PRESENTATIONS and HANDOUTS

Regular Meeting of June 17, 2015

1. **Developing ST3 Regional Transit System Plan**
   (PowerPoint Slides; for Discussion Item D-1)

2. **Sound Transit 3 Draft Priority Projects List**
   (Handout; for Discussion Item D-1)

3. **Proposed Narrowmoor Conservation District**
   (PowerPoint Slides; for Discussion Item D-2)

4. **Work-Live/Live-Work Code Amendments**
   (PowerPoint Slides; for Discussion Item D-3)

5. **Affordable Housing Planning Work Program – Phase 3**
   (PowerPoint Slides; for Discussion Item D-4)

6. **Letter from Iain and Nancy Parsons to Planning Commission concerning Narrowmoor Conservation District, June 15, 2015**
   (Handout; for Discussion Item D-2)

7. **Landscape Conservation and Local Infrastructure Program (LCLIP) Feasibility Study Report, May 2015**
   (Handout; Communication Item)

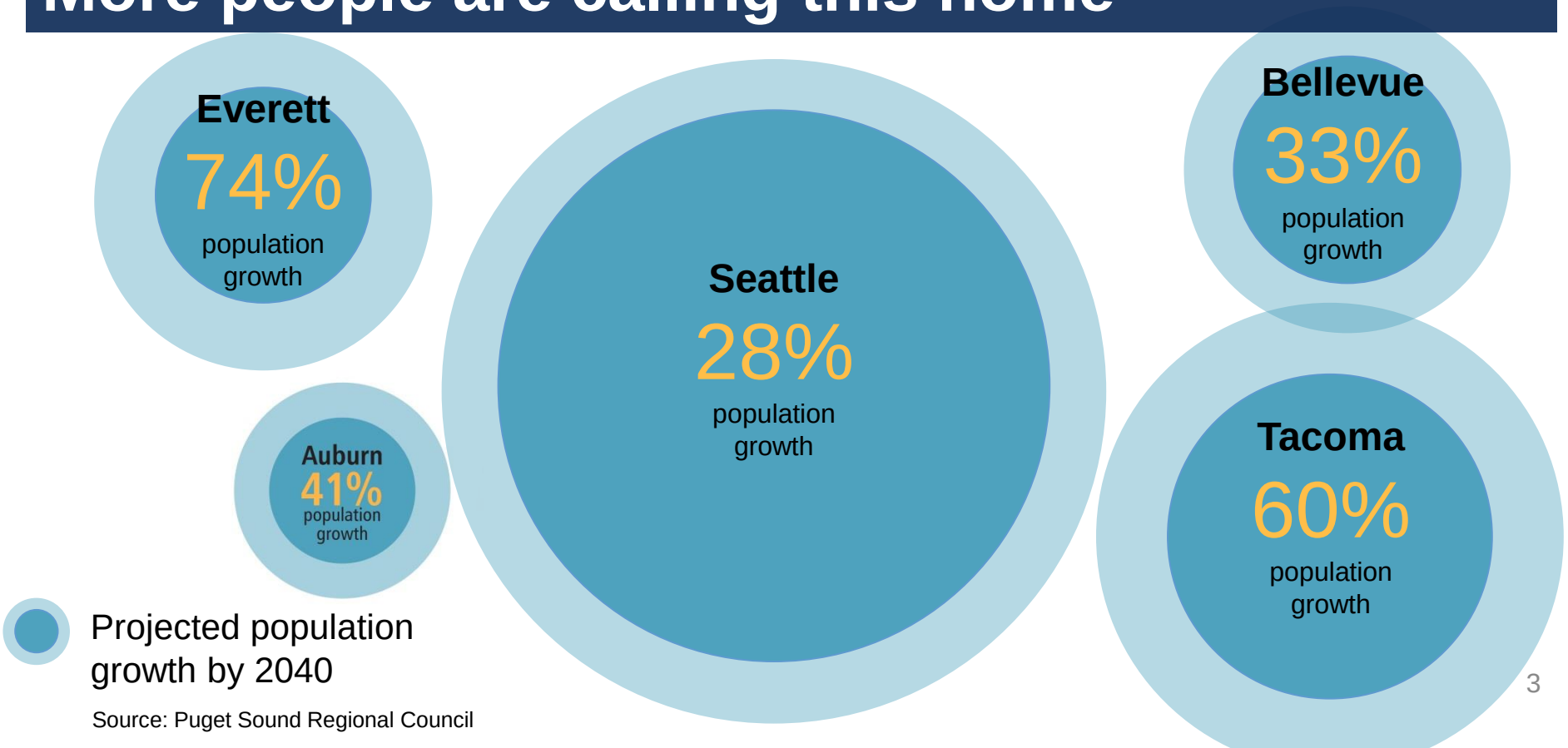
Developing ST3 Regional Transit System Plan

Tacoma Planning and Transportation Commissions

June 17, 2015

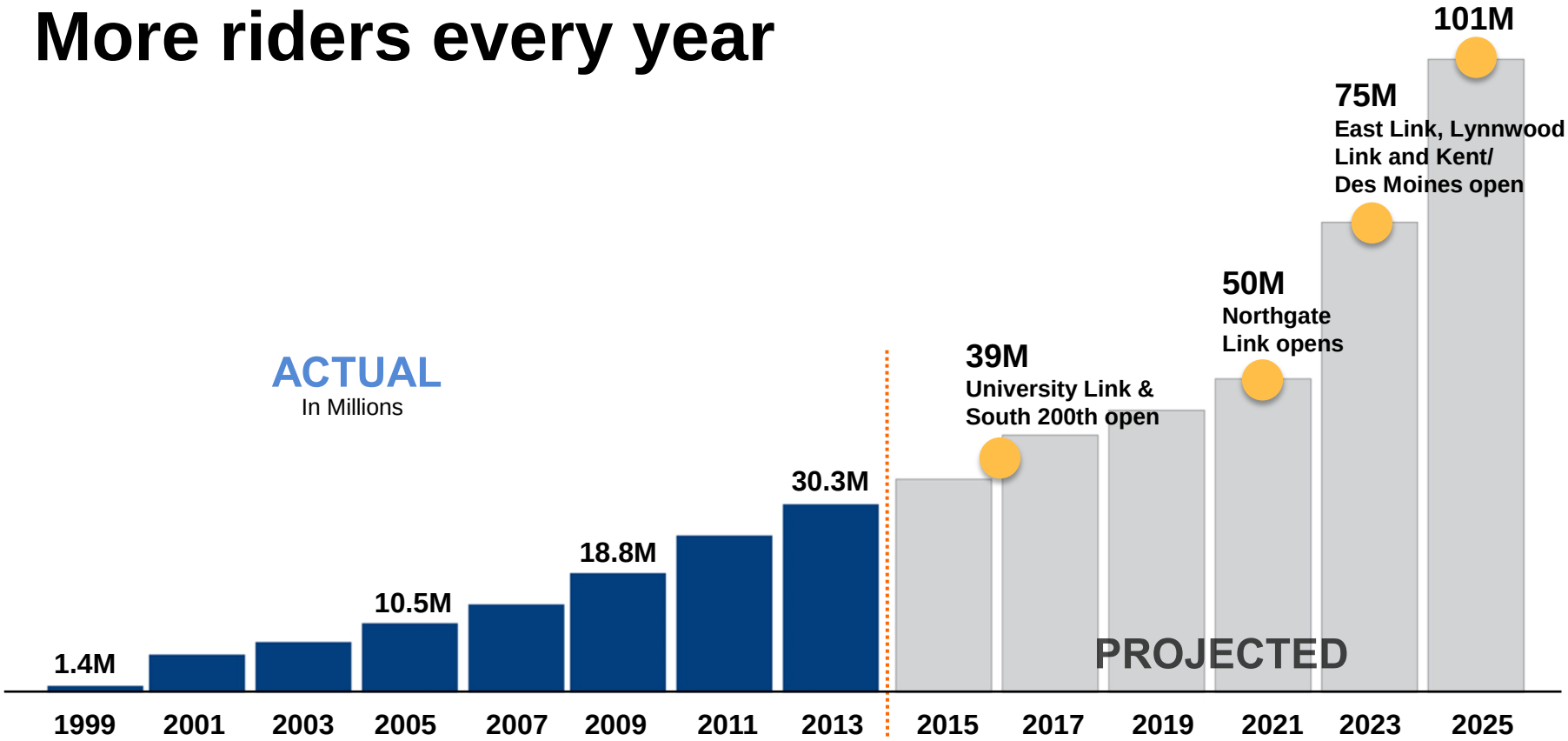
Sound Transit District

More people are calling this home



Source: Puget Sound Regional Council

More riders every year



Source: Sound Transit ridership reports, service implementation plan and financial plan.

ST3 - Planning for the future

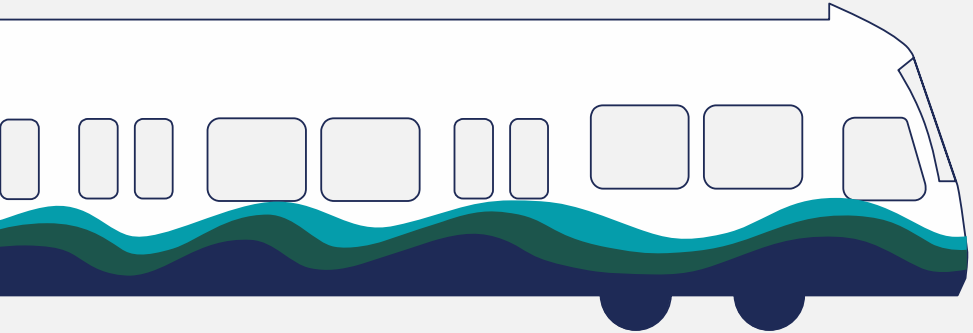
WE ARE HERE

Long Range Plan Update
December 2014

Seek revenue authority from Legislature
January 2015

System Planning
(Develop ballot measure)
January 2015-mid 2016

Potential ballot measure
November 2016



System Plan (ST3) Timeline:

2015

- **Draft Priority Projects List** — May 2015
- **Public Input on Draft Priority Projects List** — June – July 2015 — Public Involvement
- **Board Advances Priority Projects List** — Aug. 2015
- **Detailed Testing and Evaluation of Priority Projects List** — Aug. – Dec. 2015

2016

- **Draft System Plan and Public Involvement** — Jan – Mar. 2016 — Public Involvement
- **Final System Plan Development** — Apr.– May 2016
- **Adopt System Plan** — June 2016
- **Possible Public Vote on System Plan** — Nov. 2016

Core priorities for ST3 system plan development

SOUNDTRANSIT
RIDE THE WAVE

COMPLETING THE SPINE

RIDERSHIP

CONNECTING THE REGION'S DESIGNATED CENTERS WITH HCT

SOCIO-ECONOMIC EQUITY

INTEGRATION WITH OTHER TRANSIT OPERATORS/ TRANSPORTATION SYSTEMS

MULTI-MODAL ACCESS

PROMOTING TRANSIT SUPPORTIVE LAND USE AND TOD

ADVANCING "LOGICAL NEXT STEPS" PROJECTS BEYOND THE SPINE; WITHIN FINANCIAL CAPACITY

Draft Priority Projects List Categories

- **Deferred Projects**
  - Capital projects that were voter-approved in Sound Move and ST2 but were deferred due to funding limitations. These projects, depending on schedules, could be prioritized by the Board and funded out of existing tax levels.

- **Enhancements Supporting the Existing System**
  - Projects that can provide opportunities for improved or additional service along the existing ST HCT system

- **Corridors from ST2 High-Capacity Transit Studies:**
  - Both the LRT Spine and additional corridors

- **System-wide programs and studies from the 2014 Long-Range Plan (LRP)**
  - Programs to fund system-wide enhancements and 2014 LRP listed studies

- **Supporting System Expansion**
  - Facilities and services to support the ST HCT system as it expands

Draft Priority Projects List

- **Deferred Projects**
  - Capital projects that were voter-approved but were deferred due to funding limitations. These projects, depending on schedules, could be prioritized by the Board and funded out of existing tax levels.

Project Number	Corridor or Representative Project
E-04	Renton HOV Direct Access/N 8th
S-06	South Sounder Train Platforms (to 8 Car)
S-09	Auburn Sounder Station access improvements
S-10	Kent Sounder Station access improvements
N-03	Edmonds Permanent Station
S-01	**Light Rail Extension from Kent/Des Moines to Redondo/Star Lake (272nd)**

Draft Priority Projects List

- **Enhancements Supporting the Existing System**
  - Projects that can provide opportunities for improved or additional service along the existing ST HCT system (Sound Move and ST2)

Project Number	Corridor or Representative Project
C-09	Infill Light Rail Station: Boeing Access Rd.
C-08	Infill Light Rail Station: Graham St.
C-10	Infill Sounder Station: Boeing Access Rd.
N-04	Infill Light Rail Station: 130th (Lynnwood Link)
N-05	Infill Light Rail Station: 220th (Lynnwood Link)
R-01	**ST Express interim supporting bus service, including capital and operating elements**
C-06	Light Rail station and platform expansion to accommodate higher passenger volumes (example-Westlake Station)
C-07	Examine options and improvements within Transit Tunnel (International District to Northgate) to increase service frequency
S-08	**Additional South Sounder service**
S-07	**Additional South Sounder platform extensions (Beyond 8-car extension included in RA-2)**
R-04	Placeholder for other projects necessary to keep system in a state of good repair and enhance system performance and ridership could also be included. Project list is under development and review by Sound Transit staff.

Draft Priority Projects List

- **Corridors from ST2 High-Capacity Transit Studies:**
  - LRT Spine (from Everett to Tacoma and to Downtown Redmond)

Project Number	Corridor or Representative Project
N-01	Light Rail extension from Everett Station to North Everett
N-02a	Light Rail extension from Lynnwood Transit Center to Everett Station via Southwest Everett Industrial Center (Paine Field)
N-02b	Light Rail extension from Lynnwood Transit Center to Everett Station via I-5 and SR 99/Evergreen Way
N-02c	Light Rail extension from Lynnwood Transit Center to Everett Station via I-5
E-01	Light Rail extension from Overlake Transit Center to SE Redmond to Downtown Redmond (Per the Record of Decision)
S-02	**Light Rail extension from Redondo/Star Lake Light Rail station to Federal Way Transit Center per the environmental process under way**
S-03	**Light Rail extension from Federal Way Transit Center to Tacoma Dome station via I-5**
S-04	**Light Rail extension from Federal Way Transit Center to Tacoma Dome station via 99**
S-05	**Light Rail extension from Tacoma Dome station to Tacoma Mall**

Draft Priority Projects List

- **Corridors from ST2 High-Capacity Transit Studies:**
  - Additional Corridors

Project Number	Corridor or Representative Project
C-01a	Light Rail from Downtown Seattle to the Market Street vicinity in Ballard, primarily at-grade along Elliott and 15th Avenue
C-01b	Light Rail from Downtown Seattle to the Market Street vicinity in Ballard, primarily elevated along Elliott and 15th Avenue with tunnel options into Downtown Seattle
C-01c	Light Rail from Downtown Seattle to the Market Street vicinity in Ballard, primarily elevated/tunnel options
C-01d	Light Rail from Downtown Seattle to Market Street in Ballard, primarily at-grade along Westlake
C-03a	Light Rail from Downtown Seattle to the Alaska Junction vicinity in West Seattle, primarily elevated
C-03b	Light Rail from Downtown Seattle to the Alaska Junction vicinity in West Seattle, primarily at-grade
C-03c	Light Rail from Downtown Seattle on Central Link to Delridge/White Center
C-04	New Downtown Seattle Light Rail Tunnel Connection
C-05	New Downtown Seattle Light Rail Surface Connection: At-grade
C-02	Light Rail from Ballard to University District
E-02	I-405: Bus Rapid Transit from Lynnwood to SeaTac in HOV/managed lanes where available
E-03	Light Rail from Totem Lake to Issaquah via Bellevue
C-11	Madison St. Bus Rapid Transit
S-11	**Tacoma Link extension to Tacoma Community College**

Draft Priority Projects List

- **System-wide programs and studies from the 2014 Long-Range Plan**

Project Number	Corridor or Representative Project
R-05	System Access Program: Program to fund research, analysis and implementation of facilities for one or more modes, including pedestrians, bicyclists, transit and private vehicles, to improve access to the HCT system.
R-06	Innovation & Technology Program: Program to fund research, analysis and implementation of innovative best practices, partnerships, and technologies to increase ridership, improve service and enhance regional mobility outside of new investments in large capital projects.
R-07	TOD Program: Program to fund planning and due diligence of transit-supportive land use activities
P-02	Issaquah Highlands to Overlake via Sammamish, Redmond HCT Study
P-03	HCT Study to examine access and connection on NE 145th from State Route 522 to Link Light Rail
P-04	Northern Lake Washington HCT Crossing Study
R-08	Agency wide capital and operating costs for insurance, reserves, and agency administration

Draft Priority Projects List

- **Supporting System Expansion**
  - Facilities and services to support the ST HCT system as it expands

Project Number	Corridor or Representative Project
R-02	Vehicle purchases to support system expansion
R-03	Maintenance and storage facilities for Bus, Light Rail, and Sounder services as needed to support system expansion
P-01	ST4 Planning

Next Steps

- June 4–July 8: Outreach campaign
  - www.soundtransit3.org, *mailers, survey, presentations, ads*
- June 16-25: Public meetings
- Jurisdictional input on Draft Priority Projects List
- July 23: All input presented to Sound Transit Board
- August 27: Update Priority Projects List based on input
- Fall/Winter: Evaluate projects and create templates

Public meetings

- **Seattle (Evening)** —5:30-7:30 p.m. June 16 at Union Station *
- **Everett**— 5:30-7:30 p.m. June 18 at Everett Station
- **Redmond**—5:30-7:30 p.m. June 23 at Redmond Marriot *
- **Tacoma**—5:30-7:30 p.m. June 24 at Greater Tacoma Convention & Trade Center
- **Seattle (Daytime)** —11:30 a.m. – 1:30 p.m. June 25 at Union Station *
- **Federal Way –**5:30-7:30 p.m. June 25 at King County Aquatic Center *

* Co-located with King County Metro Transit Long-Range Plan meetings

Working for the future

How will a million new neighbors change our region?


SOUNDTRANSIT
RIDE THE WAVE

SOUND TRANSIT 3

DRAFT PRIORITY PROJECTS LIST

As part of the planning process to determine how and where our regional mass transit system should expand, the Sound Transit Board identified a draft priority projects list shown in the table below. This draft list of projects is being considered for public feedback from June 4 – July 8, 2015. After incorporating public feedback, projects on the final list will be studied for possible inclusion in an ST3 ballot measure that could go to voters as early as November 2016. Starting in fall 2015, further analysis will help narrow the options that could be included in a ballot measure. View projects on a map at soundtransit3.org

NO.	PROJECT NAME	MODE	DESCRIPTION
NORTH CORRIDOR			
N-01	Everett Station to North Everett	Light Rail	This project would extend light rail from Everett Station to North Everett.
N-02a	Lynnwood Transit Center to Everett Station via the Southwest Everett Industrial Center (Paine Field)	Light Rail	This project would extend light rail from Lynnwood to Everett Station, serving the Southwest Everett Industrial Center (Paine Field) via I-5 and Airport Road.
N-02b	Lynnwood Transit Center to Everett Station via I-5 and SR 99/Evergreen Way	Light Rail	This project would extend light rail from Lynnwood to Everett Station generally via I-5, SR 99 and Evergreen Way.
N-02c	Lynnwood Transit Center to Everett via I-5	Light Rail	This project would extend light rail, primarily in an elevated profile, from Lynnwood to Everett Station, generally along I-5.
N-03	Edmonds Permanent Station	Commuter Rail	In conjunction with Washington State Ferries' Edmonds Crossing multimodal terminal project, this deferred project would relocate the interim station at Edmonds to a permanent location and expand parking. This project is dependent upon WSDOT implementing the unfunded Edmonds Crossing multimodal terminal project.
N-04	Infill Light Rail Station: 130th Street (Lynnwood Link)	Light Rail	This project would add an elevated station at I-5 and N 130th Street along the Lynnwood Link Extension corridor. The station was identified by the Sound Transit Board as a potential future station during the selection of the route, profile and stations for the Lynnwood Link Extension. Inclusion of this project in ST3 would provide funding for design and construction of the station.
N-05	Infill Light Rail Station: 220th Street (Lynnwood Link)	Light Rail	This project would add an elevated station at I-5 and 220th Street SW along the Lynnwood Link Extension corridor. The station was identified by the Sound Transit Board as a potential future station during selection of the route, profile and stations for the Lynnwood Link Extension. Inclusion of this project in ST3 would provide funding for design and construction of the station.
P-03	HCT Study: Access and connection on NE 145th Street from State Route 522 to Link Light Rail	Other	This study would examine options to provide improved east-west connections along NE 145th Street for communities and jurisdictions along State Route 522 to Link light rail. The study would be completed to examine a variety of options for service provision, and to maximize opportunities for regional integration.
P-04	HCT Study: Northern Lake Washington Crossing	Other	This study would examine options for expanding high-capacity transit connections across northern Lake Washington that may be needed when ridership demand exceeds available capacity. This study would examine alternatives including and parallel to State Route 522 and State Route 520, including connections from Sand Point to Kirkland and Redmond/and or Bellevue. The study would be completed to examine a variety of options for service provision, and to maximize opportunities for regional integration.
CENTRAL CORRIDOR			
C-01a	Downtown Seattle to Ballard (Market Street vicinity), primarily at-grade along Elliott and 15th Avenue	Light Rail	This project would build light rail from downtown Seattle to Ballard's Market Street area via the Uptown neighborhood. It would include a movable bridge over the Ship Canal and at-grade light rail in exclusive lanes on 15th Avenue NW and Elliott Avenue W, with signal priority so trains would generally stop only at stations.
C-01b	Downtown Seattle to Ballard (Market Street vicinity), primarily elevated along Elliott and 15th Avenue with tunnel options	Light Rail	This project would build light rail from downtown Seattle to Ballard's Market Street area. It would include primarily elevated light rail on 15th Avenue NW and Elliott Avenue W and a movable bridge over the Ship Canal. It could include tunnel options through the Uptown neighborhood into downtown Seattle.
C-01c	Downtown Seattle to Ballard (Market Street vicinity), primarily elevated/tunnel options	Light Rail	This project would provide light rail from downtown Seattle to Ballard's Market Street area. It would include primarily elevated light rail along the west side of the Interbay corridor and would cross the Ship Canal with either a movable bridge or tunnel.
C-01d	Downtown Seattle to Ballard (Market Street vicinity), primarily at-grade along Westlake Avenue	Light Rail	This project would build light rail from downtown Seattle to Ballard's Market Street area via Westlake Avenue and serve South Lake Union and Fremont. It would be built at-grade in exclusive lanes with signal priority. It could use a movable bridge or tunnel to cross the Ship Canal.
C-02	Ballard to University District	Light Rail	This project would build light rail in a tunnel from Ballard's Market Street area to the vicinity of the U District light rail station now under construction. Riders wishing to continue north or south on Link would transfer at that station.
C-03a	Downtown Seattle to West Seattle/Junction, elevated	Light Rail	This project would build light rail from downtown Seattle, over the existing West Seattle Bridge or a new bridge crossing, to West Seattle's Alaska Junction in a primarily elevated profile.
C-03b	Downtown Seattle to West Seattle/Junction, at-grade	Light Rail	This project would build light rail from downtown Seattle, over the existing West Seattle Bridge, to West Seattle's Alaska Junction in a primarily at-grade profile.
C-03c	Downtown Seattle to Delridge/White Center	Light Rail	This project would build light rail from downtown Seattle, on a new, low-level bridge crossing the Duwamish River, to White Center via Delridge with at-grade and elevated sections.
C-04	New Downtown Seattle Light Rail Tunnel Connection	Light Rail	This project would connect Ballard and West Seattle light rail extensions by building a new tunnel through downtown Seattle.
C-05	New Downtown Seattle Light Rail Surface Connection: At-grade	Light Rail	This project would connect Ballard and West Seattle light rail extensions by building a new at-grade light rail connection through downtown Seattle.
C-06	Downtown Seattle Transit Tunnel existing station passenger capacity improvements	Light Rail	This project would improve passenger circulation and provide additional passenger capacity in existing Downtown Seattle Transit Tunnel stations as the regional transit system expands. It will examine the access-egress needs and identify, design, and construct improvements.
C-07	Transit Tunnel (International District to Northgate) improvements enabling increases in system frequency	Light Rail	This project would study, identify, and evaluate capital and operating options in the Transit Tunnel (International District to Northgate) to potentially improve the frequency of trains to less than three minutes. This could include funding projects such as train operations, upgraded train control signal technology, ventilation, access/egress improvements, etc.
C-08	Infill Light Rail Station: Graham Street	Light Rail	This project would add an at-grade station on Link light rail in the vicinity of Graham Street/Eddy Street.
C-09	Infill Light Rail station: Boeing Access Road	Light Rail	This project would add an elevated Link light rail station in the vicinity of Boeing Access Road.
C-10	Infill Sounder Station: Boeing Access Road	Commuter Rail	This project would add a commuter rail station to the existing South Sounder service in the vicinity of Boeing Access Road along the BNSF tracks.

NO.	PROJECT NAME	MODE	DESCRIPTION
C-11	Madison Street BRT	Bus Rapid Transit	This project would connect the Colman Dock area in downtown Seattle with First Hill, Capitol Hill and the Central District using buses in exclusive lanes with signal priority and other features that improve passenger capacity and travel times.
EAST CORRIDOR			
E-01	Overlake Transit Center to SE Redmond to Downtown Redmond (East Link)	Light Rail	This project would extend East Link to downtown Redmond, as addressed in the project's Record of Decision. The project would include stations at SE Redmond and downtown Redmond.
E-03	Totem Lake to Issaquah via Bellevue	Light Rail	This project would build light rail from Totem Lake to the East Link Hospital Station in Bellevue with some sections at-grade and other sections elevated, utilizing the Eastside Rail Corridor. It would continue to downtown Issaquah generally following the I-90 corridor.
E-04	Renton HOV Direct Access/N 8th	Bus	This is a deferred project that would build a new direct access ramp at N 8th Street in Renton. It was to be designed and built in conjunction with WSDOT's I-405 widening project between Bellevue and Tukwila, which has not been funded by the state.
P-02	HCT Study: Issaquah Highlands to Overlake via Sammamish, Redmond	Other	This study would examine potential future upgrades in existing service and/or improved connections along the corridor from Issaquah Highlands to Overlake via Sammamish/Redmond. The study would be completed in coordination with local transit partners to examine a variety of options for service provision, and to maximize opportunities for regional integration.
SOUTH CORRIDOR			
S-01	Kent/Des Moines to Redondo/Star Lake (272nd) (Federal Way Link)	Light Rail	This deferred project would extend light rail from the Kent/Des Moines station to Redondo/Star Lake (in the vicinity of South 272nd Street) per the Record of Decision that will be completed as part of Federal Way Link Extension.
S-02	Redondo/Star Lake (272nd) to Federal Way (Federal Way Link)	Light Rail	This project would extend light rail south from Redondo/Star Lake (South 272nd Street) to the Federal Way Transit Center area per the Record of Decision that will be completed as part of Federal Way Link Extension.
S-03	Federal Way to Tacoma Dome Station via I-5	Light Rail	This project would extend light rail from the Federal Way Transit Center area to Tacoma Dome Station. This option would generally follow I-5 primarily on an elevated structure or on a mix of elevated and at-grade sections.
S-04	Federal Way to Tacoma Dome Station via 99	Light Rail	This project would extend light rail from the Federal Way Transit Center area to Tacoma Dome Station generally following SR 99 in a primarily elevated profile or with a mix of elevated and at-grade sections.
S-05	Tacoma Dome Station to Tacoma Mall	Light Rail	This project would extend light rail from the Tacoma Dome Station to a station in the vicinity of the Tacoma Mall.
S-06	Expand Sounder South Train Platforms to 8 cars	Commuter Rail	This deferred project would expand the capacity of south Sounder commuter rail service by extending the existing station platforms to accommodate 8-car trains.
S-07	Additional South Sounder platform extensions (Beyond 8-car extension included in S-06)	Commuter Rail	This project would extend south Sounder station platforms beyond 8-car trains to increase passenger capacity. (Note: Project S-06 would extend platforms to eight cars.)
S-08	Additional South Sounder service	Commuter Rail	This project would increase south Sounder service beyond levels funded under the Sound Move and ST2 ballot measures through operating and capital improvements.
S-09	Auburn Station access improvements	Commuter Rail	This deferred project would improve access to and from the Auburn Sounder Station. Improvements could include on or off-site parking improvements or other strategies such as pedestrian, bicycle, and transit improvements.
S-10	Kent Station access improvements	Commuter Rail	This deferred project would improve access to and from the Kent Sounder Station. Improvements could include on or off-site parking improvements or other strategies such as pedestrian, bicycle, and transit improvements.
S-11	Tacoma Link Extension	Light Rail	Tacoma Link extension to Tacoma Community College
REGIONWIDE/MULTI-CORRIDOR			
E-02	I-405 BRT: Lynnwood to SeaTac in HOV/managed lanes *(North, East and South corridors)*	Bus Rapid Transit	This project would establish Bus Rapid Transit that would operate primarily in HOV/managed lanes from Lynnwood to SeaTac/Airport Station via I-405, SR 518, and International Boulevard. Potential improvements include direct access ramps to facilitate the movement of buses, as well as parking, freeway stations and station improvements.
P-01	Future System Planning (ST4)	Other	This project would include funds for planning efforts supporting an eventual Sound Transit 4 ballot measure that continues progress toward implementing Sound Transit's Long-Range Plan.
R-01	ST Express Service	Express Bus	This project would fund capital and operating improvements for ST Express regional bus service supporting the high-capacity transit extensions that are selected for the Sound Transit 3 measure.
R-02	Vehicle Purchases	Other	This project would fund expanding the Link light rail, Sounder commuter rail, and ST Express bus fleets as the regional transit system grows.
R-03	Maintenance and Storage Facilities	Other	This project would add maintenance and storage facilities for the Link light rail, Sounder commuter rail and ST Express bus fleets to support system expansion.
R-04	System Repair and Enhancement	Other	Under this program, investments necessary to maintain and operate an expanded regional transit system would be identified and funded. A potential project list is under development and review by Sound Transit staff.
R-05	System Access Program (ped, bike and parking)	Other	This project would fund planning and implementation of investments to improve access to the regional transit system, including improvements for pedestrians, bicyclists, buses and private vehicles. Funds would be prioritized per Sound Transit's System Access Policy.
R-06	Innovation and Technology Program	Other	This program would fund planning and implementation of programs outside the scope of large capital projects, which can improve the functioning and use of the regional transit system through innovative best practices, technologies and partnerships.
R-07	Transit Oriented Development Program	Other	Program to fund additional TOD analysis and support conducted as part of project development in accordance with the TOD Policy (Resolution No. R2012-14). Funding could be used for activities such as planning, detailed market studies, analysis of potential Agency TOD sites and related activities necessary to bring surplus properties to the market, and both Community and Agency TOD development support.
R-08	Agency administration, insurance and reserves	Other	Beyond investments in individual projects, implementing the ST3 program will require agency-wide capital and operating programs including: - Insurance for capital and operating programs, - Bond, capital replacement, operating and other reserves, - Staffing and other administrative costs to implement the ST3 program

NARROWMOOR CONSERVATION DISTRICT

Planning Commission

June 17, 2015

Overview


12TH
SUNSET DR
10TH
9TH PL.
9TH
LOCUST LN
MOUNTAIN VIEW
TERRACE
KARL JOHAN
FERNSIDE
AURORA
FAIRVIEW
JACKSON
SKYVIEW LANE
SKYVIEW PL
SKYLINE
HOWARD
ROCHESTER
8TH
8TH
7TH PL
7TH PL
7TH
6TH
VISTA
6TH
MEYERS
8TH
OXFORD
HOWARD
LAUREL
HEGRA
GEIGER
MACARTHUR
10TH
ROCHESTER
MAGNOLIA
LAUREL
SUNSET
LINDEN
LOCUST
MOUNTAIN VIEW
VENTURA
KARL JOHAN
FERNSIDE
AURORA
FAIRVIEW
WESTLEY
OXFORD
12TH
12TH
12TH
6TH
CRYSTAL SPRINGS PLACE
14TH
BROOKSIDE TE
LEWIS
VENTURA
KARL JOHAN
FERNSIDE
AURORA
GEIGER
MEYERS
15TH
15TH
SUSPENSION
FAIRVIEW
GEIGER CIRCLE
15TH
16TH
TITLOW
CRYSTAL SPRINGS
SUNSET
SUNRAY
JACKSON
MEYERS
MACARTHUR
16TH
17TH
17TH
BROOKSIDE TE
VENTURA
KARL JOHAN
LEIF ERICSON
GEIGER
MEYERS
19TH
N

Overview

Proposal
Establish a conservation district overlay zone to protect neighborhood character through design review, and specific requirements for lot subdivision.

Landmarks Preservation Commission voted to recommend adoption of the conservation district on May 27, 2015.

Key Characteristics

- Most houses built late 1940s – early 1960s
- Typically low slung, horizontally massed
- Two floors, including main floor accessed at grade from the east, and a daylight basement facing west

Key Characteristics

- Houses typically located on the uphill (east) end of lot
- Lots extend from street to street and are oriented east-west

Key Findings

- The Narrowmoor area is eligible to be a conservation district based on TMC criteria
- A large majority of respondents are supportive of the district based upon testimony, survey returns and written comments
- The regulations as drafted meet the requirements of a conservation district

Key Issues

- The original neighborhood proposal set minimum lot size at 12,500 sf. The LPC recommendation does not include a minimum lot size, but rather, lot development guidelines/standards that guide compatible subdivision.

  The district is <u>not</u> intended to preclude infill development.

- The neighborhood strongly desires tree regulation. LPC does <u>not</u> recommend regulating tree height in the conservation district, although this may be a discussion appropriate for view sensitive areas citywide.

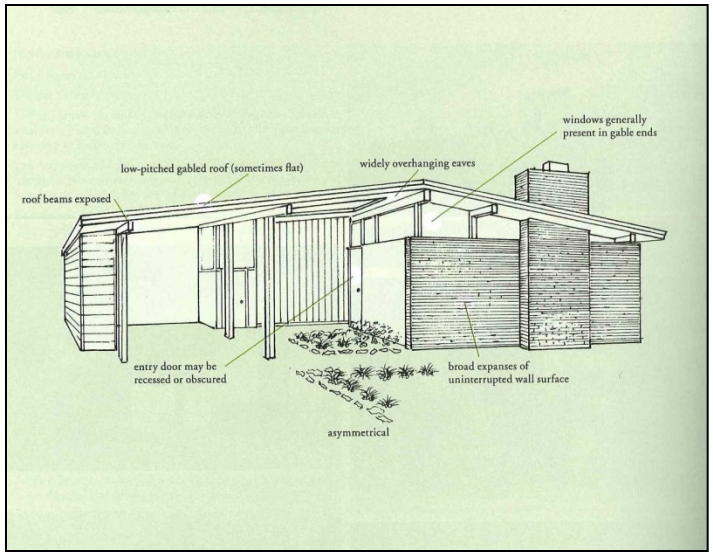
Key Issues

- Covenants: The conservation district is not intended to adopt, replace or act as an enforcement mechanism for private covenants.
- Many public comments were received concerning garage placement. The recommendation includes a smaller garage size than allowed in zoning, along with setback requirements, but does not further reduce height.
- Streetscape is a significant component of neighborhood character. Much of the district lacks sidewalks by design, which is not consistent with current City standards, and the Commission recommends further review of this issue.

Key Changes to Proposal

The Landmarks recommendation differs from the original submittal in several key ways:

- Lot size and subdivision. The proposal originally set lot size minimum at 12,500 sf. Previous discussions considered a prohibition on lot subdivision. The LPC recommendation does not include either, in favor of specific development standards and guidelines.
- Regulation of trees was included in the original proposal, but is not included in the recommendation.
- The original proposal contained highly subjective guidelines, which have been thoroughly amended.
- The original proposal lacked design guidelines for many important character elements, which have been added by the LPC.



Timeline

2007	West Slope Neighborhood Coalition (WSNC) requests historic district feasibility study
2009	Consultant report recommends amending conservation district tool for West Slope Neighborhood consideration
2011	City Council amends conservation district tool
2012-13	WSNC retains consultant to develop conservation district proposal
November, 2013	Application for conservation district Area Wide Rezone submitted to Landmarks Commission

Timeline

May 28, 2014	Landmarks Commission begins review of conservation district proposal
June 2, 2014	Briefing to Neighborhoods and Housing Committee
September 24, 2014	Landmarks Commission authorizes public review of modified proposal
November 5, 2014	Briefing to Planning Commission
November 18, 2014	Public information session on conservation district proposal
January 1, 2015	City retains consultant to begin work on design guidelines

Timeline

February 5, 2015	Public information meeting on design guidelines
March 11, 2015	Landmarks Commission authorize public hearing and postcard survey
March 25, 2015	Landmarks Commission design guidelines discussion
April 6, 2015	Neighborhoods and Housing Committee
April 8, 2015	Landmarks Commission Public Hearing
April 22, 2015	Landmarks Commission review of testimony
May 6, 2015	Landmarks Commission special work session
May 13, 2015	Landmarks Commission direction
May 20, 2015	Planning Commission briefing
May 27, 2015	Landmarks Commission Findings and Recommendation

Next Steps

Authorize for public distribution/hearing along with 2015 Annual Updates

Affordable Housing Planning Work Program (Phase 3)

Planning Commission
June 17, 2015

AHPAG Planning Recommendations

1. Infill/Affordable building design practices:
   - 3.2.1 Expedited permitting
   - 3.2.5 PRD's and PARD's
   - 3.5.1 ADU's (detached)
   - 3.5.2 Cottage housing
   - 3.5.3 Permit Ready Housing Designs
   - 3.5.4 Great houses (also, duplexes on corners)
   - 3.5.5 Group housing
   - 3.8.1 Small Lots

2. Affordable Housing Incentives:
   - 3.2.1 Voluntary Housing Incentive Program
   - 3.2.2 Inclusionary requirements w/ residential upzones
   - 3.2.3 … w/ City initiated upzones
   - 3.2.4 … w/ Voluntary Master Planned Communities
   - 3.2.5 PRD's and PARD's
   - 3.2.7 Transfer of Development Rights

Proposals

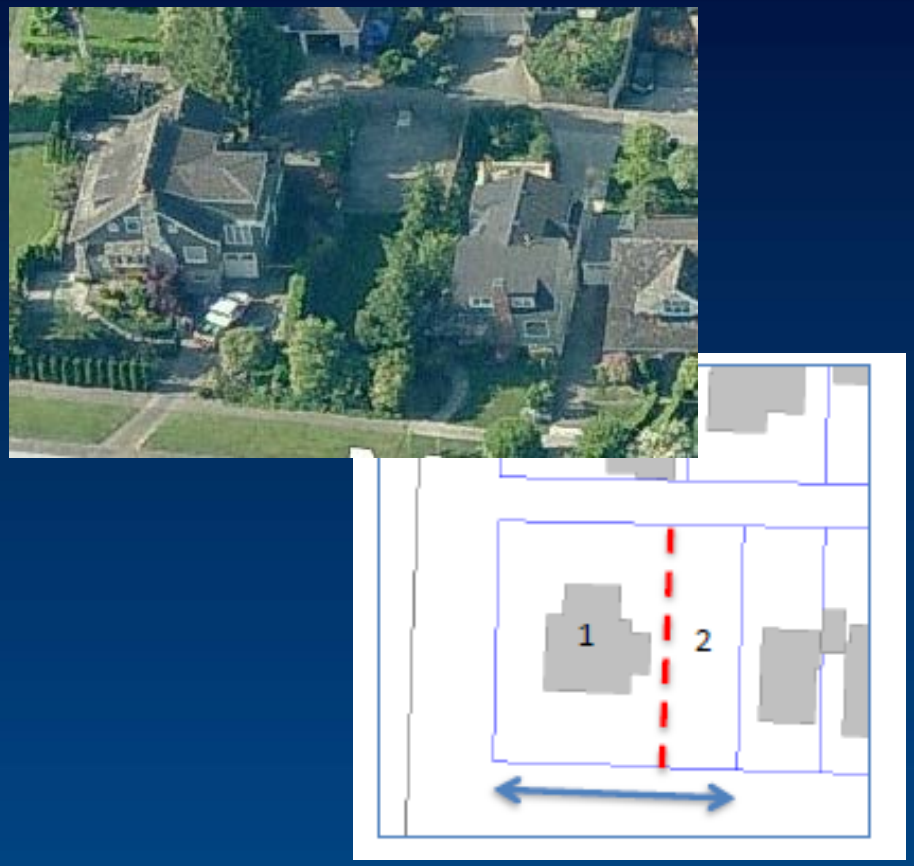
1. Lot size flexibility & update standards
2. Special Review Districts
3. Pilot Infill Program
4. Planned Residential Districts
5. Affordable Housing Incentives & Bonuses; Upzone requirements
6. City process enhancements

Small lot standards changes

1. Floor Area Ratio – 0.6
2. Parking – only one req'd., de-emphasize
3. Roof pitch, eaves
4. Windows and doors trimmed
5. Historic districts:
   - No demolitions of contributing
   - Historic standards, LPC authority
   - Covered porches
   - Detached garages (rear yard)

1. Lot size flexibility options

- Lot size averaging
- CAPO density bonus



2. Special Review Districts

- 3,500 sf lots

- CUPs for 2- and 3-family

3. Pilot Residential Infill Program

- Administrative design review
- Design principles:
  - Context-responsive
  - Pedestrian-oriented
- Get some good examples built
- Perfect the code
- Sustainability features
- Good examples library

Pilot Infill Options

- Detached ADU's
- Corner 2-family

Pilot Infill Options

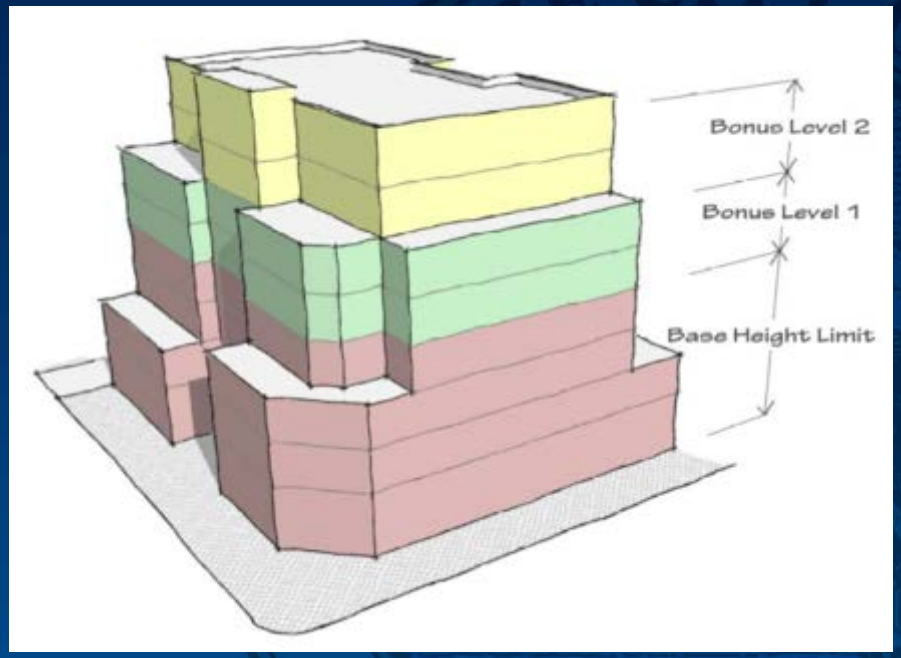
- R-3 multi-family
- Cottage housing

4. Planned Residential Districts updates

- PRD's as "innovation district"
  - Design principles
  - Sustainability features
  - Connectivity
- Minimums: 1 acre, 15% common open space
- Density bonus:1.25 to 2.0 x base zoning
  - Affordability, sustainability features

5. Incentives & Upzones

- Development incentives (PRD's, Downtown)
- Financial incentives (fees, permit processing)
- Upzones – require affordability
- The mechanics (making program meaningful)
  - RCW 36.70A.540
  - 20 units or more
  - Affordability targets
  - Fee in lieu option

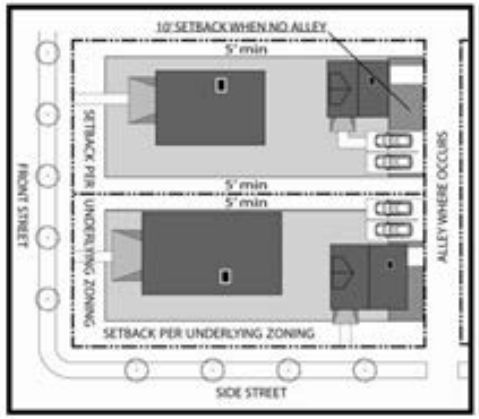


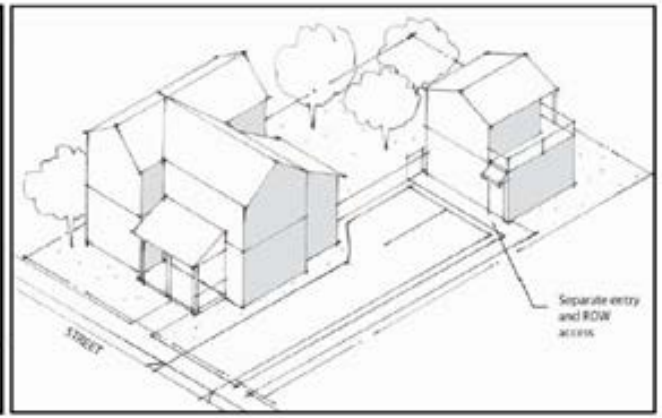
6. City process enhancements

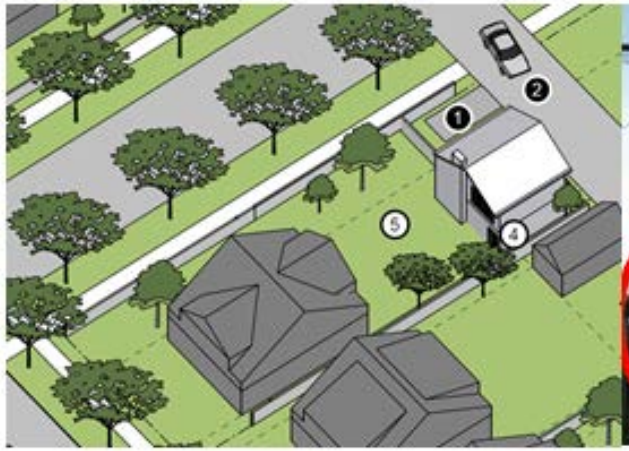
- Lots done in previous phases
- Affordable housing - financial incentives (resource dependent)
- Good examples library
- Residential Infill Pilot Program
- Future steps
  - Pre-approved plan sets, design review, code refinements…

Design tools - library

Detached ADU

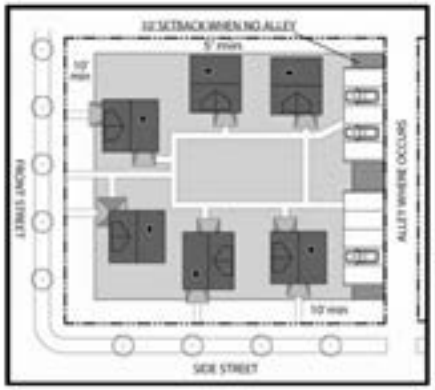


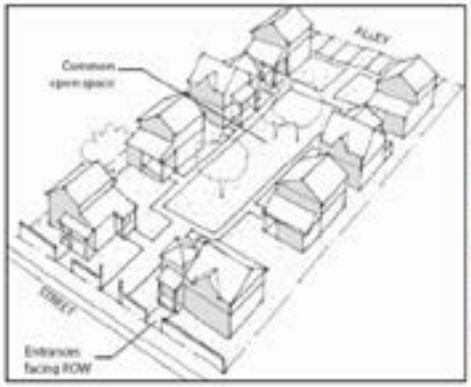




Design tools - library

Cottage Court





Discussion

- Anything we missed?
- Refinements needed to draft code (prior to public review)?
- Next steps: Staff report and draft code for July 1st meeting

Live/Work & Work/Live Code Amendments

City of Tacoma

Planning & Development Services

Planning Commission

June 17, 2015

- **2012 amendments (Land Use Code)**
  - Existing buildings within Downtown & MUCs
  - Development flexibilities
  - Recognized that further amendments to Building Code were necessary

- **2015 amendments (Land Use & Building Code)**
  - Expand applicability
  - Align standards/flexibilities among the codes
  - Response to consultant study on code compatibility

Consultant Study on Code Compatibility

Recommended revisions to Land Use Code:

- Increase allowable residential space (33% to 50%)
- Allow “separated” live-work uses
- Eliminate restrictions for 20+ dwelling units
- Remove mezzanine provision
- Remove limitations for new construction

(most of these considerations will be addressed in the proposed Building Code amendments)

Land Use Code amendments

- Code consistencies & clarifications
  - Live/Work vs. Home Occupation
  - District Use Tables

- Allow in other zoning districts that allow for the associated mix of uses

- Allow in new buildings

Schedule

Tentative Date	Actions
April – September	**Public and Stakeholders Outreach**
May – June	**Planning Commission** – Review scope and schedule
May – August	**IPS Committee** – Review scope, schedule, potential amendments, etc.
June	**Board of Building Appeals** – Review Scope and schedule
July	**Planning Commission** – Public Hearing
August	**Board of Building Appeals** – Recommendation
August	**Planning Commission** – Recommendation
September	**City Council** – Study Session
September	**City Council** – Public Hearing
October	**City Council** – Adoption

Actions Requested

- Authorize the release of the proposal for public review
- Set a public hearing for July 15, 2015

June 15, 2015

Planning Commission Member,

We understand that the Planning Commission had requested a survey of the West Slope-Narrowmoor residents to determine interest in establishing a Conservation District in the Narrowmoor development. We are writing to express some serious concerns surrounding information that was provided to you by a representative of the Landmarks Commission at your May 20th meeting, and officially presented in the document titled "Findings and Recommendations for the Narrowmoor Conservation District".

After reviewing the returned survey cards in person with a Landmarks Historic Preservation Officer, several problems regarding the content of the survey and the way the results were presented became evident. The Officer indicated 1158 survey cards were sent out to the Narrowmoor divisions and an additional 400 feet around the Narrowmoor perimeter. After physically inspecting the cards with the Officer, here are some of our issues:

<u>The survey process lacked reasonable controls</u>

- 1158 surveys were sent out and only 160 were returned, roughly 14% of the total mailing. Of those returned only 120 indicated a favorable response (10 percent of all sent out).

- Survey did **not** require the respondent to provide their name, address or identify which Narrowmoor Addition they lived in. As a result, only 20 cards were returned with a return address on them, and of those 3 were from outside the affected Narrowmoor area. This indicates that less than 2% can be said to be valid responses in favor of establishing a Conservation District.

- Errors in printing resulted in multiple response cards to some homes (we received 3 at our address with exactly the same address label on each)

- Survey distribution did not coincide with previous outreach meeting notifications, as Landmarks Preservation uses several different mailing lists- which may have accounted for the duplicate cards being sent out.

As a result, the survey results as presented at the May 20th Planning Commission meeting and as provided as "Findings" were misleading and seemingly biased given the poor quantity of responses received and poor quality of the survey methods.

The Findings state: *"The postcard survey was distributed with the public notice to property owners inside and within 400' of the proposed boundaries, totally 1058 individual notices. By the end of the comment period, 155 surveys had been returned, including 121 from within the proposed district boundaries. Of those from within the proposed boundaries, 82% (99 responses)*

were in support of the district, 14% (17 responses) were opposed, and 3% (4 responses) indicated "not enough information). One person indicated "neutral."

These numbers are different from the actual survey cards that we reviewed. The assertion that there were "121 from within the proposed district boundaries" is unsubstantiated by fact as there were only 20 results that could be identified by address.

Mr. Boudet's comments in the May 20th meeting minutes stating that "there was support overall..." misrepresents the facts, as there were only 14 percent of the total surveys returned. How can anyone claim "overall support" from such a small set of data, especially when there were no controls on the survey? This misrepresentation of the data concerns us, as we expected an impartial report of facts for the Planning Commission to assess.

Based on these actual numbers on record, the only accurate statement that can be made regarding the survey is that the results were inconclusive. This conflicts with the characterizations stated in the approved meeting minutes and presented as Findings.

In summary, the way the survey was conducted resulted in poor response from the area residents and no means to determine the accuracy of the few responses that were received. It would be irresponsible to use the survey results to support any decision regarding the demand for a Conservation District by the residents of Narrowmoor. Perhaps future outreach efforts could include a more diverse means of communication such as newspapers or social media and not just survey cards that get lost in junk mail and can be downloaded and printed by anyone.

Thank you for your consideration and time.

Sincerely,

Iain & Nancy Parsons
1502 Ventura Dr.
Tacoma, WA 98465

Tacoma City of Tacoma Memorandum

TO: T.C. Broadnax, City Manager
FROM: Peter Huffman, Director, Planning and Development Services
COPY: Infrastructure, Planning and Sustainability Committee
SUBJECT: Transfer of Development Rights:
DATE: June 10, 2015

SUMMARY:
At the meeting on June 10, 2015, the Infrastructure, Planning and Sustainability Committee will receive a briefing on the potential for the State Landscape Conservation and Local Infrastructure Program (LCLIP) to assist in funding infrastructure projects in Downtown Tacoma.

BACKGROUND:
Transfer of Development Rights (TDR) Programs allow for the extinguishment of development rights, e.g., dwelling units, on agricultural, forest, and open space lands and on historic structures ("sending areas") and the transfer of these rights by a market based formula to urban "receiving areas," usually via increased density. The State Growth Management Act (GMA) encourages the use of TDR programs to advance GMA goals, as does the regional development plan, *VISION 2040*. Beyond this, the State has authorized cities to use a property tax increment from the county in which the city is located to match the tax increment from new construction in a designated city receiving area in order to finance new infrastructure. The State legislation is set forth in RCW 39.108 ("Landscape Conservation and Local Infrastructure Program"—LCLIP).

The City of Tacoma has adopted the policy framework necessary to establish a TDR program in its Comprehensive Plan and in an Interlocal Agreement with Pierce County. The City has also adopted the administrative regulations necessary to operate a TDR program in TMC 1.37. As part of establishing these policies and regulations, the City Council in Resolution #3853 directed staff to seek State funding to analyze the feasibility of establishing an LCLIP program in Tacoma. Funding was secured, a consultant team was retained, and a detailed feasibility analysis was conducted. This analysis is set forth in a Report, included as an Attachment to this Memorandum. It is important to recognize that the adopted policies and Interlocal Agreement provide an operable framework to implement a TDR Program with the County regardless of the City's utilization of LCLIP.

The Report concludes that there is enough bonus increment capacity in Downtown Tacoma to retire all 1,843 credits allocated to the City by the Puget Sound Regional Council (PSRC) as part of the State LCLIP program. In total, the study area can support 90 million square feet of new development through the use of both base and incentive zoning, approximately 30 million square feet of capacity that can only be achieved through TDR with the remainder available through the base zoning and the first tier of bonus floor area achievable through design incentives. Assuming an exchange rate of 5,000 square feet per TDR credit (the exchange ratio for TDRs from unincorporated Pierce County), over 9.2 million square feet of development would have to use the TDR incentive bonus to retire all the City's credits.

However, while it is likely that TDR incentive bonuses are feasible within the Study Area, particularly in the mixed-use zones, levels of assumed development and TDR use make it challenging for the city to meet what is arguably a LCLIP minimum specified portion of 20% - or 368 development rights - over the

next 25 years. This is extremely problematic as the program has the potential to generate a significant amount of new revenue for the City assuming a high level of Downtown private investment. Finding alternative ways to meet a portion of the City's regional allocation of credits could dramatically change the LCLIP calculus for the City. Potential changes that lower the starting and threshold placement of TDR requirements through a partnership with Pierce County to address flexibility around performance thresholds would be most meaningful.

There are sound legal arguments that the City and the County currently have the authority to mutually agree on performance thresholds. A bill clarifying LCLIP provisions, introduced but not passed during the 2015 legislative session, would have confirmed that authority (HB 1513 Section 6 - 39.108.150[4][a][iii]).

ISSUE:
Given current market conditions, to what extent can a proposal be fashioned that works for both the City of Tacoma and Pierce County, a proposal that places Pierce County TDRs in the City and preserves natural resource lands in Pierce County?

ALTERNATIVES:
The alterntive approach would be to defer any action until a major catalyst project that relies heavily on TDRs moves forward and establish the LCLIP program at that time and do so in a manner that is very project specific.

FISCAL IMPACT:
There are no additional development costs added by either alternative. However, changes that lower the starting and threshold placement of TDR requirements through a partnership with Pierce County to address flexibility around performance thresholds would attract some matching funds from the County for infrastructure improvements Downtown. Further, this partnership could establish a pricing structure and policy that could streamline TDR sales for qualifying projects in Downtown, e.g. a City TDR bank could be established.

RECOMMENDATION:
City staff work with County staff to explore changes to the basic LCLIP structure that lower the starting and threshold placement of TDR requirements through a partnership with Pierce County.

If you have any questions, please contact Ian Munce, Special Assistant to the Director, PDS, at (253) 573-2478 or imunce@cityoftacoma.org.

ATTACHMENT:
"Tacoma Landscape Conservation and Local Infrastructure Program (LCLIP) for Downtown Tacoma, May 2015"

City of Tacoma

Landscape Conservation and Local Infrastructure Program (LCLIP) for Downtown Tacoma

May 2015

Prepared for:

City of Tacoma

ECONorthwest
ECONOMICS • FINANCE • PLANNING
FORTERRA
HEARTLAND

Contact Information

Morgan Shook, Erik Rundell, Chris Fiori, Andy Campbell, Nick Bratton, and Dan Bertolet prepared this report. ECONorthwest gratefully acknowledges the substantial assistance provided by staff at Heartland, Forterra, and VIA Architecture.

ECONorthwest specializes in economics, planning, and finance. Established in 1974, ECONorthwest has over three decades of experience helping clients make sound decisions based on rigorous economic, planning and financial analysis.

For more information about ECONorthwest, visit our website at www.econw.com.

For more information about this report, please contact:

Morgan Shook

ECONorthwest
1218 Third Avenue, Suite 1709
Seattle, WA 98101
206.395.9004
shook@econw.com

Executive Summary

Why is the City of Tacoma undertaking this study?

The City is exploring the viability of the Landscape Conservation and Local Infrastructure Program (LCLIP) for Downtown Tacoma. The City has created a compelling vision for the area through recent planning efforts that envisions higher levels of activity through mixed-use, high-density development. The growth and development envisioned for the Downtown can support the City in achieving its broader community goals, such as economic development, fiscal sustainability, environmental conservation, and higher quality of life for its current and future residents.

In order to catalyze and support growth in this area, the City will need to make substantial investments in infrastructure. While funding for these capital needs will come from a variety of sources, the City will likely need to contemplate other innovative funding tools to address potential funding gaps. The City of Tacoma is exploring the use of the LCLIP, a form of tax increment financing.

What is LCLIP?

LCLIP is a form of tax increment financing enacted in 2011. The program offers the use of tax increment financing to a city in return for: 1) the creation of a Transfer of Development Rights (TDR) program; and, 2) the acceptance of a specified amount in regional development rights. In exchange for the placement of development rights in LCLIP districts, the jurisdictional county (in this case Pierce County) agrees to contribute a portion of its regular property tax to the sponsoring city for use for a defined period (up to 25 years). The program is only available to select cities in the central Puget Sound counties of King, Pierce, and Snohomish.

What is the area of study?

The Study Area is Tacoma's Downtown Regional Growth Center (RGC), a RGC that includes the Hilltop and Stadium mixed-use centers. These areas include zoning districts with TDR incentive bonus provisions: the Downtown District and Mixed Use Center District. For the LCLIP analysis, the study uses just those zones in the Study Area that have TDR incentive bonus provision. Exhibit ES-1 below depicts the Study Area.

ES - 1 Overview of the Study Area

Source: City of Tacoma, ECONorthwest, 2014

What did the study find?

There is strong policy case for LCLIP in Tacoma.

Downtown Tacoma will play a central role in the city meeting its growth targets. It has the capacity to accommodate a large amount of population and employment. Much of the capacity in Downtown Tacoma is available for the use of TDR as part of the City's incentive zoning regulations. Downtown Tacoma is also in need of infrastructure improvements where LCLIP funding can play a role.

There is sufficient incentive zoning capacity to retire the city's regional allocation.

There is enough bonus increment capacity in the downtown to retire all 1,843 credits allocated to the City by the Puget Sound Regional Council (PSRC) as part of the State LCLIP program (RCW 39-108). In total, the study area can support 90 million square feet of new development through the use of both base and incentive zoning, approximately 30 million square feet of capacity that can only be achieved through TDR with the remainder available through the base zoning and the first tier of bonus floor area achievable through design incentives. Assuming an exchange rate of 5,000 square feet per TDR credit (the exchange ratio for TDRs from unincorporated Pierce County), over 9.2 million square feet of development would have to use the TDR incentive bonus to retire all the City's credits.

Changes to the TDR program will be necessary to better support a successful LCLIP program.

Should Tacoma wish to pursue LCLIP, the City may want to consider making changes to its TDR Code to expand the eligible sending sites, establishing a preference for less expensive credits and regional credits, and making further comprehensive plan updates.

The Downtown regional growth center can serve as an LCLIP district (e.g. LIPA).

Using land assessment figures for 2014, the area contained approximately 22% (approximately $4.8 billion of assessed value) of the City's assessed value total. Designation of the entire Downtown Tacoma Regional Growth Center as a LIPA would meet the requirement that the LIPA be less than 25% of the City's total assessed value.

Placement of TDR may not be sufficient to start LCLIP revenues.

Generally, there is a miss-match between incentive zone capacity and market feasibility. The Downtown Commercial (DC) zone has the most capacity, but the least feasibility for incentive zone use. Mixed-use zones are the most likely to support TDR purchase, but have limited TDR capacity. While it is likely that TDR incentive bonuses are feasible within the Study Area, particularly in the mixed-use zones, levels of assumed development and TDR use make it challenging for the city to meet an LCLIP minimum specified portion of 20% - or 368 development rights - over the next 25 years.

LCLIP will likely be a long-term proposition under current conditions.

There is enough as of right capacity to accommodate likely future development; as a result, the use of bonus capacity may be limited. Even under an aggressive growth scenario, Tacoma would not be able to place all of its development credits allocated by PSRC. However, the program would generate a significant amount of new revenue for the City. Net revenue to the city from county contributions toward infrastructure improvements would be substantial at $29.3 million NPV over the 25-year period.

What is the path forward for LCLIP?

Due to the limited market demand for the placement of TDR credits within Downtown Tacoma based on recent development trends it would likely be challenging for the City to meet minimum requirements and retire all its allocated development credits through an LCLIP program. There are three approaches to proceeding with LCLIP.

No Action in the Immediate Future

The current analysis shows that while (1) the city's incentive zoning policy can potential retire large portion development rights and (2) there is some limited market potential to use TDR, the resulting absorption of TDR credits will not be sufficient to meet what are arguably minimum requirements needed to establish a LCLIP program. While the city can move to make a series of administrative changes to its TDR code to facilitate more credit use, the immediate challenge to the city is the allocated share of TDR credits from PSRC is not in line with the current demand for incentive zoning and TDR in Tacoma. This makes it difficult to realize a meaningful sponsoring city ratio and program revenues.

Finding alternative ways (non-market placed) to meet the city's regional allocation of credits could dramatically change the LCLIP calculus for the city. Potential changes to lower the starting and threshold placement of TDR requirements, through a partnership with Pierce County to address flexibility around performance thresholds, would be most meaningful.

Target Minimum Specified Portion

This approach would establish LCLIP program targeted at meeting a minimum City specified portion ratio of 20% or 368 development rights within much of the capacity in the mixed use district. The city would also need to make a series of administrative changes to its TDR code to facilitate more credit use. Once a program was in place, the city would begin collecting incremental property tax revenues from Pierce County. These collected revenues would most likely have to be used on a pay-as-you-go basis for either capital and/or operational purposes since the city would be evaluating extending the program based on its ability to meet the performance thresholds.

At year nine, the city will have to evaluate its progress towards it year 10 performance threshold (50% TDR placement of specified portion). If the city is underperforming, it has the option to purchase development rights (or seek other means for securing development rights) needed to make up the gap and extend revenues until the next performance threshold. The City may also want to explore the opportunity for credit-price guarantee agreement with Pierce County. The county has some banked credits and may be willing to source these credits to the City at a lower-than-market rate.

Time and calibrate LCLIP program to a development/TDR milestone(s).

The city can structure the start of the LCLIP program with either a single or multiple major development/TDR milestones, such as a large downtown zone project that achieves a large portion of its development capacity via a TDR bonus (in excess of a minimum specified city portion). Timing the program to the start of a known large-scale development within the growth center would allow the city to capitalize on known demand and maximize the benefits to the City. This would help the city target its sponsoring city ratio and determine its strategy for meeting its threshold targets.

Pegging the program to such a large, known quantity of TDR use would allow the city to comfortably structure the LCLIP program to run for the full 25 years (i.e. meet performance thresholds). Solving the performance threshold a priori would allow the city more flexibility on the use of funds by allowing some public infrastructure costs to be financed with debt. If additional projects come on-line with TDR use, the city can annually amend its sponsor city ratio to account for those additional credits.

Table of Contents

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1 Project Overview

The City of Tacoma is exploring the viability of the Landscape Conservation and Local Infrastructure Program (LCLIP) for Downtown Tacoma. The City has created a compelling vision for the area through recent planning efforts that envisions higher levels of activity through mixed-use, high-density development. The growth and development envisioned for the downtown can support the City in achieving its broader community goals, such as economic development, fiscal sustainability, environmental conservation, and higher quality of life for its current and future residents.

In order to catalyze and support growth in this area, the City will need to make substantial investments in infrastructure. While funding for these capital needs will come from a variety of sources, the City will likely need to contemplate other innovative funding tools to address potential funding gaps. The City of Tacoma is exploring the use of the LCLIP, a form of tax increment financing (TIF) enacted in 2011, also commonly referred to as the transfer of development rights (TDR)-tax increment financing program. This program provides the ability for cities that have TDR programs to access incremental county property tax revenues to fund and finance public improvements within designated LCLIP districts.

This report provides a series of findings and recommendations for a potential LCLIP program for the City of Tacoma based on:

- LCLIP legislation and program features.
- The City's incentive zoning and TDR code.
- Historical development trends, projections on future growth and estimates of TDR use.
- Estimates of LCLIP funding potential.

1.1 Why Use TDR and LCLIP in Tacoma

The Puget Sound Regional Council's (PSRC) Vision 2040 is the region's strategy for accommodating future growth through 2040. The strategy focuses on concentrating population and employment growth in regional growth centers, such as Downtown Tacoma, that are best suited for growth and can mitigate many of the public costs and impacts of urban sprawl. Individual cities implement the goals of Vision 2040 through their comprehensive plans and zoning regulations in accordance with the Growth Management Act (GMA).[1]

The GMA encourages "innovative land use management techniques" such as transfer of development rights (TDR) to help local governments achieve their planning goals.[2] TDR programs are a tool for implementing growth and planning goals that goes beyond traditional zoning by giving landowners other real estate options, by protecting resource lands from development in perpetuity, and by engaging the market to generate private funding for land conservation.

[1] Washington State Department of Commerce. Website accessed July 2012.

[2] RCW 36.70A.090

As mandated by VISION 2040 and by the Pierce County Population and Employment Allocations the City of Tacoma has adopted population and employment planning targets as part of its comprehensive plan, and must act to accommodate that growth within the City over the next 20 years. In addition, the comprehensive plan envisions most of this new growth being directed to the Downtown Regional Growth Center and its mixed use centers. Over the past several years, the City has undertaken community-planning efforts in the Dome District, North Downtown, and Hilltop areas leading to significant changes in land use policy and zoning.

Downtown Tacoma can play a central role in accommodating new growth. It has the capacity to accommodate a large amount of population and employment. Much of the capacity in Downtown Tacoma is also available for the use of TDR as part of the City's incentive zoning regulations. Downtown Tacoma is also in need of infrastructure improvements, but the City has limited capacity to fund all the desired projects downtown. TDR programs, such as LCLIP, provide the City with a tool for accommodating future growth in accordance with the City's comprehensive plan and generate revenue to fund improvements that are needed to support that growth and realize the City's vision for Downtown.

1.2 Key Questions

This report outlines a series of considerations relating to the use of LCLIP to help inform the City's decisions on program participation. These considerations will also help the City to understand how to optimize use of the tool in a way that best advances its infrastructure, growth, and conservation objectives. The key questions for this analysis cover:

- What is the policy basis for using LCLIP with the City's existing TDR program and broader community goals?
- What are the key LCLIP program issues for how the city may construct its LCLIP program?
- What is the structure of the City's incentive zoning program and how does the TDR program fit within that structure?
- Under current market and development conditions, how might development projects use TDR to access additional building capacity?
- What are a range of LCLIP revenues that might be possible?
- Based on the cumulative understanding of the questions above, how might the city think about moving forward with an LCLIP program?

1.3 Report Organization

The report is organized into six subsequent sections that provide an analysis of the feasibility of LCLIP in the study area and recommendations for moving forward with a Landscape Conservation and Local Infrastructure Program. The main sections of the report are:

- **LCLIP Program Review:** This section reviews the LCLIP legislation and identifies a framework for thinking about incentive zoning, TDR, and LCLIP program choices.

- **Incentive Zoning and TDR Policy Review:** This section reviews Tacoma's incentive zoning and TDR program within the study area and individual zones.
- **Incentive Zoning and TDR Assessment:** This section summarizes the capacity for development in the downtown and provides an assessment of the feasibility of TDR under current development economics and offers some insight on its potential use.
- **LCLIP Revenue Assessment:** This section reviews development trends in the study area, projects development over the next 20 years. This section then assesses the revenue potential of an LCLIP program under a different growth and TDR absorption scenarios.
- **Program Findings and Recommendations:** This section summarizes the key findings from previous sections and provides recommendations for establishing a LCLIP program based on those findings.
- **Implementation Road Map:** Lastly, this section outlines the steps necessary should the City decide to establish a Landscape Conservation and Local Infrastructure Program.

2 LCLIP Program Review

This section presents an overview of the LCLIP enabling legislation and key features of the program that are relevant to program assessment and strategy.

2.1 Program Overview

LCLIP is a form of tax increment financing enacted in 2011. The Washington State legislature created the LCLIP program based on its finding that:

> *The state and its residents benefit from investment in public infrastructure that is associated with urban growth facilitated by the transfer of development from agricultural and forest lands of long-term commercial significance. These activities advance multiple state growth management goals and benefit the state and local economies. It is in the public interest to enable local governments to finance such infrastructure investments and to incentivize development right transfer in the central Puget Sound through this chapter.*

The program offers the City a new funding source: a portion of the jurisdictional county's regular property tax in return for 1) mechanisms to place development rights and 2) the acceptance of a specified amount regional development rights. In exchange for the placement of rural development rights in LCLIP districts, the jurisdictional county (Pierce County for Tacoma) agrees to contribute a portion of its regular property tax to the sponsoring city for use for a defined period. The program is only available to select cities in the central Puget Sound counties of King, Pierce, and Snohomish.

The LCLIP program targets only a portion of the incremental property taxes generated from new development. This is not a new tax to residents or businesses. The remaining portion of the property tax still accrues to the sponsoring city and to the jurisdictional county. Existing and incremental revenues flowing from sales, business and occupation, and utility taxes still accrue to the city, as well as, other capital restricted revenues.

2.2 Use of LCLIP Funds

Under the LCLIP program cities can use LCLIP-generated funds to pay for public improvements in the LCLIP district as follows:

- Street, road, bridge, and rail construction and maintenance;
- Water and sewer system construction and improvements;
- Sidewalks, streetlights, landscaping, and streetscaping;
- Parking, terminal, and dock facilities;
- Park and ride facilities of a transit authority and other facilities that support transit-oriented development;
- Park facilities, recreational areas, bicycle paths, and environmental remediation;

- Storm water and drainage management systems;
- Electric, gas, fiber, and other utility infrastructures;
- Expenditures for facilities and improvements that support affordable housing as defined by WA law.
- Providing maintenance and security for common or public areas.
- Historic preservation activities authorized under WA law.

LCLIP is different from previous versions of TIF in Washington in that it provides more flexibility on how the funds can be used. Specifically, LCLIP enables funding for more than just capital improvements and can support some operational activities related to the maintenance and security of public areas.

2.3 Determinants of LCLIP Revenues

2.3.1 LCLIP District Revenue Calculation

The tax basis of LCLIP is based on new construction so it excludes existing buildings and revaluation. LCLIP revenues are derived from the allocation of a portion of the city's and county's regular property tax (e.g. current expense levy) to the LCLIP district. Once a district has been created by a city, 75% of the assessed value of new construction – multiplied by a city's Sponsoring Ratio (explained below) – is allocated to the LCLIP district and used as the tax basis to distribute revenues from the regular property tax using the current year's regular property tax rate.

For example, suppose a newly constructed building generates $1,000 in regular property tax revenues on a property tax rate of $1.00. If this same building is valued at $1,000,000 for the purposes of new construction, then 75% (multiplied by the Sponsoring City Ratio, explained below) of the new construction would place $750,000 in the LCLIP assessed value base and lead to the distribution of $750 of the $1,000 paid in regular property tax to the LCLIP area. The remaining $250 would still go to the jurisdiction's general fund. As noted, the Sponsoring City Ratio acts to pro-rate how much of the 75% of new construction gets added to the LCLIP district assessed value base. The example above assumes a ratio of 1.0. Alternatively, a ratio 0.50 would reduce that $750 revenue apportionment to $375.

The calculation of LCLIP district assessed value basis starts at the time that the district(s) is created. The dedication of city and county property tax revenues to the district commence the second year after the district is established. The program can run for a maximum of 25 years on the condition that TDR placement thresholds are met (explained below).

2.3.2 LCLIP Sponsoring City Ratio

In adopting an LCLIP program, the city must decide upon specific TDR target based on regional allocation performed by PSRC. Tacoma's allocation from PSRC is 1,843 TDR credits. The "Sponsoring City Ratio" reflects the proportion of development rights a city has chosen to accept (the specified portion above) related to the receiving city allocated share, as determined by PSRC. The resulting ratio of "specified portion" to "allocated share" (anywhere from 0 to 1) acts to pro-rate the

amount of new construction value that can accumulate to a LCLIP district. A city must set its sponsoring city specified portion that is equal to or greater than twenty percent of the sponsoring city allocated share. For Tacoma, that amount is 367 development rights or higher.

Accepting the full allocated share would maximize potential LCLIP revenues while taking something less than the full allocated share reduces the potential value of the program to a city. For example, Tacoma's allocation is 1,843 rights (allocated share) and suppose it chooses to accept 922 of them (specified portion), its resulting sponsoring city ratio is 0.5 (922 divided by 1,843).

In choosing its ratio, the city is trying to select an amount of credits it hopes to place over a 20-year period to meet the threshold requirements (discussed below) and extend the program (and revenues) the full 25 years. In doing so, the city is seeking the difficult balance on the feasibility/likelihood of TDRs being used by development against the amount of revenue LCLIP can generate.

2.3.3 LCLIP Performance: Credit Placement Thresholds

While the LCLIP program can run for a maximum of 25 years, the legislation requires participating cities to demonstrate performance on the use of credits within their Local Improvement Project Area (LIPA). Cities using the LCLIP tool must meet a series of performance thresholds pegged to their specified portion and are given a choice on in regards to permitting or acquisition of development rights if they want to start and extend the program revenues. These thresholds are as follows:

- Threshold #1: Placement of 25% of the specified portion is required to start the program.
- Threshold #2: Placement of 50% of the specified portion is required by year 10 to extend it 5 years.
- Threshold #3: Placement of 75% of the specified portion is required by year 15 to extend it 5 years.
- Threshold #4: Placement of 100% of the specified portion is required by year 20 to extend it 5 years to its conclusion.

In previous LCLIP programs, there has been some difference in interpretation from program partners as to what is required to start and LCLIP program. The City of Tacoma has a series of policy review memos prepared by the law firm Foster Pepper that detail this issue. Briefly, the difference in interpretation is whether the placement of 25% of the specified portion is required to start the program or whether the creation of the LCLIP program through ordinance is the trigger.

2.3.4 LIPA(s) District Formation

A LIPA or LCLIP district is the designated area in which:

- TDR credits will be placed and measured for performance monitoring.
- Infrastructure projects will be specified and funding will used.
- The calculation of the new construction as the tax basis for LCLIP revenues will be based.

A city may have multiple and non-contiguous LIPA(s) as long as the area(s) meet the legislation requirement of containing less than 25% of the city's assessed value. While a city may create

multiple LIPA(s), LCLIP works on a cumulative citywide basis and not an independent district basis – meaning the same program parameters apply to all LIPA(s) regardless start date and configuration.

2.4 Program Framework for LCLIP

A strong LCLIP program for the City of Tacoma must position the City to maximize LCLIP revenues through structuring the following program parameters.

- **LIPA geography.** The City will want to create a LIPA(s) that meet the nexus requirements stated above. However, creating a district(s) that contain areas where development is expected will help create a large new construction tax base used as the basis of the revenue calculation. The larger the tax base, the more funding leverage the City will have for a select sponsoring city ratio.
- **TDR code provisions.** The number of TDR credits used is a function of several factors:
    - The size and structure of the incentive zoning capacity increment. The city must determine how much demand there may be for building beyond the zoning capacity that buyers may want to access when market conditions allow. The amount of incentive zoning is fixed and the placement of TDR within the structure of the incentive zone factors in how it may be accessed by developers. For example, TDR may be among a menu of options that developers can choose from, or TDR may be tiered with other options requiring developers to sequence options that may place TDR first or last in that sequence.
    - The nature of the incentive associated with TDR. Typical TDR incentives offer additional FAR or height; however, TDR can be connected with any variety of opportunities associated with development ("conversion commodities"). Other examples include connecting TDR with reduced setbacks, structured parking requirements, or impervious surface limitations.
    - The "exchange rate" for TDR. The amount of incentive a developer receives per TDR credit used in large part determines the extent to which a TDR consumes the incentive zoning available. The incentive created by the TDR exchange rate must be equal to- or exceed a developer's willingness- and ability-to-pay, otherwise TDR will not be used.
- **City specified portion and program timing.** In order to maximize the flow of LCLIP revenues, the City has an incentive to meet all four performance thresholds. Doing so means the city must select a specified portion that is targeted at some expected use of incentive zoning and the absorption of TDR credits over the horizon of the program. This element of the LCLIP program is the most difficult technical aspect that the city must consider. Forecasting future development is difficult, much less determining the rate at which that development will access both incentive zoning and TDR use.

3 Incentive Zoning and TDR Policy Review

The City of Tacoma's TDR program was it was adopted in 2012. This section provides an overview of the current TDR incentive bonus system. Sections 3.2 and 3.3 provide an overview of the existing incentive programs for the zones in the Downtown and Mixed-Use Districts in the study area. Section 3.4 then lists the exchange ratios the program currently uses.

3.1 Study Area Context

The Study Area is Tacoma's Downtown Regional Growth Center (RGC), a RGC that includes the Hilltop and stadium mixed-use centers. These areas include zoning districts with TDR incentive bonus provisions: the Downtown District and Mixed Use Center District. The Downtown District zones include Downtown Commercial Core (DCC), Downtown Mixed-Use (DMU), Downtown Residential (DR), and Warehouse/Residential (WR).[3] The Dome District was recently rezoned from UCX-TD to DMU as part of the South Downtown Subarea Plan. All of the Downtown Districts have a provision for TDR. The narrow strip of parcels running along the shores of the Foss Waterway is regulated by the Shoreline District S-8, which does not have any provision for TDR.

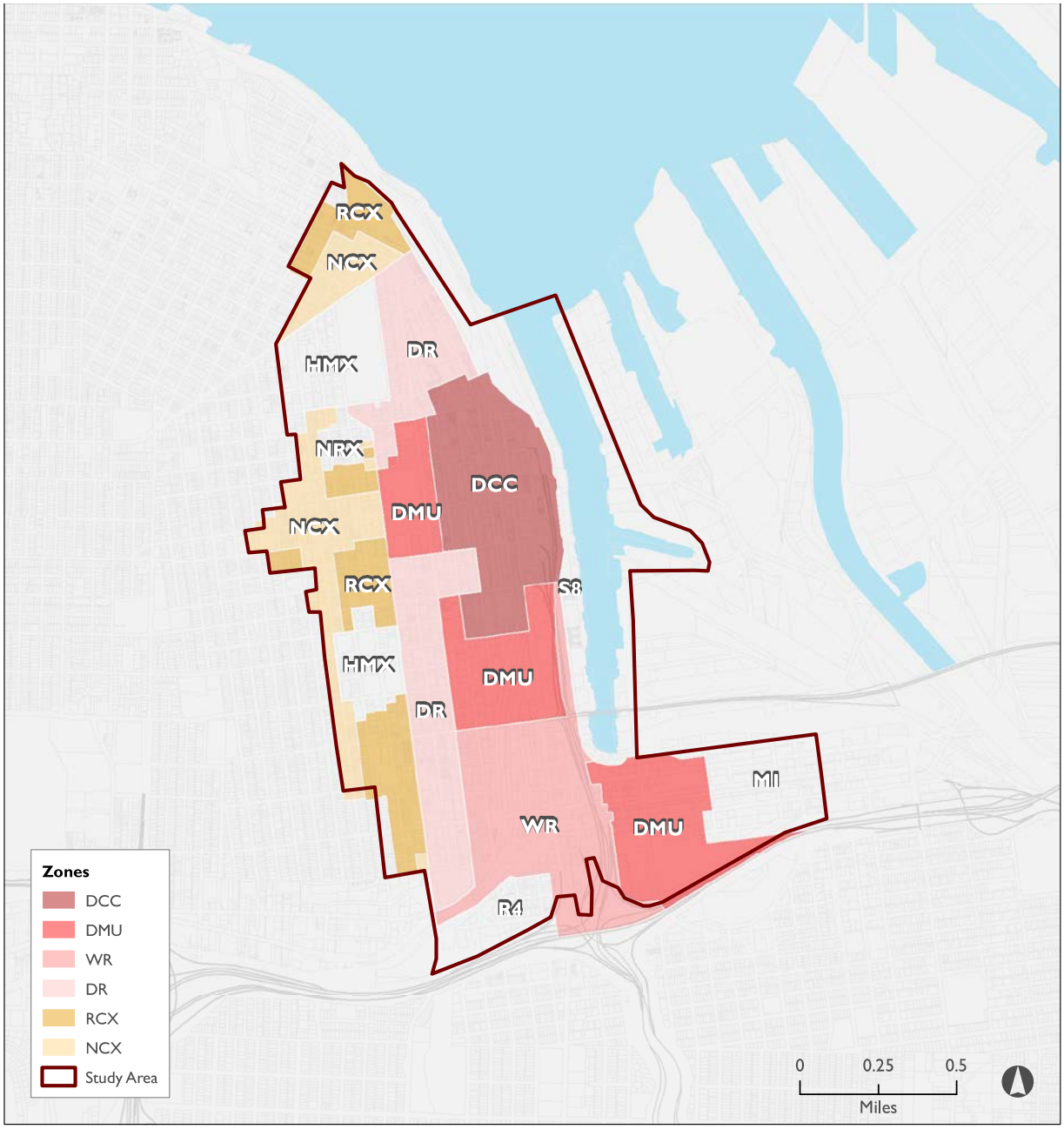
Mixed-Use Center District zones in the Study Area include Neighborhood Residential Mixed Use (NRX), Urban Residential Mixed Use (URX), Neighborhood Commercial Mixed Use (NCX), Residential Commercial Mixed Use (RCX), and Hospital-Medical Mixed Use (HMX).[4] Of these zones, only NCX and RCX have a provision for TDR.

For the LCLIP analysis, the study uses just those zones in the study area that have TDR incentive bonus provision. Exhibit 1 below depicts the Study Area and zones that allow the use of TDR bonuses.

[3] Chapter 13.06A of the Tacoma Municipal Code (TMC)

[4] Chapter 13.06.300 of the TMC

Exhibit 1. Overview of Study Area and Zones



Source: City of Tacoma, ECONorthwest, 2014

3.2 Downtown District Incentive Zones

Zones within the Downtown Zoning District allow additional building floor area beyond that allowed "as of right" with the provision of defined benefits. The floor to area ratio (FAR) and height limits in the Downtown Districts is shown in Exhibit 2.

Exhibit 2. Summary of Downtown Incentive FAR Program

District	Residential FAR			Non Residential FAR			Height Limits
	"As-of-right"	Maximum with Design Standards	Maximum with TDR	"As-of-right"	Maximum with Design Standards	Maximum with TDR	
DMU	3	5	7	2	4	6	100'
WR	4	5	7	3	4	6	100'
DR	2	4	6	1	2	4	90'
DCC	3	6	12	3	6	12	400'

Source: VIA

There are two levels of bonus FAR. Level 1 is based on the application of design standards with two tiers. The first tier allows FAR to be increased by 0.5, up to the maximum with design standards as listed below:

- Enhanced pedestrian elements at the sidewalk level.
- Exterior public space equivalent to at least five percent of the site area.
- Incorporation of works of art into the public spaces, exterior facade, or entrance lobby.
- Landscaping covering at least 15 percent of the surface of the roof and/or the use of "green roofs."
- Including a Public Benefit Use within the development.
- Within the Downtown Commercial Core, at least 60 percent of the linear frontage along those portions of Pacific Avenue, Broadway, and Commerce Street that are defined as a Primary Pedestrian Street shall be occupied by retail, restaurants, cultural or entertainment uses, hotel lobbies, or Public Benefit Uses.
- Retention and renovation of any designated or listed historic structure(s) located on the site.

The second tier design standard allows the FAR to be increased by 2.0, up to the maximum with design standards:[5] The second tier standards are as follows:

- Provide a "hill climb assist" in the form either of a landscaped public plaza or an interior public lobby with an escalator or elevator.
- Provide works of art or water features equivalent in value to at least one percent of construction costs.
- Provision of public restrooms that are open to the public at least 12 hours each weekday.
- Contribution to a cultural or arts organization, or to the Municipal Art Fund for a specific project located downtown, in an amount equal to at least one percent of construction costs.
- Parking contained entirely within structures or structures on site.

Level 2 bonuses can be met through purchasing TDRs. This is the only mechanism that can enable an FAR that is greater than the amount allowed through just design standards alone. Design

[5] Chapter 13.06A.080 of the TMC

standards do not have to be used before TDRs can be purchased meaning that TDR can substitute for Level 1 bonuses.

3.3 Mixed-use Center District Incentive Zones

Within the Mixed-use Zoning District, the NCX and RCX zones allow additional building height beyond the base height. The FAR bonuses have two different levels, similar but somewhat different from the Downtown Districts. The Level 1 height "bonus palette" establishes 17 different features, including TDR, which can be incorporated in projects to increase allowed heights by between 5 to 20 feet. Level 2 allows project to increase allowed heights by 20 to 40 feet only with the use of TDRs. The provisions for TDR in the NCX and RCX districts are shown in Exhibit 3.

Exhibit 3. Summary of Mixed-use Incentive FAR Program

Zoning District	Base Allowable Building Height	Maximum Height Allowed Through Level 1 Bonuses (TDR is one of several options)	Maximum Height Allowed Through Level 2 Bonuses (TDR is the only option)
Neighborhood Commercial Mixed Use (NCX)	45'	65'	85' for property within 200' of a Core Pedestrian Street
Residential Commercial Mixed Use (RCX)	60'	70' in Hilltop Height Bonus Area	80' in Hilltop Height Bonus Area

Source: VIA

3.4 TDR Exchange Ratios

Based on Tacoma Municipal Code Title 1.37, the use of one transfer of development rights transfer to a specified number of additional building square feet based on the location of the TDR's sending area. For the Mixed Use zones where bonus development is based on increasing the height allowed, the number of TDR required is based on the square feet of bonus floor area. Exhibit 4 lists the exchange ratio for each sending area.

Exhibit 4. TDR Exchange Ratios

Sending Area Location	Square Feet of Bonus Floor Area
Unincorporated Pierce County	5,000
Unincorporated King County	10,000
Tacoma Landmarks	10,000
Tacoma Habitat	15,000

Source: City of Tacoma Municipal Code

4 Incentive Zoning and TDR Assessment

This section reviews the feasibility of TDR placement within the Study Area. The section first looks at the potential development capacity with the City's bonus programs. It then looks at the ability/feasibility of TDR use from a development perspective. Lastly, this section provides an assessment the City's TDR policies and lists potential changes to consider if the City pursues LCLIP.

4.1 Development Capacity and TDR Use

Within the Study Area there are a number of zones with differing levels of permitted density and development capacity. In total, the study area can support approximately 90,000,000sf of new development through the use of both base and incentive zoning, approximately 30,000,000sf of capacity that can only be achieved through TDR with the remainder available through the base zoning and the first tier of bonus FAR achievable through design incentives.

Exhibit 5. New Capacity in Downtown Incentive Zoning Program

Capacity- Base + Bonus vs. Max (sf)		
	Base + Bonus	Max w/TDR
DMU	16,250,000	22,751,000
WR	17,372,000	24,321,000
DR	8,463,000	12,695,000
DCC	8,118,000	16,236,000
NCX	7,862,000	10,483,000
RCX	2,293,000	2,621,000
Total	**60,358,000**	**89,107,000**

Source: Heartland

Given the differences in both zoning and overall capacity, TDR utilization will likely differ by zone. For example, the DCC zone offers a total FAR bonus of 12 (6 residential + 6 commercial). This is by far the largest bonus capacity offered by TDR in Downtown, as shown in Exhibit 5. The DCC zone is centered on Tacoma's office core and covers about 23 city blocks. The DMU, WR, and DR zones offer a smaller but substantial total FAR bonus of 4 (2 residential + 2 commercial), and cover an area roughly three times that of the DCC zone.

Compared to the Downtown District, the RCX and NCX zones offer a relatively small amount of additional capacity through TDR, both in terms of the capacity per site and the total area of the zones. However, there is likely near-term market demand for TDR in these zones.

Exhibit 6. Base Density versus Incentive Zoning Program

Max FAR - Base Zoning vs. Bonus and TDR					
	Base	Height	Floors	Bonus	TDR
DMU	3.0	100	10	5.0	7.0
WR	4.0	100	10	5.0	7.0
DR	2.0	90	9	4.0	6.0
DCC	3.0	400	40	6.0	12.0
NCX	4.0	45	4	6.0	8.0
RCX	6.0	60	6	7.0	8.0

Source: VIA

Overall, the City has ample bonus development capacity within the Regional Growth Center to retire its regional allocation of 1,843 TDR credits. Assuming an exchange rate of 5,000 square feet per TDR credit (the exchange ratio for TDRs from unincorporated Pierce County), over 9.2 million square feet of development would have to utilize the TDR incentive bonus to retire all the City's credits. Zoning capacity in the Study Area allows for almost 30 million additional square feet that can be achieved through the use of TDRs.

4.2 Current Feasibility of Incentive Zoning FAR and TDR

While the TDR incentive bonus is responsible for a majority of the bonus capacity within the FAR system in the Study Areas, a key issue is whether or not it is economical for a developer to use the TDR incentive bonus. Based on current development economics for development in Downtown Tacoma the use of TDR is likely feasible in most cases. However, it is likely there is not a large financial incentive to use TDRs, which makes the use of the incentive bonus uncertain in the near term.

Recent projects in the subject area are limited, but an analysis of development Citywide gives a sense for the scale and type of projects the market deems feasible in Tacoma. Two specific cases are described below. Following the cases is an analysis of a hypothetical mid-rise project's ability to pay for TDRs and an assessment of the feasibility of TDR within each zone, overall.

4.2.1 Case Studies

Esplanade

The nine-story Esplanade project has a FAR that would have required TDR under current code in the subject area. However, it is in the S-8 zone where there is no provision for the use of TDR. Additionally, this was a condominium development that creates very different project economics from the type of multifamily projects likely supported by the market in the planning horizon. Esplanade was an $82 million project with 162 units constructed of reinforced concrete.

It is unclear whether the developer would have been willing to pay for bonus density to achieve the top two stories had the project been in a zone with a TDR provision. However, holding construction types constant in an otherwise similar apartment project, residual land value modeling indicates that

the increase from five stories to seven has a negative impact on value. This is due to the cost of constructing the additional space, the cost of below grade parking required to support the additional units and the current rents being achieved in the market.

Metropolitan Apartments – Phase II

Metropolitan Apartments Phase II is a 122-unit project in the DR zone with seven residential stories built above a three-story podium built into the hillside. The project was built in 2008 to a FAR of 4.42, which could only be achievable through the use of TDR under current code. With design standards the project could only have achieved a FAR of 4.0, eliminating a floor from the project and approximately 17 units. Under this situation, we do not know whether the economics of the project would justify the purchase of bonus density to attain one additional floor. Given construction type, increased unit count, and ability to locate additional parking within the podium, it is entirely possible that this project would have utilized TDR as a means of achieving a seventh floor if developed with current regulations.

4.2.2 Developer Willingness-to-Pay for Incentive Zoning

The most immediate opportunity for TDR use under current market conditions is likely within the mixed-use zones that allow bonus density as a means of achieving 70 to 80 foot midrise projects (allowing them to stay within the same construction type). The RCX and NCX zones provide an opportunity to test the impact of an additional story on project economics. Modeling a hypothetical project provides insight into what a developer could afford to pay for bonus density holding other factors constant.

Market, revenue, and cost inputs were derived from an analysis of comparable projects in the surrounding area to arrive at a set of key analysis assumptions (below). These include physical programming such as podium sizing, building efficiency, and average unit sizes as well as market data such as rents, expenses, cap rates and typical developer profit assumptions.

In both cases the project was modeled assuming wood frame construction atop a concrete podium (Type V-A construction). This concrete podium encompasses all ground-floor uses, including a 5,000 square foot retail component, lobby and residential community space, and at-grade, “tucked,” or “wrapped” parking. Podium height is assumed to be 15 feet, commensurate with market demand for Class-A retail space. Additional required parking is accommodated through a second level of parking within the podium to avoid costly below-grade structured parking.

Space Program Comparison

In this illustration, Level 1 incentives (10’ heights) are achieved with design bonuses through the provision of retail and public space. With the above assumptions, the modeled project yields 98 units within a 70-foot tall structure. Including a TDR bonus density through the addition of a fifth story of residential to the project yields and additional 24 units - for a total of 122 units - and maxes out allowable zoning envelope.

Financial Performance

The project with Level 1 design incentives produces a supportable land value of approximately $896,000, equating to $29 per square foot and about $8,081 per unit. The TDR bonus density

scenario produces a supportable land value of approximately $2,009,350, equating to $37 per square foot of land and $14,494 per unit. Exhibit 7 compares the space program and financial performance of the hypothetical project using Level 1 bonuses and using TDRs.

Exhibit 7. Bonus Density Pricing

Bonus Density Pricing: Step 1							Tacoma LCLIP
Key Inputs	**Base w/ Design**	**TDR**	**Type**	**Key Outputs**	**Base w/ Design**	**TDR**	**Increment**
Use	Apartment	Apartment		**Density**			
Regulatory				Stories	6	7	**1**
Zoning	RCX	RCX		Height	70	80	**10**
Max Height	70	80	ft	FAR	4.00	4.90	**1**
Max FAR	NA	NA		**Space Program**			
Space Program				BGSF	115,900	143,275	**27,375**
Unit Size (NRSF)	830	830		Unit Count	111	139	**28**
Parking Ratio	1.00	1.00		Parking Stalls	111	139	**28**
Lot Size	30,000	30,000		Retail SF	5,000	5,000	**0**
Revenue				**Financial Performance**			
Rent	$1.75	$1.75	psf/mo	Proj Value	$25,457,953	$31,549,397	**$6,091,445**
Cap Rate	5.75%	5.75%		Proj Cost	$21,930,075	$26,375,042	**$4,444,967**
Expenses				Return to Capital	$2,631,609	$3,165,005	**$533,396**
PUPY Cost	$5,700	$5,700	per unit/yr	**Value Remain for Land (RLV)**			
RE Taxes	$1,539	$1,539	per unit/yr	Total	$896,269	$2,009,350	**$1,113,081**
MFTE Duration	8	8	years	RLV / Lot SF	$29.9	$67.0	**$37.1**
Returns				RLV / Unit	$8,081	$14,494	**$6,413**
Developer Profit	12%	12%	on cost	RLV / GBSF	$7.73	$14.02	**$6.29**

Source: Heartland

The incremental value lift is the difference in residual land value under the two bonus levels. For this hypothetical project, the use of TDR increases the residual land value by $1,113,081 over the residual land value just using design standards. Divided by the number of additional units, this results in an ability to pay approximately $40,000 more for land per additional unit gained through TDR bonus density.

4.2.3 Developer Ability-to-Pay for Incentive Zoning

The developer's "ability to pay" for this additional density is determined by the lesser of the base land value and the incremental increase. The basis of this assumption is that the developer always has the alternative of buying land to build on instead of increasing the density of a project. While this is not an option in every scenario, in crafting policy that the market will use we want to price-advantage TDR relative to a developer's next best option. In this case, the incremental lift in value per unit ($6,413) is less than the base land value per unit ($8,081), and becomes the selected value used in determining the ability-to-pay.

This selected value is reduced ($6,413) further by applying a fee capture percentage. This component of the analysis is critical to ensure that the lift in value is shared among all participants: landowner, developer, and public. Since the developer already participates in the lift through profit margin (which is indexed to project value by assuming a spread on the cap rate or a percentage on cost), the selected value need only be split between the two remaining participants of landowner and public. Applying a fee capture ratio of 50% to the selected value derives the developer's effective ability-to-pay, which is $3,206.

Exhibit 8. Bonus Density Pricing

Bonus Density Pricing: Step 2					Tacoma LCLIP
Metric	**Base Value**	**Incremental Value**	**Selected Value**	**Fee Capture**	**Ability to Pay**
$/DU	$8,081	$6,413	$6,413	50%	$3,206
$/GBSF	$7.73	$6.29	$6.29	50%	$3.15

[1] Selected Value = the lesser of the Base Value and Incremental Value, on the basis that Developer can always buy more land instead of buying credits

[2] Setting the Fee Capture at 100% of Selected Value would cut landowner out of all the upside created by the bonus density system. Setting this at 50% allows 1/2 the windfall to be used for public benefits and 1/2 to be returned to the landowner. Developer already participates in upside by having profit indexed to larger project.

Bonus Density Pricing: Step 3					Tacoma LCLIP
Metric	**Ability to Pay**	**Sending Cr $**	**Permitted Exchange Rate**	**Required Exchange Rate**	**Permitted >= Required?**
$/DU	$3,206	$10,000	2.0	3.0	N
$/DU	$5,087	$25,000	2.0	5.0	N
$/DU	$5,087	$50,000	2.0	10.0	N
Metric	**Ability to Pay**	**Sending Cr $**	**Permitted Transfer Rate**	**Required Transfer Rate**	**Permitted >= Required?**
$/GBSF	$3	$10,000	5,000	3,179	Y
$/GBSF	$5	$25,000	5,000	5,000	Y
$/GBSF	$5	$50,000	5,000	10,000	N

Source: Heartland

Overall, on a per square foot basis, a developer's ability-to-pay for bonus density is feasible for sending site credit costing $25,000 or less assuming an exchange ratio of one TDR per 5,000 square feet of bonus building area. Based on the two case studies and this hypothetical exercise, it is likely that TDR incentive bonuses are feasible within the Study Area, at least in specific situations. The next section assesses the feasibility within the different zones in the Study Area based on zoning code provisions.

4.2.4 TDR Placement Assessment by Zone

Downtown Zoning District (DCC, DMU, DR, WR)

Much of the TDR capacity in the study area exists within the DCC zone where the maximum FAR is 12.0. However, in the near-term, large, high-rise projects that would fully utilize the capacity of the DCC zone through the use of TDR are not likely to be supported by the market. For midrise construction (65-75 feet) In the DCC zone, the maximum FAR with design standards (6.0) for either residential or non-residential uses is high enough to be an incentive. These types of projects could increase the building area without changing to a more expense construction type. As a result, the less intensive, mid-rise projects are more likely in the near-term, which will not demand significant

usage of TDR to maximize site FAR. This is likely true in the other downtown zones as well where, under the existing incentive system, mid-rise projects do not need the TDR portion of the incentive zoning bonus to maximize their building area.

For residential projects in the DMU, WR, and DR districts, the maximum FAR with design standards (4.0-6.0) would allow enough capacity for most typical "5-over-2" wood/concrete mixed-use residential buildings. In most cases, building additional FAR would require a change to a more expensive construction type (when height exceeds 70-75'). Thus, purchasing TDRs in exchange for additional FAR is not likely to be a very attractive incentive for developers of mixed-use residential buildings.

For non-residential in the DMU and WR districts, the maximum FAR with design standards of (4.0) would allow for up to a five-story typical office building. In this case, the additional FAR granted from TDR would enable six total stories (top level floor height < 75' to avoid high-rise), and this could be expected to be a viable incentive, depending on market conditions. The maximum FAR in the DR zone is lower than those in DMU and WR, reflecting the residential emphasis of DR. At these lower levels of development intensity, purchasing TDRs is not likely to be an attractive option for developers of commercial buildings. In addition, there is a lot of competition for TDRs from Level 1 bonuses, which reduce the likelihood that TDR is chosen to, achieve the bonus.

Mixed Use Districts (RCX, NCX)

The Mixed-use District bonus program appears to be designed primarily for mixed-use residential projects. However, mixed-use residential projects derive limited benefit from increases in height limits. TDR is the only option in these zones for a project to achieve the maximum Level 2 bonus heights. In the RCX zone, purchasing TDRs to increase the height from 70 to 80 feet is unlikely to be a viable incentive because it would require a change from economical Type-V wood construction to a more expensive construction type. In the NCX zone, the increase from 65 to 85 would allow for an additional story in most stick-frame projects or an additional two stories if changing construction types.

The TDR bonus of 10 to 20 feet could also be a viable incentive for office projects. Most typical midrise office buildings are steel frame construction, so the height increases granted for TDR will not require changing to a more expensive construction type. However, there is likely little appetite for larger office projects in the area given the increased cost of structured parking that will be required as density increases. In addition, as with other downtown zones, the myriad of Level 1 options in the mixed-use zones may make the option for TDR less competitive and reduce the likelihood that TDR is chosen to achieve the bonus.

5 LCLIP Revenue Assessment

The LCLIP revenue assessment identifies a LIPA study area and develops a forecast of future development amounts. Using these inputs, several LCLIP parameters are tested to better understand the impact of different TDR use and development growth variables as drivers of potential LCLIP revenues.

5.1 LIPA Area

For the revenue analysis, it is assumed that the Downtown Regional Growth Center boundaries (as shown in Exhibit 1) would be the LIPA for the City. Using land assessment figures for 2014, the area contained approximately 22% (approximately $4.8 billion of assessed value) of the City's assessed value total. Designation of the entire Downtown Tacoma Regional Growth Center as a LIPA would meet the requirement that the LIPA be less than 25% of the City's total assessed value.

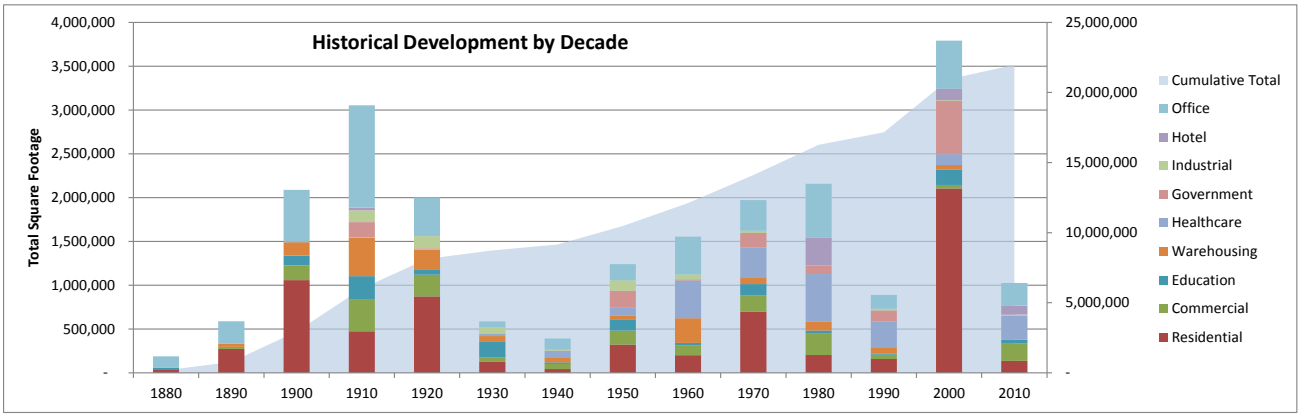
5.2 Development Assessment and Projections

This section provides an assessment of development trends in the study area in order to understand real estate development shifts in the area and make reasonable projections about possible future growth, based on those trends and near-term projects in the pipeline.

Historical Development

Exhibit 6 summarizes the current development age of the 22 million square feet of development in the study area. In the period from 1985 to 2013, delivery of new space averaged approximately 217,000sf annually. Residential and commercial space delivered in roughly equal proportions at 87,000sf and 81,000sf respectively. Office delivery was slightly slower, averaging just 44,000sf per year. These historical numbers are smoothed averages as the decade from 2000 to 2010 saw a disproportionate share of growth. Those 10 years saw over 4,000,000sf of the total 6,000,000sf delivered. Approximately 2,000,000sf of that growth was new residential development occurring before the recession.

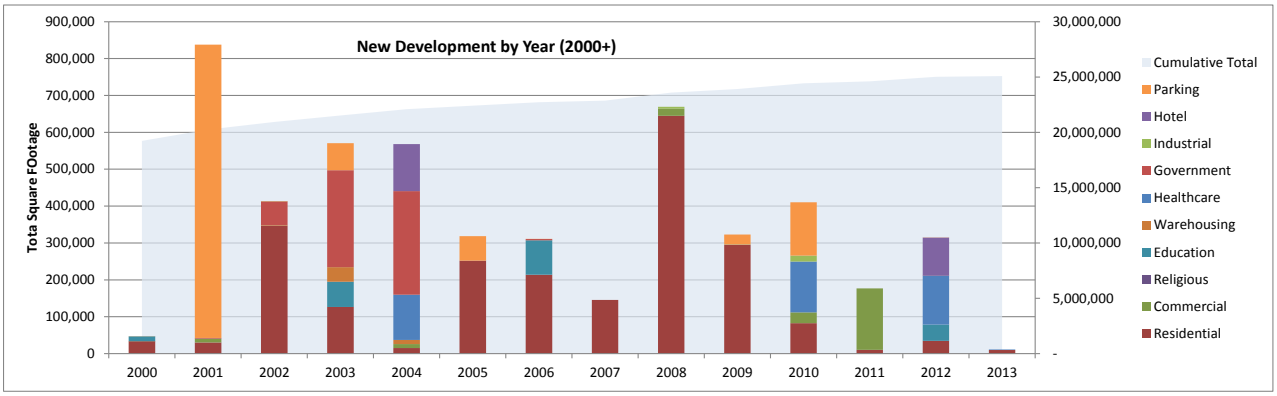
Exhibit 9. Historical Development by Decade



Source: Heartland

Exhibit 7 shows the distribution of product type in the study area since 2000. The predominant building type has been residential.

Exhibit 10. New Development Since 2000

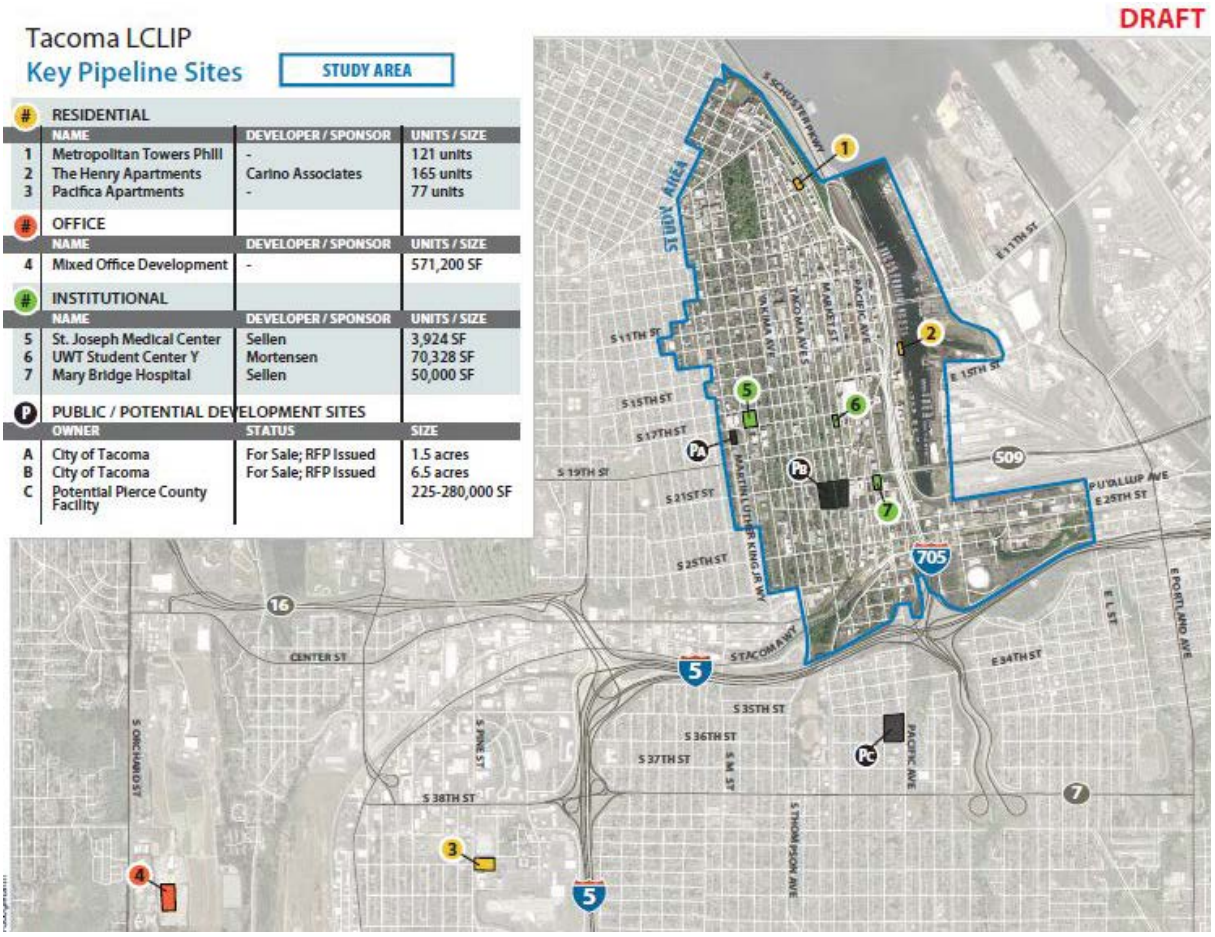


Source: Heartland

Known Pipeline Development

Exhibit 11 is a map depicting a preliminary list of key pipeline projects that will account for growth in the study area in the near-term. In the coming two-to-four years, over 1,300 new residential units and 200,000sf of medical and educational uses are scheduled for delivery.

Exhibit 11. Pipeline Sites



Source: Heartland

Upcoming projects of a scale to make note of include:

- Henry Apartments (7 stories, 165 apartments and 12,000sf of commercial space)
- Pacifica Apartments (2 mid-rise towers with 177 units)
- Tacoma General hospital expansion (133,000sf)
- UW student recreation facility (70,000sf)

These projects are generally indicative of the type and scale of growth going forward. In the way of large projects, the City recently released RFPs for two surplus land sites outside the downtown area (8 acres total) that it intends for TOD. The County is also planning a 250,000sf facility south of Downtown.

Baseline Development Projection – Historical Absorption

To project possible future development, one approach is to model future growth based on past annual delivery of development by type. This "baseline" approach uses a compound annual growth rate beginning in 1985 to smooth out the lumpiness of development during the 2000s. Under this scenario, it is projected that approximately 8,800,000sf of new development would occur by 2040, much of which would be residential development.

Exhibit 12. Baseline Development Projection

2040 Growth- Baseline Assumption		
	Growth	Cumulative
Residential	3,555,238	10,370,421
Commercial	314,965	2,236,882
Religious	-	432,156
Education	265,652	1,485,279
Warehousing	117,514	1,701,796
Healthcare	1,030,343	3,300,312
Government	1,654,334	3,078,182
Industrial	39,915	646,620
Hotel	356,278	946,350
Office	1,466,504	6,834,957
Total	**8,800,744**	**31,032,956**

Source: Heartland

Alternative Development Projection: PSRC Growth Target

Another method for quantifying future growth is to allocate the Puget Sound Regional Council's 2040 growth targets for the City of Tacoma to the study area. VIA recently completed a detailed report that allocated approximately 60% of the city's total growth target to the Downtown Regional Growth Center. This allocation is intended to represent a "high growth" scenario where Downtown Tacoma receives a large share of the City's planned growth.

Under this assumption, the North and South Downtown subareas combined with the MLK subarea will receive approximately 63,000 new residents and 41,000 new jobs. Using square footage conversions detailed in the report and past buildable lands reports, this translates to roughly 27,000,000sf of residential development and 15,500,000sf of office and commercial growth. Under these growth targets, the developed area in the Downtown Growth center will more than double within the planning horizon.

Exhibit 13. Baseline versus Aggressive Growth Projections

2040 Growth- Baseline Vs. Aggressive		
	Baseline	Aggressive
Residential	3,555,000	27,346,000
Commercial	5,246,000	15,539,000
Total	**8,801,000**	**42,885,000**

Source: Heartland; VIA; PSRC

5.3 LCLIP Revenue Testing – Scenarios

Overview

Using a LCLIP revenue model developed for the city, the analysis tested four different scenarios to assess the number of TDR credits potentially placed and revenues generated through the LCLIP

program. Each scenario assumes different levels of growth and TDR use to test how sensitive the revenues are to the assumed amount of growth and the use of TDR bonuses. Specifically, the following elements are evaluated:

- Different forecasted development amounts
- Different TDR absorption amounts reflecting TDR pricing and exchange rate configuration

The analysis uses a number of common assumptions for all scenarios. The analysis assumes that the LCLIP program would start in 2015 and run for 25 years. All scenarios assume the price of TDR credits is $11,500. The analysis also assumes all TDR credits are purchased by the private market, and the City does not purchase any credits to meet the program placement thresholds.

The Impact of Development Variables

The following scenarios assessed LCLIP revenue based on assumptions about the timing, scale, and quality of development. Outside of the LCLIP program parameters, the three main development-based determinants of revenue impact are:

- **Scale and Mix of Development.** The revenue impact is likely to change as developers contemplate differing types and amounts of residential and commercial development.
- **Value of Development.** While the baseline assumptions around development value (normalized on a square footage basis) were drawn from reliable data, it is difficult to predict future development value with great certainty.
- **Timing of Development.** The timing of construction can either accelerate or delay the onset of LCLIP revenues. Delay reduces the revenues under the LCLIP time window by pushing out the impacts into the future, resulting in reduced years of benefits that are discounted more heavily. The opposite is true in a situation where development happens earlier.

It should be noted that changes to any of these (whether driven by future policy or market dynamics) can have a significant impact on the amount of LCLIP revenue generated. A difficult issue to disentangle from the analysis is the degree in which potential LCLIP-driven infrastructure improvements may facilitate (i.e. lower the overcall cost or feasibility) development by solving critical site and/or access issues.

Exchange Rates and Sending Site Values

Overall, the City has ample bonus development capacity within the regional growth center to retire its regional allocation of 1,843 TDR credits. Assuming an exchange rate of 5,000 square feet per TDR credit (the exchange ratio for TDRs from unincorporated Pierce County), over 9.2 million square feet of development would have to utilize the TDR incentive bonus to retire all the City's credits. Zoning capacity in the Study Area allows for almost 30 million additional square feet that can be achieved through the use of TDRs.

A near term objective is to accommodate 367 credits (the minimum 20% share of the regional allocation needed to start the program) into downtown zones so price is a key consideration. The lower the cost of credits will allow lower exchange rates. The result would be that each credit consumes less bonus capacity facilitating the absorption of the receiving area can absorb more credits at the same amount of incentive zone capacity.

One way to maximize the likelihood of LCLIP success is for the city to prioritize credits from the county's special agriculture areas that have an allocation rate of 1 credit/acre. Comparable transactions and appraisals of these credits are in the $14,500 range (median value). Most near term market activity will likely occur in the lower half of the market, so the starting exchange rate should reflect the 25th percentile at $11,500 per development right. Over time the existing supply of these credits will be absorbed and either supply will be constrained or landowner willingness to accept will increase.

The city will likely need to anticipate this and increase the exchange rate to encourage more landowners to sell or expand the market to ARL zones (1 credit/10 acre allocations). Assuming that buyers will operate in the bottom quartile of the ARL market, the exchange rate will need modification to reflect the next quartile price of $18,200. It is possible the supply of less expensive Pierce County credits is sustained over 25 years. The supply is about 2,000 of these credits so ¼ would satisfy the city's minimum commitment. Exchange rates start at $11,500/credit and bump up to $14,500.

5.3.1 Scenario 1: Historical Rate of Growth

The Baseline scenario assumes that development and redevelopment occurs at the same historical rate resulting in 8.8 million square feet of development by 2040. This scenario assumes that 5% of the total development would be achieved through TDR bonus area. This figure is derived from a rough estimate of historical realized FAR and how that might interact with existing incentive zoning.

Using these assumptions, the program would not meet the minimum threshold of 368 credits needed to create a district. The private market would place just 75 of the City's 1,843 allocated credits. Even if the City purchased credits to meet the minimum threshold and performance targets, the net revenues to the city would be negative.

5.3.2 Scenario 2: Higher Growth and TDR Placement

The Higher Growth scenario tests an alternative with more development. This scenario assumes that Downtown Regional Growth Center realizes approximately 60% of the City's total growth target, which would be 42.9 million square feet of new development in downtown Tacoma by 2040. This growth is significantly more development than historically experienced and much higher than the 8.8 million square feet assumed in the Historical scenario. With this additional amount of growth, 14% of the total development is assumed to be from TDR bonus area due to higher FAR levels of development that would reach deeper into the incentive zoning stack.

Under these assumptions the LCLIP program would produce significant funding benefits to the city. The city would target a specified portion of 756 credits that the private market could retire without any city involvement in the purchase of credits. The program would generate a significant amount of new revenue for the City. Net revenue to the city from county contributions would be substantial at $29.3 million NPV over the 25-year period.

Exhibit 14. Higher Growth Scenario Summary

Total Square Feet of Growth	42.9 Million Square Feet
TDR Credits Used	756
Total LCLIP Revenues	$101.5 Million
City Allocation Revenues	$72.2 Million
County Allocation Revenues	$29.3 Million
City TDR Acquisition Cost	$0
City Net Revenue	**$29.3 Million**

Source: ECONorthwest. Note all figures in 2014 dollars; 25-year present value at 3.5% discount rate

5.3.3 Scenario 3: Baseline with Higher TDR Use

To test how sensitive revenue is to higher amount of TDR use, this scenario assumes the development and redevelopment is the same as the Baseline scenario, but the utilization rate of TDRs is the same as the High Growth scenario at 14%. A higher utilization rate could be the result of changes the city makes to its incentive zoning and TDR program to prioritize the use of TDRs.

With the higher TDR utilization, the LCLIP program is still not viable with the Baseline scenario's assumed amount growth. The private market would place just 205 of the City's 1,843 allocated TDR credits. This would not meet the minimum amount of credits needed to start the program.

5.3.4 Scenario 4: Minimum Viable LCLIP Program

A final scenario was constructed to test the revenue potential of a LCLIP program that retired the minimum 368 credits that may be needed to start the program. This minimum viable program would produce modest funding amounts – approximately $2 million in new county revenues to the city. This scenario assumes the development is the same as the historic rate, but the utilization rate of TDRs is the same as the Higher Growth scenario at 29%. A higher use rate could be the result of changes the City makes to its incentive zoning to prioritize the use of TDRs.

Alternatively, recalculating the exchange rates pegged to lower credit prices could place and additional 50 credits carrying with it an additional $1.7 million in new funding. This assumes that the use rate for TDR stays at 29%. Lowering the exchange rate may also lead to no net new funding under this situation; however, TDR use rate would drop to 22%.

Exhibit 15. Minimum Viable Scenario Summary

Total Square Feet of Growth	8.8 Million Square Feet
TDR Credits Used	368
Total LCLIP Revenues	$8.9 Million
City Allocation Revenues	$6.9 Million
County Allocation Revenues	$2.0 Million
City TDR Acquisition Cost	$0
City Net Revenue	**$2.0 Million**

Source: ECONorthwest. Note all figures in 2014 dollars; 25-year present value at 3.5% discount rate

5.3.5 Summary

Overall, the amount of growth is an important factor in the viability of a LCLIP program. The City needs to achieve upwards of 9.2 million square feet in development though the use of the TDR incentive bonus to retire its full share of credits. This is a million square feet of space more than what is projected for the entire regional growth center under a historical rate of growth. To retire enough TDR credits for the program to be financially feasible, the City will need to realize significantly more growth over the 25-year study period than it has historically experienced.

In addition, to the amount of development, TDR bonus use is highly variable and somewhat uncertain. The incentive for developers to use a TDR bonus varies from project to project, zone-by-zone, and future market forces. As a result, factors such as when the City starts the program and the sponsorship ratio the city chooses will be important in determining LCLIP success.

6 LCLIP Program Findings and Recommendations

6.1 Summary of Findings

There is strong policy case for LCLIP in Tacoma.

Downtown Tacoma will play a central role in the city meeting its growth targets. It has the capacity to accommodate a fair amount of population and employment. Much of the capacity in Downtown Tacoma is available for the use of TDR as part of the City's incentive zoning regulations. Downtown Tacoma is also in need of infrastructure improvements where LCLIP funding can play a role.

There is sufficient incentive zoning capacity to retire the city's regional allocation.

There is enough bonus increment capacity in the downtown to retire all 1,843 credits allocated to the City. In total, the study area can support 90,000,000sf of new development through the use of both base and incentive zoning, approximately 30,000,000sf of capacity that can only be achieved through TDR with the remainder available through the base zoning and the first tier of bonus FAR achievable through design incentives. Assuming an exchange rate of 5,000 square feet per TDR credit (the exchange ratio for TDRs from unincorporated Pierce County), over 9.2 million square feet of development would have to use the TDR incentive bonus to retire all the City's credits

Changes to the TDR program will be necessary to better support an LCLIP program.

Should Tacoma wish to pursue LCLIP, the City will want to consider making changes to its TDR Code to expand the eligible sending sites, establishing a preference for less expensive credits and regional credits, and making comprehensive plan updates.

The Downtown regional growth center can serve as a LIPA.

Using land assessment figures for 2014, the area contained approximately 22% (approximately $4.8 billion of assessed value) of the City's assessed value total. Designation of the entire Downtown Tacoma Regional Growth Center as a LIPA would meet the requirement that the LIPA be less than 25% of the City's total assessed value.

Near-term placement of TDR may not be sufficient for LCLIP.

There is a miss-match between incentive zone capacity and market feasibility. The DC zone has the most capacity, but the least feasibility for incentive zone use. Mixed-use zones are the most likely to support TDR purchase, but have limited TDR capacity. While it is likely that TDR incentive bonuses are feasible within the Study Area, particularly in the mixed-use zones, levels of assumed development and TDR use make it challenging for the city to meet a minimum specified portion of 20%.

LCLIP will likely be a long-term proposition under current conditions.

There is enough as of right capacity to accommodate likely future development; as a result, the use of bonus capacity may be limited. Even under an aggressive growth scenario, Tacoma would not be able to place all of its development credits allocated by PSRC. However, the program would generate a significant amount of new revenue for the City. Net revenue to the city from county contributions would be substantial at $29.3 million NPV over the 25-year period.

6.2 Recommendations

Due to the limited potential for the placement of TDR credits within Downtown Tacoma based on recent development trends it would likely be challenging for the City to meet minimum requirements and retire all its allocated development credits through an LCLIP program. However, there are various options the City can pursue to take an opportunistic approach to creating an LCLIP program. Before considering these strategies, there are ranges of policy actions that the city should contemplate.

6.2.1 Policy and Code Recommendations

Since the city is considering TDR and LCLIP together, the city would need to revise or amend its TDR Code to comply with the state legislation and/or create policies that might enhance the viability of LCLIP in the future. As part of the LCLIP legislation, eligible LCLIP sending areas include farm and forest land throughout Pierce, King, and Snohomish Counties. Despite the eligible sending sites being located throughout the three counties, the financing provided to Tacoma under the program would only come from Pierce County. The legislation does provide cities the flexibility to give preference to certain areas within the region.

Should Tacoma wish to pursue LCLIP, the City will want to consider making the following changes to its TDR Code.

- **Expand Eligible Sending Sites.** The TDR Code already identifies regional sending areas consistent with LCLIP, although some clarification of the city code would be helpful regarding the eligibility of Snohomish and King County "resource lands". Cities choosing to pursue LCLIP must allow the transfer of development rights from all of the eligible sending-site areas. Pierce, King, and Snohomish Counties have each inventoried and calculated the development rights from eligible farms and forestlands under this program, and as authorized under the program, development rights from rural lands in King County are also eligible sending sites.
- **Establish Preferences for Cheaper Sending Sites.** Regional sending area preferences could affect credit absorption rates. Preferences for areas where cheaper credits are located will improve the likelihood that the City reaches TDR targets for LCLIP. Preferences for certain areas may also provide a deeper pool of credits.

Conversely, more narrowly defined sending areas will constrain supply and could result in higher credit prices, leading to higher exchange rates and lower credit absorption. For example, Pierce County sending area allocation rates (1 credit/acre in some areas) could affect the area of land conserved and limit the total pool of credits available to developers. While eligible LCLIP sending areas span across Pierce, King, and Snohomish Counties, participating cities retain flexibility to give preference to certain areas within the region.

One approach to incentivizing conservation of specific lands is to adjust TDR exchange rates, to favor those areas. If a city has identified a specific geography of high importance for protection, it can award a greater development bonus for credits from that area effectively making TDR credits from prioritized areas more economically attractive to developers. Another mechanism to prioritize conservation is to implement priority thresholds within which certain development rights are allowed after other development rights from higher priority areas have been extinguished.

- **Align Existing TDR Program with LCLIP.** The City may need to evaluate the preference for in-city sending sites (i.e. historical preservation, open space credits) relative to LCLIP eligible credits since that may compete for demand with regional TDR credits. The use of credits from non-LCLILP eligible sites would result in lower potential LCLIP revenues.
- **Comprehensive Plan Updates.** Comprehensive Plan Policy (LU-MUCD-10) encourages multiple development bonus options for TDR, which are implemented by code. If the city wants to revise the palette of incentives this may involve a corresponding policy revision in certain circumstances.

In addition, to increasing the productivity of LCLIP, the City will want to consider changes to the existing incentive zoning structure to prioritize TDR utilization among other bonus options.

6.2.2 Potential LCLIP Approaches

The follow section lays out three approaches to proceeding with LCLIP.

No Action in the Immediate Future

The current analysis shows that while (1) the city's incentive zoning policy can potential retire large portion development rights and (2) there is some limited market potential to use TDR, the resulting absorption of TDR credits will not be sufficient to meet minimum requirements needed to establish a LCLIP program. While the city can move to make a series of administrative changes to its TDR code to facilitate more credit use, the immediate challenge to the city is the allocated share of TDR credits from PSRC is not in line with the current demand for incentive zoning and TDR in Tacoma. This makes it difficult to realize a meaningful sponsoring city ratio and program revenues.

Finding alternative ways (non-market placed) to meet the city's regional allocation of credits could dramatically change the LCLIP calculus for the city. Potential changes to lower the starting and threshold placement of TDR requirements or a partnership with Pierce County to address flexibility around performance thresholds would be most meaningful.

Target Minimum Specified Portion

This approach would establish LCLIP program targeted at meeting a minimum City specified portion ratio of 20% or 368 development rights within much of the capacity in the mixed use district. The city

would also need to make a series of administrative changes to its TDR code to facilitate more credit use. Once a program was in place, the city would begin collecting incremental property tax revenues from Pierce County. These collected revenues would most likely have to be used on a pay-as-you-go basis for either capital and/or operational purposes since the city would be evaluating extending the program based on its ability to meet the performance thresholds.

At year nine, the city will have to evaluate its progress towards it year 10 performance threshold (50% TDR placement of specified portion). If the city is underperforming, it has the option to purchase development rights (or seek other means for securing development rights) needed to make up the gap and extend revenues until the next performance threshold. The City may also want to explore the opportunity for credit-price guarantee agreement with Pierce County. The county has some banked credits and may be willing to source these credits to the City at a lower-than-market rate.

Time and calibrate LCLIP program to a development/TDR milestone(s).

The city can structure the start of the LCLIP program with either a single or multiple major development/TDR milestones, such as a large downtown zone project that achieves a large portion of its development capacity via a TDR bonus (in excess of a minimum specified city portion). Timing the program to the start of a known large-scale development within the growth center would allow the city to capitalize on known demand and maximize the benefits to the City. This would help the city target its sponsoring city ratio and determine its strategy for meeting its threshold targets.

Pegging the program to such a large, known quantity of TDR use would allow the city to comfortably structure the LCLIP program to run for the full 25 years (i.e. meet performance thresholds). Solving the performance threshold a priori would allow the city more flexibility on the use of funds by allowing some public infrastructure costs to be financed with debt. If additional projects come on-line with TDR use, the city can annually amend its sponsor city ratio to account for those additional credits.

In moving forward on any of the LCLIP approaches discussed above, the following conditions should be monitored:

- Indications that confirm market interest in TDR, such as development applications that have been or are expected to be proposed that will need TDR credits in different zones.
- Analysis of the expected use of TDR credits confirms a reasonably high likelihood of meeting threshold requirements for TDR use in the LCLIP district.
- Infrastructure projects have been identified that qualify under the LCLIP program.
- A LCLIP district can be created that maximizes the projected LCLIP revenue to pay for infrastructure projects while meeting the requirements of the LCLIP legislation.
- As needed, a shared strategy approach with Pierce County or another partner agency should be included in an approach to retiring TDR credits.

7 Implementation Road Map

Should the city of Tacoma choose to use LCLIP, the following next steps are necessary to implement the program.

Step 1: Identify a specific geographic area for increased density that will become a local infrastructure project area ("LIPA"). The LIPA must:

- Include contiguous land (no "islands")
- Not include more than 25% of the total assessed taxable property within the city
- Not overlap another LIPA
- In the aggregate, be of sufficient size to: 1) use the City's "specified portion" of transferable development rights (unless the City has purchased the transferable development rights to reserve for future development), and 2) not be larger than reasonably necessary
- Contain all public improvements to be financed within its boundaries

Step 2: Accept responsibility for all or a share (a "specified portion") of the transferable development rights allocated from the Puget Sound Regional Council to the city. Consider whether to include any rights from another city through an interlocal agreement.

Step 3: Adopt a plan for development of public infrastructure within the LIPA. The plan must:

- Utilize at least 20% of the city's allocated share of transferable development rights
- Be developed in consultation with the Department of Transportation and the county where the LIPA is located
- Be consistent with any transfer of development rights policies or development regulations adopted by the city
- Specify the public improvements that will be financed
- Estimate the number of transferable development rights that will be used
- Estimate the cost of the public improvements

Step 4: Adopt transfer of development rights policies or implement development regulations, <u>or</u> make a finding that the city will receive its specified portion within one or more LIPAs, <u>or</u> make a finding that the city will purchase its specified portion. Adoption of transfer of development rights policies or implementation of development regulations must:

- Comply with the Growth Management Act
- Designate a receiving area(s)

Adopt developer incentives, which should be designed, at the City's election, to:

- Achieve the densities or intensities in the City's plan
- Include streamlined permitting strategies
- Include streamlined environmental review strategies
- Establish an exchange rate, which should be designed to:

- Create a marketplace where transferable development rights can be bought and sold
- Achieve the densities or intensities in the city's plan

Provide for translation to commodities in addition to residential density (e.g., building height, commercial floor area, parking ratio, impervious surface, parkland and open space, setbacks and floor area ratio)

Allow for appropriate exemptions from land use and building requirements

- Require that the sale of the transferable development rights be evidenced by its permanent removal from the sending site (such as through a conservation easement on the sending site)
- Not be based on a downzone within the receiving area

The City may elect to adopt optional comprehensive plan element and optional development regulations that apply within the LIPA

Step 5: Hold a public hearing on the proposed formation of the LIPA. Notice must be provided to the county assessor, county treasurer, and county within the proposed LIPA of the City's intent to create the area. Notice must be provided at least 180 days in advance of the public hearing.

Step 6: Adopt an ordinance or resolution creating the LIPA. The ordinance or resolution must:

- Describe the proposed public improvements
- Describe the boundaries of the proposed LIPA
- Provide the date when the use of local property tax allocation revenues will commence and a list of the participating tax districts (the city and county)

A certified copy of the adopted ordinance or resolution must be delivered to the county assessor, county treasurer and each participating tax district

Step 7: Provide a report along with the county to the Department of Commerce by March 1st of each year. A requirement of participating in the LCLIP program is for Counties in cooperation with cities, to provide the Department of Commerce with a report on March 1st of every other year. Should the City of Tacoma choose to participate, the City in cooperation with Pierce County would compile a report containing the following information:

1. Number of cities within the county participating in LCLIP; and,
2. The number of TDR transactions that have occurred; and,
3. The number of acres conserved through the program, broken out by land type, agricultural, forest, or rural; and,
4. The number of TDR credits transferred; and,
5. The number of TDR credits transferred into the cities; and,
    a. The total number of new residential units in the city; and,
    b. The number of additional residential units allowed due to TDR credit transfers; and,
    c. The amount of additional commercial space allowed due to TDR credit transfers; and,
    d. The amount of additional building height allowed due to TDR credit transfers; and,
    e. The amount of structured parking spaces reduced due to TDR credit transfers; and,
    f. The amount of additional parking spaces allowed due to TDR credit transfers; and,

    g. The amount of additional impervious surface allowed due to TDR credit transfers; and,
6. The amount of property tax revenues per city received from the county; and,
7. A list of public improvements paid for or financed by the received revenues; and,
8. The names of businesses locating within the district as a result of the public improvements; and,
    a. The number of permanent jobs created in the district as a result of the public improvements; and,
    b. The average wages and benefits received by the employees; and,
9. The date at which any indebtedness issued for LCLIP financing is expected to be retired.