

**CITY OF SEATTLE  
DETERMINATION OF NON-SIGNIFICANCE BY  
THE DEPARTMENT OF PLANNING AND DEVELOPMENT**

**Applicant Name:** City of Seattle, Department of Planning and Development

**Address of Proposal:** Various sites in Downtown Seattle and in the South Lake Union Urban Center.

**SUMMARY OF PROPOSED ACTION**

This proposal includes four pieces of legislation necessary to adopt a Local Infrastructure Project Area (LIPA) under RCW 31.108, including:

- A King County ordinance authorizing the Executive to execute an interlocal agreement with Seattle agreeing to terms for the Regional Transfer of Development Rights (TDR) and Tax Increment Financing Program (TIF)
- A City of Seattle ordinance authorizing the Mayor to execute an interlocal agreement with King County agreeing to terms for the Regional Transfer of Development Rights (TDR) and Tax Increment Financing Program (TIF)
- A City of Seattle ordinance accepting an allocation of Regional TDR to be obtained through the Regional TDR Program, adopting a plan for development of public infrastructure to be financed by the TIF program
- A City of Seattle ordinance adopting the LIPA, which would allow the Regional TDR and TIF programs to commence.

Together, these programs would:

1. modify incentive zoning programs in South Lake Union and Downtown to require that a portion of incentive zoning be achieved through acquisition of Regional TDR
2. implement a TIF program that would allow the City to generate revenue for local infrastructure projects included in the plan for development of public infrastructure.

The following approval is required:

SEPA - Environmental Conditions - Chapter 25.05, Seattle Municipal Code.

**SEPA DETERMINATION:**      Exempt      DNS      MDNS      EIS

DNS with conditions

DNS involving non-exempt grading, or demolition, or involving another agency with jurisdiction.

**BACKGROUND DATA**

Background

Currently, the City Council is considering legislation that would increase height and density in the South Lake Union Urban Center through an incentive zoning program. This proposal would provide for acquisition of increased floor area through participation in a regional Transfer of Development Rights (TDR) program. Additionally, the proposal would replace the increment of increased FAR available in downtown Seattle achieved building to LEED Silver certification with required participation in the regional TDR Program. However, both of these changes would not go into effect until a LIPA is created.

Proposal Description

The Regional TDR program would require that all non-housing incentive zoning in South Lake Union (40% of residential extra floor area and 25% of nonresidential extra floor area) and the first increment of nonresidential incentive zoning in DOC1, DOC2, DMC 340/290-400, DMC 125, DMC 160, and DMC 240/290-400 zones in Downtown to be achieved through acquisition of Regional TDR. The size of the first increment in Downtown would vary by zone as follows:

<b>Zone</b>	<b>First increment of FAR above the base FAR achieved regional TDR</b>
All DOC1 zones	1.0
All DOC2 zones	0.75
DMC 340/290-400	0.50
DMC 125, DMC 160, DMC 240/290-400	0.25

This incentive zoning requirement would otherwise be met through acquisition of landmark or open space TDR in South Lake Union (as proposed by Council Bill 117603) and through provision of open space amenities or acquisition of landmark, open space, or performing arts TDR in Downtown.

To obtain extra floor through acquisition of Regional TDR, applicants would be required to purchase certified credits from King, Pierce, or Snohomish Counties and document that these credits have been permanently extinguished through a document provided by a County government. Any agricultural credit could be used to meet this requirement; however, forest or rural credits could only be used provided that the proceeds from the sale of these credits were used to purchase agricultural credits. Applicants would receive extra floor area in proportion to the amount of credits extinguished according to the following ratios:

<b>Regional Development Credit Exchange Ratios – Residential</b>		
<b>County of</b>	<b>Type of Credit</b>	<b>Square Feet</b>

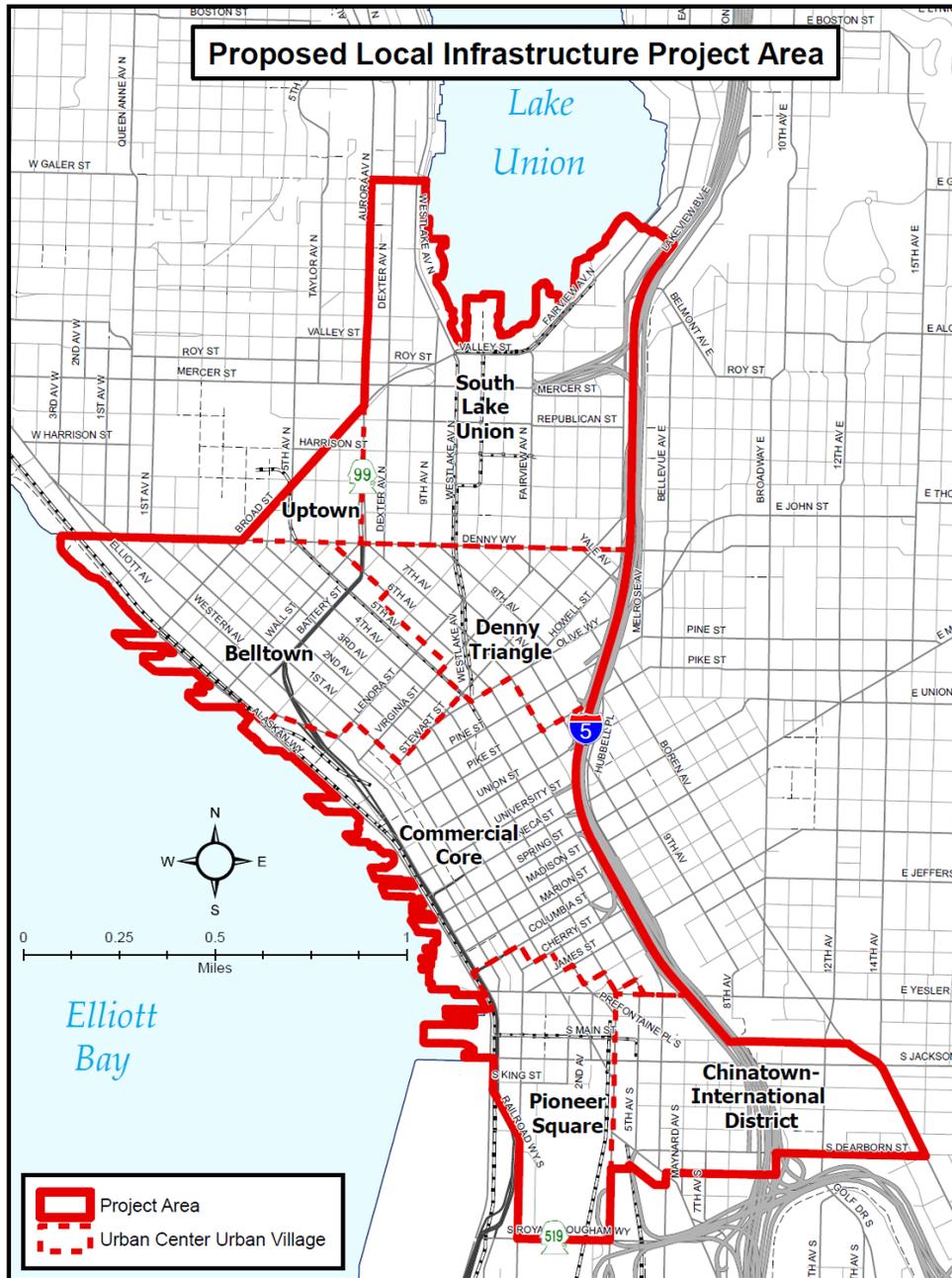
<b>Origin</b>		<b>per credit</b>
King County	Agricultural credit	1640
	Forest or Rural credit, provided that the proceeds from the sale will be used to purchase agricultural credits	1500
Pierce County	Agricultural credit	420
	Forest credit, provided that the proceeds from the sale will be used to purchase agricultural credits	860
Snohomish County	Agricultural credit	980
	Forest credit, provided that the proceeds from the sale will be used to purchase agricultural credits	860

<b>Regional Development Credit Exchange Ratios – Nonresidential</b>		
<b>County of Origin</b>	<b>Type of Credit</b>	<b>Square Feet per credit</b>
King County	Agricultural credit	1,120
	Forest or Rural credit, provided that the proceeds from the sale will be used to purchase agricultural credits	1,030
Pierce County	Agricultural credit	290
	Forest credit, provided that the proceeds from the sale will be used to purchase agricultural credits	590
Snohomish County	Agricultural credit	670
	Forest credit, provided that the proceeds from the sale will be used to purchase agricultural credits	590

These ratios could be modified over time according to procedures outlined in the Interlocal Agreement.

**Tax Increment Financing**

In exchange for implementing the TDR program discussed above, the City would be entitled to receive 17.44% of property tax revenue from new development occurring in the Local Infrastructure Project Area (LIPA) for up to 25 years according to the standards of RCW 31.108. The proposed LIPA is shown below.



This funding would be contingent on meeting certain thresholds over time. The initial length of the program would be 10 years. The program would be extended to:

- 15 years if 400 credits are obtained within 9.5 years
- 20 years if 600 credits are obtained with 14.5 years
- 25 years if 800 credits are obtained within 19.5 years

However, King County would agree to consider each threshold met if, prior to each deadline, at least 70% of the TDR credits necessary to meet the local property tax threshold had been obtained and the City requested the threshold to be considered met in writing. If this option was

used, the City would be required to obtain sufficient TDR to meet the threshold prior to terminating the program.

It is anticipated that this program will result in \$27.5M of revenue from King County property taxes over 25 years. At a discount rate of 3%, this is equivalent to \$15.7M in 2012 dollars. A portion of City property tax revenue equal to \$66.0M (\$37.5M in 2012 dollars) would also be shifted to this fund; however, the City is proposing to reinvest this money in planned operations and maintenance funding to avoid an overall impact to the city budget. Money generated through this program would be split between projects in South Lake Union and Downtown based on the amount of regional TDR generated. It is estimated that this will result in about 60% of the funds or \$16.5M (\$9.4M in 2012 dollars) going to South Lake Union projects and 40% of the funds or \$11.0M (\$6.3M in 2012 dollars) going to Downtown projects. The legislation would also adopt a project list detailing the projects on which these funds could be spent. The types of projects included in the project list are summarized below:

Revenue Years	Agency	Estimated Total Revenue (2012 Dollars)	Proposed Projects by Area	
			South Lake Union	Downtown
0-10 years	SDOT	\$2.9M	<ul style="list-style-type: none"> <li>• Green Streets (Thomas, 8<sup>th</sup>, Terry)</li> <li>• Bike, Pedestrian, and Transit Improvements</li> </ul>	<ul style="list-style-type: none"> <li>• 3<sup>rd</sup> Avenue Improvements (Capital Projects &amp; Programs)</li> </ul>
11-20 years	Parks	\$7.8M	<ul style="list-style-type: none"> <li>• Community Center</li> <li>• Park Improvements and Acquisitions</li> </ul>	
21-25 years	SDOT	\$5.0M	<ul style="list-style-type: none"> <li>• Transportation Improvements – specific improvements to be determined later</li> </ul>	

**ANALYSIS - SEPA**

The initial disclosure of the potential impacts from this project was made in the environmental checklist dated November 16, 2012. The information in the checklist, the Director’s Report and Recommendation, a copy of the proposed text changes, and the experience of the lead agency with review of similar legislative actions form the basis for this analysis and decision.

**Short-term Impacts**

As a non-project action, the proposed ordinances and interlocal agreement will not have any short-term impact on the environment. Future development affected by this legislation and subject to SEPA will be required to address short-term impacts on the environment.

### Long-term Impacts

As a non project action, the proposal is not likely to result in significant impacts to the environment but may result in minor indirect impacts associated with displacement of landmark TDR, operations of rural farmlands preserved through the proposal, and construction of infrastructure funded as part of the Local Infrastructure Project Area.

Minor indirect impacts could occur where a reduction in the amount of landmark TDR purchased through incentive zoning, due to displacement by regional TDRs, could encourage the demolition of a landmark building. Within Downtown, this proposal would result in a minor reduction in the amount of incentive zoning floor area that could be achieved through landmark TDR. Consequently, there would still be substantial opportunities for selling landmark TDR. Within South Lake Union, the regional TDR program would replace all non-housing incentive zoning options proposed by Council Bill 117603; however, incentive zoning is currently limited to a few blocks. A survey of current and potential landmark structures was conducted by the City of Seattle and BOLA Architecture in 2010. This survey found 13 landmark properties, two of which are also listed in the National Register of Historic Landmarks, and another 34 properties which were identified as potentially eligible for listing as local landmarks or in the National Register. Of the 13 landmark properties, 1 represents a small structure (a clock) rather a building, 4 have been preserved as part of new construction or are being incorporated into current construction proposals, and 8 are located in areas that are not receiving significant upzones. The remaining 2 properties would be eligible for additional floor area under Council Bill 117603 if they preserved the landmark structures. Of the potentially eligible properties, it is likely that some properties would be able to get Landmark status and might represent candidates for preservation through the sale of TDRs. Overall, most of these properties are likely to be poor candidates for preservation through landmark TDR due to the industrial nature of this area and low ratio of existing development to potential development. Given these factors, anticipated impacts are not expected to be significant.

Minor indirect adverse impacts could also occur where preservation of existing farm and forest lands results in impacts associated with the normal operation of these lands. These impacts will tend to be mitigated by environmentally critical area regulations and will tend to be less impactful than other development that might occur including associated pervious surfaces, automobile traffic, and other human activities.

Finally, minor indirect discharges could also occur during the construction of projects funded through the Local Infrastructure Project Area which require energy or natural resources for new building materials or the operation of equipment. These impacts will tend to be offset by long-term improvements in the transportation infrastructure that are intended to advance the mode split goals of the Comprehensive Plan by reducing use of single occupancy vehicles.

### **DECISION – SEPA**

This decision was made after review by the responsible official on behalf of the lead agency of a completed environmental checklist and other information on file with the responsible

department. This constitutes the Threshold Determination and form. The intent of this declaration is to satisfy the requirements of the State Environmental Policy Act (RCW 43.21C), including the requirement to inform the public agency decisions pursuant to SEPA.

Determination of Non-Significance. This proposal has been determined to not have a significant adverse impact upon the environment. An EIS is not required under RCW 43.21C.030 2c.

Determination of Significance. This proposal has or may have a significant adverse impact upon the environment. An EIS is required under RCW 43.21C.030 2c.

**RECOMMENDED CONDITIONS – SEPA**

None.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

James Holmes, Senior City Planner  
Department of Planning and Development, Planning Division