

**INTERLOCAL AGREEMENT FOR  
REGIONAL TRANSFER OF DEVELOPMENT RIGHTS AND TAX  
INCREMENT FINANCING OF INFRASTRUCTURE BY AND  
BETWEEN  
THE CITY OF SEATTLE AND KING COUNTY**

**RECITALS**

WHEREAS, the Washington State Growth Management Act ("GMA"), RCW 36.70A, establishes a policy of directing development density into urban areas and discouraging high-density development of rural land; and

WHEREAS, the GMA encourages the conservation of productive forest and agricultural lands and the retention of open space to conserve fish and wildlife habitat and enhance recreational opportunities; and

WHEREAS, the GMA requires counties adopt county-wide planning policies in cooperation with cities; and

WHEREAS, by Interlocal Agreement, King County ("County") and the City of Seattle ("City") adopted and ratified the Countywide Planning Policies for the County; and

WHEREAS, the Countywide Planning Policies direct jurisdictions in the County to implement programs and regulations to protect and maintain the existing character of rural, farm and forest lands, and to direct growth to cities and urban centers; and

WHEREAS, the County's rural and resource areas are recognized by both the City and County as containing important county-wide public benefits such as agricultural production, forestry, wildlife habitat, scenic resources and recreational opportunities; and

WHEREAS, the County has in King County Code 21A.37 adopted a Transfer of Development Rights ("TDR") program that authorizes incorporated areas to receive development rights transferred from rural and resource unincorporated areas; and

WHEREAS, the Parties agree that a goal of this Agreement is to prioritize the use of Regional TDR Credits that originate in King County because the County will be transferring certain regular property tax revenues from its current expense levy to the City; and

WHEREAS, the Seattle Comprehensive Plan Urban Village Element has a goal of implementing regional growth management strategies, such as regional transferable

development rights programs, to help preserve rural, agriculture, and resource lands; and reduce sprawl; and

WHEREAS, the City Council passed Resolution 31147 stating its support of a new TDR interlocal agreement between the City and County that is focused on rural farms in the County; and

WHEREAS, the City and County share an interest in creating an effective, cooperative TDR system to achieve: the City's goals for South Lake Union and Downtown, the County's goals in the King County Comprehensive Plan, and goals inherent to the County-wide Planning Policies and the GMA; and

WHEREAS, the 2011 Washington State Legislature affirmed the value of regional TDR by adopting ESSB 5253, the Landscape Conservation and Local Infrastructure Program ("LCLIP"), codified as RCW 39.108; and

WHEREAS, RCW 39.108 creates a mechanism for cities and counties to partner on regional TDR efforts and urban infrastructure investments to support urban growth simultaneous with rural and resource land conservation in the King, Snohomish, and Pierce county region; and

WHEREAS, the County's dedication of certain regular property tax revenues to public improvements in partnership with the City's substantial investments in South Lake Union and Downtown, including proposed investments in transportation and open space, will help to foster livable and vibrant neighborhoods, simultaneous with rural and resource land conservation in the County; and

WHEREAS, under RCW 39.108, the Puget Sound Regional Council determined the City's Receiving City Allocated Share is 3,440 Regional TDR Credits; and

WHEREAS, this Agreement reflects the intent of the City and the County to implement a regional TDR program, in accordance with RCW chapter 39.108 where the City will permit development that utilizes approximately 23 percent of its Receiving City Allocated Share, or 800 Regional TDR Credits, which represents the City's Sponsoring City Specified Portion; and

WHEREAS, given the strength of the real estate market in the City's Downtown and South Lake Union neighborhoods, the City and County intend that the first 25 percent of the City's Sponsoring City Specified Portion of Regional TDR Credits will be utilized for development soon after the City's creation of the Local Infrastructure Project Area ("LIPA"); and

WHEREAS, the City and County estimate that development growth in the City's LIPA will result in approximately 40 million square feet of new construction over the next 25 years and that this development may result in as much as \$98 million in

additional King County current expense levy tax revenue over this period, as measured in present value (2012 dollars); and

WHEREAS, in exchange for the City accepting 800 Regional TDR Credits for increased development capacity, it is estimated on a present value (2012 dollars) basis that the County will transfer to the City approximately \$15.7 million of its additional current expense levy tax revenue generated in the LIPA over a 25 year period to help the City pay for public improvements in the LIPA, and King County would retain approximately \$82.3 million of the additional current expense levy tax revenue generated in the LIPA, and would begin to capture the full 100 percent of its portion of property tax revenue after the 25 year period; and

WHEREAS, the City has adopted Ordinance 124172 amending Seattle Municipal Code Chapter 23.48 to establish regional TDR density incentive provisions within the South Lake Union area that allows development projects to increase residential and commercial development capacity beyond an established base with the purchase of regional TDR credits based upon specified exchange ratios once a LIPA is formed; and

WHEREAS, The City has adopted Ordinance 124172 amending Seattle Municipal Code Chapter 23.49 to establish Regional TDR incentive provisions within the Commercial Core and Denny Triangle neighborhoods that allows development projects to increase commercial development capacity beyond an established base with the purchase of Regional TDR Credits based upon specified exchange ratios once a LIPA is formed; and

WHEREAS, the City has provided notice to the King County Assessor, King County Treasurer, and King County Executive more than 180 days prior to the public hearing as required under RCW chapter 39.108; and

WHEREAS, the acquisition priority of the King County TDR Bank, using proceeds from the sale of specified Regional TDR credits, is intended to protect farmland in King County which is a mainstay of locally grown food that supplies the City's farmer's markets, restaurants, and retailers; and

WHEREAS, the City consulted with King County and the Washington Department of Transportation in developing the plan for developing public infrastructure within a City-designated LIPA; and

WHEREAS, the County and the City are authorized under RCW 39.34 to enter into an interlocal governmental cooperation agreement to accomplish these shared goals.

## AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals that are incorporated into this Interlocal Agreement, for Regional Transfer of Development Rights and Tax Increment Financing of Infrastructure between the City of Seattle and King County ("Agreement"); and the rights and obligations provided for in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged; this Agreement is entered into between the County, a political subdivision of the State of Washington; and the City, a municipal corporation of the State of Washington; collectively as the "Parties."

The purpose of this Agreement is to transfer development rights from unincorporated rural and resource sending areas in the County ("Regional TDR Credits") into the South Lake Union and Downtown areas in the City, and to establish a LIPA to invest in infrastructure and amenities in the receiving area by applying the provisions of RCW 39.108.

All Exhibits attached to this Agreement are incorporated into this Agreement.

### I. TERMS AND DEFINITIONS

All capitalized terms are as defined in RCW chapter 39.108 unless specifically defined in this Agreement.

1. The City's LIPA shall be consistent with **Exhibit A** of this Agreement. For the purposes of this Agreement, "Downtown" shall refer to those neighborhoods of Denny Triangle and Commercial Core included in the LIPA as depicted on **Exhibit A**.
2. For the purposes of this Agreement, Regional TDR Credit is a Transferable Development Right as defined in RCW chapter 39.108.
3. The City's Receiving City Allocated Share is 3,440 Regional TDR Credits.
4. The City's Sponsoring City Specified Portion is 800 Regional TDR Credits.
5. The City's Sponsoring City Ratio is 23.26 percent (the Sponsoring City Specified Portion divided by the Receiving City Allocated Share).
6. The Property Tax Allocation Revenue Value is the Sponsoring City Ratio of 23.26 percent multiplied by 75 percent of increases in assessed value as described in Section IV of this Agreement.
7. "Local Property Tax Threshold Levels 1, 2, 3, and 4" are as defined in Section IV of this Agreement.

## **II. RESPONSIBILITIES AND POWERS OF THE CITY OF SEATTLE**

### **A. Regional TDR Receiving Area/Local Infrastructure Project Area**

The City designates the South Lake Union, Commercial Core, and Denny Triangle neighborhoods to be regional TDR receiving areas where 800 Regional TDR Credits, the City's Sponsoring City Specified Portion, can be used for increased development capacity. These designated regional TDR receiving areas shall also be within the City's LIPA, as depicted in **Exhibit A**, for purposes of complying with RCW 39.108.120 and .130.

### **B. Regional TDR Credit Sending Site Areas**

In order to satisfy the requirements of RCW 39.108.030 through .050, properties from which Regional TDR Credits may be used in the LIPA shall be:

1. Agricultural-, forest-, and rural-zoned lands within King County in accordance with the County's TDR program (K.C.C. 21A.37); and
2. Agricultural- and forest-zoned land in Pierce and Snohomish Counties in accordance with each respective county's TDR program, except that rural-zoned lands in Pierce and Snohomish Counties may be allowed in the future if the requirements of RCW 39.108.050 are met. The City may look to the Puget Sound Regional Council's Land Use and Technical Advisory Committee to ascertain whether the requirements of RCW 39.108.050 have been satisfied.

### **C. Regional TDR Credit Use and Exchange Ratios**

1. The goals for Regional TDR Credit use are to:
  - a. Ensure the number and types of Regional TDR Credits acquired and used in the LIPA results in a level of Local Property Tax Allocation Revenue to the City from the County that is generally equivalent to the revenue potential the City foregoes from accepting Regional TDR Credits in lieu of fees and other public benefits from other existing density incentives;
  - b. Prioritize Regional TDR Credits that originate from within King County in order to support local natural resources, preserve open spaces, and further growth management efforts for all King County residents, and in recognition of the fact that King County will be transferring Property Tax Allocation Revenue to the City; and

- c. Prioritize Regional TDR Credits from agriculturally-zoned lands and Regional TDR Credits from which the proceeds from sale will directly be used to acquire development rights to agricultural land in order to preserve the local food system and support the availability of fresh and healthy produce.

The City has applied all three goals in establishing priorities in the Regional TDR Credit exchange ratios attached in **Exhibit B**. These ratios have been codified in Seattle Municipal Code Chapter 23.58A. The greater amount of square footage allowed per Regional TDR Credit reflects the average cost per credit and the higher priority the City attributes to certain lands to be protected. During the duration of this Agreement, the City shall use the Regional TDR Credit exchange ratios as provided for in Exhibit B, except that the City may amend the TDR Credit exchange ratios as described in Section II.D.6 of this Agreement.

2. The City shall develop a regional TDR program with the capacity to permit development that uses, over a 20 year period, 800 Regional TDR Credits within the LIPA and that is consistent with the regional TDR credit exchange ratios depicted in **Exhibit B** and as codified in Seattle Municipal Code Chapter 23.58A, or as the ratios may be hereafter amended according to Section II.C.6.
3. Notwithstanding any other provision in this Agreement, the parties agree that the application and use of Regional TDR Credits in the LIPA shall adhere to the regional TDR credit exchange ratios as depicted in **Exhibit B** until the first 200 Regional TDR Credits are permitted into development in the LIPA and extinguished. The City may, however, decrease the square feet per credit shown in Tables 1 and 2 of **Exhibit B** but only after following the consultation process set forth in Section II.C.6. Any decrease shall maintain the proportional ratios as set forth in **Exhibit B**. For example, if the square feet per credit is reduced by ten percent, then that percentage reduction shall be applied to all types of credits from each county.
4. As depicted in Tables 1 and 2 in **Exhibit B**, the first 200 Regional TDR Credits permitted into development in the LIPA shall be limited to:
  - a. Regional TDR Credits from designated agriculturally-zoned lands; or
  - b. Regional TDR Credits from designated forest-zoned lands, or rural-zoned land in King County, where the entire proceeds from the sale of the Regional TDR Credits are thereafter used exclusively to acquire additional development rights from agriculturally-zoned lands.
5. As depicted in Table 3 and 4 in **Exhibit B**, the Parties agree that after the first 200 Regional TDR Credits are permitted into development in the LIPA and

extinguished, Regional TDR Credits from designated forest and rural-zoned lands may be used in the LIPA without the requirement to acquire additional development rights from agriculturally-zoned lands as provided in Section II.C.4.b.

6. The City may amend the Regional TDR Credit exchange ratios only after the following formal consultation process has been completed:
  - a. At least 90 days prior to the mayor or City council submitting legislation proposing changes to the Regional TDR Credit exchange ratios established in this Agreement and in Seattle Municipal Code Chapter 23.58A, the City will inform the County of its proposed changes.
  - b. Proposed changes to the Regional TDR Credit exchange ratios shall support and further all the goals provided in Section II.C.1.
  - c. The City and County shall, as necessary, provide each other with information related to: (1) the number and type of each Regional TDR Credit that has been permitted into the LIPA, (2) the specific locations of the sending sites that sold Regional TDR Credits for projects in the LIPA, (3) the prices paid for each type of Regional TDR Credit used within the LIPA, and (4) the amount of Property Tax Allocation Revenue Value the County transferred to the City.
  - d. The City and County shall meet as necessary to discuss information outlined in Section II.C.6.c and the proposed changes to the exchange ratios, and endeavor to seek agreement on proposed amended Regional TDR Credit exchange ratios prior to the City Council adopting changes to the exchange ratios in Seattle Municipal Code Chapter 23.58A. The County shall timely provide written comments on the proposed changes to the mayor and City council for consideration as part of their deliberations.

#### **D. King County TDR Bank**

The City recognizes that the County TDR Bank will play an important role in facilitating the Regional TDR Credit market used in the LIPA by: (1) buying Regional TDR Credits from willing landowners, (2) holding the Regional TDR Credits in reserve as described in Section III.B.2, (3) selling Regional TDR Credits when willing buyers in the LIPA are available, and (4) reinvesting the proceeds of Regional TDR Credit sales into protection of agriculturally-zoned land. Therefore, the City agrees that TDRs purchased from the County's TDR Bank will qualify for use in the LIPA as Regional TDR Credits, provided that the Credits meet the requirements of Section II.C.

#### **E. Administrative Process**

1. Prior to issuing final building permits for projects using Regional TDR Credits to gain bonus floor area, the City shall require applicants to produce documentation issued by a participating county demonstrating ownership of the Regional TDR Credits.
2. Prior to issuing a final certificate of occupancy for projects using Regional TDR Credits to gain bonus floor area, the City shall require applicants to produce documentation issued by a participating county demonstrating extinguishment of the transferred Regional TDR credits.
3. The City shall, to the extent practical, track the total number, type, and prices paid for Regional TDR Credits extinguished in the LIPA and shall report to the County within 30 days after the end of each calendar year the number, type, and prices paid for Regional TDR Credits that have been approved by the City for transfer into the LIPA, and shall identify the specific projects involved. In addition, the City shall cooperate with the County in providing the information required for the annual report as described in Section VI.
4. The City shall use the Property Tax Allocation Revenue Value it receives from King County for eligible Public Improvements in the LIPA.
5. The City has, in consultation with the County and the Washington State Department of Transportation, developed a plan that identifies the public improvements within the LIPA to be financed using Property Tax Allocation Revenue Value, and the Plan is attached as **Exhibit C** to this Agreement.
6. The City agrees that it will only create other LIPAs or increase the Specified Portion after consultation with the County and only according to terms provided for in an interlocal agreement.

### **III. RESPONSIBILITIES AND POWERS OF KING COUNTY**

#### **A. Program Administration**

The County has adopted King County Code chapter 21A.37 to facilitate the purchase and sale of Regional TDR Credits from within the County. The County's obligations under this Agreement shall include:

1. Facilitate and promote the qualification and certification of sending site properties located in the County according to King County Code 21A.37 and RCW 39.108.



2. Implement the procedures to facilitate the sale of Regional TDR Credits from the King County TDR Bank and private sending site landowners for sale and transfer into the City LIPA.
3. Record a perpetual conservation easement on sending properties as part of the process for transferring development rights into the LIPA consistent with King County Code 21A.37.
4. Coordinate with the City regarding any future adjustments to the Regional TDR Credit exchange ratios as depicted in **Exhibit B** of this agreement and codified in Seattle Municipal Code Chapter 23.58A, as hereafter amended.
5. Provide the City with official recorded Regional TDR Credit ownership and extinguishment documentation to ensure that Regional TDR Credits used are eligible under RCW 39.108, and are taken out of circulation when used in a project in the LIPA.
6. The King County Department of Assessments will calculate the Property Tax Allocation Revenue Base Value and annually calculate the Property Tax Allocation Revenue Value in the LIPA consistent with Section IV.A. If requested by the City, the County shall provide available documentation demonstrating how the Local Property Tax Allocation Revenue was calculated during the last calculation process.
7. King County Finance and Business Operations will distribute to the City the City's portion of the Local Property Tax Allocation Revenue, consistent with Section IV.B, at least twice a year on dates determined at the discretion of the County, except that the parties may agree to change to daily distribution if they agree to a method for sharing the cost of necessary IT programming changes. To the extent practical, as determined by the County after considering the costs to be incurred and personnel time necessary to perform the reporting, at the same time as distribution, the County will report to the City the amount of Local Property Tax Allocation Revenue resulting separately from new construction under section IV.A.1.a and from other improvements under section IV.A.1.b, as well as increases in assessed value in the initial year under section IV.A.2 and increases in the assessed value of new construction consisting of an entire building in the LIPA occurring in the years following the initial year under section IV.A.3.

**B. Operation of the King County TDR Bank**

1. The County's TDR bank shall hold 200 Regional TDR Credits that meet the requirements of Section II.C.4.b in reserve ("Reserve Credits") for potential sale into the LIPA to ensure that Local Property Tax Threshold Level 1, as defined in Section IV.C, is satisfied.

2. The County's TDR bank will agree to hold additional Regional TDR Credits in reserve to ensure Local Property Tax Threshold Levels 2, 3, and 4 are met if the conditions in Section IV.D are met.
3. If the Reserve Credits are not sold by the time the City's Specified Portion is fulfilled or the City terminates the program, whichever occurs last, the City's hold on the additional reserve Regional TDR Credits is terminated.
4. The County shall use the entire proceeds it receives from the sale of Regional TDR Credits from Forest-zoned lands or Rural-zoned lands that are sold from its TDR bank into the LIPA as part of the first 200 Regional TDR Credits referenced in Section II.C.4 to acquire development rights from agriculturally-zoned sending sites within the County. After the first 200 Regional TDR Credits are utilized for development in the LIPA, the County will not be required to continue this practice unless it specifically sells Regional TDR Credits to a developer in order to allow them to achieve a better exchange ratio with the requirement that the entire proceeds from the sale shall be used to purchase new agricultural credits. If the County sells Regional TDR Credits for this purpose, the County will provide a letter stating that the entire proceeds from the sale shall be used to purchase new agricultural credits.
5. Nothing in this Agreement shall be construed to require the County to deviate from the valuation, purchase, and sale process and procedures required in K.C.C. 21A.37.130 for sales of TDR credits from the King County TDR bank.

**C. Program Evaluation**

The County shall, jointly with the City, publish every other year a report as described in Section VI.

**D. Administrative Process**

The County shall notify the City within 30 days after the end of each calendar year the number of Regional TDR Credits eligible to be used in the LIPA that it has qualified and certified in the County for such use and the source and use of any funds placed in a segregated account subject to the restriction that the funds in the account were derived from the sale of Regional TDR Credits from forest-zoned and Rural-zoned properties, which funds shall only be used for purchasing new Regional TDR Credits from agriculturally-zoned lands.

**IV. MUTUAL RESPONSIBILITIES OF THE CITY AND COUNTY**

**A. Property Tax Allocation Revenue Value**

1. Property Tax Allocation Revenue Value is equal to an amount of the

Sponsoring City Ratio of 23.26 percent multiplied by 75 percent of increases in the assessed value of real property in the LIPA resulting from:

- a. The placement of new construction of entire buildings on the assessment roll when the new construction is initiated after the LIPA is created; and
  - b. The placement on the assessment roll of improvements limited to additions or remodels that add new square footage to buildings in the LIPA when the improvements are initiated after the LIPA is created.
2. Property Tax Allocation Revenue Value includes increases in the assessed value resulting from factors described in Section IV.A.1.a and .b in the initial year and in subsequent years, unless the property becomes exempt from property taxation. Property Tax Allocation Revenue Value does not include any additional increase in the assessed value that occurs after the initial year, except as provided in Section IV.A.3 below. For purposes of this subsection "initial year" means the year during which the new construction and improvements described in Section IV.A.1.a and .b are initially placed on the assessment roll.
  3. Property Tax Allocation Revenue Value includes an amount equal to the Sponsoring City Ratio of 23.26 percent multiplied by 75 percent of any increase in the assessed value of new construction consisting of an entire building in the LIPA occurring in the years following the initial year, unless the building becomes exempt from property taxation. For purposes of this subsection "initial year" means the year during which the new construction described in Section IV.A.1.a is initially placed on the assessment roll.
  4. New construction in the LIPA shall be considered an entire building when the new construction is: (i) detached from existing buildings located on the same site, (ii) attached to, but structurally self-reliant from, existing buildings located on the same site, or (iii) attached to, but located horizontally adjacent to, existing buildings located on the same site.
  5. New construction of entire buildings in the LIPA and additions or remodels that add new square footage to buildings in the LIPA shall be considered "initiated" once the City's Department of Planning and Development (DPD) has issued all building permits (i.e. including full architectural and full structural building permit).

**B. Calculating Local Property Tax Allocation Revenue**

1. King County is the only participating taxing district subject to this agreement.
2. The Local Property Tax Allocation Revenue shall be calculated using only the County's current expense portion of the County's Regular Property Taxes. The County's current expense portion means the amount of property taxes levied annually that may be used for any county purpose and that has no legal restrictions on the use of the tax revenues.

**C. Commencing of Local Property Tax Allocation Revenue**

The City and County agree that the Local Property Tax Allocation Revenue from the County to the City shall commence on the later of either:

1. The beginning of the second calendar year following the creation of the LIPA (for example, if the LIPA is created in 2013, the beginning of the second calendar year would be January 1, 2015) except that if there is no Property Tax Allocation Revenue Value at this time, commencement shall occur once Property Tax Allocation Revenue Value exists and is transferred to the City, as required by RCW 39.108.150; or
2. The date that "Local Property Tax Threshold Level 1" is satisfied. Local Property Tax Threshold Level 1 shall be satisfied once the City implements exchange ratios consistent with **Exhibit B**, creates the LIPA as depicted in **Exhibit A**, and this Agreement is adopted by both Parties which shall trigger the County's obligation to hold in reserve and sell for transfer into the LIPA 200 Regional TDR Credits as described in Section III.B.2, which represents 25 percent of the City's Sponsoring City Specified Portion.

**D. Termination of Local Property Tax Allocation Revenue**

1. The Local Property Tax Allocation Revenue from the County to the City, once commenced, shall terminate on the earlier of the following:
  - a. The date when Local Property Tax Allocation Revenues are no longer used or obligated for Public Improvements identified in the Local Infrastructure Project Area Public Improvement Plan as depicted in **Exhibit C** or as amended by the City in consultation with the County.
  - b. Ten (10) years after the first transfer of Local Property Tax Allocation Revenue from the County to the City if only Local

Property Tax Threshold Level 1 is satisfied, as described in Section IV.A.1.b above.

- c. Fifteen (15) years after the first transfer of Local Property Tax Allocation Revenue from the County to the City if only Local Property Tax Threshold Levels 1 and 2 are satisfied. Local Property Tax Threshold Level 2 shall be met if the City has within 114 months following the date the Local Property Tax Allocation Revenue commences: (1) issued building permits for development within the LIPA that on aggregate uses at least 400 Regional TDR Credits; or (2) notified the County, no earlier than 102 months after the date the Local Property Tax Allocation Revenue commences, that it has issued building permits for development within the LIPA that on aggregate use at least 280 Regional TDR Credits, and requested in writing that the County hold in reserve a sufficient number of additional reserve Regional TDR Credits, as described in Section III.B.3, to ensure that the 400 Regional TDR Credits required of Local Property Tax Threshold Level 2 is satisfied.
- d. Twenty (20) years after the first transfer of Local Property Tax Allocation Revenue from the County to the City if only Local Property Tax Threshold Levels 1, 2, and 3 are satisfied. Local Property Tax Threshold Level 3 shall be satisfied if the City has, within 174 months following the date the Local Property Tax Allocation Revenue commences: (1) issued building permits for development within the LIPA that on aggregate uses at least 600 Regional TDR Credits; or (2) notified the County, no earlier than 162 months after the date the Local Property Tax Allocation Revenue commences, that it has issued building permits for development within the LIPA that, on an aggregate basis, uses at least 450 Regional TDR Credits, and requested in writing that the County hold in reserve a sufficient number of additional reserve Regional TDR Credits, as described in Section III.B.3, to ensure that the 600 Regional TDR Credits required of Local Property Tax Threshold Level 3 is satisfied.
- e. Twenty-five (25) years after the first transfer of Local Property Tax Allocation Revenue from the County to the City if Local Property Tax Threshold Level 1, 2, 3, and 4 are satisfied. Local Property Tax Threshold Level 4 shall be considered to be satisfied if the City has, within 234 months following the date the Local Property Tax Allocation Revenue commences: (1) issued building permits for development within the LIPA that on aggregate uses 800 Regional TDR Credits; or (2) notified the County, no earlier than 222 months after the date the Local Property Tax Allocation

Revenue commences, that it has issued building permits for development within the LIPA that uses, on an aggregate basis, at least 640 Regional TDR Credits, and requested in writing that the County hold in reserve a sufficient number of additional reserve Regional TDR Credits to ensure that the 800 Regional TDR Credits required of Local Property Tax Threshold Level 4 is satisfied. If the City requests that the County hold sufficient additional reserve Regional TDR Credits to ensure that Local Property Tax Threshold Level 4 is satisfied, the City shall maintain its regional TDR density incentive zoning provisions in the LIPA until the City has permitted development that uses 800 Regional TDR Credits, even if it is necessary to continue the regional TDR density incentive zoning provisions in the LIPA beyond the 25-year threshold defined in RCW 39.108.

2. Once the termination date occurs, the County shall distribute property taxes in the LIPA in the manner required by state law and as if the LIPA had not been created, except the County will continue to collect and distribute to the City Local Property Tax Allocation Revenue based on delinquent taxes due and owing prior to the termination date until all these amounts have been collected and disbursed or a period of 3 years has elapsed.

**V. DURATION**

**A. Duration**

This Agreement shall become effective on the date it has been executed by both Parties and shall continue until the earlier occurrence of: (1) the termination of the Local Property Tax Allocation Revenue from the County; (2) when 800 Regional TDR Credits have been permitted into development projects in the City's LIPA and Local Property Tax Allocation Revenue Value has been distributed; or (3) the Agreement has been terminated as provided in Section V.B.

**B. Termination**

Either Party may terminate this Agreement upon 180 days' written notice to the other if: (1) the City's development regulations allowing the use of TDR credits, or the provisions of the County's development regulations allowing transfer of development rights to cities, are held invalid by any court of competent jurisdiction in a final order that is no longer subject to appeal; or (2) the other Party materially defaults in performing its obligations under this Agreement and does not commence to cure the default within 30 days after receiving written notice of the default and does not diligently proceed to fully cure the default.

Any termination of this Agreement shall affect the use of Regional TDR Credits previously certified by the County for use in receiving area only to the extent the affected Regional TDR Credits are subject to the City's development regulations in force at the time notice of termination is given from one party to the other. Any termination of this Agreement shall neither affect the City's or County's rights or duties with respect to the infrastructure funding previously provided by the County under the Agreement, nor the City's right to receive County funds for which the City shall have satisfied all conditions to disbursement prior to termination.

**C. Extension or Expansion**

This Agreement may only be modified by a mutual written agreement between the Parties, subject to approval through the respective Party's legislative process.

**VI. EVALUATION AND MONITORING**

**A. Records**

The records and documents with respect to all matters covered by this Agreement shall be subject to inspection, review, or audit by the City or County as requested by each jurisdiction during the applicable records retention period required by law.

**B. Reporting**

**1. Annual reporting**

The City shall, to the extent practical, provide to the County on an annual basis information regarding: the number, type, and price of Regional TDR Credits used in the LIPA; amount of bonus residential and commercial floor area achieved through use of Regional TDR Credits; the applicant name and project address using Regional TDR Credits in the LIPA; public improvement projects funded through the program; and business known to have located within the local infrastructure project area as a result of the public improvements.

**2. Quantitative and Qualitative performance Measure Reporting**

Upon request from the County, the City agrees to provide any information within the custody and control of the City that is necessary to satisfy the reporting requirements provided for in RCW 39.108.110.

## **VII. INDEMNIFICATION**

### **A. County Negligence**

The County shall indemnify and hold harmless the City and its officers, agents and employees, or any of them from any and all claims, actions, suits, liability, loss, costs, expenses, and damages of any nature whatsoever, by reason or arising out of any negligent action or omission of the County, its officers, agents, and employees, or any of them, in performing obligations pursuant to this Agreement. In the event that any suit based upon such a claim, action, loss, or damage is brought against the City, the County shall defend, with counsel acceptable to the City, the same at its sole cost and expense, provided that the City retains the right to participate in said suit if any principle of governmental or public law is involved, and if final judgment be rendered against the City and its officers, agents, and employees, or any of them, or jointly against the City and County and their respective officers, agents, and employees, or any of them, the County shall satisfy the same.

### **B. City Negligence**

The City shall indemnify and hold harmless the County and its officers, agents and employees or any of them from any and all claims, actions, suits, liability, loss, costs, expenses, and damages of any nature whatsoever, by reason or arising out of any negligent action or omission of the City, its officers, agents, and employees, or any of them, in performing obligations pursuant to this Agreement. In the event that any suit based upon such a claim, action, loss, or damage is brought against the County, the City shall defend, with counsel acceptable to the County, the same at its sole cost and expense, provided that the County retains the right to participate in said suit if any principle of governmental or public law is involved; and if final judgment be rendered against the County and its officers, agents, employees, or any of them, or jointly against the City and County and their respective officers, agents, and employees or any of them, the City shall satisfy the same.

### **C. Concurrent Negligence**

The City and the County acknowledge and agree that if claims, actions, suits, liability, loss, costs, expenses and damages are caused by or result from the concurrent negligence of the City, its agents, employees, or officers and the County, its agents, employees, or officers, this section shall be valid and enforceable only to the extent of the negligence of each party, its agents, employees or officers.



**D. Other Actions**

The City agrees to defend, indemnify, and hold harmless the County and all of its officials and employees; from any and all claims, demands, suits, and actions that arise from or are related to any act taken by the City to implement RCW Ch. 39.108. Similarly, the County agrees to defend, indemnify, and hold harmless the City and all of its officials and employees; from any and all claims, demands, suits, and actions that arise from or are related to any act taken by the County to implement RCW Ch. 39.108.

**VIII GENERAL TERMS**

**A. Administration**

This Agreement shall be administered for the City by the Director of Planning and Development or designee, and for the County, if related to tax issues by the Director of the Finance and Business Operations Division of the King County Department of Executive Services, and if related to TDR issues, the Director of the Water and Lands Resources Division of the King County Department of Natural Resources and Parks, or their designees.

**B. Severability**

If any provision of this Agreement shall be held invalid, the remainder of the Agreement shall not be affected.

**C. No Waiver**

Waiver of any breach of any provision of this Agreement shall not be deemed to be a waiver of any prior or subsequent breach, and shall not be construed to be a modification of this Agreement.

**D. No Third Party Beneficiary**

This Agreement is made and entered into for the sole protection and benefit of the Parties. No other person or entity shall have any right of action or interest in this Agreement based upon any provision in the Agreement.

**E. Entire Agreement**

This Agreement is the complete expression of the terms contained in this Agreement and any oral representation or understanding not incorporated into this Agreement is excluded. Any modifications to this Agreement shall be in writing and signed by both parties.

In witness whereof, the Parties executed this Agreement as of the 3 day of OCTOBER, 2013.

KING COUNTY

By: Dow Constantine  
Dow Constantine, King County Executive

Approved as to Form:

By: Tim Barnes  
Tim Barnes,  
Senior Deputy Prosecuting Attorney

According to King County Council adoption  
Of Ordinance No. 17663

THE CITY SEATTLE

By: Michael McGinn  
Michael McGinn, Mayor

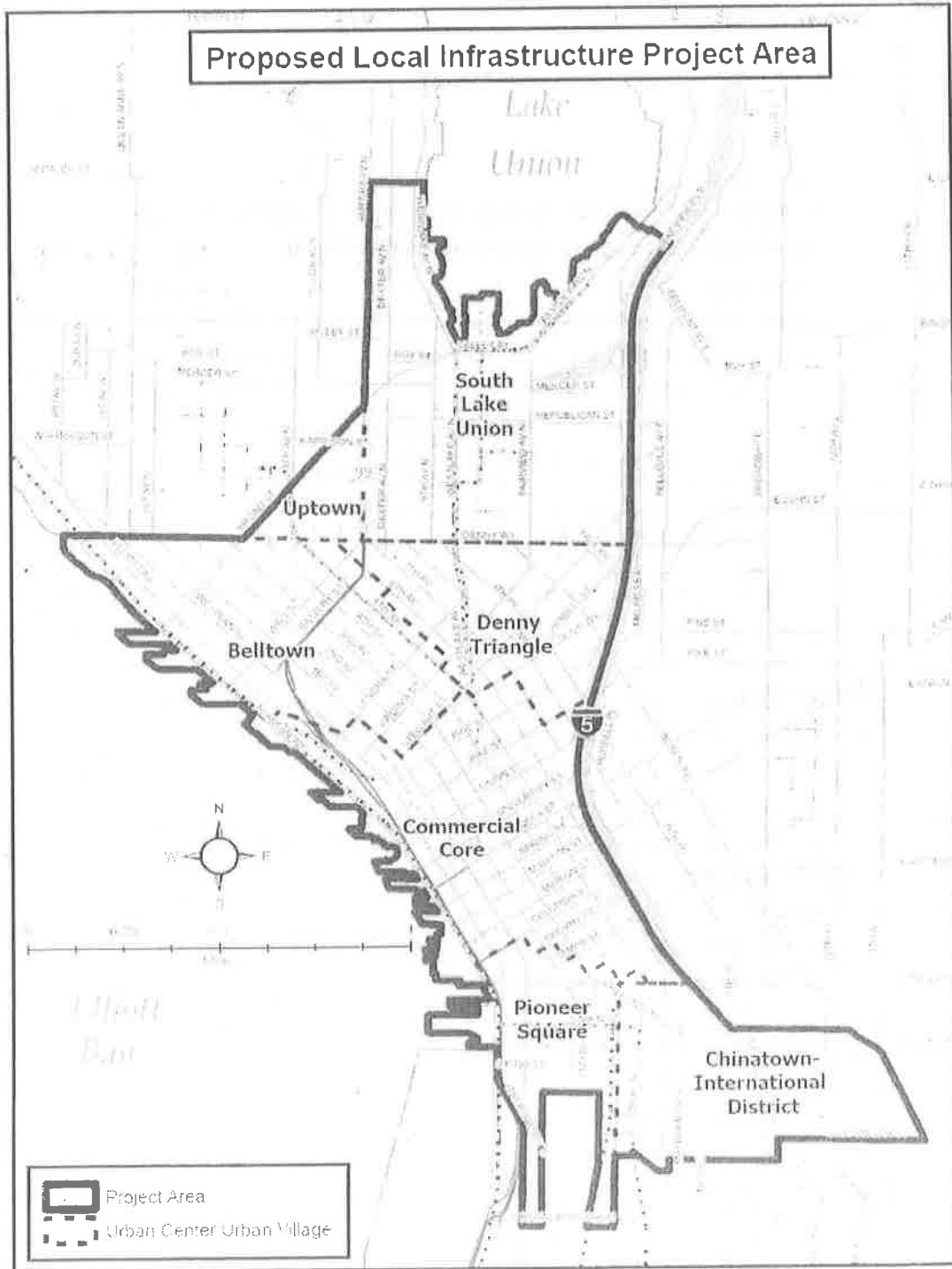
Approved as to Form:

By: Patrick Downs  
Patrick Downs,  
Assistant City Attorney

According to City Council adoption of  
Ordinance No. 117832

EXHIBIT A

Regional TDR Receiving Area / Local Infrastructure Project Area (LIPA)



**EXHIBIT B**

**Regional Transferable Development Right (TDR) Credit Exchange Ratios**

<b>Table 1:</b>		
<b>Residential Regional TDR Credit Exchange Ratios For The First 200 Regional TDR Credits</b>		
<b>County of Origin</b>	<b>Type of Credit</b>	<b>Square Feet per Credit</b>
King	Agricultural credit	1,640
	Forest or Rural credit, provided the entire proceeds from the sale shall be used to purchase new agricultural credits	1,500
Pierce	Agricultural credit	420
	Forest credit, provided the entire proceeds from the sale shall be used to purchase new agricultural credits	860
Snohomish	Agricultural credit	980
	Forest credit, provided the entire proceeds from the sale shall be used to purchase new agricultural credits	860

<b>Table 2:</b>		
<b>Nonresidential Regional TDR Credit Exchange Ratios For The First 200 Regional TDR Credits</b>		
<b>County of Origin</b>	<b>Type of Credit</b>	<b>Square Feet per credit</b>
King	Agricultural credit	1,120
	Forest or Rural credit, provided the entire proceeds from the sale shall be used to purchase new agricultural credits	1,030
Pierce	Agricultural credit	290
	Forest credit, provided the entire proceeds from the sale shall be used to purchase new agricultural credits	590
Snohomish	Agricultural credit	670
	Forest credit, provided the entire proceeds from the sale shall be used to purchase new agricultural credits	590

**Table 3:**  
**Residential Regional TDR Credit Exchange Ratios After The First 200 Regional TDR Credits Have Been Extinguished**

County of Origin	Type of Credit	Square Feet per credit
King	Agricultural credit	1,640
	Forest or Rural credit, provided the entire proceeds from the sale shall be used to purchase new agricultural credits	1,500
	Forest or Rural credit	1,020
Pierce	Agricultural credit	420
	Forest credit	800
Snohomish	Agricultural credit	980
	Forest credit	800

**Table 4:**  
**Nonresidential Regional TDR Credit Exchange Ratios After The First 200 Regional TDR Credits Have Been Extinguished**

County of Origin	Type of Credit	Square Feet per credit
King	Agricultural credit	1,120
	Forest or Rural credit, provided the entire proceeds from the sale shall be used to purchase new agricultural credits	1,030
	Forest or Rural credit	700
Pierce	Agricultural credit	290
	Forest credit	550
Snohomish	Agricultural credit	670
	Forest credit	550

## EXHIBIT C

### Landscape Conservation and Local Infrastructure Program Infrastructure Funding Plan For South Lake Union and Downtown

June 13, 2013

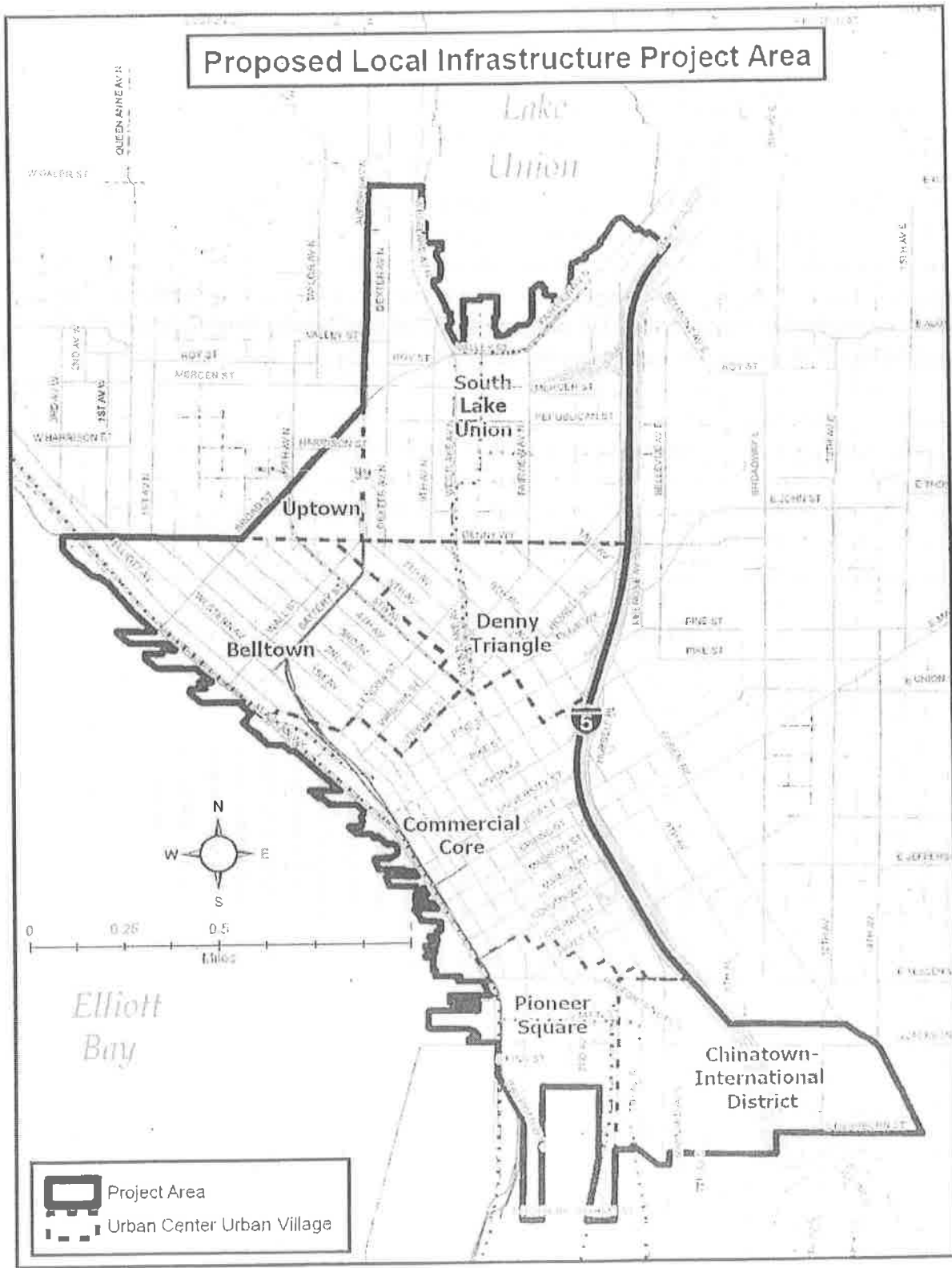
This plan outlines potential infrastructure investments that could be implemented through funding generated by the Landscape Conservation and Local Infrastructure Program (LCLIP) that is being proposed by the City of Seattle in cooperation with King County. While specific funding decisions will be made by the City based on the amount of funding available, project timing, opportunities to leverage outside funds, opportunities to leverage developer improvements, and other factors, this plan outlines the scope of potential items that could be funded through this program. Funding of any items not included in this plan through the LCLIP program would require modification of the plan by legislative action. All dollar amounts are in 2012 dollars.

#### **Background**

The City of Seattle, in cooperation with King County, is proposing to implement the LCLIP program in the neighborhoods of South Lake Union and Downtown. The LCLIP program allows cities to receive a portion of future county property tax revenue for local infrastructure investments if they implement a program to obtain regional Transferrable Development Rights (TDR). The City is proposing to meet the requirements for capturing TDRs through the incentive zoning program in South Lake Union and Downtown. The overall purpose of the Infrastructure Funding and Regional TDR Programs is to preserve farm and forest land by transferring development capacity from these lands to cities, and generate funds for local infrastructure projects in the communities where the additional development capacity is located.

The Regional TDR program would be implemented by requiring developers to earn extra floor area and height in part by purchasing and extinguishing development rights (also known as TDR credits) from regional farms and forests.

In exchange for implementing a Regional TDR Program through the City's incentive zoning program, 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 39.108. The boundary area of the proposed LIPA is shown below.



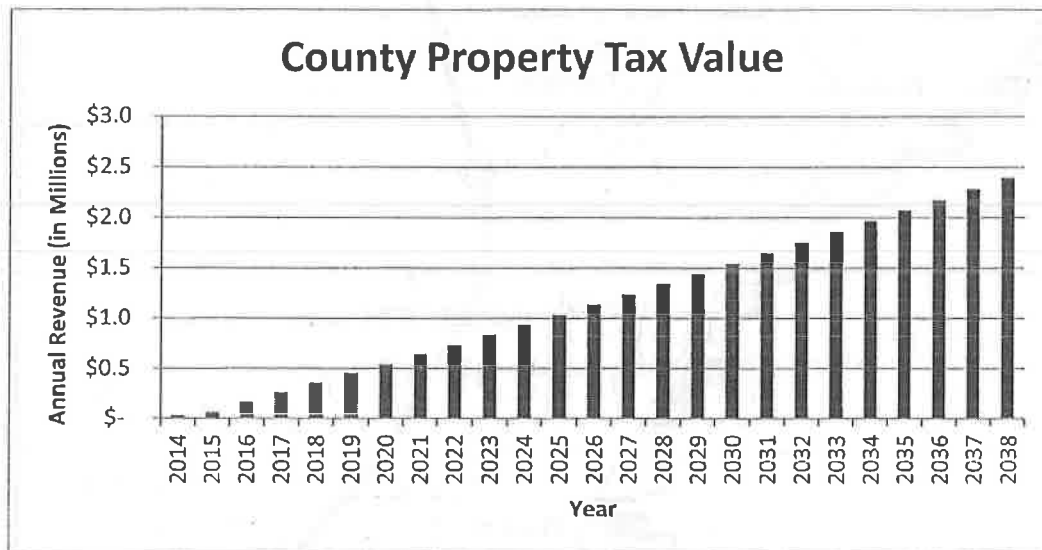
This funding would be contingent on meeting certain thresholds over time. The initial length of the program would be 10 years. The program would be extended to:

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

King County would agree to consider each threshold met if, prior to each deadline, at least 70%-80% of the TDR credits necessary to meet the local property tax threshold had been obtained (the exact percentage varies by threshold) and the City requested in writing, that the threshold be considered met. If the option to extend to 25 years is used prior to obtaining 800 credits, the City would be required to continue the TDR program until 800 credits were obtained even if it required the TDR program to extend beyond 25 years.

**Anticipated Revenue**

It is anticipated that this program will result in \$27.5M in revenue from King County property taxes over 25 years. If an annual discount rate of 3% is used to account for the reduced value of having money in the future, these funds would be equivalent to \$15.7M in 2012 dollars. Below is an estimate of expected revenue by year.



**Funding Strategy**

Revenue generated from the LCLIP program will be spent on streetscape, recreational, and open space investments as described below and detailed in the “specific investments” section.

These funds would be split between projects in South Lake Union and Downtown based on the proportion of regional TDR generated in each area. It is estimated that this split will result in about 60% of the funds or \$16.5M (\$9.4M in 2012 dollars) being allocated to South Lake Union projects and 40% of the funds or \$11.0M (\$6.3M in 2012 dollars) to Downtown projects.



Decisions about which projects to implement and when they will be implemented will be made by the City based on the amount of funding available, project timing, opportunities to leverage outside funds, opportunities to leverage developer improvements, and other factors. In order to streamline this process, the City is proposing to stage the projects such that the first 10 years of revenue would go toward streetscape and transportation projects managed by the Department of Transportation, the second 10 years of revenue would go to park projects managed by the Department of Parks and Recreation, and the last 5 years again would go to streetscape projects managed by the Department of Transportation.

A chart summarizing the proposed staging and projects (with priority projects in **bold**) is shown 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>• <b>Green Streets</b> (Thomas &amp; 8<sup>th</sup>)</li> <li>• Bike, Pedestrian, and Transit Improvements (Harrison &amp; Denny)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>3<sup>rd</sup> Avenue Improvements</b> (Capital Projects &amp; Programs)</li> </ul>
11-20 years	Parks	\$7.8M	<ul style="list-style-type: none"> <li>• <b>Community Center</b></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>	

In general, the City plans to spend money as it is received; however, opportunities to use bonding to implement projects prior to the receipt of funds will be considered on a project-by-project basis.

### Specific Investments

The specific investments that are proposed to be funded in part through LCLIP are outlined on the following pages. It is anticipated that funds generated through LCLIP will be combined with funds from other sources to accomplish these projects.

## South Lake Union Streetscape Investment

### Thomas Street Green Street (from Dexter Ave to Fairview Ave)

Proposed Improvements	Cost Estimate
Implement “green street” improvements to support Thomas Street’s role as an important new east / west green street and public realm connection, linking the Cascade neighborhood through South Lake Union to the Seattle Center. The current proposal includes a two-way, two-lane configuration with on-street parking. Curb bulbs will be added where appropriate and the north sidewalk will be expanded to provide a green promenade. Pedestrian-scale lighting and streetscape improvements will be made throughout.	\$1,500,000

### 8<sup>th</sup> Avenue NE Green Street (from Mercer Street to John Street)

Proposed Improvements	Cost Estimate
Create a pedestrian-oriented street from Mercer to John with an enhanced green street environment that could serve as a <i>woonerf</i> . The project will likely include widened sidewalks, new trees and plantings, new pedestrian lighting, and streetscape improvements.	\$2,500,000

### Harrison Street Improvements (from Dexter Avenue to Fairview Avenue)

Proposed Improvements	Cost Estimate
Rebuild or repair pavement between Dexter and Eastlake to allow potential transit use and provide a three-lane roadway section as necessary; repair, replace or enhance sidewalks and install curb bulbs as needed; improve planting areas, tree canopy and parking as possible; provide pedestrian lighting and streetscape improvements. Harrison will become the primary street for traveling east / west through South Lake Union between Mercer Street and Denny Street.	\$5,500,000

### Denny Way Improvements (from Broad Street to Stewart Street)

Proposed Improvements	Cost Estimate
Make spot improvements consistent with Denny Way Streetscape Concept Plan; improve pedestrian crossing conditions, enhance signalized intersections, replace sidewalk in poor condition, improve planting strips and provide street trees where needed; Improve roadway delineation in locations where two streets intersect Denny at a diagonal.	\$2,500,000

# Downtown Streetscape Investments

## Third Avenue Corridor Improvements

Proposed Improvements	Cost Estimate
<p>This project makes multimodal improvements in the Third Avenue downtown corridor, a major travel corridor for pedestrians and transit vehicles. The project enhances the walking, biking and transit environment and improves safety for all travel modes. Improvements may include repair or enhancement of streets, improving sidewalks, upgrading or installing curb ramps, remarking crosswalks, and installing pedestrian countdown signals. It may also include pedestrian-scale lighting, bicycle facilities at select locations, high-capacity solar trash receptacles and wayfinding information. Transit will be made more attractive and convenient with improvements such as real-time transit information, transit maps and schedule information, improved weather protection, ticket vending machines or ORCA card readers.</p>	<p>\$40 to 70 million</p>

## Open Space Investments

The priority investment for this portion of the plan is a North Downtown Community Center if the Department of Parks and Recreation finds at a future date that such an investment is justified given services areas, funding needs, and other issues.

### North Downtown Community Center

Proposed Improvements	Cost Estimate
Develop a full-service community center. No specific plans exist for this project; however, a 20,000 square-foot, full service center, is the typical size for new centers. These centers can include a gym, multi-purpose rooms, and a kitchen, among other spaces. The cost estimate does not include land.	\$10,000,000

### Enterprise Car Rental Lot Park Development

Proposed Improvements	Cost Estimate
Pay for a portion of the construction of a park that is proposed for the current Enterprise lot at Lenora and Westlake. This work could include landscaping, paving, lighting, seating, signage, and related park improvements.	\$3,000,000

### Bell Street Green Street Enhancement

Proposed Improvements	Cost Estimate
Extends the Bell Street Green Street from 5 <sup>th</sup> Avenue to 6 <sup>th</sup> Avenue. This work would provide for enhancement of landscaping, hardscape, and related park features. The estimate is based on the current Bell Street costs of \$800,000 per block, plus an allocation for the enhancement work for the existing sections.	\$1,300,000

### Hing Hay Extension Park Development

Proposed Improvements	Cost Estimate
This project, which is west of the existing Hing Hay Park, will pay for a portion of demolition of the existing structure, site pavement and the construction of the new park. The improvements could include landscaping, paving, lighting, seating, signage, and related park improvements. There may also be renovation elements to the existing Park to ensure the two parts of the park are unified.	\$2,500,000

### Central Waterfront Pier Redevelopment

Proposed Improvements	Cost Estimate
Make improvements to one of Parks' piers (58 or 62/63), potentially including pier reconstruction and/or stabilization, landscaping, lighting, seating, signage, and related park improvements. The cost estimate was based on Parks' 2013-2018 Asset Management Plan that was derived from a prior study for Pier 58 redevelopment.	\$3,000,000