City of SeaTac
Light Rail Transit Station Area Development
Economic Benefits Analysis

THIRD DRAFT

March 2009

Prepared by:

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Principal: Chris Mefford
Lead Analyst: Rob Shwed
Additional Analysis: Michael Forsyth
Tyler Schrag

1402 Third Avenue, Suite 930
Seattle, Washington 98101
tel: 206.523.6683 fax: 866.726.5717
info@communityattributes.com

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INTRODUCTION

Background and Purpose

The City of SeaTac pursues implementation of the City's land use and development plans in the City's two light rail transit (LRT) station areas. The City desires economic analyses to determine the net gain in economic benefits associated with development and build-out of the City's station areas, presented in this report. The report describes anticipated fiscal revenues, along with jobs, wages and additional benefits anticipated to come with station area absorption and development.

Specifically, the report presents:

- Public revenues projected to result directly from the redevelopment of the two light rail station areas, including taxes from retail sales, property and utility payments, as well as permitting fees for construction and operations.

- An understanding of the net impacts to municipal revenues and economic benefits by comparing anticipated benefits to a 'no action' scenario.

- Municipal revenues and economic impacts at two points in time: (1) property development and construction and (2) stable operation.

- Indirect impacts on sales tax revenues based on spending impacts from residents, hotel visitors and employees that will occur in SeaTac and outside of project area.

Methods and Approach

The analysis incorporates a cash flow spreadsheet model to demonstrate economic impacts and fiscal revenues expected from station area development and stabilized operations. The cash flow model provides an understanding of two phases City benefits: a development phase spanning 2010 to 2016, and a stabilized operations phase beginning in 2017.

Key economic and fiscal benefits resulting from new development include net new operating revenue to the City and new jobs. The analysis includes sensitivity analysis of findings based on changes in key drivers and influencing factors.

The cash flow model includes a net present value assessment of the development and 'no-action' scenarios, allowing for discounting of future costs and revenues to single current figures for easy comparison between the two scenarios.

Organization of Report

The report is presented as follows:

- **Key Findings and Analysis.** A summary of the key issues examined and the conclusions of the report.

- **Summary of Planned Land Use Changes.** An overview of development planned for the station areas, showing the building space dedicated to different uses.

- **Summary of Economic Benefits.** Overview of the net economic benefits projected to stem from development of the station area plans.

- **Financial Planning Considerations.** This section presents a discussion about the current year dollars approach used in this report, along with an alternative net present value perspective, with inflation and discount rates considered.

- **Technical Addendum.** An overview of the assumptions employed and details on the spreadsheet model informing the analysis. This includes budget and other data used to estimate and forecast municipal revenues. Real estate market data and assumptions informing development costs and influencing project revenues are also presented.

SUMMARY OF FINDINGS

Development of the two light rail station areas as outlined in the 2006 Station Area Plans will result in net increases in City revenues as well as population, employment, and wage growth in SeaTac. Fiscal benefits to the City of station area development can be divided into two general time frames: Phase 1, the development and absorption period; and, Phase 2, continuing stabilized operating period thereafter.

Analysis of fiscal revenues and economic benefits associated with the development and build-out of the station areas suggests the following benefits would accompany implementation of the Plans:

- A net gain of approximately 2,200 new residents and 2,750 new jobs.
- City revenues would increase (marginal increases over a no-action scenario) approximately $4.7 million per year from increased tax and fee revenue during Phase 1 (2010-2016) during build-out and absorption of the station area developments.
- Phase 2 would bring the City an additional $4.5 million per year in revenue from on-going operations in the station areas.
- Growth in total annual wages from $230 million to $355 million; and
- Increased taxable retail sales activity, from $196 million to $275 million annually.

Exhibit 1 below summarizes the net fiscal and economic benefits of planned development in the station areas versus those under current uses.

Exhibit 1
Summary of Net Economic and Fiscal Benefits by Station Area during Development and Operation Periods

	S. 154th St. Station Area			SeaTac Airport Station Area			Total Both Station Areas Together		
	Current	Station Area Plan	Net Change	Current	Station Area Plan	Net Change	Current	Station Area Plan	Net Change
Economic Benefits									
Population	368	2,073	1,704	408	906	498	776	2,978	2,202
Jobs	677	766	89	3,629	6,296	2,667	4,306	7,062	2,756
Annual Wages	$36,196,818	$38,478,999	$2,282,181	$194,029,913	$316,454,157	$122,424,244	$230,226,731	$354,933,157	$124,706,426
Taxable Retail Sales	$6,676,949	$29,823,900	$23,146,951	$189,510,306	$245,273,974	$55,763,668	$196,187,255	$275,097,874	$78,910,619
Fiscal Benefits - Development Period (Annual Averages)									
Property Tax Revenue	$142,328	$1,050,248	$907,920	$545,087	$1,621,997	$1,076,910	$687,415	$2,672,245	$1,984,830
Sales Tax Revenue									
Construction	$0	$332,489	$332,489	$0	$563,548	$563,548	$0	$896,037	$896,037
On-Site Sales	$56,754	$144,859	$88,105	$1,610,838	$1,191,331	($419,507)	$1,667,592	$1,336,190	($331,402)
Other General Fund	$60,954	$727,841	$666,887	$140,185	$1,141,726	$1,001,541	$201,140	$1,869,567	$1,668,428
Total General Fund	$260,037	$2,255,437	$1,995,401	$2,296,109	$4,518,602	$2,222,493	$2,556,146	$6,774,039	$4,217,893
Special Revenue Funds									
Street Fund	$61,166	$67,556	$6,389	$914,025	$165,301	($748,724)	$975,191	$232,856	($742,335)
Hotel / Motel Tax Fund	$0	$0	$0	$241,733	$137,550	($104,183)	$241,733	$137,550	($104,183)
Debt Service Funds	$14,454	$43,644	$29,190	$291,603	$145,415	($146,188)	$306,057	$189,059	($116,998)
Capital Projects Funds	$17,485	$674,453	$656,968	$38,770	$794,549	$755,779	$56,255	$1,469,003	$1,412,748
Enterprise Funds	$29,562	$77,230	$47,668	$44,365	$47,502	$3,137	$73,927	$124,732	$50,805
Total Other Funds	$122,667	$862,883	$740,216	$1,530,496	$1,290,317	($240,179)	$1,653,163	$2,153,200	$500,037
Total Revenues	$382,704	$3,118,321	$2,735,617	$3,826,605	$5,808,919	$1,982,313	$4,209,309	$8,927,239	$4,717,930
Fiscal Benefits - Operating Period (First Full Operating Year)									
Property Tax Revenue	$148,078	$1,565,828	$1,417,750	$567,107	$2,420,413	$1,853,306	$715,185	$3,986,242	$3,271,057
Sales Tax Revenue									
On-Site Sales	$56,754	$253,503	$196,749	$1,610,838	$2,084,829	$473,991	$1,667,592	$2,338,332	$670,740
Other General Fund	$60,954	$275,226	$214,271	$140,185	$261,997	$121,812	$201,140	$537,223	$336,083
Total General Fund	$265,787	$2,094,557	$1,828,771	$2,318,130	$4,767,240	$2,449,110	$2,583,916	$6,861,797	$4,277,880
Special Revenue Funds									
Street Fund	$61,166	$124,732	$63,566	$914,025	$292,120	($621,905)	$975,191	$416,852	($558,339)
Hotel / Motel Tax Fund	$0	$0	$0	$241,733	$240,713	($1,020)	$241,733	$240,713	($1,020)
Debt Service Funds	$14,454	$63,712	$49,258	$291,603	$235,086	($56,517)	$306,057	$298,798	($7,259)
Capital Projects Funds	$17,485	$411,625	$394,140	$38,770	$291,649	$252,879	$56,255	$703,274	$647,019
Enterprise Funds	$29,562	$154,019	$124,457	$44,365	$91,372	$47,007	$73,927	$245,392	$171,464
Total Other Funds	$122,667	$754,088	$631,421	$1,530,496	$1,150,940	($379,556)	$1,653,163	$1,905,028	$251,865
Total Revenues	$388,454	$2,848,645	$2,460,191	$3,848,626	$5,918,180	$2,069,554	$4,237,080	$8,766,825	$4,529,745

Development and absorption of the station area plans would be expected to generate the following fiscal benefits to the City:[1]

- A net increase of nearly $2 million in annual property tax revenues during development and absorption period, and approximately $3.3 million annually thereafter during operations.
- Increased sales tax revenue, including:
  - Approximately $896,000 in net additional annual sales tax revenue from development and construction activities during the seven years of construction and lease-up.

[1] Estimates rely on development and economic assumptions, documented in detail in the Technical Addendum, beginning on page 28.

- Approximately $670,000 annually in increased sales tax revenue from on-site sales after the developments are completed and in full operation.

- Revenue to the City's Special Revenue Funds, of which the Street Fund and Hotel/Motel Fund composes the largest portion, are projected to decrease by an average of approximately $845,000 per year during development and remain approximately $560,000 lower than present annually thereafter. This decline is due to reduced commercial parking tax revenue resulting from the displacement of commercial parking within the station areas to other uses. Hotel/motel tax revenue will decline during development but then rebound to current levels.

- Revenue to the City's Debt Service Funds, which also flows in large part from commercial parking taxes and hotel/motel tax revenues, is projected to decline as well, by an average of $117,000 per year during development and just over $7,000 annually thereafter.

- Capital fund revenues, primarily from REET taxes and intergovernmental transfers, would increase by an average of approximately $1.4 million per year during the development period, and by approximately $650,000 per year thereafter, compared to the no-action scenario.

- Enterprise funds revenues, primarily funded by surface water management fees, would increase by an average of $50,000 per year during build-out of the projects, and by approximately $170,000 annually thereafter.

In addition, new residents attracted to the City to live in the proposed project would drive increases in other tax and fee revenue from their activities and spending outside the project area as well (not included in the exhibits, but estimated to be an additional $15,000 per year during operations).

The revenues increases, especially sales tax revenues, would depend in part on the degree to which new retail development adds new shopping opportunities not currently common in SeaTac.

STATION AREA DEVELOPMENT PLANS

Exhibit 2 below summarizes the total built space that exists in the station areas at present, total built space planned under the station area plans, and the net difference between the two.

Exhibit 2
Total Space by Use Type: Current Conditions vs. Station Area Plans Build-Out

Development Summary

	S. 154th St. Station Area			SeaTac Airport Station Area			Total Both Station Areas Together		
	Current	Station Area Plan	Net Change	Current	Station Area Plan	Net Change	Current	Station Area Plan	Net Change
Residential Units (# D.U.)									
Single-family Detached Houses	52	0	-52	0	0	0	52	0	-52
Townhouses	0	273	273	0	0	0	0	273	273
Condominiums	0	559	559	0	344	344	0	903	903
Aprtments	203	621	418	340	382	42	543	1,003	460
Total Residential Units	255	1,453	1,198	340	726	386	595	2,179	1,584
Non-Residential Space (# Sq. Ft.)									
Retail / Service	28,548	162,720	134,172	9,164	158,228	149,064	37,712	320,948	283,236
Office	72,446	75,540	3,094	699,143	1,034,366	335,223	771,589	1,109,906	338,317
Hotel / Motel	0	0	0	745,011	741,866	-3,145	745,011	741,866	-3,145
Light Industrial	8,258	0	-8,258	0	0	0	8,258	0	-8,258
Public / institutional	20,332	0	-20,332	0	25,008	25,008	20,332	25,008	4,676
Total Non-Residential Space	129,584	238,260	108,676	1,453,318	1,959,468	506,150	1,582,902	2,197,728	614,826
Parking Spaces (# Sq. Ft.)									
Business Parking	91,189	671,125	579,936	30,847	2,482,675	2,451,828	122,035	3,153,800	3,031,765
Commercial Parking	53,174	74,425	21,251	925,783	275,925	-649,858	978,957	350,350	-628,607
Total Non-Residential Space	144,362	745,550	601,188	956,630	2,758,600	1,801,970	1,100,992	3,504,150	2,403,158

Overall, both residential and non-residential space increase under development of the station areas. Residential space more than doubles, increasing from approximately 600 dwelling units to nearly 2,200 units. The character of residential uses changes as well, incorporating more higher-density configurations as single-family houses are replaced with townhouses and multifamily buildings.[2]

Commercial space grows as well, increasing 39% from approximately 1.5 million s.f. to nearly 2.2 million s.f. Retail and consumer service space increases by nearly a factor of ten, from approximately 37,000 s.f. to 320,000 s.f. Office space grows by 44% from 771,000 s.f. to over 1.1 million s.f. Hotel space remains roughly the same.[3] The small amount of light industrial space now present in the S. 154th St. station area disappears, as do several public utility buildings. A new library increases the total public/institutional space slightly from 20,000 to 25,000 s.f.

Parking uses change significantly with station area redevelopment. The total parking area grows from approximately 1.1 million s.f. (3,400 spaces) to over 3.5 million s.f. (10,700 spaces). Data provided in the station area plans does not detail the proportion of those parking spaces that are commercial (rather

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[2] A different mix of unit types or sizes could result in a higher or lower actual unit count.
[3] Plans suggest current hotel space is redeveloped, resulting in a slight net reduction in total hotel/motel square footage.

than associated with businesses or residential uses); or what proportion of those parking spaces are in structures as opposed to in surface lots. This analysis assumes that 90% of total new spaces are required under the existing zoning codes to accommodate new businesses and residential uses with the remaining 10% available airport commercial parking. This would result in a reduction in commercial parking spaces in the station areas from 980,000 s.f. (3,000 spaces) to 350,000 s.f. (1,000 spaces) but an increase in business parking from 122,000 s.f. (375 spaces) to (3.2 million s.f.) 9,700 spaces.[4] Allocations between surface and structured parking are assumed for each station area, with a relatively higher proportion of structured parking necessary to accommodate the increased development density in the station areas.

ECONOMIC BENEFITS OF STATION AREA DEVELOPMENT

Implementation of the station area plans will bring additional benefits, including increases in population, new jobs and wages, and on-site sales. These economic benefits are summarized in **Exhibit 3** below.

Exhibit 3
Current Uses vs. Net Station Area Development Economic Benefits, 2017 Build-Out

	S. 154th St. Station Area			SeaTac Airport Station Area			Total Both Station Areas Together		
	Current	Station Area Plan	Net Change	Current	Station Area Plan	Net Change	Current	Station Area Plan	Net Change
Population	368	2,073	1,704	408	906	498	776	2,978	2,202
Jobs	677	766	89	3,629	6,296	2,667	4,306	7,062	2,756
Annual Wages	$36,196,818	$38,478,999	$2,282,181	$194,029,913	$316,454,157	$122,424,244	$230,226,731	$354,933,157	$124,706,426
Taxable Retail Sales	$6,676,949	$29,823,900	$23,146,951	$189,510,306	$245,273,974	$55,763,668	$196,187,255	$275,097,874	$78,910,619

Household and Population Growth

Population growth is estimated based on the amounts of residential space in the station area plans, as shown in **Exhibit 4** and **Exhibit 5** below. The number of dwelling units is estimated by dividing the total square footage allocated to each residential type by an assumed average unit size. An

[4] Parking figures presented here are estimates and may ultimately be different. Current parking stalls are estimated from parcel data, including land square footage identified as commercial or business-related parking and land square footage identified as being in parking use. It is not clear whether those totals include a portion or all of the parking associated with existing multifamily residential uses, but they are assumed to not include housing parking. Future parking spaces are estimated from a total parking stall count identified in the station area plans multiplied by an average size per parking stall. The proportion of future parking that is considered commercial parking is not addressed at all in the station area plan data available, and is estimated here to comprise 10% of new parking spaces, of which 30% is surface parking and 70% is structured parking.

average number of residents is estimated for each unit type, and multiplied by the number of units to arrive at a total estimated population.

While both station areas are planned to grow in population, approximately 75% of residential growth is targeted for the S. 154th St. Station Area.

Exhibit 4
New Station Area Population – S. 154th Station Area, 2017 Build-Out

Residential Use Type *(Station Area Plan)*	Gross S.F.	Avg. S.F. / Unit	Dwelling Units	Residents / DU	New Population
Townhouses	479,411	1,750	273	2.2	601
Condominiums	559,313	1,000	559	1.3	727
Apartments	559,313	900	621	1.2	745
Total Residential	1,598,037	1,098	1,453	1.43	2,073
Current Status					
Single Family Detached	78,020	1,500	52	2.4	125
Townhouses	0	1,750	0	2.2	0
Condominiums	0	1,000	0	1.3	0
Apartments	183,198	900	203	1.2	244
Total Residential	261,218	1,284	203	1.81	368
Net Increase	1,336,819		1,250		1,704

Exhibit 5
New Station Area Population – Airport Station Area, 2017 Build-Out

Residential Use Type *(Station Area Plan)*	Gross S.F.	Avg. S.F. / Unit	Dwelling Units	Residents / DU	New Population
Townhouses	0	1,750	0	2.2	0
Condominiums	344,372	1,000	344	1.3	447
Apartments	344,372	900	382	1.2	458
Total Residential	688,744	947	726	1.25	906
Current Status					
Single Family Detached	0	1,500	0	2.4	0
Townhouses	0	1,750	0	2.2	0
Condominiums	0	1,000	0	1.3	0
Apartments	306,126	900	340	1.2	408
Total Residential	306,126	900	340	1.20	408
Net Increase	382,618		386		498

This analysis is sensitive to basic assumptions regarding the unit mix and average unit and household sizes. Smaller average unit sizes, or higher proportions of multifamily units versus townhouses, would produce a higher number of new dwelling units. However as multifamily units typically house fewer people per unit that townhouses, a higher proportion of smaller units would offset population growth somewhat.

Employment and Wage Growth

Employment growth is similarly derived from total non-residential square feet in the station area plans, divided by an assumed ratio of square footage per jobs. These calculations are shown below in **Exhibit 6**. Total wages are calculated form the number of jobs multiplied by weighted average wage data for SeaTac employment sectors provided by the State Employment Security Department.

Exhibit 6
Net New Station Area Employment and Wages, Annual Average at 2017 Build-Out

	S. 154th St. Station Area			Airport Station Area			Total Both Station Areas		
Commercial Use Type **(Station Area Plans)**	Gross Comm'l S.F.	Total Jobs	Total Wages	Gross Comm'l S.F.	Total Jobs	Total Wages	Gross Comm'l S.F.	Total Jobs	Total Wages
Convenience Retail	81,360	383	$ 19,247,701	23,734	208	$ 10,430,628	105,094	590	$ 29,678,329
Specialty Retail	65,088	153	$ 7,699,080	15,823	69	$ 3,476,876	80,911	222	$ 11,175,956
Restaurant	16,272	32	$ 1,603,975	71,203	259	$ 13,038,285	87,475	291	$ 14,642,260
Entertainment	0	0	$ -	47,468	104	$ 5,215,314	47,468	104	$ 5,215,314
Office	75,540	198	$ 9,928,243	1,034,366	5,025	$ 252,544,306	1,109,906	5,222	$ 262,472,549
Hotel	0	0	$ -	741,866	541	$ 27,169,402	741,866	541	$ 27,169,402
Library	0	0	$ -	25,008	91	$ 4,579,347	25,008	91	$ 4,579,347
TOTAL	238,260	766	$ 38,478,999	1,959,468	6,296	$ 316,454,157	2,197,728	7,062	$ 354,933,157
Current Employment and Wage Estimates									
Convenience Retail	28,548	230	$ 12,279,949	4,660	37	$ 1,978,365	33,208	267	$ 14,258,313
Specialty Retail	0	0	$ -	0	0	$ -	0	0	$ -
Restaurant	0	0	$ -	4,504	15	$ 796,723	4,504	15	$ 796,723
Entertainment	0	0	$ -	0	0	$ -	0	0	$ -
Office	72,446	195	$ 10,425,967	699,143	3,084	$ 164,897,465	771,589	3,279	$ 175,323,432
Hotel	0	0	$ -	745,011	493	$ 26,357,360	745,011	493	$ 26,357,360
Light Industrial	8,258	120	$ 6,415,980	0	0	$ -	8,258	120	$ 6,415,980
Public / Institutional	20,332	132	$ 7,057,577	0	0	$ -	20,332	132	$ 7,057,577
TOTAL	129,584	677	$ 36,196,818	1,453,318	3,629	$ 194,029,913	1,582,902	4,306	$ 230,226,731
Net New Jobs / Wages		89	$ 2,282,181		2,667	$ 122,424,244		2,756	$ 124,706,426

Taxable Retail Sales and Resident Spending

Total taxable retail sales are projected based on estimates of taxable retail sales per square foot of commercial space for different use types. **Exhibit 7** below shows calculations of taxable retail sales and spending for commercial spaces in the planned station area developments and current uses. This analysis projects a net increase of $79 million in annual taxable retail sales in the station area, from $196 million in estimated current sales to $275 million following station area redevelopment. The degree to which these figures represent true net increases in taxable spending in the City depends on whether the retailers, businesses, and residents represent real new additions to SeaTac or whether they are simply relocations of activity already taking place in the City.

Exhibit 7
Net New Station Area Taxable Retail Sales (TRS), 2017 Build-Out

	S. 154th St. Station Area		Airport Station Area		Total Both Station Areas	
Commercial Use Type **(Station Area Plans)**	Gross Comm'l S.F.	Total TRS	Gross Comm'l S.F.	Total TRS	Gross Comm'l S.F.	Total TRS
Convenience Retail	81,360	$ 7,574,383	23,734	$ 2,951,825	105,094	$10,526,208
Specialty Retail	65,088	$ 17,673,560	15,823	$ 5,739,659	80,911	$23,413,219
Restaurant	16,272	$ 2,524,794	71,203	$ 14,759,124	87,475	$17,283,918
Entertainment	0	$ -	47,468	$ 14,759,124	47,468	$14,759,124
Office	75,540	$ 2,051,163	1,034,366	$ 37,521,225	1,109,906	$39,572,388
Hotel	0	$ -	741,866	$ 169,154,236	741,866	$169,154,236
Library	0	$ -	25,008	$ 388,781	25,008	$388,781
TOTAL	238,260	$ 29,823,900	1,959,468	$ 245,273,974	2,197,728	$275,097,874
Current Conditions	Comm'l S.F.		Comm'l S.F.		Comm'l S.F.	Total TRS
Convenience Retail	28,548	$ 3,424,580	4,660	$ 558,251	33,208	$3,982,831
Specialty Retail	0	$ -	0	$ -	0	$0
Restaurant	0	$ -	4,504	$ 899,271	4,504	$899,271
Entertainment	0	$ -	0	$ -	0	$0
Office	72,446	$ 2,534,736	699,143	$ 24,428,483	771,589	$26,963,219
Hotel	0	$ -	745,011	$ 163,624,300	745,011	$163,624,300
Light Industrial	8,258	$ 412,758	0	$ -	8,258	$412,758
Public / Institutional	20,332	$ 304,875	0	$ -	20,332	$304,875
TOTAL	129,584	6,676,949	1,453,318	$ 189,510,306	1,582,902	$196,187,255
						$0
Net New TRS		$ 23,146,951		$ 55,763,668		$78,910,619

MUNICIPAL REVENUES

Exhibits 8, 9, and 10 below present summaries of the net fiscal benefits accompanying the Station Area Plan build-out scenario versus a 'no-action' scenario continuing current uses. **Exhibit 8** and **Exhibit 9** present net revenue impacts from development in the S. 154th St. and SeaTac Airport station areas, respectively, and show both annual averages for the 7-year development period and the first year of stabilized operation of the projects. **Exhibit 10** presents a summary showing the total impacts of both station areas together. Detailed analysis of the two scenarios follows in subsequent sections.

Exhibit 8
Annual Municipal Revenues: Station Area Development vs. Current Uses
S. 154th St. Station Area, Development and Operating Phases

S. 154th St. Station Area	Current Conditions	Station Area Development	Net Change
General Fund			
Property Tax Revenues	$142,328	$1,050,248	$907,920
Sales Tax Revenues			
Construction	$0	$332,489	$332,489
Ongoing Taxable Retail Sales (On-site Sales)	$56,754	$144,859	$88,105
Ongoing Taxable Retail Sales (By New Residents)	$2,505	$7,047	$4,541
Building Permit & Related Fees	$0	$586,746	$586,746
Other General Fund Revenues	$58,449	$134,049	$75,600
Total General Fund Revenues	$260,037	$2,255,437	$1,995,401
Other Funds			
Special Revenue Funds			
Street Fund	$61,166	$67,556	$6,389
Hotel / Motel Tax Fund	$0	$0	$0
Total Special Revenue Funds	$61,166	$67,556	$6,389
Debt Service Funds	$14,454	$43,644	$29,190
Capital Projects Funds	$17,485	$674,453	$656,968
Enterprise Funds	$29,562	$77,230	$47,668
Total Other Funds	$122,667	$862,883	$740,216
Total Average Development Phase Benefits (Annual)	$382,704	$3,118,321	$2,735,617

S. 154th St. Station Area	Current Conditions	Station Area Development	Net Change
General Fund			
Property Tax Revenues	$148,078	$1,565,828	$1,417,750
Sales Tax Revenues			
Ongoing Taxable Retail Sales (On-site Sales)	$56,754	$253,503	$196,749
Ongoing Taxable Retail Sales (By New Residents)	$2,505	$14,093	$11,588
Other General Fund Revenues	$58,449	$261,133	$202,683
Total General Fund Revenues	$265,787	$2,094,557	$1,828,771
Other Funds			
Special Revenue Funds			
Street Fund	$61,166	$124,732	$63,566
Hotel / Motel Tax Fund	$0	$0	$0
Total Special Revenue Funds	$61,166	$124,732	$63,566
Debt Service Funds	$14,454	$63,712	$49,258
Capital Projects Funds	$17,485	$411,625	$394,140
Enterprise Funds	$29,562	$154,019	$124,457
Total Other Funds	$122,667	$754,088	$631,421
Total Annual Operating Phase Benefits (2017)	$388,454	$2,848,645	$2,460,191

Exhibit 9

Annual Municipal Revenues: Station Area Development vs. Current Uses
SeaTac Airport Station Area, Development and Operating Phases

Airport Station Area	Current Conditions	Station Area Development	Net Change
General Fund			
Property Tax Revenues	$545,087	$1,621,997	$1,076,910
Sales Tax Revenues			
Construction	$0	$563,548	$563,548
Ongoing Taxable Retail Sales (On-site Sales)	$1,610,838	$1,191,331	($419,507)
Ongoing Taxable Retail Sales (By New Residents)	$2,774	$3,079	$305
Building Permit & Related Fees	$0	$994,497	$994,497
Other General Fund Revenues	$137,411	$144,150	$6,740
Total General Fund Revenues	$2,296,109	$4,518,602	$2,222,493
Other Funds			
Special Revenue Funds			
Street Fund	$914,025	$165,301	($748,724)
Hotel / Motel Tax Fund	$241,733	$137,550	($104,183)
Total Special Revenue Funds	$1,155,758	$302,851	($852,907)
Debt Service Funds	$291,603	$145,415	($146,188)
Capital Projects Funds	$38,770	$794,549	$755,779
Enterprise Funds	$44,365	$47,502	$3,137
Total Other Funds	$1,530,496	$1,290,317	($240,179)
Total Average Development Phase Benefits (Annual)	$3,826,605	$5,808,919	$1,982,313

Airport Station Area	Current Conditions	Station Area Development	Net Change
General Fund			
Property Tax Revenues	$567,107	$2,420,413	$1,853,306
Sales Tax Revenues			
Ongoing Taxable Retail Sales (On-site Sales)	$1,610,838	$2,084,829	$473,991
Ongoing Taxable Retail Sales (By New Residents)	$2,774	$6,158	$3,384
Other General Fund Revenues	$137,411	$255,839	$118,429
Total General Fund Revenues	$2,318,130	$4,767,240	$2,449,110
Other Funds			
Special Revenue Funds			
Street Fund	$914,025	$292,120	($621,905)
Hotel / Motel Tax Fund	$241,733	$240,713	($1,020)
Total Special Revenue Funds	$1,155,758	$532,833	($622,925)
Debt Service Funds	$291,603	$235,086	($56,517)
Capital Projects Funds	$38,770	$291,649	$252,879
Enterprise Funds	$44,365	$91,372	$47,007
Total Other Funds	$1,530,496	$1,150,940	($379,556)
Total Annual Operating Phase Benefits (2017)	$3,848,626	$5,918,180	$2,069,554

Exhibit 10
Annual Municipal Revenues: Station Area Development vs. Current Uses

Total Both Station Areas, Development & Operating Periods

	S. 154th St. Station Area			SeaTac Airport Station Area			Total Both Station Areas Together		
	Current	Station Area Plan	Net Change	Current	Station Area Plan	Net Change	Current	Station Area Plan	Net Change
Economic Benefits									
Population	368	2,073	1,704	408	906	498	776	2,978	2,202
Jobs	677	766	89	3,629	6,296	2,667	4,306	7,062	2,756
Annual Wages	$36,196,818	$38,478,999	$2,282,181	$194,029,913	$316,454,157	$122,424,244	$230,226,731	$354,933,157	$124,706,426
Taxable Retail Sales	$6,676,949	$29,823,900	$23,146,951	$189,510,306	$245,273,974	$55,763,668	$196,187,255	$275,097,874	$78,910,619
Fiscal Benefits - Development Period (Annual Averages)									
Property Tax Revenue	$142,328	$1,050,248	$907,920	$545,087	$1,621,997	$1,076,910	$687,415	$2,672,245	$1,984,830
Sales Tax Revenue									
Construction	$0	$332,489	$332,489	$0	$563,548	$563,548	$0	$896,037	$896,037
On-Site Sales	$56,754	$144,859	$88,105	$1,610,838	$1,191,331	($419,507)	$1,667,592	$1,336,190	($331,402)
Other General Fund	$60,954	$727,841	$666,887	$140,185	$1,141,726	$1,001,541	$201,140	$1,869,567	$1,668,428
Total General Fund	$260,037	$2,255,437	$1,995,401	$2,296,109	$4,518,602	$2,222,493	$2,556,146	$6,774,039	$4,217,893
Special Revenue Funds									
Street Fund	$61,166	$67,556	$6,389	$914,025	$165,301	($748,724)	$975,191	$232,856	($742,335)
Hotel / Motel Tax Fund	$0	$0	$0	$241,733	$137,550	($104,183)	$241,733	$137,550	($104,183)
Debt Service Funds	$14,454	$43,644	$29,190	$291,603	$145,415	($146,188)	$306,057	$189,059	($116,998)
Capital Projects Funds	$17,485	$674,453	$656,968	$38,770	$794,549	$755,779	$56,255	$1,469,003	$1,412,748
Enterprise Funds	$29,562	$77,230	$47,668	$44,365	$47,502	$3,137	$73,927	$124,732	$50,805
Total Other Funds	$122,667	$862,883	$740,216	$1,530,496	$1,290,317	($240,179)	$1,653,163	$2,153,200	$500,037
Total Revenues	$382,704	$3,118,321	$2,735,617	$3,826,605	$5,808,919	$1,982,313	$4,209,309	$8,927,239	$4,717,930
Fiscal Benefits - Operating Period (First Full Operating Year)									
Property Tax Revenue	$148,078	$1,565,828	$1,417,750	$567,107	$2,420,413	$1,853,306	$715,185	$3,986,242	$3,271,057
Sales Tax Revenue									
On-Site Sales	$56,754	$253,503	$196,749	$1,610,838	$2,084,829	$473,991	$1,667,592	$2,338,332	$670,740
Other General Fund	$60,954	$275,226	$214,271	$140,185	$261,997	$121,812	$201,140	$537,223	$336,083
Total General Fund	$265,787	$2,094,557	$1,828,771	$2,318,130	$4,767,240	$2,449,110	$2,583,916	$6,861,797	$4,277,880
Special Revenue Funds									
Street Fund	$61,166	$124,732	$63,566	$914,025	$292,120	($621,905)	$975,191	$416,852	($558,339)
Hotel / Motel Tax Fund	$0	$0	$0	$241,733	$240,713	($1,020)	$241,733	$240,713	($1,020)
Debt Service Funds	$14,454	$63,712	$49,258	$291,603	$235,086	($56,517)	$306,057	$298,798	($7,259)
Capital Projects Funds	$17,485	$411,625	$394,140	$38,770	$291,649	$252,879	$56,255	$703,274	$647,019
Enterprise Funds	$29,562	$154,019	$124,457	$44,365	$91,372	$47,007	$73,927	$245,392	$171,464
Total Other Funds	$122,667	$754,088	$631,421	$1,530,496	$1,150,940	($379,556)	$1,653,163	$1,905,028	$251,865
Total Revenues	$388,454	$2,848,645	$2,460,191	$3,848,626	$5,918,180	$2,069,554	$4,237,080	$8,766,825	$4,529,745

General Fund

Revenue sources modeled include: taxes (primarily sales, property, utility, and leasehold taxes), licenses and permits (primarily building permits, business licenses, and utility franchise fees), and other revenues including intergovernmental transfers, charges for goods and services, fines and forfeitures, and other miscellaneous revenue sources.

Property and sales tax projections are based on actual factors that determine those revenue sources: property assessed value and taxable sales, respectively. Property taxes are modeled based on projections of assessed value. Sales taxes are projected based on anticipated one-time construction expenditures associated with the build-out of the station area plans and thereafter projected based on taxable retail sales related to the use of that space and spending by new residents. Most other revenue streams are projected on a per capita or per new job basis, based on forecasted 2008 City revenue sources divided by the City's population or jobs.

The majority of these General Fund revenue streams, in particular the property and sales taxes that comprise the majority of the Fund, are directly impacted by growth and development in the station areas.

Tax Revenue

Assessed Value and Property Taxes

Property tax revenues increase under the station area redevelopment plans, as new property is added to the tax rolls. An increase in total assessed value will result in a net increase in property tax revenues of approximately $3.2 million the first year of stabilized operations, with that number increasing thereafter.

Exhibit 11 below shows the estimated assessed property values resulting from the station area redevelopment plans.

Exhibit 11
Estimated Assessed Value of Station Area Plans Build-Out

		S. 154th St. Station Area		Airport Station Area		Total Both Station Areas	
Use Type (Plan Development)	Est. Assessed Value per S.F.	Gross Comm'l S.F.	Est. Total AV	Gross Comm'l S.F.	Est. Total AV	Gross Comm'l S.F.	Est. Total AV
Convenience Retail	$ 248	81,360	$ 20,177,280	23,734	$ 5,886,082	105,094	$ 26,063,362
Specialty Retail	$ 283	65,088	$ 18,447,799	15,823	$ 4,484,634	80,911	$ 22,932,432
Restaurant	$ 247	16,272	$ 4,021,687	71,203	$ 17,597,996	87,475	$ 21,619,684
Entertainment	$ 224	0	$ 0	47,468	$ 10,631,565	47,468	$ 10,631,565
Office	$ 298	75,540	$ 22,480,704	1,034,366	$ 307,827,322	1,109,906	$ 330,308,026
Hotel	$ 345	0	$ 0	741,866	$ 255,625,827	741,866	$ 255,625,827
Library	$ 258	0	$ 0	25,008	$ 6,462,782	25,008	$ 6,462,782
Commercial Parking	$ 109	74,425	$ 8,095,314	275,925	$ 30,012,756	350,350	$ 38,108,070
Townhouses	$ 315	479,411	$ 151,014,497	0	$ 0	479,411	$ 151,014,497
Condominiums	$ 338	559,313	$ 188,768,121	344,372	$ 116,225,550	903,685	$ 304,993,671
Apartments	$ 239	559,313	$ 133,755,697	344,372	$ 82,354,104	903,685	$ 216,109,801
		1,910,722	$ 546,761,098	2,924,137	$ 837,108,618	4,834,859	$ 1,383,869,716

Property taxes are calculated based on an estimate of future assessed value of the project after development. Due to limits on annual municipal property tax revenue growth imposed by Initiative 747, property tax revenue from any given project can only be estimated within the context of the entire City's property tax revenue[5]. To address this, two scenarios were modeled: one estimating property tax revenue based on the City's total assessed property value including the proposed development, and one based on total City assessed value without the development. The difference between the two property tax scenarios represents the property tax revenue that would result from the proposed development. These two scenario projections and the net new property tax revenue accruing to the City under the planned station area developments are shown in detail in Appendices 12 and 13.

The initial property tax levy rate is 2.450 per $1,000 of assessed value, according to the City's 2008 budget. This levy rate will decline over time to maintain the 1% growth cap on municipal property tax revenue.

The assessed value of the project was estimated at a 10% discount from the calculated market value to account for more aggressive valuation in the private market.

Build-out of the station areas according to the published plans will result in significant increases of taxable assessed value, as shown above. While restrictions imposed by Initiative 747 limit the impact of this assessed value

[5] The property taxes collected on existing real property cannot exceed one percent (cap of one percent) more than the prior year's total property tax revenues. All new construction however, is taxed at last year's levy rate.

growth, development of the station areas will nevertheless result in increased property tax revenue.

Sales Taxes

Sales tax revenues come from construction activities during development and ongoing taxable retail sales during the properties' operating life. The City receives 0.85% of each dollar of taxable sales in sales tax revenue.

Taxable retail sales (TRS) were estimated based on assumptions of TRS per square foot generated by different commercial uses in the project, as summarized in **Exhibit 12** below. Development of the station area plans could result in approximately $6.2 million in sales tax revenue stemming from construction activities, and an additional $2.3 million in annual sales tax revenue from ongoing taxable retail sales. The $6.2 million in construction-related sales tax revenue is truly new revenue that would not be received under a no-action scenario, while the ongoing retail sales tax revenue represents an increase of approximately $670,000 annually over the level received from current taxable sales in the station areas.

Exhibit 12
Estimated Sales Tax Revenue by Use Type for Station Area Plans Build-Out

S. 154th St. Station Area Uses	Gross S.F.	Construction Cost	Sales Tax Revenue (Construction)	TRS per S.F.	TRS (Ongoing)	Sales Tax Revenue (TRS)
Convenience Retail	81,360	$ 12,130,000	$ 100,000	$ 120	$ 7,570,000	$ 64,345
Specialty Retail	65,088	$ 9,710,000	$ 80,000	$ 350	$ 17,670,000	$ 150,195
Restaurant	16,272	$ 2,430,000	$ 20,000	$ 200	$ 2,520,000	$ 21,420
Entertainment						
Office	75,540	$ 11,260,000	$ 100,000	$ 35	$ 2,050,000	$ 17,425
Hotel						
Library						
Townhouses	479,411	$ 71,490,000	$ 610,000			
Condominiums	559,313	$ 83,400,000	$ 710,000			
Apartments	559,313	$ 83,400,000	$ 710,000			
Total	1,836,297	$ 273,810,000	$ 2,330,000		$ 29,820,000	$ 253,385

SeaTac Airport Station Area Uses	Gross S.F.	Construction Cost	Sales Tax Revenue (Construction)	TRS per S.F.	TRS (Ongoing)	Sales Tax Revenue (TRS)
Convenience Retail	23,734	$ 4,160,000	$ 40,000	$ 120	$ 2,950,000	$ 25,075
Specialty Retail	15,823	$ 2,770,000	$ 20,000	$ 350	$ 5,740,000	$ 48,790
Restaurant	71,203	$ 12,480,000	$ 110,000	$ 200	$ 14,760,000	$ 125,460
Entertainment	47,468	$ 8,320,000	$ 70,000	$ 300	$ 14,760,000	$ 125,460
Office	1,034,366	$ 181,270,000	$ 1,540,000	$ 35	$ 37,520,000	$ 318,920
Hotel	741,866	$ 130,010,000	$ 1,110,000	$ 220	$ 169,150,000	$ 1,437,775
Library	25,008	$ 4,380,000	$ 40,000	$ 15	$ 390,000	$ 3,315
Townhouses						
Condominiums	344,372	$ 60,350,000	$ 510,000			
Apartments	344,372	$ 60,350,000	$ 510,000			
Total	2,648,212	$ 464,100,000	$ 3,940,000		$ 245,270,000	$ 2,084,795
Total Both Station Areas	4,484,509	$ 737,910,000	$ 6,270,000		$ 275,090,000	$ 2,338,180

As sales taxes are based on the value of goods sold, actual receipts could vary depending on the mix of retailers present and the level of business and consumer activity in the station areas. This analysis is based on one possible mix of retail-type uses including specialty and convenience retail, restaurants, and entertainment venues, each of which generate different levels of taxable sale activity. The actual type of commercial activity may differ from what is modeled here and may result in higher or lower tax receipts in practice.

Leasehold Taxes

The City collects a tax on rents collected on private leases of publicly-owned property. This revenue is estimated on a per square foot basis. Based on a total of 50,000 s.f. of leased space, 2008 budgeted leasehold tax revenues of $1.4 million equates to $28 per s.f. per year. Although leasehold excise taxes constitute a significant source of revenue Citywide, no leased space is currently present or targeted for development within the station areas. Thus station area development will not drive any increase or decrease in this revenue source.

Other Taxes

The City also receives smaller amounts of revenue from criminal justice sales taxes and gambling taxes. Both of these are projected on a per capita basis, with revenues of $24.48 and $24.49 per capita respectively. Revenues from both will increase with population growth in the station areas estimated at approximately $100,000 annually in net new revenue.

Licenses and Permits

Business Licenses and Related Fees.

Business license fees are an ongoing revenue stream driven by the number of businesses in the City, and thus are influenced by overall economic activity. This analysis estimates business and licensing fee revenues based on projected 2008 business license revenues divided by the total commercial square footage in the City of SeaTac in 2008. Business license revenues are projected on a per-square footage basis, at $0.01/s.f. This figure includes revenues produced by the annual $35 business license fee charged to each business in the City along with other minimal business related fees. While this source makes up only a small proportion of the overall City revenues, the increase in employment in the station areas following development of the station area plans will produce an increase in business license and related fee revenue (a net increase of approximately $6,500 per year).

Franchise Fees

The City of SeaTac currently receives franchise fees on the revenues of cable television, natural gas, and electricity utility companies servicing customers within City boundaries. The City does not levy a utility tax. Cable TV and natural gas franchise fees are estimated for this model on a per-capita basis, while electricity fees are estimated based on population and employment. In each case revenue is calculated based on the City's forecasted revenue from those sources in 2008 divided by the City's 2008 population and employment as appropriate. Cable TV fees are projected at $9.20 per new resident, and natural gas fees at $0.55 per new resident. Electricity fees are projected at $1.60 per new resident or job. Population and job growth is projected to result in approximately $29,000 in net new franchise fee revenue annually.

Building and Related Permit Fees.

These are assessed during planning and development of the project and are estimated at 1.5% of construction costs. Building and development permit fees are driven by the size and scope of construction, and thus are influenced by the type of project constructed. Build-out of the station areas as planned will generate significant one-time sales tax revenues based on the cost of construction – nearly $11 million under current assumptions.

Inter-governmental Revenues

The City receives a range of grants, entitlement funding, and inter-local transfers from federal, state, and other local governmental entities.

Future revenues are projected on a per capita basis, with budgeted 2008 revenues divided by the City population in that year. In total this produces $24.22 in revenue received per resident per year resulting in an increase in intergovernmental revenues, from $18,000 to $72,000 per year.

Charges for Goods and Services

Charges are imposed for goods and services delivered by the City in several general areas:

- General government (a wide range of miscellaneous fees and charges);
- Security of persons and property (law enforcement-related charges);
- Physical environment (charges for inspections and other services related to development planning and reviews);
- Economic development (land use-related planning and approval fees); and
- Culture and recreation (largely consisting of user fees for sports fields and after school programs).

The culture and recreation revenues are projected on a per capita basis, and the others, which are driven by economic as well as population growth, by a combination of population and employment. Collectively the general government, security, physical environment, and economic development revenues equate to a total of $10.84 per resident and job, and the culture and recreational revenues $13.68 per resident per year. As station area development results in additional population and employment in the City, these revenues would increase by approximately $58,000 annually, from approximately $38,000 to over $96,000 per year.

Fines and Forfeitures

The City collects fines and other revenue for parking and other infractions as well as civil and criminal penalties. These revenues are projected based on population and employment, and total approximately $13.54 per resident and job per year.

Station area growth would result in net increases of revenue in these areas, as more people and workers in the area would likely result in proportional increases in the infractions that generate these revenues. It is estimated that planned station area developments would drive an increase of approximately $70,000 annually, from $69,000 to $139,000 per year.

Miscellaneous Revenues

The City earns interest on its investments as well as collecting various smaller amounts of revenue from a range of miscellaneous sources such as facility rentals and concessions. As the great majority of the revenue streams in this area ($1.8 million out of $2.0 million) consist of investment interest earnings and are not driven by growth, no increase in this area is projected under the station area development plans.

Special Revenue Funds

The City's Special Revenue Funds consist of uses which are funded by dedicated sources to be used for specified purposes.

Street Fund

The Street Fund supports planning, establishing, constructing, repairing and maintaining City streets, sidewalks, and appurtenances, including pedestrian and bicycle paths, lanes and routes[6]. The majority of the expenditures in this Fund are budgeted for necessary ongoing maintenance of the City's street systems. Revenue sources for the Street Fund include unrestricted motor vehicle excise tax (MVET) receipts from the State and Citywide parking tax revenue.

Parking taxes represent a significant portion of total City revenues, totaling $4.7 million in 2008, equivalent to 10% of the total City budget that year. As the parking tax is assessed based on the number of spaces present, a reduction in the number of commercial parking spaces subject to this tax will result in a reduction in revenue to the City.

Currently approximately 3,000 commercial parking spaces are present in the two station areas. While the station area plans identify a total number of

[6] In 2009, the Arterial Street Fund was merged with the Street Fund. This analysis includes the line items previously found in the Arterial Fund within the Street Fund.

parking spaces in the station areas, they do not explicitly identify the number of those that are commercial spaces subject to the parking tax. Given the redevelopment program identified in the station area plans, this analysis assumes that only a small proportion (10%) of the total spaces identified will be commercial. This represents a reduction in the number of commercial parking spaces from 3,000 to just over 1,000. This will result in a reduction in parking tax revenue to the Street Fund of approximately $613,000 annually.

Gas tax revenues are projected on a per capita basis. As the revenues to this Fund are driven by population growth, the development involved in the station area plans will result in a net increase in revenues received by the City of approximately $55,000 annually. Overall, Street Fund revenues will decline by $558,000 annually.

Port of Seattle Inter-local Agreement Fund (ILA)

The Port of Seattle ILA Fund holds funds received from the Port as part of a 1997 inter-local agreement for community relief and from proceeds of City street vacations. City Council policy states that only interest accrued to this fund may be budgeted for expenditure; however no such expenditures have been made during the past four years. As this fund relates only to interest earned on funds previously received, it is not impacted by development in the station area plans.

Transit Planning Fund

The Transit Planning Fund accounts for intergovernmental revenue the City receives from Sound Transit to facilitate the review and development of the light rail transit system in the City. It is used to fund a staff position to coordinate that work. This analysis assumes this Fund to be funded in a fixed amount annually and thus to not be impacted by growth in the station areas.

Hotel / Motel Tax Fund

The City imposes a 1% tax on hotel and motel revenues within its municipal boundaries. These revenues are restricted to use for tourism promotion, or the acquisition or operations of tourism-related facilities.

This revenue source is projected based on the City's 2009 hotel tax revenue[7] projection divided by the number of hotel rooms in the City in that year. Future revenues are then estimated based on the number of new rooms the hotel development would create.

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[7] Adjusted to 2009, to more accurately account for current economic conditions

A ‘revenue per hotel room’ driver used to estimate hotel tax is derived by dividing the anticipated lodging tax revenue for 2009 indicated in the City’s budget document ($848,000 net after accounting for debt service and interest) by the number of hotel rooms present in the City (5,227). This gives an estimated lodging tax revenue of $162 per hotel room. Applying this rate to the number of rooms in the project yields approximately $240,000 in annual revenue. However as the number of hotel rooms in the station areas is projected to decline slightly, this represents a slight decline (approximately $1,000 annually) in total hotel fund revenue.

Building Management Fund

The Building Management Fund accounts for the lease revenues received from tenants and the operating costs for building maintenance, tenant improvements and management services associated with the lease of office space at City Hall.

As noted in the discussion above regarding leasehold excise taxes, the lack of leasable space in the station areas means that development there will not result in increased revenues to this Fund.

Facilities Repair / Replacement Fund

This Fund is used to provide for on-going minor (under $25,000) renovation and maintenance projects for City buildings and park related facilities. It is funded exclusively by transfers in from the general fund. As this fund is not funded with unique revenue sources, it would not increase with growth in the station areas.

Debt Service Funds

The City maintains six debt service funds to account for payments of principal and interest on general government debt:

- The **Limited Tax General Obligation City Hall Bond Fund** is used to account for the debt service on bonds issued to acquire a new City Hall facility. It is funded by property tax revenues and thus would increase with new development in the station areas. Property tax revenue to this fund is limited only to the amount needed to pay existing debt service, so increased revenue would go to the general fund. This analysis projects an increase of approximately $103,000 per year, from $25,000 to $128,000 annually.

- The **Transportation Bond Fund** is used to account for the debt service on bonds issued to develop and construct new road projects throughout the City. It is funded with parking tax revenues, which are projected to decline with the redevelopment of commercial parking lots in the station areas to other uses. Parking tax to this fund is a set amount based on debt service needs. Any increase or decrease would be reflected in the street fund. This Fund would experience a projected decline in revenue of approximately $110,000 per year, from $172,000 to $61,000 annually.

- The **Hotel/Motel Tax Bond Fund** is used to account for the debt service on bonds issued to finance the acquisition of tourism-related facilities. Hotel and motel taxes to this fund are a set amount based on debt service needs. Any increase or decrease in revenues would be reflected in the hotel and motel tax fund. Station area development is projected to result in a slight decrease in revenue to this Fund, of approximately $1,000 annually.

- The **Special Assessment Debt Fund** accounts for special assessment collections and debt service payments for all local improvement districts located within the City, while the Local Improvement District Guarantee Fund was created to establish a fund to guarantee the payment of principal and interest on outstanding LID bonds. These assessments are assumed to not be impacted by station area development, and no revenue increase or decrease is expected. However if an LID exists or were to be created within one or both of the station areas, revenues would increase to fund it.

- The **Transportation Bond Reserve Fund** segregates an amount equal to the highest annual debt payment in accordance with a requirement of the Transportation Bond issue. This Fund was established in accordance with regulatory requirements and no revenues or expenditures have been associated with it since its inception. Thus no revenue growth would be anticipated to stem from development in the station areas.

Capital Projects Funds

Municipal Capital Improvements Fund

The Municipal Capital Improvements Fund is used to fund a wide range of general capital improvements in the City, including streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, parks, recreational facilities, law enforcement and fire facilities, trails, libraries, administrative and judicial facilities, and so forth. The Capital Improvements Fund is provided for primarily from one-time sales tax revenue collected on construction projects at SeaTac Airport, and from real estate excise tax

(REET) revenues collected from the transfer of real property in the City, and to a lesser extent from intergovernmental transfers.

As construction at the airport is not directly driven by development in the station areas, no net increase in that revenue is expected as a result of new station area development. Development of the station areas will however result in increased assessed value, driving increases in REET revenues. The City imposes an excise tax totaling 0.5% of the assessed value of such transactions. One-time REET revenues associated with initial property sales following construction are projected to increase by an average of $1.6 million per year for the five years of construction. Property resales thereafter are projected to generate ongoing net increases in REET revenues of approximately $464,000 annually.

The analysis assumes that the commercial portion of the project would be held by the developer throughout the term of the lease. The residential portion of the project is assumed to be comprised of a mix of rental apartments and for-sale townhouses and condominiums. REET taxes will be generated by initial and later re-sales of those units, with revenues collected a function of the quality and sales price of the units as well as the resale frequency. Higher proportions of owned units would generate higher initial and ongoing REET revenues.

Intergovernmental transfers are projected to continue on a per capita and per-job basis.

Fire Equipment Fund

The Fire Equipment Fund provides for the acquisition and replacement of Fire Department capital equipment. It is funded via transfers from the General Fund as necessary, and thus is not directly affected by new development in the light rail station areas.

Municipal Facilities CIP Fund

The Municipal Facilities CIP Fund provides for the acquisition or development of new municipal facilities. It is funded via transfers from other funds as required, and thus is not directly affected by new development in the light rail station areas.

Transportation CIP Fund

The Transportation CIP Fund is used to pay for major expenditures related to the construction and/or improvement of streets and related infrastructure. Federal and state grants also provide funding for transportation improvements. The Fund is provided for from street vacation fees and impact fees on new development as well as a portion of commercial parking tax revenues and transfers from other budgetary Funds. As these impacts stem from new residential and commercial development, revenue increases are projected based on population and employment growth. Analysis projects an annual net revenue increase of approximately $187,000 following construction of the station area developments.

Enterprise Funds

The three enterprise funds, all related to surface water management, are funded by intergovernmental transfers and storm water management fees assessed on property owners. Here each is assumed to be driven by population growth.

- The **Surface Water Management Utility Fund** was established to account for all revenues, assessments and other charges collected by the utility and to pay for expenses related to the administration, maintenance, operation and improvement of the City's drainage utility facilities. The SWM Utility Fund is funded primarily by charges to homeowners, and to a lesser extent by intergovernmental transfers. Revenues to this fund are estimated and projected on a per capita basis, and are projected to increase with population growth and development in the station areas. Revenues are projected to increase by approximately $151,000 per year.

- The **Surface Water Management Construction Fund** funds planning and construction of all surface water management projects. This Fund is funded by intergovernmental transfers. However new development in the station areas will require additional investment in surface water management facilities. As surface water management needs are impacted by both commercial and residential development, revenues to this fund are estimated based on population and employment growth. Revenues are projected to increase by approximately $20,000 per year following development of the station area plans.

- The **Surface Water Management Bonds Reserve** is a statutory requirement and consists of revenues set aside in proportion to the amount of bonds issued. It would not be directly affected by growth in the station areas.

Capital Investments

The City of SeaTac plans to invest nearly $42.8 million in capital projects within the two station areas from 2009 to 2014 (**Exhibit 13**). Capital Improvement Programs call for $24.5 million in road and sidewalk investments over the next six years, with improvements to existing roads in the S. 154th station area ($9.2 million) and construction of new roads in the SeaTac Airport station area ($15.36 million). Nearly $2.3 million in park improvements are planned in the Station Areas, highlighted by a $1.875 million dollar investment in a public plaza in the Airport station area. Nearly $16 million has been set aside for land acquisitions, with $1.75 million allocated to the S. 154th station area and $14.2 million to the Airport station area. In total, the City will invest $11.352 million in the S. 154th St. Station Area and $31.4 million in the SeaTac Airport Station Area.

Exhibit 13
S. 154th St. Station Area Planned Capital Improvements, 2009 - 2014

Project Title	Station Area Location	Priority Rating	2009	2010	2011	2012	2013	2014	Total
Streets and Sidewalks									
S. 154th St. Improvement (b)	S. 154th St S.A.	1	$ 750,000	$ 2,750,000	$ 2,750,000				$ 6,250,000
S. 152nd right turn lane	S. 154th St S.A.	2A	$ 100,000	$ 500,000					$ 600,000
Military Rd. S.	S. 154th St S.A.					$ 250,000	$ 2,090,000		$ 2,340,000
New 30th Ave S	SeaTac Airport S.A.	1	$ 640,000	$ 2,568,725	$ 4,921,209	$ 1,712,484			$ 9,842,418
New S. 173rd	SeaTac Airport S.A.	1	$ 360,000	$ 1,440,414	$ 2,760,690	$ 960,276			$ 5,521,380
Subtotal Streets and Sidewalks			$ 1,850,000	$ 7,259,139	$ 10,431,899	$ 2,922,760	$ 2,090,000	$ -	$ 24,553,798
Parks and Open Space									
Plaza/pedestrian connection at Military triangle	S. 154th St S.A.	2	$ 100,000	$ 312,500					$ 412,500
Gathering space/plaza	SeaTac Airport S.A.	2		$ 937,500	$ 937,500				$ 1,875,000
Subtotal Parks and Open Space			$ 100,000	$ 1,250,000	$ 937,500	$ -	$ -	$ -	$ 2,287,500
Properties and Acquisitions									
Property acquisition - 1st round	S. 154th St S.A.	2A	$ 250,000	$ 250,000	$ 250,000	$ 250,000			$ 1,000,000
International market place	S. 154th St S.A.	2A		$ 750,000					$ 750,000
Property acquisition - 1st round	SeaTac Airport S.A.	1		$ 4,303,500	$ 4,303,500				$ 8,607,000
Property acquisition - Community access point	SeaTac Airport S.A.	1	$ 4,068,000						$ 4,068,000
Interim CAP construction	SeaTac Airport S.A.	1	$ 250,000						$ 250,000
Permanent CAP construction	SeaTac Airport S.A.	1		$ 335,000	$ 335,000				$ 670,000
Purchase options for properties including ROW for Ph. 1 30th Ave	SeaTac Airport S.A.	1	$ 600,000						$ 600,000
Subtotal Properties and Acquisitions		$ 5	$ 5,168,000	$ 5,638,500	$ 4,888,500	$ 250,000	$ -	$ -	$ 15,945,000
S. 154th St. Station Area TOTAL			$ 1,200,000	$ 4,562,500	$ 3,000,000	$ 500,000	$ 2,090,000	$ -	$ 11,352,500
SeaTac Airport Station Area TOTAL			$ 5,918,000	$ 9,585,139	$ 13,257,899	$ 2,672,760	$ -	$ -	$ 31,433,798
Station Area TOTAL			**$ 7,118,000**	**$14,147,639**	**$ 16,257,899**	**$ 3,172,760**	**$ 2,090,000**	**$ -**	**$ 42,786,298**

FINANCIAL ANALYSIS ALTERNATIVES

Analysis was conducted in present dollar terms, to avoid compounding risks relating to attempting to predict a range of future inflation rates for items as varied as construction costs, property value inflation, wage inflation, and the like.

Secondary analysis was conducted using the same model structure but incorporating assumptions regarding inflation and discount rates, as a way to explore potential impacts of inflation and then discounting future costs back to present dollar values.

Exhibit 14 below presents a summary of the key outcomes under the baseline, current-dollar scenario vs. a scenario where a set of discounted present-value assumptions are applied.

Exhibit 14
Summary of Project Outcomes, 2009-2028: Current vs. Discounted Values

	S. 154th St. Station Area		SeaTac Airport Station Area		Total Both Station Areas	
	Baseline (Current Dollars)	Discounted Future Values	Baseline (Current Dollars)	Discounted Future Values	Baseline (Current Dollars)	Discounted Future Values
Economic Benefits						
Population (2028)	1,704	1,704	498	498	2,202	2,202
Jobs (2028)	89	115	2,667	2,881	2,756	2,995
Annual Wages	($108,272,367)	($100,690,320)	$1,182,668,251	$1,067,391,904	$1,074,395,884	$966,701,583
Taxable Retail Sales	$343,643,416	$270,307,720	$134,177,472	$11,755,341	$477,820,887	$282,063,061
Fiscal Benefits						$0
Property Tax Revenue	$25,353,535	$15,478,937	$32,303,382	$19,604,447	$57,656,917	$35,083,383
Sales Tax Revenue						$0
Construction	$2,327,424	$2,238,483	$3,944,838	$3,795,697	$6,272,262	$6,034,180
On-Site Sales	$2,920,969	$2,297,616	$1,140,509	$99,920	$4,061,478	$2,397,536
Other General Fund	$7,178,507	$5,703,612	$8,332,350	$7,428,345	$15,510,857	$13,131,957
Total General Fund	$37,780,436	$25,718,647	$45,721,079	$30,928,409	$83,501,514	$56,647,056
Special Revenue Funds	$746,347	$363,564	($14,601,212)	($9,955,014)	($13,854,865)	($9,591,450)
Debt Service Funds	$780,972	$435,338	($1,993,121)	($1,586,602)	($1,212,149)	($1,151,265)
Capital Projects Funds	$9,310,971	$6,507,382	$8,286,238	$6,314,849	$17,597,209	$12,822,232
Enterprise Funds	$1,797,602	$1,014,043	$541,674	$269,380	$2,339,276	$1,283,423
Total Other Funds	$12,635,892	$8,320,327	($7,766,421)	($4,957,387)	$4,869,471	$3,362,940
Total Fiscal Benefits	$50,416,327	$34,038,974	$37,954,657	$25,971,023	$88,370,985	$60,009,997

Key Assumptions in the Discounted Values scenario

- Annual inflation rates vary from 2.5% for general retail sales, to 3.5% for construction costs.
- Present value of benefits discounted to 2009 using a 4.5% discount rate

TECHNICAL ADDENDUM

Development Assumptions and Inputs

Economic Conditions

The current economic slowdown and financial crises are having a significant impact on property development and business formation. In the near term, many developers are finding it increasingly difficult to obtain construction or permanent financing to develop projects. Likewise, people and businesses are cutting back spending and holding off on new investments, all of which challenge the prospects for a new retail and lifestyle centered development project. It should be noted that different developers have different access to capital and tenants, making it possible for a project described in each of the three scenarios to move forward. Looking forward, it is difficult to forecast the economic conditions that might face this new development several years from now when its doors would open.

This analysis assumes economic and market conditions are similar to recent historical averages. Current economic challenges are noted only in passing in this analysis, and should be used to critically interpret findings.

Key Variables and Assumptions

Key factors that would affect the net fiscal impact of station area development on the City include:

- Market conditions and market values of real estate.
- The degree to which retail options represent new shopping opportunities that would encourage additional spending by residents and draw additional visitors from elsewhere in the region, as opposed to competing with existing merchants for sales.
- Consumer spending relative to historical averages.
- The quality (reflected in construction cost and market value) of residential units, and whether they are rental apartments or for-sale condominiums.
- The quality and market desirability of new commercial space.
- Job density per square foot of new commercial space.

The real impacts of the station area developments will ultimately be a function of the details of the development programs and economic conditions prevailing at the time they enter operation. This analysis is based on an informed assessment of likely uses to illustrate one possible set of possible fiscal and economic outcomes that could result from the planned developments.

The general assumption is that the station areas form a pair of popular and active mixed-use centers featuring retail and residential properties that draw visitors from nearby in the region, and create mid to high-end market opportunities not typically found in SeaTac. They attract new residents and businesses to the City, bringing new shopping and employment opportunities and leading to increased consumer spending. These assumptions are expressed as:

- A retail mix that includes a greater proportion of specialty shops that represent shopping opportunities new to SeaTac.
- Consumer spending, represented by taxable retail sales per square foot of commercial space, in line with or slightly higher than the local historical average.
- A residential unit mix including mid to high-end apartments and condominiums, which entail higher construction costs but command higher rents and sale prices.
- Capitalization rates lower than regional averages, reflecting a greater perception of the products as investments and increasing project valuations.
- Job density higher than regional and local averages, bringing more new jobs.
- A majority of new residents move to the new properties from outside the City of SeaTac.

When assessing the net impact of the two development scenarios, the 'No Action Alternative' scenario assumes the same variables as the development scenario it is being compared against.

General Assumptions

Residential Type. Development scenarios adopted in this analysis assume development of a mix of single family townhouses and multifamily residential units, including rental apartments for-sale condominiums. In the absence of detailed information on the current and planned mix of residential unit types, multifamily housing currently present in the station areas is assumed to be exclusively rental apartments.

With respect to future development, this analysis assumes that townhouses will comprise approximately 15% of residential units, with condominiums and apartments comprising approximately 42-43% each. This allocation can easily be adjusted to model different residential mixes.

The relative proportions of rental to ownership units has implications for certain revenue sources, in particular Real Estate Excise taxes (REET). As REET revenue is generated when properties change hands, a higher number of ownership units (townhouses and condominiums) would result in higher REET revenue when those units are resold. Development of rental apartments on the other hand would reduce REET revenue, as fewer of those residential units would be sold and thus subject to excise tax.

Redevelopment and Replacement Assumptions. It is assumed that all current uses in the station areas will be redeveloped and replaced by the new uses identified in the station area plans. One implication of this is that the first few years of the development see an apparent reduction in population and employment. This is thus a very conservative 'worst case' scenario.

In practice this is unlikely to be the case. Some uses are likely to remain unchanged, and thus there would not be as great an apparent initial decline in population and employment.

Development Cost Assumptions

Construction and development cost assumptions are modeled based on cost ranges for new construction in the Seattle region published by Rider Levett Bucknall (RLB). **Exhibit 15** below shows the cost estimates modeled, with the cost ranges published by RLB for context.

Exhibit 15
Construction Cost Estimates

		Rider Levett Bucknall Range, 2q2008		
Use Type	Construction Cost Estimate	Low	High	RLB Use Type
Convenience Retail	$ 100	$ 80	$ 170	Retail
Specialty Retail	$ 110	$ 80	$ 170	Retail
Restaurant	$ 110	$ 80	$ 170	Retail
Entertainment	$ 100	$ 80	$ 170	Retail
Office	$ 120	$ 130	$ 200	Secondary Office
Hotel	$ 160	$ 155	$ 220	3-Star Hotel
Library	$ 160	$ 155	$ 220	3-Star Hotel
Townhouses	$ 130	$ 115	$ 290	Single Family
Condominiums	$ 150	$ 135	$ 265	Multifamily
Apartments	$ 140	$ 135	$ 265	Multifamily

The development cost estimates modeled are on the low end of the published ranges. The ultimate cost will depend on a wide range of design decisions and the external economic environment at the time of construction. However it should be noted that the level of design and construction quality, which to some degree will be reflected in construction costs, will have a bearing on the rents and sales prices that can be achieved, and indirectly on certain revenue streams such as property and sales taxes, REET revenues, and the like that are influenced by property values and expenditures.

Development Revenue Assumptions

Exhibit 16 and **Exhibit 17** below illustrates the lease rents, net operating income, and capitalization rates that could be expected for the different property use types included in the S. 154th St. and SeaTac Airport station area plans, respectively. As noted above, lease rates will have some relation to construction costs, with higher costs associated with higher lease rates. An average operating expense ratio of 33% is assumed for all property types, except hotel with 35% assumed. Capitalization rates are based on averages for each product type published by Real Capital Analytics (RCA). Capitalized value is calculated as Net Operating Income divided by the capitalization rate.

Both station areas project a positive net site value, indicating that the developments are financially feasible. The exact degree of feasibility will depend on the land price of individual parcels as well as a specific developer's ability to obtain financing and manage the development process and costs effectively.

Exhibit 16
Lease Rate, Net Operating Income and Capitalized Market Value
S. 154th St. Station Area

Use Type	Gross S.F.	Gross Lease Rate per S.F.	Net Operating Income	Cap. Rate (RCA)	Capitalized Value
Convenience Retail	81,360	$ 28.00	$ 1,412,410	6.30%	$ 22,419,200
Specialty Retail	65,088	$ 32.00	$ 1,291,346	6.30%	$ 20,497,554
Restaurant	16,272	$ 30.00	$ 290,455	6.50%	$ 4,468,542
Entertainment	-	$ 26.00	$ 0	7.00%	$ 0
Office	75,540	$ 32.00	$ 1,498,714	6.00%	$ 24,978,560
Hotel	-	$ 40.00	$ 0	7.00%	$ 0
Commercial Parking	74,425	$ 18.00	$ 629,636	7.00%	$ 8,994,793
Apartments	559,313	$ 24.00	$ 8,322,577	5.60%	$ 148,617,441
Total Lease Market Value	871,998		$ 13,445,137		$ 229,976,090
Total Value of For-Sale Units					$ 354,884,067
Total Project Value					$ 584,860,156
Less: Development Cost					$ 427,356,595
Estimated Site Value					$ 157,503,561

Exhibit 17
Lease Rate, Net Operating Income and Capitalized Market Value
SeaTac Airport Station Area

Use Type	Gross Lease Rate per S.F.	Net Operating Income	Cap. Rate (RCA)	Capitalized Value
Convenience Retail	$ 28.00	$ 824,051	6.30%	$ 13,080,181
Specialty Retail	$ 32.00	$ 1,255,697	6.30%	$ 19,931,705
Restaurant	$ 30.00	$ 282,437	6.50%	$ 4,345,184
Entertainment	$ 26.00	$ 551,266	7.00%	$ 7,875,234
Office	$ 32.00	$ 20,521,821	6.00%	$ 342,030,357
Hotel	$ 40.00	$ 19,882,009	7.00%	$ 284,028,697
Library	$ 30.00	$ 502,661	7.00%	$ 7,180,869
Commercial Parking	$ 18.00	$ 2,334,326	7.00%	$ 33,347,507
Apartments	$ 24.00	$ 5,124,255	5.60%	$ 91,504,560
Total Lease Market Value		$ 51,278,524		$ 803,324,294
Total Value of For-Sale Units				$ 121,391,130
Total Project Value				$ 924,715,424
Less: Development Cost				$ 731,117,722
Estimated Site Value				$ 193,597,703

Financial Assumptions

With the exception of capitalization rates used to estimate project market value, financing structures and leverage are not considered in this analysis.

Capitalization rates are modeled for each land use type, based on figures published in 2008 by Real Capital Analytics, a national real estate data service.

Timing and Absorption Assumptions

For modeling purposes, it is assumed that design and permitting will be completed by the end of 2009. Construction is estimated to span six years from 2010-2016. Absorption is estimated to be slightly slower, with the project achieving full occupancy and stabilized operations in 2017.

That first year of full operations (2017) is used as the basis for comparing municipal revenues from the project after completion (i.e., during stabilized occupancy and commercial operation).

The two station areas projections rely on simple straight-line absorption estimates of the time it would take for the full amount of new space to be absorbed in the market. The 'No-Action' baseline scenario is based on current land uses and does not incorporate any new development projections.

Employment, Taxable Retail Sales, and Wage Assumptions

Employment, taxable retail sales (TRS) and average wages are calculated using data from the Washington State Employment Security Department (ESD). Employment, TRS and wage data is organized by NAICS code for the SeaTac area and were selected based on planned uses in the station area.

Employment and TRS figures were derived from the total non-residential square feet in the station area plans, divided by an assumed ratio of square footage per jobs and TRS. The ratio of square footage per jobs and TRS was calculated for each respective use in each station area, such as convenience retail, restaurants, and hotel uses etc. A weighted average was then calculated for all uses to derive a ratio of 311 gross square feet per job and $125 TRS per square of commercial building space. The s.f/job ratio was divided by the planned square footage of each use to derive an estimate of new jobs created. The TRS/s.f. was multiplied by the planned square footage of each use to estimate new taxable retail sales.

Annual wages for 2004 were inflated to current 2008 dollars and averaged with Quarter One, 2008 average wages, to develop an average wage for employment sectors in SeaTac in 2008. A weighted average (weighted by the number of jobs by sector) was then calculated for all employment sectors to derive a ratio of $50,261 annual wage for new jobs and $53,466 for current jobs which was divided by the number of jobs to calculate net wages.