

## APPENDIX I

### INDUSTRY DEFENSE FUND APPLICATION FOR FUNDS

**TO:** BOMA IDF Oversight Committee

**FROM:** BOMA Seattle King County

**RE:** City of Seattle Proposed Linkage Fees

**AMOUNT of REQUEST:** \$50,000

**DATE:** 1/6/15

#### **BACKGROUND:**

##### ***Issue***

Linkage fees as stated in the recently passed a Statement of Legislative Intent by the Seattle City Council are fees imposed on all new development on a per square foot basis. The fees identified in the resolution are \$16-\$22 net per square foot of new building area in the downtown core. The fees would apply to all commercial and residential development. The funding would go to support "workforce" housing development in Seattle. The concept driving this particular fee is that new development brings new workers into the city and that new development should pay to provide affordable housing.

##### ***Impact***

The imposition of this unprecedented and outrageous fee for all development would have a significant financial impact on the commercial real estate industry. For example, development of a 500,000 square foot commercial building in the downtown core would cost an additional \$11,000,000 to build. This is in addition to all of the fees that the city currently imposes on development.

Other significant impacts are:

- Adopting a new Housing Tax will have unintended consequences that could result in an across-the-board rent increase for 90% of Seattle renters;
- The overall legality of the proposed housing tax is in question;
- The fees would likely lead to less development in Seattle, especially commercial in the downtown core. (the area of the city with the highest proposed fees);

- Other cities in King County are looking at ways to provide funding for affordable housing and are looking at Seattle’s proposals.
- Since the concept of “linkage” is to provide housing for additional workers in the city, what is to preclude the next step of assessing fees for a change of use, or expansion of existing commercial property?

**Timing**

The statement of legislative passed full Council on 10/20/14 by a 7-2 vote. The Council wants to have the program in effective by the end of the third quarter of 2015, and has directed the Department of Planning and Development to prepare and deliver the legislation to Council on the following schedule:

- May 1, 2015 – Publication of a public review draft of implementing Legislation
- June 1, 2015 – Submission of proposed legislation to the Council.

**I. PURPOSE:**

*In completing this section, please pay special attention to the Purpose of the Industry Defense Fund and the Application Process sections of the IDF Rules. In the space provided, please indicate the purpose for which these IDF funds will be used. Please supplement your request by attaching reference materials if appropriate.*

Note: The purpose for which the IDF funds will be used is explained in the previous section and in Section X “Work Products”. The preliminary budget identifying the use of funds is attached.

**II. MEMBER IMPACT:**

*In completing this section, please pay special attention to the Purpose of the Industry Defense Fund and the Application Process sections of the IDF Rules.*

*A. Please indicate the number of BOMA members that will be impacted by the proposed action. For example, “All BOMA members in the City of Los Angeles or LA County, or all BOMA members in the State of Texas”.*

All BOMA members in Seattle.

*B. Please also indicate any regional or nationwide impact to BOMA members.*

On a national basis many larger cities are struggling to fund affordable housing and are looking for new sources of revenue. The consideration imposing development fees to pay for affordable housing is becoming more common.

San Diego recently experienced an attempt by the city council to quadruple the fees in their city. IDF funds helped the BOMA coalition in San Diego reduce the amount assessed. The City of San Diego will begin to assess fees of \$.80 to \$2.12 per square foot.

Cities in the Puget Sound region, including Bellevue are currently considering various revenue options. Allowing this particular fee in Seattle would open the door for other cities.

The impact on new development is significant, especially in what is being proposed in Seattle at a rate of up to \$22 per square foot of development in addition to the fees that are already being assessed. The consensus of the local real estate industry is that new development in Seattle would be cost prohibitive, slowing growth that is finally moving forward after the recession.

The additional concern for the built environment is that since the concept or "linkage" is to provide housing for additional workers in the city, what is to preclude the next step of assessing fees for a change of use, or expansion of existing commercial property?

### **III. BOMA MEMBERS' INTERESTS IMPACTED:**

*In the space provided, please indicate which specific member interests will be impacted through this project. Examples might include private property rights, need to maximize return on investment, secure fair tax treatment, etc. Please reference all applicable BOMA policy statements, and list all interests that would be impacted using additional sheets if needed and attach supplemental materials if appropriate.*

1. The assessment of the fee would be cost prohibitive for development, especially in the downtown core;
2. The concept that new development has to pay for the housing of the workers it brings to the city is not a reasonable nexus. Commercial property owners already pay a significant amount in real property taxes toward a housing levy;
3. The expected return on investment, and potentially the use of the property would be negatively impacted the city's mandated fees.

### **IV. PRECEDENT VALUE:**

*Has this issue been litigated, legislated, or the subject of regulation in another local or state jurisdiction, or at the federal level?*

NO

YES **X**

*If YES, where and what was the result?*

San Diego, California. The City Council approved a significant increase in existing commercial development fees to fund affordable housing projects. Due to the efforts of BOMA San Diego and its coalition partners, the original legislation was rescinded and new legislation adopted which cut the originally proposed fees by half.

The new rates, set to increase annually until January 2017, will range on a square-foot basis from 80 cents to \$2.12, depending on the building type. However, the rate for research and development projects will remain unchanged at 80 cents and the current charges for manufacturing, warehouse buildings and nonprofit hospitals will drop to zero as of Jan. 1.

**V. MATCHING FUNDS:**

*In completing this section, please refer to the Application Process and Disbursement of Funds sections of the IDF Rules. The leveraging of additional funds to defend the industry's interests is a key goal of the IDF. Please indicate the amounts and specific source(s) of funds you are dedicating to this issue, and/or the nature of staff and other in-kind resources.*

Amount of Matching Funds Currently Pledged to the Coalition: \$240,000

*Source of Matching Funds (Please use additional sheets if necessary)*

The current funding is coming from the real estate community in King County. To date, six key BOMA members have donated or formally pledged a total of \$80,000.

**VI. ACCOUNTABILITY:**

*A. Please provide the following information on the individual who will serve as lead on this project and will verify all relevant payment requests.*

Name: Rod Kauffman, President BOMA Seattle King County

Address: 1420 Fifth Ave suite 1250 Seattle WA 98101

Phone: (206) 622-8924 Ext 104

Fax: (206) 292-8060

E-mail: rkuffman@bomaseattle.org

*B. How will project costs be tracked, and how will the required updates, financial statements, and related documentation outlined in the Disbursement of Funds process (Section VII of the IDF Rules) be provided to the IDF Oversight Committee?*

Rod Kauffman will update BOMA International on key activities; report significant outcomes; and provide the final report. He will also update the Oversight Committee on additional matching fund contributions that might be received.

**VII. DURATION OF FUNDING:**

*IDF funds are available for 12 months following the authorization of disbursements. Please indicate the time table for resolution of this issue, including when disbursement of funds will be expected.*

The current budget is based on two phases. \$25,000 allows us to complete phase one and another \$25,000 will be put toward phase 2.

The key issue is to defeat or significantly modify the legislation the Council is proposing to pass by the end of 2015.

**VIII. OUTLOOK:**

*A. Please indicate the likelihood of success of the planned action and your reasons for making such an assessment.*

POOR                  FAIR                  GOOD **X**                  EXCELLENT

Our goal is to defeat the passage of the proposed legislation which will be initiated this year. If that is not possible, we want to significantly modify the legislation to reduce the fees. The funding will allow us to do a formal legal review as well as perform economic studies on potential alternative methods for funding housing.

*B. Please indicate the likelihood of success of planned action without IDF funding and your reasons for making such an assessment.*

POOR **X**                  FAIR                  GOOD                  EXCELLENT

Complete funding is needed to accomplish the coalition goals.

**IX. SELF HELP:**

*A. Please list actions already undertaken toward achievement of the stated project goal:*

BOMA Seattle King County has been actively engaged as a founding partner in the coalition prior to the passage of the statement of legislative intent by the Seattle City Council in November 2014. The Board of Director's officially opposed the statement of legislative intent and endorsed the inclusion of consultant work in the efforts.

The coalition is made up of the Downtown Seattle Association, the Greater Seattle Chamber of Commerce, NAIOP, Seattle King County Realtors, Smart Growth Seattle, and the Rental Housing Association of Washington

*B. Do you have a Government Relations Committee or similar entity to assist and/or provide oversight in pursuing this issue?*

BOMA Seattle King County has a Government Affairs Committee with monthly meetings and active members. The Committee is chaired by Coleen Spratt and supported by Catherine Stanford, BOMA's contract government affairs consultant. BOMA Executive Rod Kauffman is directly involved in all Government Affairs issues.

Catherine has been involved in the development of the coalition and plays a key role on the executive committee and the policy committee.

**X. WORK PRODUCT:**

*A. Will this application result in a work product that may be used by other BOMA members, local associations, or state coalitions?*

YES **X** NO

*Please list expected products:*

The coalition, known as the Coalition for Housing Solutions is in the process of retaining consultants who are tasked with the following deliverables:

1. Economist: Retain Gardner Economics to develop a report summarizing the fiscal and economic impacts of the proposed housing tax. Quantify impacts to local and regional tax revenues resulting from a decrease in development activity. Quantify impacts to direct and indirect jobs.
2. Smart Growth Seattle: report quantifying current affordable housing needs; review and test data and assumptions by the Mayor's office and the City Council.
3. Financial Analyst: Report on coalition alternate policy proposals to fund housing development to gauge impact, effectiveness and ability to be implemented.
4. Legal Analysis: A legal team and legal resources will be retained in anticipation of an ordinance implementing the housing tax. The team will test the City's legal ability to assess linkage fees on all new development.



## Coalition for Housing Solutions

October 10, 2014

### Campaign Budget

#### PHASE I – through December 2014

#### PHASE II – 2015

<b>Political</b>	<b>Estimated Expenses</b>
Public opinion research	\$25,000
Grassroots campaign	\$50,000
<b>Legal</b>	
Legal expenses	\$25,000 - 50,000
<b>Policy</b>	
Economic expertise	\$40,000
Analysis/research	\$10,000
	<b>Total Phase I</b>
	\$150,000 - 175,000

<b>Total Phase II</b>
\$200,000-250,000*

\*Phase II expenditures are dependent upon decisions made by steering/executive committee of coalition, but could include additional public opinion research, extending the grassroots campaign, additional legal expenses, economic analysis or a referendum effort.