From: Megan Kogut
To: Chris Roberts; Keith McGlashan; Keith Scully; Jesse Salomon; Shari Winstead; Doris McConnell; Will Hall
Cc: City Council
Subject: public comment on Ordinance 717 - TIF exemption for businesses
Date: Saturday, March 12, 2016 1:18:46 PM

Dear Council members,

I write in support of the 100% TIF exemption for all businesses in Shoreline.

I would support a more surgical adjustment to the TIF program that achieves the goal of making it non-prohibitive to new businesses. But it seems that surgical solutions proposed so far are not acceptable to City staff, and time is now short.

The staff report for Monday's Council discussion of the TIF exemption is a choice between a 100% and a 50% TIF exemption. This may seem like a classic choice between a rock and a hard place, with a nice compromise being something "in the middle". I think the real analogy is that it is a choice between a rock and empty nothingness. I say this because 50% of a big number is still a big number. Realistic examples of TIFs I've brought up previously range from $10,000 to $100,000 or more. Is 50% of $100,000 going to be viable? No, a $50,000 fee is still very likely a prohibitive expense. A $10,000 fee could still be a prohibitive expense in some cases.

What is a reasonable TIF? As the owner of a brick and mortar business, I would venture that a good starting point would be to look at existing impact fees on commercial tenant improvements, such as the sewer impact fee. The Ridgecrest Public House paid $1700 in sewer impact fees. Adding a new impact fee much larger than existing fees is risking influencing business decisions to the extent that it is a major policy decision, intended or not.

Why are the TIFs unreasonable? They are driven by the price tag of the list of projects funded by the TIF program, which as you know is $38M. As far as I know, no one considered whether this price tag was too large for this program. No one asked if it was fair for new businesses and residential units to pay the entire price tag for intersections and road sections where traffic has been increasing for decades, some of it perhaps due to relatively recent sources of pass-through traffic.

But regardless of what is fair for businesses, the big decision before you is an entirely practical one for the City itself. And you don't have to understand the math and assumptions behind the TIF program. (I've put 60 hours into this issue so far, and I still find surprises in the calculations and rules.)

City priority #1: Many businesses collect sales tax for the City, and sales tax is 21.8% of the City's annual general operating revenues. In 2016, the sales tax revenue is expected to grow by $427,700 based on existing trends. But what if, as a result of City investments, from infrastructure improvements to marketing, as well as the Seattle housing crunch and other market forces, as well as great schools, great parks, good transportation, and relatively low housing prices, Shoreline finally boomed? Sales tax revenues would boom accordingly. I'd argue that the increase in sales tax would offset any waived TIF fees and then some. And the sales tax is an ongoing source of revenue, well beyond the lifetime of the TIF program, which is set to end in 2030.

City priority #2: As you know, most residents in Shoreline are aching for more choices in local businesses, walkable neighborhoods, and vibrant third places. To achieve this, new businesses need to occupy and transform existing commercial areas. Because existing commercial areas are currently dominated by businesses with "low-TIF" uses such as general retail and services, changes of use are needed for vibrancy and diversity. The TIF program, since it so harshly penalizes change of use, is squarely in the way of vibrancy and diversity.

All else being equal, businesses won't move into Shoreline when there are no TIFs in Seattle and TIFs an order of magnitude smaller in Edmonds. They'll locate just outside Shoreline to serve Shoreline's population. This means missed sales tax revenue, missed chances at claiming great vibrant businesses for Shoreline, missed opportunities for Shoreline's existing commercial areas, and, ironically, more traffic as people drive outside of Shoreline on evenings and weekends.

You may wonder about the small businesses that paid TIFs of $25,000 each in 2015. So did I. One is a Domino's restaurant that moved from North City across town. It was an existing business, presumably with some cash reserves to pay the fee. The other is Sunny's Teriyaki, which has seven locations in the Seattle area. They along with their neighbors were kicked out of their location in Maple Leaf to make way for redevelopment. Again, they are an existing business, with multiple locations. So, neither of these examples are proof that most small businesses will pay the TIF.

So, your rock and your hard place is really a roughly six-figure annual contribution ($200,000 in 2015) to the TIF program for the next 15 years or so, and – and I risk being dramatic here, but I'm going to say it anyway because I think it's true - the City's future as a great place to live. But again, it's not a 50/50 decision. The only viable choice now is a 100% exemption, with or without a sunset clause. If you still support a 50% exemption, then you must be able to prove that a 50% exemption will fix the problem (and I've already brought up a dozen examples where it very probably won't) or you must admit that you are willing to compromise other major City goals to protect the TIF program. There really isn’t a middle ground here.

And for those of you who feel that exemptions to the TIF program are fiscally irresponsible, remember two things: if businesses locate outside of Shoreline to avoid the TIF, you don’t collect the TIF anyway, and for many types of businesses, you miss out on that business building the City’s sales tax base and economic vitality as well.

I conclude on a note of urgency, and this sense of urgency is what has fueled me to spend 60 hours on this issue in the last year while also starting Ridgecrest Public House. (I write this letter when I really should be running errands.) Shoreline is poised for huge change, in part because of light rail and rezoning for mixed commercial use, and in part because of the market forces in Seattle. This change is already happening. This is a really delicate time for Shoreline because it is a blank slate, thanks to rezoning as well as its history as unincorporated King County. What happens in Shoreline during this decade and next is likely going to define the City for many years to come. This means that if businesses can’t pay the TIF, they will not play a part in defining Shoreline. That would be a very sad thing in many situations, real and hypothetical. So please consider that much of what will happen in the next few years will set the scene (or not) for Shoreline being a vibrant city with character. Really, now is the worst time for big TIFs on businesses in Shoreline.

Sincerely,

Megan Kogut PhD

Shoreline WA