

From: [Megan Kogut](#)
To: [City Council](#)
Cc: [Shari Winstead](#); [Chris Eggen](#); [Chris Roberts](#); [Will Hall](#); [Keith McGlashan](#); jroberts@shorelinewa.gov; [Doris McConnell](#)
Subject: Ordinance 690- Transportation Impact Fee - public comment for the City Council meeting on July 13, 2015
Date: Thursday, July 09, 2015 11:39:45 PM

Dear City Council,

My name is Megan Kogut and I live at 15806 10th Ave NE, in the Ridgecrest neighborhood of Shoreline. I am co-owner (along my husband Jarred Swalwell) of the Ridgecrest Public House, a neighborhood taproom that will open this summer near the Crest Cinema Theatre in Ridgecrest.

I write to share my concern about Ordinance 690 regarding the Transportation Impact Fee (TIF). I am aware that there is a chance for proposing an amendment on July 13 to defer 50% of that fee for a period of one to two years after a new business is permitted by the City of Shoreline. I think that option for deferral is a tiny move in the right direction. But I write to ask you to consider abandoning the TIF program entirely and replacing it with a business and occupation tax or other alternative source of revenue. I explain why below with specific examples.

I realize that it would have been good to be at the meetings with my concerns a year ago, when the TIF program was introduced. However, a year ago, the pub wasn't even a twinkle in our eyes. Since we started pursuing the pub in January 2015, we've learned a lot.

The TIF program came on our radar screen during a Ridgecrest Pub pre-application meeting with City of Shoreline staff. We were assessed a TIF of -\$10,656.00 (a fee with negative value) because the vacant space we were proposing to move into had been occupied previously by the Darigold Federal Credit Union, and banks score "higher" on the TIF list than restaurants. We got lucky. If the vacancy had been in the space currently occupied by the camera store one door west of the Darigold space, the TIF would have been \$17,796.00 because retail scores much "lower" than restaurants. If we had been looking one door east at the space currently occupied by the aquarium store, the TIF would have been \$35,592.00 (the aquarium store is twice the size of the other two spaces.) In both cases, we would have not moved forward with the pub because of the TIF. Even with half the TIF deferred for a year or more in both of these hypothetical scenarios, so that we would be charged about \$9000 or \$18,000 respectively before opening, we still would have not moved forward.

Because I was not at the council meetings last summer, I watched the online videos of those meetings to understand how the TIF program came to be. In the videos I see that two

questionable generalizations helped move the TIF proposal forward. Mr. Young, the consultant hired by the City of Shoreline, claimed that that “restauranters” seek out existing failed restaurants, and therefore they would avoid the TIF. Ridgecrest Pub moved into a bank, not an existing restaurant, because no restaurant existed in that area. We want to create a new inviting “third place” within biking/walking distance of thousands of households, to capitalize on the regional draw of the Crest Theatre, and to hopefully help re-energize that business area. We and others have been waiting for someone to create a “third place” in that area since we moved here in 2003. To accept that restaurants will only be opened where others have failed is to accept the status quo and to put a constraint on business areas without existing “third places”. Mr. Young also generalized that developers (and presumably other businesses) easily obtain bank business loans at approximately 5% interest, and therefore paying all of the TIF upfront shouldn't be an issue for business owners. Jarred and I could not get a bank loan for the pub because we've never owned a restaurant or bar before. The pub is financed by our own savings and by loans from friends and family at rates higher than 5%. We don't fit either of Mr. Young's generalizations, and I think it's fair to say that there are other small business owners that won't fit his generalizations either.

What makes this discussion even more interesting is that “third places” such as restaurants and coffee shops are both beloved and vulnerable in Shoreline. Most people love their restaurants and coffee shops to be independent and locally owned. But, coffee shops and restaurants are not generally profitable ventures relative to other businesses. They also have relatively high startup costs with permitting, health requirements, occupancy requirements, employee costs, and so on. And, they now have the second and seventh biggest TIF, respectively.

Overall, the TIF program drastically limits options for independent “third places”. If you're looking to open a coffee shop in Shoreline, you avoid the TIF only if you're taking over a Department Of Licensing office or another coffee shop. If you're a restaurant, you avoid the TIF if you are taking over a DOL office, supermarket, bank, post office, day care center, 24 hour convenience store, discount supermarket, drugstore, fast food place, coffee shop, or another restaurant. On the other hand, if you're taking over a space formerly occupied by light industrial business, manufacturing, mini-warehouse, retail, office, car sales lot, or drugstore, you'll pay at least \$8/sf as a restaurant and \$50/sf for a coffee shop. For a relatively small 1000 sf space, that means \$8,000 or \$50,000 respectively. And, once a space formerly occupied by coffee shop or restaurant switches to retail, office or another use with a low TIF, it loses its viability as a coffee shop or restaurant in the future. Here, I'm thinking about the space in North City that was Brown's Café (a coffee shop and roaster). That space is ideal for a café, but the café failed, and the current tenant has opened a flower shop there. Assuming the space is about 3000 sf, the TIF for changing the use of that space to restaurant would be \$45,000 (\$15/sf). If it were to be a coffee shop again, the TIF would be \$180,000 (\$60/sf).

I think Shoreline is especially vulnerable at this time to these unintended effects of a TIF program. Bellevue and Redmond, cities that also have TIFs, already have viable and large downtown centers. Overall those cities have a more upscale vibe so the bigger businesses who can pay a TIF fit in well enough. For Shoreline, the more financially secure restaurants and coffee shops that fit our demographic would arguably be in the Subway and Starbucks league. That's what I see in north Seattle neighborhoods going through major changes. Consider also, as some council members did last year, that the city is envisioning high quality community and economic development in the two future light rail station subareas, which are currently zoned residential and so will incur large TIFs for “third places”. Rents in the redeveloped areas are going to be relatively high to recoup builders' costs. I doubt a local coffee shop or restaurant that fits the current demographic of the area will be able to pay a five or six digit

TIF plus rent of \$2-3/sf. To the east, North City has been gaining marijuana-related retail shops lately, and with its history of struggling coffee shops, I think it's fair to say that it is not yet economically stable post redevelopment. To the west, Aurora has its issues. I think every vacancy counts in all of these situations.

For me, the issues of deferral and exemptions that the Council tackled last summer are indicative of how poor a tool the TIF is for raising revenue. In addition to those issues, I add these:

- The financial burden of new transportation projects is only on new businesses, yet existing businesses will also benefit from those projects.
- The TIF rates are built on averaged data for business categories that doesn't necessarily reflect true impact on local traffic.
- The TIF is assessed when the business is most cash-poor, well before it opens its doors.
- The entire TIF is assessed whether or not the business goes bankrupt and therefore stops generating trips.
- Coffee shops and restaurants are hit particularly hard by the TIF program, yet everybody wants independent "third places".
- Areas of Shoreline have a history of failure to attract and retain independent third places even without the TIF.

I suggest a B&O tax as an alternative to the TIF program because it is directly linked to revenue, affects all businesses, and grows as businesses grow and presumably attract more traffic. And, perhaps most importantly, a B&O tax affects businesses only when they have cash flow, and it has no direct effect on which property a tenant chooses to lease.

I suspect it's relatively easy to pass a TIF program because the businesses that will be affected by it aren't around to comment against it, like we weren't. But those businesses will vote with their feet later. And that's what the City of Shoreline should worry about in the context of its economic and community development goals. We should be pragmatic and recognize that businesses profoundly shape our landscape and form our daily experiences. I lived in Phinney and Ballard off and on from 1992-2003, so I've seen a lot of independent "third places", and I've seen a lot of change. As a resident, I'd love to see Shoreline be full of character and uniqueness. I believe the City needs to assess the effects of the TIF program on its economic and community goals across all neighborhoods and consider all alternatives to the TIF.

Sincerely yours,

Megan Kogut