



SPECIAL
**Planning and Economic Development
Committee Agenda**

September 24, 2020

4:00 P.M.

Virtual Meeting

Due to the current COVID-19 public health emergency, and social distancing protocols, pursuant to the Governor's and public health officials' orders, this meeting will be conducted virtually. The meeting will be live streamed on SeaTV Government Access Comcast Channel 21 and the City's website <https://www.seatacwa.gov/seatvlive> and click play. The public may also call in to the conference line to listen to the meeting. The number is 206.973.4555. While you will be able to hear the meeting; you will not be able to participate in the meeting. Please note that if you are unable to mute your phone, everyone else on the call-in line will be able to hear you, so please refrain from speaking. City Hall is closed, so no one will be able to physically attend this meeting.

Councilmembers

Stan Tombs, Chair

Peter Kwon

Mayor Erin Sitterley

A quorum of the Council may be present.

Staff Coordinator: Evan Maxim, CED Director

ITEM	TOPIC	PROCESS	WHO	TIME
1	Call to Order		Chair	4:00
2	PUBLIC COMMENTS (any topic): In an effort to adhere to the social distancing protocols, pursuant to the Governor's and public health officials' orders, and in order to keep our residents, Council, and staff healthy, the Council Committee will not hear any in-person public comments during this COVID-19 public health emergency. The Committee is providing remote and written public comment opportunities. All comments shall be respectful in tone and content. Signing-up		Chair	4:00 (2 min)

	<p>for remote comments or providing written comments must be done <u>by 2:00PM</u> the day of the meeting.</p> <ul style="list-style-type: none"> • Instructions for providing remote oral public comments are located at the following link: Council Committee and Citizen Advisory Committee Virtual Meetings. • Submit email/text public comments to pedpubliccomment@seatacwa.gov. The comment will be mentioned by name and subject and then placed in the committee handout packet posted to the website. Public comments submitted to an email address other than the provided address, or after the deadline, will not be included as part of the record. 			
3	Minutes of 07/23/2020 regular meeting	Review and approve	Committee	4:02 (2 min)
4	Housing Action Plan: Status Update	Briefing	Kate Kaehny	4:04 (15 min)
5	School Resilience to Air Pollution	Briefing	Kyle Moore	4:19 (15 min)
6	Economic Development – Value Capture Financing	Briefing	Kyle Moore	4:34 (15 min)
7	Economic Development - Small Business Grants Update	Briefing	Aleksandr Yeremeyev	4:49 (15 min)
8	PED Schedule through December 2020	Briefing	Evan Maxim	5:04 (5 min)
9	Adjourn		Chair	5:09



SPECIAL

Planning & Economic Development Committee Minutes

Thursday, July 23, 2020

5:00 PM

* Virtual Meeting *

Members:	Present:	Commence: 5:00 P.M.
		Adjourn: 6:05 P.M.
Stanley Tombs, Chair	X	
Deputy Mayor Peter Kwon	X	
Mayor Erin Sitterley	X	

Other Councilmembers: Councilmember Clyde Hill

Staff Present: Jenn Kester, Acting CED Director, Aleksandr Yeremeyev, Economic Development Manager; Tanja Carter, Economic Development Strategist; Gwen Voelpel, Deputy City Manager

1. Public Comment	None received.
2. Approval of minutes of 06/25/2020	Minutes approved 3-0
3. Economic Development General Market Update	<p><u> X </u> Briefing</p> <p>Economic Development Manager Aleksandr Yeremeyev, introduced Tanja Carter, the City's Economic Development Strategist, who started March 2 of 2020.</p> <p>Mr. Yeremeyev summarized economic development activities that have occurred in late 2019 and 2020, briefing the committee on the following topics:</p> <ul style="list-style-type: none"> • Multifamily tax exemption area expansion and future multifamily projects. • HMAC funding procedures. • COVID-19 response, outreach, and business support.

	<ul style="list-style-type: none"> • SeaTac City Site Selection investment profile development. • Work with Seattle Southside Regional Tourism Authority. • Real estate development work. • Buxton report and retail analysis. <p>Mayor Sitterley asked about the disposition of Sound Transit’s surplus properties. The committee and Mr. Yeremeyev discussed the process Sound Transit is undertaking to dispose of the two surplus properties in the Angle Lake Station Area.</p> <p>Mr. Yeremeyev mentioned that economic development discussions will be a standing item on PED meetings.</p> <p>Economic Development Strategist, Tanja Carter discussed her retail outreach and hospitality outreach in late March and early April due to COVID-19. She reached out to restaurants, ethnic markets and hotels, speaking to managers and owners to understand trends and needs in the SeaTac’s market. She found that decreased air traffic and the shuttering of cruise season led to up to 70% reductions in occupancy in the area hotels. Upon realizing that customers are not aware that restaurants were open, the City partnered with Seattle Southside RTA and the Chamber to develop and promote the Stay In, Eat Out campaign.</p>
<p>4. SeaTac Small Business Relief & Recovery Grant Program CARES Act Funds</p>	<p><u> X </u> Briefing</p> <p>Mr. Yeremeyev briefed the Committee on the SeaTac Small Business Relief and Recovery Grant program using the CARES Act funds. He noted that most small business don’t have more than a month or two of reserves.</p> <p>The program will launch at noon on Friday, July 24, 2020, using Evergreen Business Capital community development financial institution as a third-party administrator of the funds.</p> <p>The committee discussed ways for the Councilmembers to help to distribute information on the grant, including emails, webpage, and paper packets. Deputy Mayor Kwon requested making the webpage for the grant easily accessible and seen on the city’s webpage. Further discussion occurred on grant eligibility requirements.</p>
<p>5. SeaTac City Investment Profile by Site Selection Magazine</p>	<p><u> X </u> Briefing</p> <p>Mr. Yeremeyev briefed the committee on the economic development team’s work on elevating the image and recognition of SeaTac as an investment market and an attractive place to do business. This included strategically placed ads in 2019 and 2020, including multiple 2-page SeaTac Opportunity Zones and Corporate Head Quarters attraction ads, followed by a 4-page investment profile article by Site Selection Magazine in the May 2020 issue.</p> <p>The committee appreciated the work by the economic development team and discussed availability of these advertisements for Councilmember use. Mr. Yeremeyev said he would put printed copies of the Site Selection article in the Councilmember’s boxes as well as uploaded it to the website.</p> <p>Further discussion occurred about sites along International Boulevard that were primed for development and any current projects.</p>

6. PED Comments	CM Tombs expressed concerned with potential increase in homelessness in SeaTac due to 9 th Circuit Court of Appeal decision
7. Adjourn	The meeting adjourned at 6:05 p.m.



MEMORANDUM COMMUNITY & ECONOMIC DEVELOPMENT

Date: September 21, 2020
To: PED Committee
cc: Evan Maxim, Director, Community & Economic Development
Jennifer Kester, Planning Manager
From: Kate Kaehny, Senior Planner
Subject: **Project Update: SeaTac Housing Action Plan "HAP"**

The purpose of this memo is to provide background information and a brief overview of this Thursday's project briefing on the Housing Action Plan project. The briefing will be informational only, and no Committee action is requested.

Project Background

On April 28, 2020, City Council authorized acceptance of a \$100,000 grant from the Department of Commerce to develop SeaTac's first Housing Action Plan. Housing Action Plans are intended to be tools that cities can use to document existing housing needs and identify strategies to increase the amount and type of housing options for current and future residents.

Main Goals of Briefing

The main goals of the project briefing are to:

- Recap the Housing Action Plan project goals,
- Provide an update of project activities to date,
- Highlight early findings from the project's housing needs and demand assessment, and
- Answer any questions the Committee has about the project.



HB 1923 Building Urban Residential Capacity Grants

SeaTac Housing Action Plan Project Briefing

Planning & Economic Development
(PED) Committee
September 24, 2020



PRESENTATION OVERVIEW

PURPOSE OF PRESENTATION

- Informational.
- To provide an update to the PED Committee on the Housing Action Plan project.

WHY IS THIS ISSUE IMPORTANT?

1. In April 2020, City Council authorized acceptance of a \$100,000 Department of Commerce grant to fully fund a Housing Action Plan (HAP).
2. To ensure the PED Committee stays apprised of project activities, staff will provide on-going briefings on the HAP.



NO COMMITTEE ACTION REQUESTED

NO COMMITTEE ACTION REQUESTED

- Project briefing is informational, no action needed.

REVIEWS TO DATE

- **City Council:** 4/28/2020 - Council approved acceptance of \$100,000 grant from Department of Commerce to create Housing Action Plan.
- **Council Committees & Planning Commission:** Briefings - PED: 6/25/2020, Planning Commission: 7/7/2020, A&F: 7/9/2020.
- **City Council:** 7/14/2020: Council approved budget amendment and consultant contract acceptance.



SeaTac's Housing Action Plan Project

Three main components:

- 1) **Assess housing needs and demand** throughout the city.
- 2) **Identify community-supported strategies that increase the amount and type of housing options** in SeaTac, while strengthening single-family and multi-family neighborhoods.
 - Focus on housing opportunities near the light rail stations & potential “missing middle” options like duplexes, triplexes, townhouses, etc.
- 3) **Conduct a robust, inclusive community engagement process** to ensure input from all of SeaTac's communities.



Housing Needs & Demand Assessment: Summary of Tasks

- 1 Analyze population and employment trends.
- 2 Quantify existing and projected housing needs for all income levels, including extremely low-income households.
- 3 Collect data on type, size, cost, and age of housing in the city. Collect data on rental properties (e.g. type, size, cost, and age) and percentage of housing stock.
- 4 Review and evaluate the current Housing Element and other policies regarding housing, including an evaluation of success in attaining planned housing types and units, achievement of goals and policies, and implementation.
- 5 Review land capacity analysis and review ability of existing zoning to provide for housing needs.
- 6 Review the effectiveness of current programs, development regulations and permitting processes related to housing development

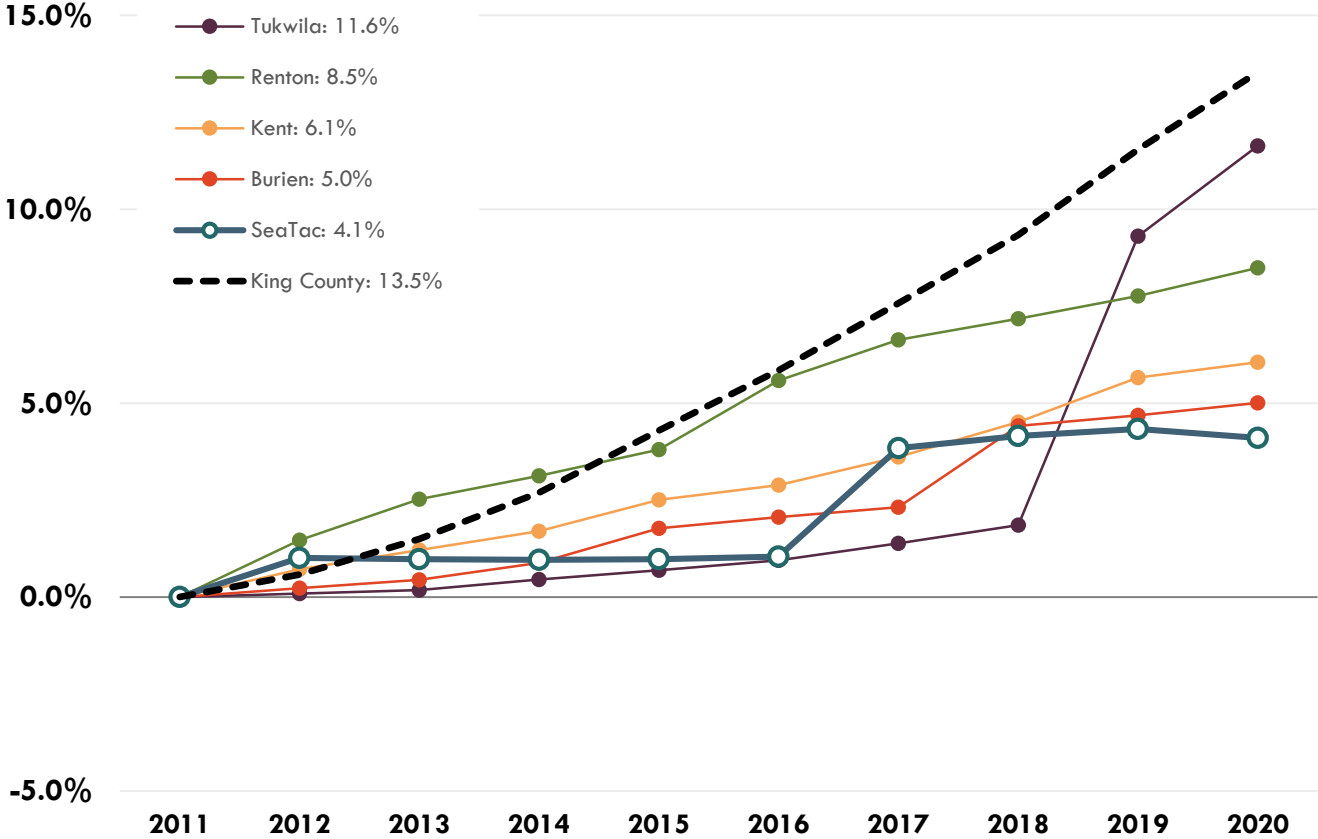
Housing Needs & Demand: Early Findings

Current Housing Supply/Population Growth Information

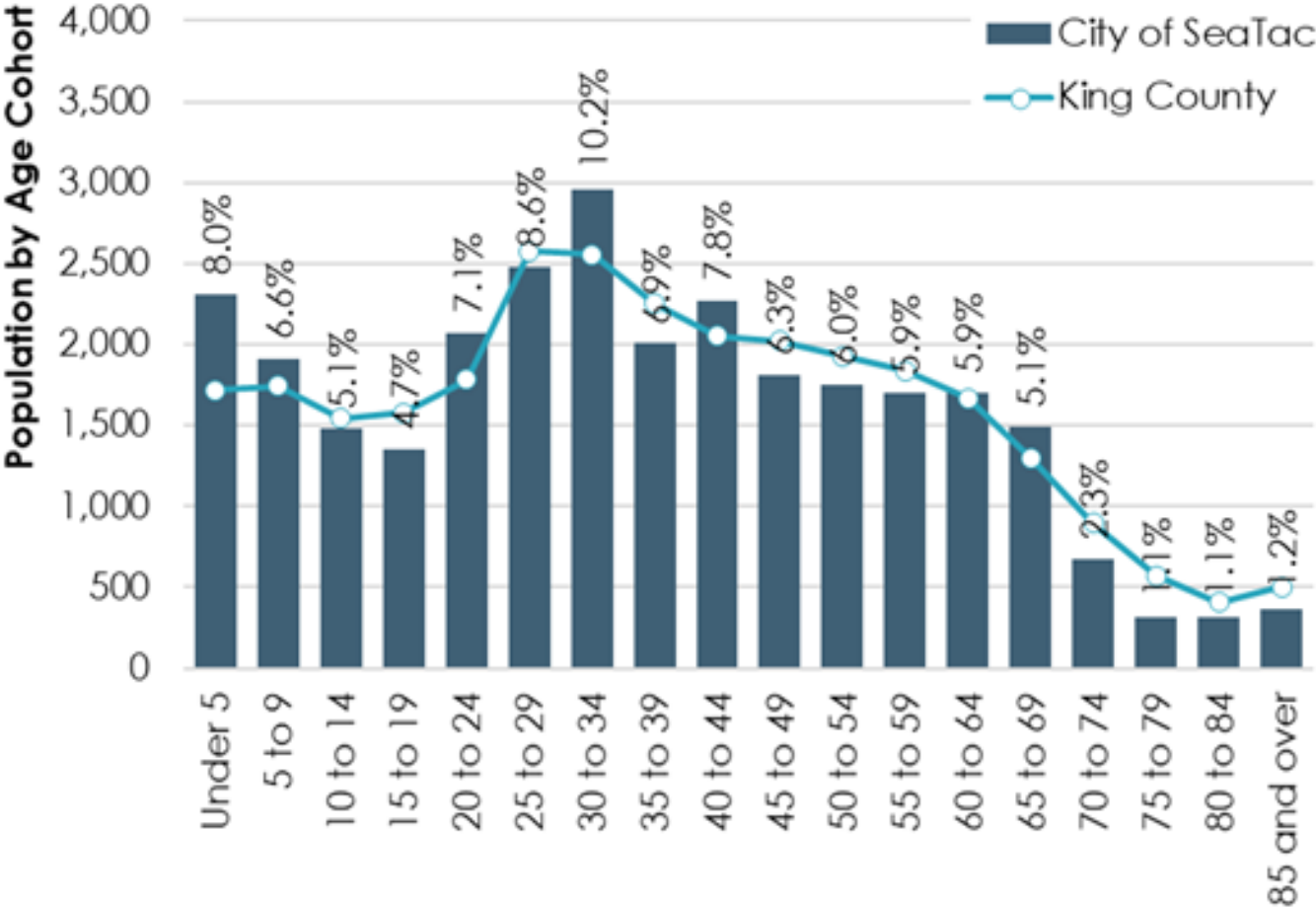
- 52% single family houses, 38% multi-family (5+ units)
- About 50/50 even split between homeowners & renters
- Median house was built between 1950 and 1960
- Median apartment was built between 1970 and 1980
- Need to add 3,817 units to meet population projection by 2035
- Need to add 4,698 to meet pop projection by 2040
- Population growing more slowly than other south King County cities (which are growing more slowly than King County as a whole)

Housing Growth in SeaTac and Neighboring Communities, 2011–2020

Housing Change Since 2011



Population by Age



Public Involvement: Tasks

Provide for participation and input from community members, community groups, local builders, local realtors, nonprofit housing advocates, and local religious groups.

- 1 Draft a Public Involvement Plan to engage the city's multiple communities, including difficult to reach and disadvantaged populations.
- 2 Conduct public outreach to project develop goals and objectives.
- 3 Conduct community survey to identify demand for housing types among current population.
- 4 Gather stakeholder input from housing advocates, housing providers and social service organizations. Stakeholders may include residents, developers, neighborhood associations, tenants, and religious organizations
- 5 Conduct Planning Commission & City Council Committee "Early Learning" sessions to ensure understanding of project activities and housing issues.

Public Involvement: Early Learning Sessions Underway

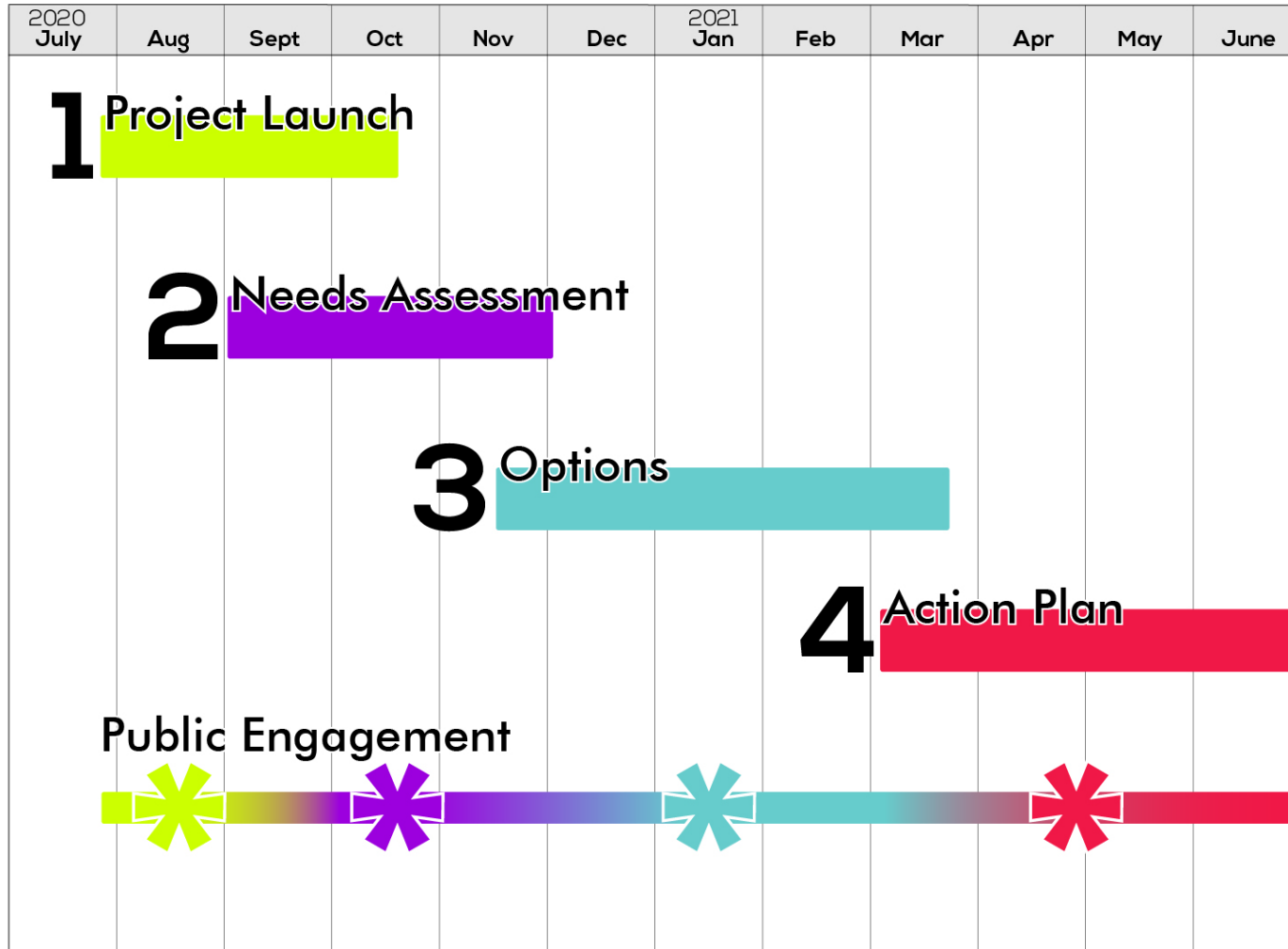
City Council Housing Interviews

- 6 of 7 completed
- Some common themes/interests:
 - Increasing higher density housing options in station areas
 - Encouraging home ownership options
 - Ensure input from SeaTac's wide variety of communities

Public Involvement Plan: Under Development

- Consultants utilizing Council input from interviews to help develop public involvement plan. Project website (www.seatacwa.gov/hap) & other electronic/ virtual venues to be heavily utilized

ANTICIPATED HAP PROJECT SCHEDULE/MILESTONES



NO COMMITTEE ACTION REQUESTED

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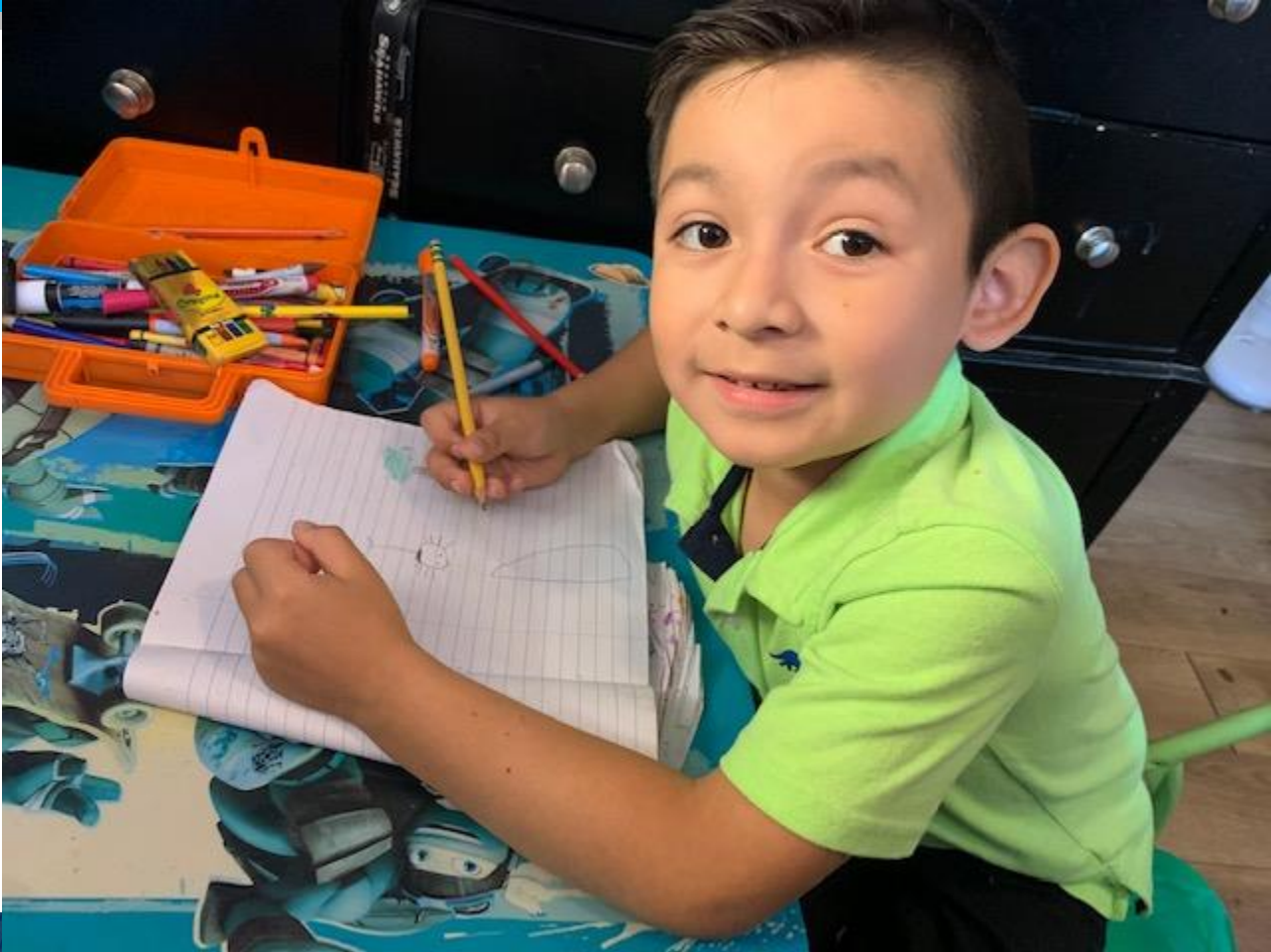
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SCHOOL RESILIENCE TO AIR POLLUTION

September 24, 2020



PRESENTATION OVERVIEW

PURPOSE OF PRESENTATION

Discuss Legislative Agenda Item referred from September 10 A&F Committee.

Make Recommendation if City should Fund Phase 1 of Air Quality Study and send to A&F.

Make Recommendation if UW Study on Air Quality Inside Schools should be a top item on the 2020 Legislative Agenda

WHY IS THIS ISSUE IMPORTANT?

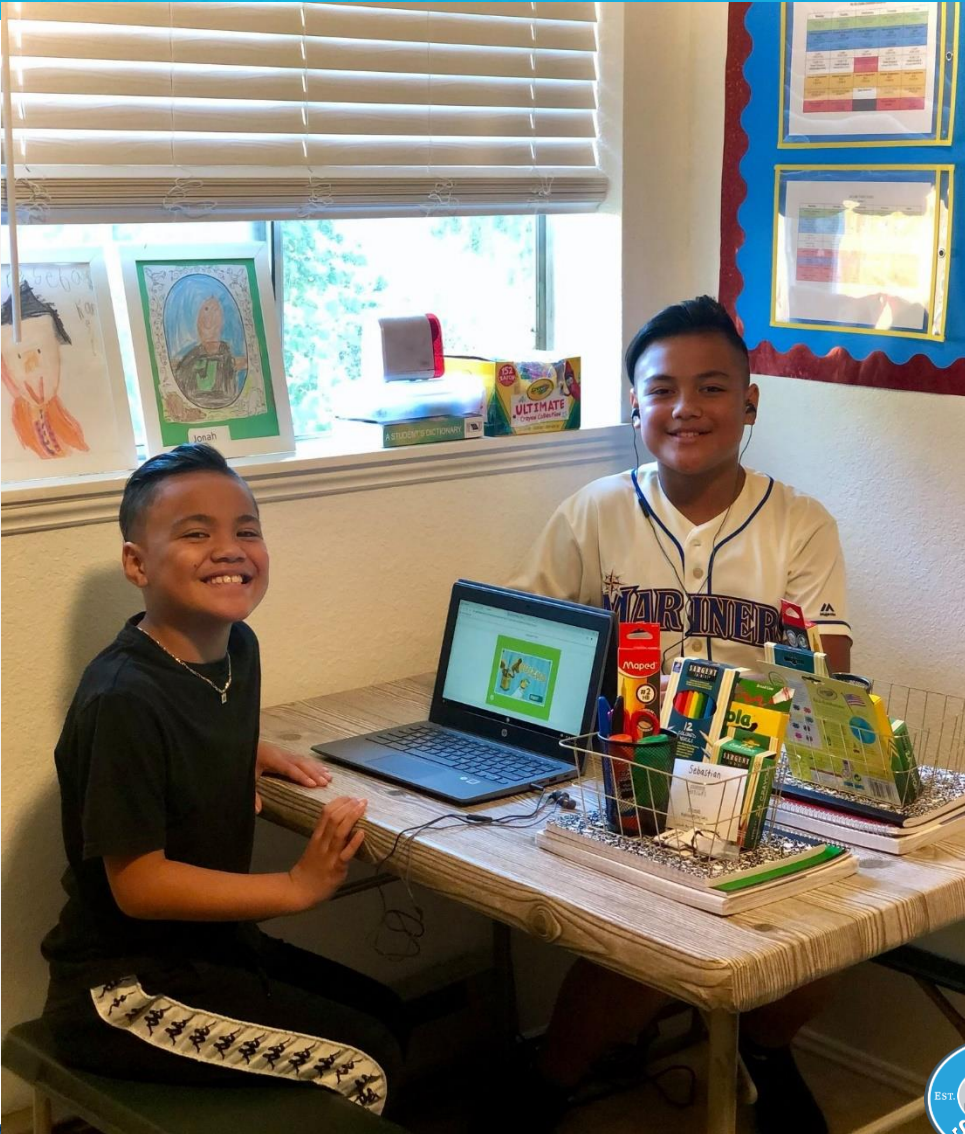
1. The University of Washington has determined that school-aged children are especially vulnerable to ultrafine particles.
2. With school buildings not currently occupied with students and air traffic down, this is a good time to baseline air quality inside school facilities.
3. SeaTac would join Des Moines, Burien, and Normandy Park in funding this \$50,000 baseline study.



SCHOOL RESILIENCE TO AIR POLLUTION

Highline Schools has
19,287 (PreK-12) enrolled
students.

1,125 Classroom Teachers



POTENTIAL COMMITTEE ACTION

COMMITTEE ACTION REQUESTED

- Authorize the City Manager to enter into ILA with Des Moines, Burien and Normandy Park to fund UW Indoor Air Quality Study for \$12,500

REVIEWS & FUTURE DATES

- A&F Committee on September 10
- PED Committee on September 24
- A&F Committee on October 8 (Future)
- Regular Council Meeting October 22 (Future)



SCHOOL RESILIENCE TO AIR POLLUTION

UW STUDY ON AIR QUALITY INSIDE SCHOOLS

- \$50,000 study by UW Researchers for Fall of 2020
- Baseline study measuring air quality inside school while schools are closed.
- Burien, Des Moines and Normandy Park are participating with \$12,500 contributions.



SCHOOL RESILIENCE TO AIR POLLUTION

UW STUDY ON AIR QUALITY INSIDE SCHOOLS

- Follow-up to December, 2019, UW Mobile ObserVations of Ultrafine Particles (MOV-UP) study which analyzed the potential air quality impacts of ultrafine pollution particles from aircraft traffic on communities near and underneath Seattle-Tacoma International Airport (Sea-Tac) flight paths.
- According to UW researchers, increasing evidence has highlighted outdoor impacts of ultrafine particles on communities living in proximity to aircraft descent paths
- The University of Washington identified school children as particularly vulnerable to indoor exposures to ultrafine particles from aircraft sources.



SCHOOL RESILIENCE TO AIR POLLUTION

PHASE 1

- The study would identify the filtration efficiency of current air handling approaches in a selection of five schools North and South of the airport
- Determine the size resolved ratio of indoor to outdoor particles in selected unoccupied classrooms
- Quantify the current ability of ventilation solutions to remove indoor generated particles (half-life). Do current air quality handling systems adequately remove particles that might contain COVID-19 particles?
- Describe the current air exchange rate (AER) of existing filtration systems under different MERV rating filters.
- Based on the experimental measures, describe the infiltration capacity of
 - o Ultrafine particles of aircraft origin
 - o Ultrafine particles of traffic origin
 - o Wildfire smoke



SCHOOL RESILIENCE TO AIR POLLUTION

PHASE 2

- Representative Orwall will be seeking \$250,000 in Capital Funds during the 2021 Legislative Session for Phase 2 of the project.
- Phase 2 would intervene in selected schools that are North and South of the airport by increasing within classroom particle filtration capacity.
 - Randomize classrooms to receive an IAQ intervention, based on testing results from phase 1.
 - Measure IAQ impacts of intervention under different aircraft flow conditions.
 - Observe medium-term impacts on students receiving IAQ interventions
 - Quantify impact of IAQ intervention on school absenteeism
 - Quantify impact of IAQ intervention on quarterly student achievement scores
- This project is designed to provide guidance and recommendations to communities impacted by a variety of outdoor air pollution sources to increase resilience within a school setting by:
 - Identifying impactful interventions
 - Testing deployment
 - Measuring impact.



POTENTIAL COMMITTEE ACTION

COMMITTEE ACTION REQUESTED

- Authorize the City Manager to enter into ILA with Des Moines, Burien and Normandy Park to fund UW Indoor Air Quality Study for \$12,500

REVIEWS & FUTURE DATES

- A&F Committee on September 10
- PED Committee on September 24
- A&F Committee on October 8 (Future)
- Regular Council Meeting October 22 (Future)



SCHOOL RESILIENCE TO AIR POLLUTION

OPTIONS

1. Recommending funding the first phase of the project and send back to A&F. Funding would be \$12,500 from the 2020 City Manager Office(CMO) budget. The number is within the CMO signing authority. This \$12,500 would be added to the \$12,500 from the cities of Burien, Normandy Park and Des Moines to complete a total of \$50,000 for Phase 1 of the study.
2. Recommend not funding the study and send to A&F. This could leave SeaTac as one of the airport cities without representation for this air study.

NEXT STEPS

- A&F Committee on October 8 (Future)
- Regular Council Meeting October 22 (Future)



QUESTIONS



School Resilience to Air Pollution

September 2, 2020

To: Members of Planning and Economic Development Committee

From: Kyle Moore

UW Study on Air Quality Inside Schools

Purpose: The City Manager's Office is seeking the Planning and Economic Development (PED) Committee support spending \$12,500 from the City Manager's 2020 budget to support a baseline study of the air quality in schools located in the airport cities. This spending will eventually involve an Interlocal Agreement between several airport cities which will go before full council.

Background: Representative Tina Orwall (33rd district) is seeking airport cities financial support to conduct a baseline study of air quality in airport city schools to improve the health of students. The study would be conducted by the University of Washington Department of Environmental & Occupational Health Sciences. The 2020 study would be called "The UW School Resilience to Air Pollution" study. According to Representative Orwall, the proposed study is supported by the cities of Des Moines, Burien and Normandy Park. Each city is willing to put an equal share of \$12,500 toward the estimated \$50,000 price tag for phase one of the study.

This study would be a follow-up to the December, 2019, University of Washington [Mobile ObserVations of Ultrafine Particles \(MOV-UP\) study](#) which analyzed the potential air quality impacts of ultrafine pollution particles from aircraft traffic on communities near and underneath Seattle-Tacoma International Airport (Sea-Tac) flight paths.

This two-year study was funded by the Washington State Legislature to assess ultrafine pollution particles within 10 miles of the airport in the direction of aircraft flight. The study was led by the UW Department of Environmental & Occupational Health Sciences and the Department of Civil and Environmental Engineering.

According to UW researchers, increasing evidence has highlighted outdoor impacts of ultrafine particles on communities living in proximity to aircraft descent paths, both within the United States and internationally. The recently completed MOV-UP study in WA State identified a clear, aircraft associated footprint of ultrafine particles associates with aircraft activities.

Elevated concentrations of ultrafine particles have been consistently observed in Boston, Los Angeles and other international airport locations including London, Amsterdam Airport Schiphol and Frankfurt. Evidence is emerging that exposure to aircraft emissions is associated with negative health impacts. The University of Washington identified school children as

particularly vulnerable to indoor exposures to ultrafine particles from aircraft sources. At this point, it is not well understood how ultrafine particles from aircraft sources may infiltrate into indoor environments.

Currently, local schools, including Highline Public Schools, are closed to students as COVID-19 has forced districts to move to virtual learning. The empty schools provide an opportunity for University of Washington researchers to obtain a baseline of air quality inside the schools without disrupting the classroom environment. In addition, due to significantly reduced air traffic at Sea-Tac Airport, the researchers can obtain air quality levels with reduced jet emissions and then compare that data to when air traffic returns to a more normal level.

The Challenge: The study would be the first phase in a two phase process to not only identify the needs of school buildings to improve Indoor Air Quality (IAQ) but also to determine solutions to improve that air quality.

- The study would identify the filtration efficiency of current air handling approaches in a selection of five schools North and South of the airport
- Determine the size resolved ratio of indoor to outdoor particles in selected unoccupied classrooms
- Quantify the current ability of ventilation solutions to remove indoor generated particles (half-life). Do current air quality handling systems adequately remove particles that might contain COVID-19 particles?
- Describe the current air exchange rate (AER) of existing filtration systems under different MERV rating filters.
- Based on the experimental measures, describe the infiltration capacity of
 - Ultrafine particles of aircraft origin
 - Ultrafine particles of traffic origin
 - Wildfire smoke

Representative Orwall will be seeking \$250,000 in Capital Funds during the 2021 Legislative Session for Phase 2 of the project. Phase 2 would intervene in selected schools that are North and South of the airport by increasing within classroom particle filtration capacity.

- Randomize classrooms to receive an IAQ intervention, based on testing results from phase 1.
- Measure IAQ impacts of intervention under different aircraft flow conditions.
- Observe medium-term impacts on students receiving IAQ interventions
- Quantify impact of IAQ intervention on school absenteeism
- Quantify impact of IAQ intervention on quarterly student achievement scores

This project is designed to provide guidance and recommendations to communities impacted by a variety of outdoor air pollution sources to increase resilience within a school setting by:

- Identifying impactful interventions

- Testing deployment
- Measuring impact.

We expect that the intervention proposed to reduce indoor exposures to outdoor pollutants associated with aircraft traffic will also be effective in reducing exposures to wildfire smoke and roadway traffic. The methods developed will also explicitly test the effectiveness of the filtration strategy in reducing indoor generated particles, potentially decreasing the risk of COVID-19 transmission within classroom settings.

Stakeholders and Interests:

- The City of Des Moines- Supports the study and spending \$12500 for Phase 1. Also co-wrote the Interlocal Agreement with City of SeaTac.
- The City of Burien-Supports the study and spending \$12500 for Phase 1
- The City of Normandy Park- Supports the study and spending \$12500 for Phase 1
- The City of Federal Way
- The City of Tukwila
- Highline Schools-Supports the study and Phase 1
- Port of Seattle
- Alaska Airlines
- Delta Airlines
- FAA

Issues: In 2020, the Department of Commerce issued a [final draft of the Sea-Tac Airport Study](#). The Washington State Legislature funded this study in the 2018 operating budget (2018 Engrossed Substitute Senate Bill ESSB 6032-Section 127(63))

- The study examines effects associated with operation of the Sea-Tac Airport on the cities of SeaTac, Burien, Des Moines, Tukwila, Federal Way and Normandy Park from 1997 to 2019.
- The study analyzes the positive and negative effects and identifies 70 recommendations. Many of the recommendations call for new data or studies.
- According to the Executive Summary Conclusion of the 2020 Study “...*Noise and Air Quality are the primary concerns during the study period (1997 to the present). Both Noise and Air Quality impacts also have the potential to affect other areas, including annoyance, learning disruption, environmental impacts, human health impacts, economic impacts, and slower municipal growth rates. However, there is no single metric, no “experience index” to accurately incorporate all concerns into a single baseline metric. Noise and air quality concerns are not uncommon issues for areas close to airports. The further definition of airborne particulate matter –specifically UFPs– merits further study to determine any epidemiological impacts. The 2020 Study does not*

have the data or local sampling evidence to reach a conclusion regarding UFP impacts in the Study Area.”

- According to the Sea-Tac Airport Study Air Quality Recommendation AQ.4 states” *Research the connection of Ultrafine Particles and health impacts.”*
- However, there are other aspects of the study, especially the section on “*Impacts: Noise and Vibration*” that had stakeholders questioning the validity behind the research and science methodology used by the consultant to achieve the report findings. Due to these questions, some stakeholders may be reluctant to financially participate in another airport related study.

If Phase 2 of the study is implemented, this could lead to additional IAQ interventions being deployed at other public facilities such as libraries, community centers and municipal structures. This would be an additional cost to these government entities to deploy these impact measures.

In addition, these IAQ interventions would have a replacement cost over time. This could lead to a similar situation to the [Port’s sound insulation program](#) commonly known as the Port Package program. This program insulates qualifying homes with noise damping insulation and windows. Some homeowners have stated that over time, these noise insulating interventions lose some of their effectiveness due to normal deterioration.

Another issue is if the cities fund Phase 1 of the study and the state legislature decides not to fund Phase 2. While the data from Phase 1 would still be a relevant baseline for future IAQ interventions, it could result in a several year delay before these interventions are deployed.

Elements of a Stable Solution: Once the baseline IAQ study is complete, the state could move forward with Phase 2 which is the deployment of IAQ interventions. This would create a healthier work environment for students, teachers and staff at schools located near the airport.

Options:

1. We could fund the first phase of the project with \$12,500 from the 2020 City Manager Office(CMO) budget. The number is within the CMO signing authority. This \$12,500 would be added to the \$12,500 from the cities of Burien, Normandy Park and Des Moines to complete a total of \$50,000 for Phase 1 of the study.
2. Decide to not fund the study. This could leave SeaTac as one of the airport cities without representation for this air study.

TAX INCREMENT FINANCING

September 24, 2020



PURPOSE OF PRESENTATION

- Staff to provide overview of tax increment financing.
- Committee to make recommendation to A&F Committee on whether to include in 2021 Legislative Agenda.

WHY IS THIS ISSUE IMPORTANT?

1. Tax Increment Financing (TIF) can help cities build public infrastructure and spur economic and job growth in SeaTac
2. TIF is used in 49 other states as a tool to generate economic development.
3. Many private development projects won't occur if there isn't adequate public infrastructure. TIF is a way of investing in that infrastructure.

TAX INCREMENT FINANCING

TIF is the Seed



That leads to this



POTENTIAL COMMITTEE ACTION

COMMITTEE ACTION REQUESTED

- Forward to A&F Committee with recommendation for 2021 Legislative Agenda.

REVIEWS TO DATE

A&F September 10, 2020

PED September 24, 2020

FUTURE

A&F October 8, 2020

Regular Council Meeting October 22, 2020



TAX INCREMENT FINANCING

WHAT IS TIF?

When a city invests in public infrastructure to support private development, that increases the value of the property – that incremental increase in value and the new tax revenue generated is then used to pay for the public infrastructure that supported the incremental changes in value.

-Association of Washington Cities



TAX INCREMENT FINANCING

INVEST NOW



FOR FUTURE REWARDS



TAX INCREMENT FINANCING

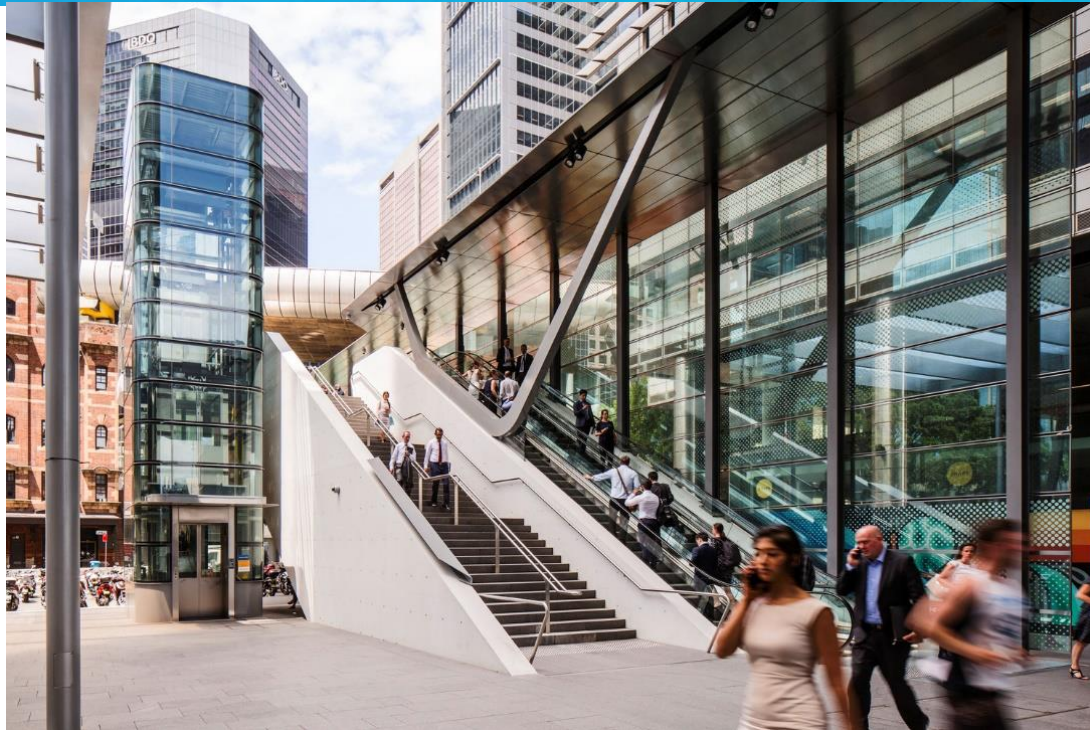
- Tax Increment Financing (TIF) is a value capture revenue tool that uses taxes on future gains in real estate values to pay for new infrastructure improvements.
- **Borrowing against the future increase in these property-tax revenues.**
- Enhance the value of existing properties and encourage new development in the district.
- Can be used to repay bonds issued to cover upfront project development costs.
- Can be used on a pay-as-you-go basis to fund individual projects.*



*U.S. Department of Transportation Federal Highway Administration Center for Innovative Finance Support



TAX INCREMENT FINANCING



- Funding improvements in distressed, underdeveloped, or underutilized areas where development might not otherwise occur.*
- Projects like commercial, retail, and mixed-use development generate significant sales tax revenue that benefits everyone but requires infrastructure investments to support that development.+

*U.S. Department of Transportation Federal Highway Administration Center for Innovative Finance Support

+Association of Washington Cities

TAX INCREMENT FINANCING

- TIF improvements to neighborhoods with new sidewalks, roads, and utilities.
- Improvements raise the property value of the surrounding properties
- Incentivize private investment.
- When the area property values increase, the subsequent increased tax revenue offsets the original loan.+



+Association of Washington Cities



TAX INCREMENT FINANCING



- Tax increment financing speaks for itself in that 49 states and Washington, D.C. have implemented various versions of TIF.
- Oregon's widespread use of TIF has helped more than 50 communities achieve their economic development and comprehensive plan goals.+



+Association of Washington Cities

TAX INCREMENT FINANCING

TIF PROJECT: DOWNTOWN PORTLAND WATERFRONT



TAX INCREMENT FINANCING

TIF PROJECT: BEND, OREGON



- TIF for capital improvement loans for small or startup businesses
- Parks and Plazas
- Utility and infrastructure projects to support new development

<https://www.bendoregon.gov/government/departments/economic-development/urban-renewal>

TAX INCREMENT FINANCING

TIF PROJECT: City of Hillsboro, Oregon

Used TIF to solidify Intel's presence and tech sector job growth in their city.



<https://www.hillsboro-oregon.gov/home/showdocument?id=23629>



WHY DOESN'T WASHINGTON HAVE TIF?

- It's Unconstitutional
- Attempts to authorize the use of state property tax revenue in Washington to finance developments through TIF have been struck down by the voters and the courts.*



* MSRC- <http://mrsc.org/Home/Explore-Topics/Economic-Development/Financing-Economic-Development/Tax-Increment-Financing.aspx>

TAX INCREMENT FINANCING



TIF is another tool in the
City's tool belt

POTENTIAL COMMITTEE ACTION

COMMITTEE ACTION REQUESTED

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REVIEWS TO DATE

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FUTURE

A&F October 8, 2020

Regular Council Meeting October 22, 2020



QUESTIONS





MEMO

To: Kyle Moore, Government Relations & Communications Manager, City of SeaTac

From: Josh Weiss & Annika Vaughn, Gordon Thomas Honeywell Governmental Affairs

Date: September 11, 2020

Subject: Tax Increment Financing

Washington State faces a significant revenue shortfall in the state budget due to the COVID-19 pandemic. Securing funding for new expenditures, including for economic development, will be very difficult. Tax increment financing is an economic development tool that would not require state funding, and will be advocated by cities, ports, and private developers. The Association of Washington Cities Legislative Priorities Committee is recommending that the association make this a “significant issue” – one that is not listed as a priority but that the association will actively support.

This memo provides general background on how tax increment financing would work. We recommend that the City evaluate both the general concept as well as specific bill language once it is available to determine whether it wants to support this effort.

Tax Increment Financing:

Tax Increment Financing (TIF) is a method of utilizing a portion of future property tax collections to finance public infrastructure to spur economic growth. Using TIF, a local government would issue bonds to finance public improvements surrounding a site where a private developer intends to construct an economic development project that will increase property values. For example, a local government would issue bonds to construct an interchange that would open vacant land for job-generating economic development; or a local government would issue bonds to improve a stagnant downtown main street to attract new businesses.

Construction of these public improvements would increase the property values of the direct site being impacted, as well as nearby properties. To repay its bondholders, the local government would collect the incremental increase in property tax revenue generated through the increased property values surrounding the public improvements. Under TIF, the local government making the improvement receives all the resulting tax revenue increase, rather than dividing it amongst the other local taxing districts. The property tax revenue generated from the underlying property value (i.e. the vacant land) would continue to be collected and remitted as it is today. However, the incremental



increase due to the increased property values would not have occurred but for the construction of the public improvement.

For example, if a city makes an improvement that raises nearby property values, the city receives all the resulting increase in property taxes, rather than sharing that increase with the other local districts under the normal property tax allocation system. Once the city is repaid, then the other local districts collect the amount under the normal property tax allocation. It's worth noting that in the long run, other local districts see an increase in property tax collections because property values surrounding the public infrastructure investment significantly increase. The community also benefits from jobs, and increased sales and business and occupation tax revenue collections. In short – the bonds are repaid for the public infrastructure that spurred the economic growth, and once repaid, all entities see an increase in revenue collections.

Funding public infrastructure in this manner does not require the state or other entities to make an upfront commitment of funds. Most infrastructure projects in Washington State are currently funded by the state or other entity making an upfront infusion of cash into a public infrastructure project (either via grant or loan). TIF allows public infrastructure projects to be funded without identifying a large infusion of funding. Given the revenue shortfalls that the state is facing, it may become increasingly challenging to identify upfront funding for public infrastructure. And yet, public infrastructure is likely a key element to the state's economic recovery.

Washington State is one of the only states that does not allow TIF. Most other states, if not all, allow some form of the tool to be utilized. The Legislature has considered authorizing TIF in previous years. However, the former Speaker of the House was opposed to the concept, arguing that TIF is unconstitutional as applied to the state portion of the property tax and provides too great a benefit to private developers. A 1982 Washington State Supreme Court ruling found that the state portion of property tax revenue must be dedicated to K-12 education, and any incremental increase cannot be used to pay back bonds issued to fund public infrastructure that spurred the increase. Therefore, in order to include the state portion of the property tax, an amendment to the state constitution would be needed. The 2021 proposal will exempt the state portion of the property tax rather than seeking an amendment to the state constitution.

There is now a new Speaker of the House, and an increased willingness amongst legislators to consider authorizing TIF in Washington State.



Tax increment financing

2020

Cities and towns need tax increment financing options to boost economic growth and opportunity for all Washingtonians.

1 Tax increment financing (TIF) can help cities build public infrastructure to spur economic and job growth throughout the state.

2 Washington's Local Revitalization Financing (LRF) program (closely akin to TIF) can fund local infrastructure improvement projects and encourage economic development.

3 Amend the State Constitution to allow a traditional property-tax-based TIF program.

1 TIF is used in 49 other states as a tool to generate economic development. Many private development projects won't occur if there isn't adequate public infrastructure. TIF is a way of investing in that infrastructure.

In 2017, LRF jurisdictions alone reported a state benefit of \$359.4 million.

2 Created in 2009, the Local Revitalization Financing (LRF) program awarded local jurisdictions sales tax credits to fund local infrastructure improvement projects to encourage economic development. In 2017, LRF jurisdictions alone reported a state benefit of \$359.4 million. Unfortunately, LRF is no longer accepting new applications as the state contribution limit has been reached. The Legislature can incentivize economic growth throughout the state by investing in the program again. Projects like commercial, retail, and mixed-use development generate significant sales tax revenue that benefits everyone but requires infrastructure investments to support that development.

3 Traditional tax increment financing (TIF) is a form of value capture: A city using TIF can borrow money to improve a neighborhood with new sidewalks, roads, and utilities. The improvements raise the property value of the surrounding properties and incentivize private investment. When the area property values increase, the subsequent increased tax revenue offsets the original loan. Once the debt is paid off, the city and state will continue to benefit from the additional tax revenue associated with the increased property value. However, under current law in Washington State, traditional TIF has been held unconstitutional.

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Additional information

The success of tax increment financing speaks for itself in that 49 states and Washington, D.C. have implemented various versions of TIF. It's also been largely successful for states similar to Washington.

As one example, Oregon implemented TIF to provide revenue for local infrastructure and development. Oregon's widespread use of TIF has helped more than 50 communities achieve their economic development and comprehensive plan goals.

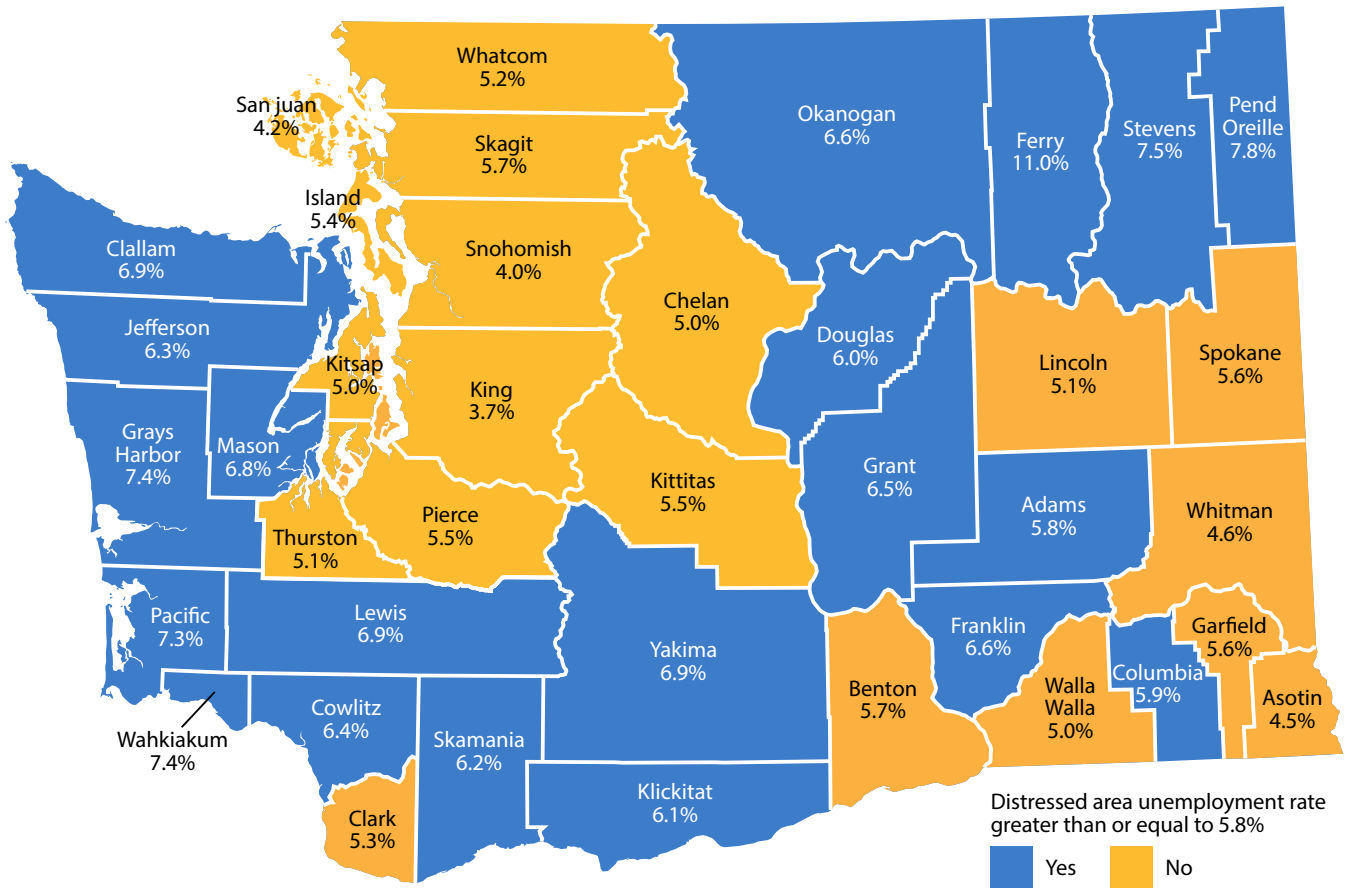
Read how these three Oregon cities used TIF:

The City of Portland used TIF to help develop their Oregon Convention Center, Downtown Waterfront, and various neighborhoods.

The City of Bend used TIF for capital improvement loans for small or startup businesses, parks and plazas, and utility and infrastructure projects to support new development.

The City of Hillsboro used TIF to solidify Intel's presence and tech sector job growth in their city.

Distressed areas Three-year average unemployment rate (2016-2018)



Source: The Bureau of Labor Statistics

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ADDITIONAL RESOURCES

E Gov Link

https://www.egovlink.com/public_documents300/winthroparbor/published_documents/Community%20Development%20Department/TIF_Fact_Sheet.pdf

MRSC Tax Increment Financing

<http://mrsc.org/Home/Explore-Topics/Economic-Development/Financing-Economic-Development/Tax-Increment-Financing.aspx#:~:text=in%20other%20states.-,Overview,financing%20found%20in%20other%20states.>

Federal Highway Administration Tax Increment Financing

https://www.fhwa.dot.gov/ipd/value_capture/defined/tax_increment_financing.aspx

https://www.fhwa.dot.gov/ipd/value_capture/resources/value_capture_resources/tax_increment_financing.aspx



MEMORANDUM COMMUNITY & ECONOMIC DEVELOPMENT

Date: September 22, 2020
To: PED Committee
CC: Evan Maxim, Director, Community & Economic Development
From: Aleksandr Yeremeyev, Economic Development Manager
Subject: **SeaTac Small Business Emergency Relief Grant Program Update**

The purpose of this memo is to provide an update on the SeaTac Small Business Emergency Relief Grant Program. The briefing is informational only, and no Committee action is requested.

Project Background

On July 14 at its Regular Council Meeting, the SeaTac City Council approved up to \$350,000 in funding for the administration and distribution of grants to small businesses. The new grant program was designed to support local businesses who have experienced economic interruptions causing hardship and significant loss of revenue due to the COVID-19 pandemic and related closures. Federal CARES Act funds are distributed to cities through the State of Washington and King County. One of the eligible uses is provision of economic support and grants to small businesses. Original grants amounts were set at \$2,500 per eligible business with a high anticipated demand.

Program Update:

The City will complete "Phase II" of the CARES Act small business grant application process this Friday, September 25. Evergreen Business Capital is the third-party community development financial institution (CDFI) that is administering the grant disbursement.

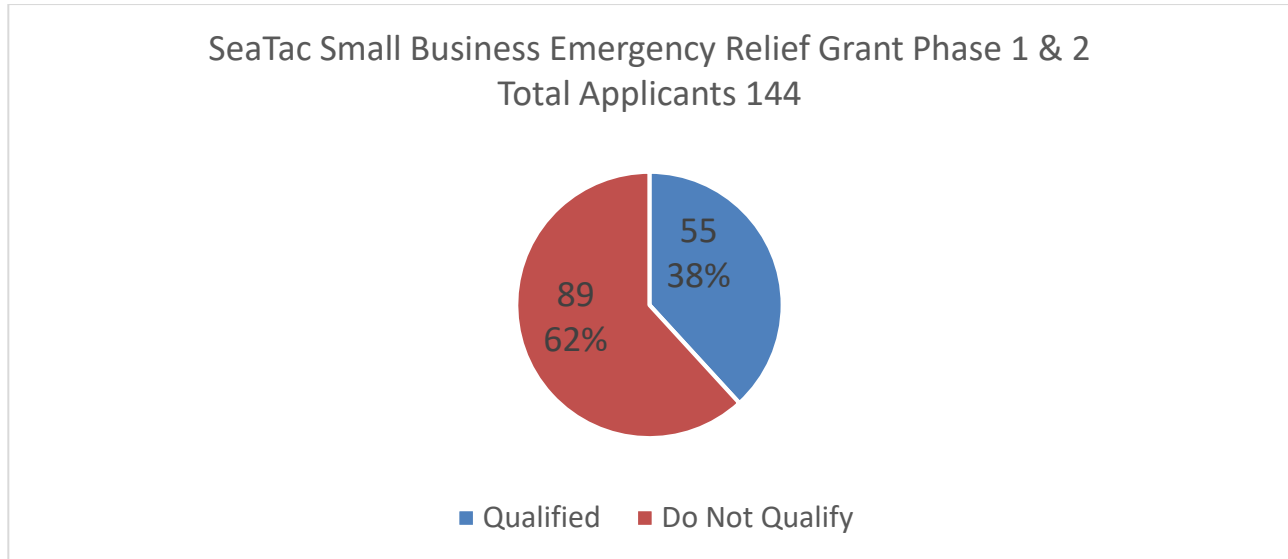
Based upon a preliminary review of the total 144 applications (Phase I with 116 & Phase II with 28), Evergreen determined that only 55 applicants are eligible and is continuing the grant award process for the businesses that met the Phase I & II grant award criteria.

Many of the applicants did not meet even the relaxed Phase II criteria in two areas:

- 1) Minimum 2-year in business requirement; and
- 2) Relaxed criterion of allowing the business to have received prior federal funding (PPP or EIDL funding) as being acceptable.

The other criteria remain unchanged.

BY THE NUMBERS



How many applications total Phase I:	116
How many qualified Phase I	50
How many applications Phase II first 3 weeks (9/1 - 9/17)	28 - (total of 144 for PI & PII)
How many qualified from Phase II so far	5 - (total is 55 in PI & PII)
Reasons applicants don't qualify Total disqualified = 89 applications	<p>68 - in business < 2 years 26 - have inactive, delinquent Business Licenses 4 - Duplicates 2 - Not located in nor endorsed by SeaTac 9 - Revenue of 2019 is over \$1.5 million</p> <p>(109 above will not equal 89 since applicants were disqualified for multiple reason codes as per below)</p>
Number of reasons to not qualify (estimated)	<p>ineligible for one reason: ~ 70% ineligible for two reasons: ~ 90% ineligible for three reasons: ~ 15%</p>

NEXT STEPS

Based on the current applicant pool and industry best practices within King County, staff anticipates the following steps, depending on outcomes as of Friday September 24th:

1. Implementing a “Phase III” of the small business grant application process to maximize disbursement of all of the available funds in early October. The format and eligibility criteria will remain the same as in Phase II; however, funding will increase from \$2,500 to \$5,000 per eligible business. Existing eligible applicants automatically qualify for the higher amount without the need to re-apply.
2. Following the completion of Phase III, any unused funds will revert back to the City’s CARES Act account and can be deployed for other uses.

ELIGIBILITY AND SCHEDULE

Eligibility Criteria for Phase III is the same as Phase II with the only change of grant awards from \$2,500 to \$5,000 per eligible business.

- To remain impartial, the grant program will be administered by [Evergreen Business Capital](#), a third-party [Community Development Finance Institution](#), which will manage the application intake, evaluation, selection and grant dispersal
- If awarded, grant recipients must submit a W-9
- Grant funds may be taxable income; please consult with your financial advisor for guidance. A 1099 will be issued to grant recipients as required by the IRS no later than January 2021

To be eligible, businesses must:

- Have no more than **15 full-time employees** pre-COVID-19, January 1, 2020
- Have been in business for **at least two years** as of June 30, 2020
- Have **gross revenues of \$1.5 million** or less per year
- Experienced loss of revenue due to COVID-19 related business closures or interruptions
- Domiciled in SeaTac with a physical SeaTac business address & possess a SeaTac Business License as of March 1, 2020
- Be current on all city business licensing, and not delinquent in payment of taxes or fees owed to the City of SeaTac as of December 31, 2019
- If closed due government mandates, intend to reopen when allowed under Washington's Safe Start plan and other government mandates
- Home occupation businesses operated from the owner's primary residence may qualify if the residence is physically located in SeaTac city limits and the business must be the primary source of income for the owner, although priority will be given to "brick and mortar" businesses serving the broader public
- Must be engaged in a type of business eligible to receive funding by the U.S. Small Business Administration
- Must be a for-profit business negatively impacted by COVID-19

Application Process

- Confirm your eligibility (see eligible businesses above)
- Complete the [online application](#) by Wednesday, October 7 at 4 PM
- Applicants will be notified about grant decisions within October, 2020
- Grants will be distributed by automatic deposit (ACH) or check payment