

**From:** [Dan Jacoby](#)  
**To:** [City Council](#)  
**Subject:** Ordinance 717  
**Date:** Friday, March 18, 2016 9:13:44 AM

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To the City Council:

Over the past several months, I have evolved in my thinking on the TIF. I, too, was originally taken in by the “Let growth pay for growth” slogan. I am now free of that propaganda, and am happy to see that the City Council is freeing itself from that line as well.

I was greatly pleased by two amendments offered this past Monday to ordinance 717, which would reduce TIF fees for certain businesses. The first passed by a 5-2 vote. It was Council Member Salomon’s amendment to change the 50% reduction to a 100% reduction. The second is Council Member Scully’s amendment (still pending) to get rid of the extra red tape and make the fee reduction (now a fee elimination) automatic, rather than something that needs to be applied for.

I have come to view the TIF, at least when applied to new businesses (I have no problem with a TIF assessed on new housing) as yet another anti-business measure in a city already known for its longstanding hostility to business. Whether earned or not, that is the prevailing view. As a result, sales tax revenue, at least as a percentage of total revenue to the city government, has declined precipitously, even after accounting for the Great Recession, and that is the real cause of the budget difficulties.

As you have heard from the public, the TIF, at least a TIF levied on businesses, creates more problems than it purportedly solves. New businesses are loath to start here, and current businesses that are ready to expand are looking outside Shoreline.

You should also know that the numbers presented by city staff are inaccurate.

In 2015, TIF fees totalled just under \$255,000. Of that, new construction of single family residences and accessory dwelling units brought in \$75,000, leaving \$180,000 in business TIF fees. Of that \$180,000, the majority, \$95,000 was from one source, Swedish Medical Group – a situation not likely to be repeated any time soon. That leaves only \$85,000 in business TIF fees that may be considered indicative of a regular, annual source of income. In other words, eliminating TIF fees on all new businesses would result in a lower income loss than the city staff claimed that a 50% reduction in some business TIF fees would have created.

In addition, the entire rationalization behind the business TIF is often misguided.

Suppose you wanted to open a new business, say a dry cleaner. Where would you put it? Would you locate your business next to another dry cleaner? Of course not! You would find a location that is near a lot of residents and far from any other dry cleaner. Once you open, your customers would not be people who never had their clothes dry cleaned, it would be people who had previously driven a mile or two and who now drive a far shorter distance — or not at all, because they walk to your store. Your new business would reduce both the number of car trips and the average length of the remaining trips. Yet the business TIF is based on the opposite assumption.

If you need further proof of the insanity of the business TIF, look at item one on the schedule, a “Park-and-ride lot w/ bus svc” (ITE Code 90). Seriously? A park-and-ride with bus service is going to increase car trips? You’d have to be out of your mind to believe that! The entire purpose of a park-and-ride is to get people out of their cars. Yet the city’s TIF schedule charges over \$2,800 per parking space.

In contrast, new housing clearly results in more traffic, so a TIF on new residential construction makes perfect sense.

It is well known that residential growth results in tighter city budgets as the added cost of city services outpaces new property tax revenues. For the past several decades, sleepy bedroom communities across the country have had to

deal with the need to raise taxes and/or cut services (or begin charging fees for many services, which is essentially a tax under a different name). In most states (41 out of 50), higher property tax rates on commercial properties provide the outlet needed. Washington being one of only nine states that prohibits higher property tax rates on commercial properties, our outlet is the local sales tax. In other words, the basic solution is nearly the same — encourage new businesses to start here, and persuade businesses currently located elsewhere to move or expand here.

Therefore, the city should be looking for ways to encourage, not discourage, businesses from coming here. Eliminating the TIF for businesses is a good start. I urge you to approve Council Member Scully's amendment, and then pass Ordinance 717.

Respectfully yours,  
Dan Jacoby