukwila, WA	98188	96
Fairfield Inn Seattle SeaTac Airport	Seattle, WA	98188	146
Hampton Inn & Suites Seattle Airport 28th Avenue	SeaTac , WA	98188	218
Hampton Inn Seattle Airport	Seattle, WA	98188	130
Hampton Inn Seattle Southcenter	Tukwila, WA	98188	152
Hilton Seattle Airport & Conference Center	Seattle, WA	98188	396
Holiday Inn Express & Suites Seattle SeaTac	SeaTac, WA	98188	171
Home2 Suites Seattle Airport	Tukwila, WA	98188	139
Homewood Suites Seattle Tacoma Airport Tukwila	Tukwila, WA	98188	106
La Quinta Inns & Suites Seattle SeaTac Airport	Seatac, WA	98188	143
Marriott Seattle Airport	Seatac, WA	98188	462
Motel 6 Seattle Airport	Seattle, WA	98188	109
Motel 6 Seattle SeaTac Airport South	Seattle, WA	98188	144
Quality Inn SeaTac Airport Seattle	Seattle, WA	98188	102
Radisson Hotel Seattle Airport	Seattle, WA	98188	204
Ramada SeaTac Airport	Seattle, WA	98188	155
Ramada Tukwila SeaTac Airport	Tukwila, WA	98188	146
Red Lion Hotel Seattle Airport	Seattle, WA	98188	144
Red Roof Inn Seattle Airport Seatac	Seattle, WA	98188	152
Residence Inn Seattle South Tukwila	Tukwila, WA	98188	144
Rodeway Inn SeaTac	SeaTac, WA	98188	59
SeaTac Crest Inn	SeaTac, WA	98188	51
SeaTac Inn	SeaTac, WA	98188	39
Sutton Suites & Extended Stay	SeaTac, WA	98188	71
Best Western Seattle Airport Hotel	Seattle, WA	98198	143
Four Points by Sheraton Seattle Airport South	Des Moines, WA	98198	225
Garden Suites	Des Moines, WA	98198	50
Motel 6 Seattle South	Seattle, WA	98198	124
Skyway Inn	Seattle, WA	98198	58
Sleep Inn SeaTac Airport	Seatac, WA	98198	105
The Marina Inn	Des Moines, WA	98198	42
Travel Inn	Des Moines, WA	98198	36
Value Inn Sea Tac	Des Moines, WA	98198	45
Aloft	SeaTac	98188	144
Americas Best Value Inn International Blvd	SeaTac	98188	80
Hilton Garden Inn (not open yet)	SeaTac	98188	152
Holiday Inn Express & Suites, Seattle South-Tukwila	Tukwila, WA	98188	92
Hotel Interurban	Tukwila, WA	98188	189
Residence Inn Seattle SeaTac Airport	SeaTac	98188	170
Travelodge SeaTac Airport North	Tukwila, WA	98168	72
Woodspring Suites Seattle Tukwila	Tukwila, WA	98188	126
Total Properties:			8835



MEMORANDUM

To: Administration and Finance Committee
From: Lawrence Ellis, Parks, Community Programs and Services Director
Date: November 8, 2018
Re: YMCA Recreation Services and Financial Breakdown Analysis

In 2009, the YMCA and the City entered into a 20 year Agreement where the YMCA was to provide \$57,314 worth of recreation services per year. The YMCA has not provide the value of services agreed upon during the first nine years of the Agreement and owes the City for the value of those services. Below is the breakdown of the value of services owed to the City and a proposed payment plan for the remaining 11 years of the Agreement. This proposal was presented at the November 1 Parks and Recreation Committee and the Committee recommended forwarding to the full City Council.

FINANCIAL BREAKDOWN OF CITY OF SEATAC/YMCA RECREATION SERVICES

Amount of Recreation Services purchased in 2009: \$1,146,280.00

TIMEFRAME: 2009 – October 31, 2018

Amount of Recreation Services acquired: \$515,826.00
Value of Recreation Services received: (\$219,840.00)
YMCA unmet balance as of 10/31/18: \$295,986.00

PROPOSAL: YMCA will make three separate payments of \$98,662.00 by January 31, each year (2019, 2020 & 2021) to the City of SeaTac to satisfy the 2009 – 2018 unmet balance.

TIMEFRAME: November 1, 2018-2029

Beginning balance of Recreation Services owed: \$630,454.00
Annual estimated amount of Recreation Services to be provided: \$57,600.00

PROPOSAL: YMCA will pay the difference by January 31 the following year, if value of services fall short of annual estimated amount. If value of services exceeds annual estimated amount, overage will be deducted the following year.

Draft 2019 Legislative Session

City of SeaTac Internal Legislative Agenda

(Additional direction to City staff and lobbyist only)

1. Look at what is considered tax exempt properties

Increasing the number of tax-exempt properties does not impact the City's budget because Washington State has a budget-based system of property taxation.

As part of the budget process, the taxing jurisdiction establishes the amount of property tax revenue needed to fund the budget. That amount needed to fund the budget is called the levy - the total amount to be collected from the taxpayers by a taxing district.

Any property tax exemption has the effect of increasing the tax rate that owners of all remaining taxable property must pay by reducing the overall base of taxable property. This circumstance of causing one segment of taxpayers' taxes to increase as a result of exempting the value of property of another segment of taxpayers is commonly referred to as a "shift."

Other local government entities have opposed the expansion of tax exemptions because narrowing the tax base makes a smaller pool of property owners even more sensitive to property tax increases. Typically, a broader tax base makes a tax easier to justify to taxpayers.

A number of property types are exempt from Washington property taxes including property owned by state, federal, and tribal governments, and some nonprofit corporations. In addition, Washington offers tax relief programs for seniors, disabled persons, and widowers of veterans. The Legislature frequently discusses changes to these exemptions and recently has contemplated making changes to the income threshold for the senior exemption.

Recommendation:

Legislative changes to property tax exemptions are emotionally charged. Proponents are typically from a sympathetic class (i.e.: seniors or veterans), and most legislators don't understand how property tax impacts are "shifted", making most conversations confusing. It is difficult to engage in these issues without suffering some political consequences.

We recommend adopting language in the City's Policy Statement that opposes increased property tax exemptions, but carefully weighing the viability of any such proposals before taking a visible position.

2. Second airport in WA due to overcapacity

Based on our conversation with the Administration & Finance Committee, the City is supportive of building out another major airport in Washington State. At present, WA has 135 public use airports, but only five or six of those are used for international flights.

A number of studies have recently looked at airport impacts in this state, and airport/population growth:

In the 2017 transportation budget, \$500,000 was provided to study air cargo movement at WA airports. Among other things, the purpose of the study was to:

- Evaluate what would be needed to more effectively use existing capacity at airports across the state. As part of this evaluation, the study must: (A) Evaluate air, land, and surface transportation constraints, including intermodal constraints, to accommodate current demand and future growth; (B) Evaluate impediments to addressing those constraints; (C) Evaluate options to address those constraints; and (D) Evaluate the impacts to air cargo-related industries that would result from shifting cargo service to Washington airports that currently have available capacity.

The study was completed on May 2, 2018. Highlights include:

- Most of the expansion of air cargo within the state has been driven by the increase in international wide-body aircraft passenger service at Sea-Tac, and there is recent growth in express cargo driven by e-commerce.
- Sea-Tac is a significant gateway for export and import trade with East Asian countries. This is the chief corridor for the state's international trade by air, and for most product categories Sea-Tac is accommodating Washington state demand and reaching into Oregon, Idaho, and British Columbia.
- Washington State is 3.5 percent compounded annually, which puts total annual growth through the next 10 years over 4 percent. This is driven by the projections for Sea-Tac, but there is growth forecast everywhere in the state.

3. Aviation Economic Impact Study

There is also an aviation economic impact study underway that is a follow-up from a study completed in 2012. WSDOT Aviation has chosen consulting firm Kimley-Horn to develop a new statewide Aviation Impact Study that started in June of this year, with completion of the study tentatively scheduled for December 2019. WSDOT and the FAA are conducting the economic impact study to:

- Measure the economic impacts of each public-use airport in Washington.
- Assess the economic value that airports create for communities.
- Show how airports and the state aviation system contribute to the state's economy and economic competitiveness.

4. Aviation baseline study

The Puget Sound Regional Council (PSRC) is leading a baseline study to provide a clear picture of the aviation activities and needs in the region and set the stage for future planning efforts. The study will consolidate an assessment of specific capacity needs, issues, challenges and community impacts.

This study is just getting started – PSRC plans to award the contract for the study soon with a projected start in September. The study is expected to take about two years.

Many believe the outcome of the baseline study will determine that there is a capacity problem at SeaTac, and that SeaTac is approaching maximum capacity. If the study determines there is a capacity issue, the likely next step would be to develop appropriate recommendations to alleviate capacity, with a potential option being the development of another airport.

Steps to designating another airport include:

- a. Baseline study and capacity study
- b. Results of baseline study – has a capacity issue been determined?
- c. Study #2 to examine recommendations on capacity
 - i. Likely to repurpose an existing airport
 - ii. FAA would fund study – bring everyone to table and collective voice would come up with best possible solution for another airport/location of repurposed airport
 - iii. Compile list of preferred options
- d. Funding commitment from FAA
 - i. Who owns the airport? Port district is usually best option.
 - ii. FAA would make a funding commitment, but there would also need to be a public sector commitment
 - iii. Public/local funding for parking lots, terminals, rental car facilities, etc.

This would be a very long process and would likely take about 15 – 20 years before a new/repurposed airport would be up and running.

While all three studies mentioned above are important, the aviation baseline study is the study that most closely aligns with the questions the City had.

Recommendation:

We recommend that the City take an active role in the two pending studies to monitor and work to ensure that both studies present the City's perspective, as well as advocating at every other appropriate opportunity for a second airport to alleviate impacts at SeaTac International Airport. We recommend that the City's legislative agenda include language relating to the studies and this topic.

With that being said, establishing a second airport of equivalent size to SeaTac International Airport will be challenging, and is a multi-year endeavor. The Council should not anticipate an immediate deliverable on this item, but rather slow, incremental progress.

5. Use of State Transportation budget to ease access to airport

The City's transportation efforts have largely focused on the delivery of the SR 509 project. If the City wants to pursue funding for additional transportation projects, the City will need to identify specific projects and accurate cost estimates. At this point, the City has not identified other transportation projects or funding requests.

Recommendation:

The City will need to explore and identify specific transportation projects to move forward. Successful transportation funding requests tend to have a nexus to the state transportation system and/or have a significant public safety benefit (example: improving locations to reduce fatalities, etc.). In the upcoming 2019 session, we anticipate a shortfall of transportation funding, and expect roughly \$200 million total in available funds. This will make securing transportation funding this upcoming session challenging. GTHGA recommends focusing on SR 509 and SR 518, unless another compelling project is identified.

6. Airport impacts to local communities

In the 2018 supplemental budget, the legislature funded a \$300,000 match for the Department of Commerce to contract with a consultant to study the current and ongoing impacts of the SeaTac International Airport. This \$300,000 is to be matched by local funds, which have already been provided, resulting in \$600,000 total. The study must include: the impacts that the current and ongoing airport operations have on quality of life associated with air traffic noise, public health, traffic congestion, and parking in residential areas, pedestrian access to and around the airport, public safety and crime within the cities, effects on residential and nonresidential property values, and economic development opportunities in the cities of SeaTac, Burien, Des Moines, Tukwila, Federal Way, Normandy Park, and other impacted neighborhoods; and options and recommendations for mitigating any negative impacts identified through analysis. The department must collect data and relevant information from various sources including the port of Seattle, listed cities and communities, and other studies, and the study must be delivered to the legislature by December 1 of 2019.

Recommendation:

We recommend that the City to include the results of the airport impact study on their legislative agenda when complete. While DOC continues their study, we recommend that the City monitor the study through completion.

7. Agency rulemaking

Last session, the City of SeaTac took the position to support legislation requiring statutorily mandated agency rules to be ratified by legislative action prior to their effective date(s), and require that rules drafted to implement legislation include an analysis and description of potential impacts to local businesses and economic development. During the 2017-18 biennium, a number of bills were introduced to make these changes. A couple of these bills are listed below, however none of them advanced:

- House Bill 1005 – agency rulemaking authority
 - Received a hearing but did not pass out of committee
- House Bill 1013 – reducing SEPA redundancies
 - Received a hearing but did not pass out of committee
- House Bill 1014 – peer review of Ecology rulemaking
 - Received a hearing but did not pass out of committee
- House Bill 1241 – increasing legislative oversight of agency rulemaking
 - Did not receive a hearing
- House Bill 1328 – alternatives to rulemaking
 - Received a hearing but did not pass out of committee
- House Bill 1587 – transparency in rulemaking
 - Did not receive a hearing

While we expect similar bills to be introduced in the coming session, the primary election showed us that the political climate will likely favor Democrats this fall, resulting in an even tougher uphill battle for these proposals.

Recommendation:

While this legislation hasn't garnered much traction the last few sessions, we recommend the City stand ready to support proposals that accomplish this goal if/when this issue gains traction.

8. **Gang Prevention funding** The [Operating Budget](#) has allocated \$500,000 a year for criminal street gang prevention and intervention in years 2016, 2017, 2018 and 2019. This money was allocated to the Department of Social and Health Services in their Juvenile Rehabilitation Program. It is important to note that this funding is allocated through grant funding and if the City wants to pursue this funding, the City should be prepared to submit applications for this grant money.

Another option for the City to consider is a specific funding request. The City would need to identify specific uses for this money and would likely need to propose a program for how to allocate the money. Below is a brief section of the budget that looks to do this for specific gang funding proposals in eastern Washington:

- \$83,000 of the general fund—state appropriation for fiscal year 2018 and \$83,000 of the general fund—state appropriation for fiscal year 2019 are provided solely for the department to create el nuevo camino pilot project for the purpose of addressing serious youth gang problems in midsize counties in eastern Washington. El nuevo camino pilot project must include one grant to an eligible applicant for the 2017-2019 fiscal biennium. The department shall adopt policies and procedures as necessary to administer the pilot project, including the application process, disbursement of the grant award to the selected applicant, and tracking compliance and measuring outcomes.

Recommendation:

We recommend supporting the current grant funding program and exploring options for increased funding.

9. **Opportunity Zone Redevelopment**

The Federal Tax Cuts and Jobs Act of 2017 was signed into law in December 2017 and included the Opportunity Zone Program, which was designed to provide tax incentives to investors who fund businesses in underserved communities. Investors are able to defer taxes on capital gains that are invested in Qualified Opportunity Funds that invest in distressed communities, designated as Opportunity Zones by the governor of each state. Up to 25 percent of the low-income census tracts (in each state) can be designated as Opportunity Zones. In Washington, the 25 percent of low-income census tracts came out to a total of 139 tracts. These tracts had to meet specific criteria, and the low-income community census tracts were the basis for determining eligibility for Opportunity Zones. A low-income community census tract needed to have an individual poverty rate of at least 20 percent or a median family income up to 80 percent of the area median in order to qualify.

Governor Inslee directed the Department of Commerce to develop a procedure for nominating tracts. Commerce consulted with a diverse group of stakeholders, and set the following goals:

- Transparent process
- Created a process that helps strengthen communities
- Created ability for tribes to directly access some portion of the available census tracts
- Created ability for each county, in conjunction with the applicable associate development organization (ADO) to access some portion of the available census tracts
- Created a competitive portion of tracts that were awarded to areas that would most likely result in new investment and job creation.

To accomplish these goals, Commerce requested that cities, towns, counties, tribes, associate development organizations, port districts and housing authorities nominate tracts through one or more of the following options: county/ADO set-aside (up to 69 tracts total); federally recognized tribe set-aside (up to 29 tracts total); and competitive process (up to 31 tracts).

From looking at the tract map, the city of SeaTac has at least five and up to eight zones that fall within the city limits.

The state is waiting for the U.S. Department of the Treasury and the IRS to develop rules for this program, including who can create and run Qualified Opportunity Funds and how they work. The law passed by congress states:

- Qualified Opportunity Zones must be certified by the U.S. Department of the Treasury and are required to hold at least 90 percent of their assets in qualified opportunity zone businesses and/or business property.
- To qualify, capital gains must be invested in a Qualified Opportunity Fund within 180 days of the date of the sale or exchange that generated the gain.
- The tax deferral is temporary (up to nine years) and the program ends on December 31, 2026.

Also, the Association of Washington Cities is slated to make economic development and redevelopment a top legislative priority next session and will provide legislation for new economic development tools.

Recommendation:

The City asked for background information on the program mentioned above. We will wait to hear from the City on next steps regarding this issue.

10. HB 2718 concerning seizure and forfeiture procedures and reporting. Need due process.

House Bill 2718 was introduced last session. The bill modifies procedures and reporting requirements with regard to seizures and forfeitures. In short, this was a “clean-up” bill to align inconsistencies among differentiating forfeiture statues. The bill would have created a new chapter governing civil asset forfeiture proceedings, allowed for recovery of attorney’s fees and added small reporting requirements. Early versions of the bill included reporting requirements that would have been fairly onerous for cities; however, later versions revised those requirements to be more amenable to cities.

Background on the bill:

- Forfeiture Generally: A new chapter is created governing civil asset forfeiture proceedings. The new chapter replaces forfeiture proceedings in other state laws relating to: sexual exploitation of children; indecent exposure and prostitution; money laundering; property employed in the commission of a felony; theft of metal; driving while under the influence; explosives act violations; fish and wildlife enforcement; and uniform controlled substances act.
- Commencement of Forfeiture Proceedings: Generally, forfeiture proceedings are deemed commenced upon seizure. A seizing agency must serve notice possible forfeiture upon the owner within 15 days. The property is deemed forfeited unless a person notifies the seizing agency in writing of a claim of ownership or right to possession within: 60 days of service of notice in the case of personal property, and 120 days in the case of real property.
- Hearing process: Persons who timely file a claim of ownership are entitled to a hearing. Further details are specified in the bill.
- Disposition of forfeited property process: The seizing agency must first satisfy any court-ordered victim restitution before retaining, using, selling, or taking other action with forfeited property. The victim of the crime of metal theft receives 50 percent of the proceeds of the forfeited property. After satisfaction of victim restitution, if required, the seizing agency may sell, retain for official use, request another entity to take custody of, or forward to an appropriate entity, anything not required by law to be destroyed. Seizing agencies must annually remit to the State Treasurer 10 percent of the proceeds of any property forfeited during the previous calendar year.
- Record-keeping and reporting requirements: General reporting requirements are included in the new chapter and made applicable to all seizures by seizing agencies, regardless of whether the seizure was made pursuant to the new chapter, other state statutes, or was conducted in collaboration with a federal agency under federal law.
 - Seizing agencies must keep records about property seized and forfeited, including information regarding multiple specific data points such as date of seizure, type of property, crime for which the suspect was charged, and whether there was a conviction.
 - The records must include total amounts expended and detailed amounts in designated categories. Annually, seizing agencies must file a report that includes these records with the treasurer.

Impacts on cities: In the bill draft, the reporting requirements were overreaching and expanded to criminal asset forfeiture. The bill included penalties on local governments that failed to report all their data to the Treasurer and imposed new fees for Treasurer costs.

The Association of Washington Cities was supportive of the concept of the bill last session but had concerns around the significant increase in reporting requirements that was included in early versions of the bill, amending statutes that included criminal forfeiture, and fees to the Treasurer.

Recommendation:

We recommend working with AWC and the stakeholders in the interim to negotiate language with the goal of supporting this legislation for the 2019 session.

11. Use of Lodging Taxes to Support Public Safety at Hotels

Lodging tax revenues collected by cities and counties under RCW 67.28 are generally restricted to uses that are related to tourism marketing or tourism-related facilities. Statewide representatives of hoteliers

are vigilant in ensuring that these uses are not expanded. For example, in 2018 Sen. Takko introduced SB 6010, which would have allowed small cities to use lodging taxes for public safety and public works. The authority was requested by the City of Long Beach, which is frequently overwhelmed by tourists attending festivals in the City. The Washington Hospitality Association (representing hotels and restaurants) opposed the legislation, which subsequently died.

Sen. Takko has convened two meetings of city, county, and hospitality interests this summer, attempting to find common ground for expanding the uses of the tax. Hospitality interests would also like to see changes made to the existing statute (such as giving Lodging Tax Advisory Committees veto authority over local expenditures), but these changes are opposed by local governments. Having worked on these issues in the past, it is unlikely that the interested parties will find a compromise. Without such a compromise, it will be impossible to move a bill on this topic forward.

Recommendation:

We recommend tracking closely the discussions being led by Sen. Takko, and supporting city and county representatives. If these discussions appear to be making progress, the City could lend its weight to proposals to expand the use of lodging taxes for public safety. The City should be prepared to support similar proposals that may be raised in the future. Otherwise, it is not worth the City expending any of its finite political capital on an issue that is unlikely to proceed.

12. Homeless services limited by community

Similar to affordable housing above (#11), this will be a high-priority for legislators next session. The state is also slated to make significant investments in mental health facilities in response to the Trueblood case (below).

Trueblood Court Case and Settlement Discussion

In 2015, the U.S. District Court ruled in *Trueblood et. al. v. Washington State Department of Social and Health Services (DSHS)* that DSHS was not providing competency evaluation and restoration services to individuals with a mental disability in a timely manner. If a court believes a mental disability prevents someone from assisting in their own defense, the court puts the criminal case on hold while an evaluation is completed to determine the person's competency and whether they need treatment to restore competency. DSHS is required to provide these evaluation and restoration services in a timely manner (14 days is the identified standard). The Court found DSHS was not providing these services in a timely manner, has held DSHS in contempt and imposed monetary sanctions. Rather than continue to pursue ongoing litigation, the Plaintiffs have agreed to negotiate and develop a comprehensive settlement agreement to reform the state's forensic mental health care system. As part of this process, the Trueblood Task Force (a collaboration between the Plaintiffs, DSHS, the Attorney General's Office, and the Governor's Office) have performed outreach to stakeholders, including the Association of Washington Cities.

Following a stakeholder meeting in early May, the Trueblood Task Force agreed to the [key principles and substantive elements](#) of a subsequent settlement agreement. As part of the proposed settlement, DSHS will seek increased state funding for competency evaluations to meet the 14-day standard and seek policy changes to reduce the number of individuals ordered into restoration. DSHS will also seek increased funding for forensic beds at Western State Hospital and pursue funding to implement a

phased roll out of community-based restoration in targeted areas. The Association of Washington Cities is in the process of providing feedback and encouraging supportive housing for this population to be integrated into the settlement principles.

Recommendation:

We recommend exploring options to work with legislators and other stakeholders on homeless service proposal that achieve the City's goals.

13. Lodging Tax That Would Return Funds Proportionally Back to Cities That Pay into It

Under state law, the City of SeaTac is in a somewhat unique situation. While most cities are authorized to levy two independent lodging taxes of two percent, for a total of four percent, in King County most cities may only levy one percent. This was originally established as a way to pay for the Convention Center, the King Dome, and then Safeco Field. Other cities that are not limited as SeaTac is, are able to retain an additional three percent of the revenue generated within their jurisdiction.

The City of Kelso and Longview are situated similarly to the City of SeaTac in relation to Cowlitz County. A distinction is that Cowlitz County is required to use all of this revenue for tourism promotion. Those cities are working with Cowlitz County to have the county distribute city-generated tax back to the city. If those local discussions aren't successful, they are considering a statutory change that would only impact cities in Cowlitz County.

There are two possible ways to ensure that lodging tax revenues generated within the City are available for use by the City. The first would be to amend state law to treat the City of SeaTac like most other cities in the state, authorizing the City to impose and retain up to four percent on overnight stays. The effect of this would be to reduce the amount of lodging tax available for use by King County for housing, arts and tourism (likely maintenance on Safeco Field). Not surprisingly, this proposal would draw opposition from King County and housing, arts and potentially some tourism advocates, and would be very difficult to advance in Olympia.

The second possible approach would be to authorize cities, whose lodging tax revenue has been diverted to their home county (like SeaTac), to impose an additional lodging tax that would make up for revenue collected by the county. This would not draw opposition from impacted counties but would be opposed by hospitality interests (hotels and restaurants). This opposition would make passage of this concept very unlikely.

If Sen. Takko initiates an effort with stakeholders to restructure the lodging tax statute, these concepts have a better chance of advancing as part of a broader compromise.

Recommendation:

We recommend tracking closely the discussions being led by Sen. Takko, and supporting city and county representatives. If these discussions appear to be leading toward a broad restructuring of the lodging tax, the City should ask that this issue be addressed. If the cities of Kelso and Longview are not able to resolve their issues locally, the City of SeaTac should approach Kelso and Longview and ask to be

included in their proposal. Absent one of these other avenues opening for the City, it is not worth the City expending any of its finite political capital on an issue that is unlikely to proceed.

14. Voting Rights Act

The Washington Voting Rights Act was passed by the 2018 Legislature as the result of a multi-year advocacy campaign. Washington Democrats, including Governor Inslee, celebrated passage of the legislation as one of their biggest recent victories. Cities, counties, ports, and school and fire districts all worked vigorously at different points to try to mitigate the liability aspects of the bill. There was no positive outcome from these efforts, though there were political consequences for the most vocal. Further, this legislation was a personal priority for Representative Gregerson.

Recommendation:

It is not politically viable to change the provisions of this law at this time. If Washington Republicans win majorities in the House, Senate and win the Governor's office the City should consider requesting amendments to the law. Alternatively, the City could reassess the political landscape if a Washington court issues a significant damaging ruling against a local government.