

# Issues & Impacts

Seattle King County REALTORS® is working to ensure that public policies support homeownership and your business's bottom line. Please contact Governmental & Public Affairs Director David Crowell, [dcrowell@nwrealtor.com](mailto:dcrowell@nwrealtor.com), with any local legislative issues that may need our attention. **The next issue will be released in October 2019.**

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## HOUSING SUPPLY

### Advocacy Success! Seattle Completes Votes on Mandatory Housing Affordability Program

The Seattle City Council has completed the neighborhood upzones associated with the Mandatory Housing Affordability (MHA) program. The MHA program has been controversial with several single-family neighborhoods, which voiced concerns about upzones and changes to community character. It was also the subject of legal appeals that have delayed its implementation by more than one year.

Now, the legal appeals are settled, the mayor is supportive, and the council has completed its work on nearly all of the MHA neighborhood upzones that will create more housing options for Seattleites. The last remaining upzone is the "Ave" in the University District, which the council will address later this year.

The program will result in a significant amount of new market-rate housing and income-qualified housing throughout the city. Seattle King County REALTORS® expressed its support of the work and the need to act swiftly to enable the unzones to be used in this market cycle to get units to the market as quickly as possible.

The council also approved a resolution that identifies issues outside the scope of the MHA program that the council will address. The resolution recognizes that while the implementation of MHA citywide will result in the production of more affordable housing, it is just one necessary step to achieve all of the city's racial equity goals and the goals of Seattle's different neighborhoods.



## Major Changes Close for Seattle Accessory Dwelling Units

After four years of legal challenge, the Seattle City Council is finally close to enacting changes to regulations governing accessory dwelling units (ADUs). The changes would both ease restrictions on ADUs and promote development of ADUs by limiting the size of new single-family homes.

### The new ADU legislation would:

- Allow two ADUs on one lot
- Increase maximum household size to 12 unrelated people on lots with two ADUs
- Allow detached accessory dwelling units (DADUs) on lots of at least 3,200 square feet and allow DADUs of up to 1,000 square feet
- Increase DADU height limits by 1-2 feet, with flexibility for green building strategies
- Increase rear lot coverage to provide flexibility for one-story DADUs, provided the increased rear lot coverage does not result in removal of trees over a certain size
- Remove the off-street parking requirement

- Remove the owner-occupancy requirement
- Use floor area ratio (FAR) to limit the size of new single-family homes and encourage ADUs

Seattle King County REALTORS® views ADUs as a valuable housing tool for cities throughout the region. ADUs allow better use of existing houses and residential lots without significantly changing community character. The added units offer affordable housing opportunities for tenants as well as income for the owner, easing the owner's mortgage. In addition, ADUs offer important housing stability options for empty nesters and seniors on a fixed income.

While supporting the creation of more housing options, REALTORS® will continue to advocate for property rights with regards to FAR on new single-family homes. Property owners should retain the ability to size new construction according to their needs. Read our [comment letter](#) on the proposal.

## Auburn's Downtown Revitalization Continues



More housing units are coming to Downtown Auburn! The recently constructed Merrill Gardens Senior Living

Apartments on the former "Gambini block" has proven successful, so the developers who built it have just broken ground on a new Auburn Town Center project next door.

Teutsch Partners and Pillar Properties are moving forward quickly with a seven-story project that will include 226 units of wood-framed, residential apartments. There will also be room for two small ground-floor retail establishments on the corners, as well as a couple of two-story, walk-in brownstone-style ground-floor apartments that will be accessible from the sidewalk on Division Street.

As a seven-story building, the project will recast the skyline in Downtown Auburn where most structures are three stories or less. Construction is expected to be completed in 2021. In speaking with the Auburn Reporter, Pillar Properties President Billy Pettit, whose company has developed a number of projects in tandem with Merrill Gardens throughout the Puget Sound Region, explained why they are building the new project.

"We've kind of had a priority on town-center projects over the last few years, and we really like to jump on opportunities where we can build both a senior-living community and a multi-family community. We really believe in inter-generational living. You know, it's fine to attract young people, but you've also got a lot of people who have been living in the area a long time, and they are an important part of

the fabric of the community. Why not give them an opportunity to stay around?" said Pettit.

John Walker, owner of Teutsch Partners, said that when the Auburn Town Center project is completed, Teutsch and Pillar will have invested about \$106 million into the revitalization of Downtown Auburn. Walker had high praise for Auburn's elected officials and city staff for their help in making that happen.

"I'm always telling my kids, 'You need to set yourselves up in situations that will give you the best chance at success,' and Auburn has provided that environment for us, the mayor, the council, the department directors. They were able to think out of the box and work collaboratively, to have a progressive outlook on development and a willingness to look at creative and innovative solutions to revitalize the downtown. And most important, they had the courage to do this during really tough economic times," said Walker.

The city of Auburn is also moving forward with plans to transform the old post office into an Arts and Culture Center downtown. All told, the total

project cost to repurpose the old post office is estimated to be between \$2 and \$3 million. The building is located at 20 Auburn Avenue Northeast and First Street Northeast.



The city had raised approximately \$400,000 for the new arts center, including grant funds from the King County 4Culture program. In addition, with the help of Covington Rep. Pat Sullivan from the 47<sup>th</sup> Legislative District who also serves as Majority Leader in the House of Representatives in Olympia, the city received an additional \$500,000 for the project from the state Legislature.

In addition to Merrill Gardens, the Auburn Town Center project, and re-purposing the old post office into an Arts and Culture Center, a separate new mixed-use project is also in the works Downtown. It will be located immediately south of city hall and is expected to break ground before the end of the year.

### South King County Cities Create New Housing Partnership, Modeled after ARCH



There's a new partnership that has been created by cities struggling to cope with the housing crisis. They have come together to engage in the

work of ending homelessness in South King County and to promote the creation and preservation of affordable housing.

King County, and the cities of Auburn, Burien, Covington, Des Moines, Federal Way, Kent, Normandy Park, Renton and Tukwila have come together to create the South King Housing and Homelessness Partnership (SKHHP), which is similar to ARCH – East King County's existing

Regional Coalition for Housing.

Together, the partnership will support groups – including the Homelessness Action Committee (HAC) and the South King County Joint Planners and Developers workgroup – that have been meeting in South King County to share perspectives.

According to the Housing Development Consortium, SKHHP aims to:

- Regularly convene, organize, and expand the network of stakeholders working to end homelessness and address affordable housing needs in South King County



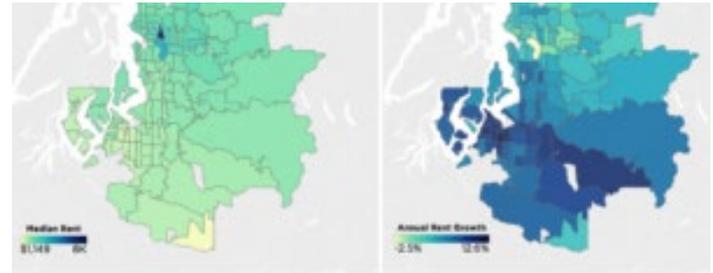
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- Improve the alignment of county and state affordable housing and homelessness interventions, and funding opportunities, with South King County interests
- Provide technical assistance to support the work of ending homelessness in South King County through the partners' augmentation of comprehensive plan policies
- Improve South King County stakeholders' understanding of promising practices and their potential for local impact
- Determine and implement strategies that achieve program sustainability.

The city of Auburn was elected the Administrating Agency of the partnership, which carries the duty of fiscal agent. Auburn will be responsible to hire the partnership staff as city employees on behalf of SKHHB. Auburn announced its intent to add two staff with the partnership's 2019 budget of \$220,160.

Historically, South King County has had market-driven pockets of affordable housing which has been a source of housing to low-income households, working families and communities of color. Often, those constituencies have been priced out of King County's urban areas that have large concentrations of better-paying jobs. But as the number of housing units has failed to keep pace with the actual demand for housing (and especially housing demand associated with employment growth), the dispersion of higher paid workers has created affordability challenges throughout the Puget Sound Region as displaced households commute farther to find housing they can afford.

As reflected in this graphic from the Housing Development Consortium, a report released in December said housing prices had increased in Kent by 33 percent from 2012 to 2017, and that



## The Highest Rent Increases are in South King County

other south end cities had seen similar increases. The report also noted that rising prices are pushing people out of King County and into Pierce County. Renters seeking housing they can afford have been hit particularly hard throughout South King County.

According to Marty Kooistra, executive director of the Housing Development Consortium in South King County, "Market forces have driven rents in South King County to increase faster in the last two or three years than anywhere else in King County."

In addition, Kooistra notes that much of the new construction is targeting smaller households, leaving larger families in a lurch, even if they are finally able to obtain a Section 8 voucher. Moreover, the higher housing values (caused by the region not having enough housing for everyone who needs a place to live) have created economic pressures to redevelop mobile home parks, which has exacerbated the housing challenges facing many senior citizens. Newly constructed housing on former mobile home park properties tends to be much more expensive.

Some of the strategies the new SKHHP partnership is likely to pursue include multi-family tax exemptions coupled with streamlining permits for affordable housing, the creation of standardized mother-in-law unit plans, allowing utility companies to waive

sewer hookup fees to lower the cost of building more housing, rezoning neighborhoods around future light rail stations and taking advantage of

a new “tiny houses” law recently passed by the Legislature.

## REAL ESTATE SIGNAGE

### Newcastle Sign Code Preserves Your Ability to Market Properties for Your Clients in Advocacy Win

After more than a year of work, Seattle King County REALTORS® secured a sign code update in the city of Newcastle that preserved the allowance of open house A-boards.

#### The issue

The city updated its sign code in compliance with Reed v. Town of Gilbert, a U.S. Supreme Court decision that prohibits regulation of signage based on the content of the sign.

The city sought to define a sign as temporary or permanent based on the material used to make the sign. Due to the durable material used in an A-board sign, A-boards were considered permanent and would have been prohibited from

placement in the right of way, unless the broker obtained a right of way use permit. Even then, only one sign would be allowed.

Seattle King County REALTORS® won an exception in the code that allows A-boards as permanent portable signs. In addition, temporary signs may be placed in the right of way without a permit but must be pushed or staked into the ground and made of non-durable material, like a political yard sign.

Thank you to REALTOR® members who communicated with the council and helped them understand the value of real estate signage to the community.

### Burien Planning Commission Receptive to REALTORS® Sign Code Testimony



Like many cities, Burien is amending its sign code in response to the U.S. Supreme Court's decision in the case of Reed v. Town of Gilbert. Every Sunday, Pastor Reed put out signs inviting people to his church in Arizona. The Supreme Court said the city's requirement that Pastor

Reed have his off-premise signs picked up by noon every Sunday violated the First Amendment, because other signs were not also required to be picked up on Sundays by noon.

The Supreme Court said regulations for political and religious signs must be content neutral (so that the city is not required to read the sign in order

to know whether or not it is illegal). Instead, signs must be regulated on the basis of time, place and manner.

The decision does not apply to commercial signs, but many cities have been using the Court's decision as an excuse to impose content neutral requirements on commercial signs, including REALTOR® open house signs.

Unlike some other cities, Burien has clearly acknowledged the Reed decision does not apply to commercial signs. The city has sought to make content neutral amendments to its sign code without unduly interfering with the effectiveness of open house signs in getting homes sold.



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At a Burien Planning Commission Public Hearing on April 10, REALTORS® offered the only public testimony concerning the proposed amendments. In addition, REALTORS® provided the city with written materials that included a white paper on the Reed decision prepared by noted First Amendment attorney Judy Endejan, proprietary research on the effectiveness of real estate open house signs and written testimony. Following extended questions and answers, the Planning Commission elected to provide the following recommendations to the City Council in connection with real estate transaction-related amendments to the city sign code:

- Allow 6 open house signs, instead of just 3
- Allow 1 on-site sign per street frontage, instead of just 1 sign on-site
- Not require a permit for either open house signs or on-site signs

- Allow open house signs to be 6 square feet per sign face, rather than just 4 square feet
- Allow open house signs in the planter strips at the side of the roadway
- Allow temporary off-premise signs five days in any one month, for up to six months (180 days), and
- Allow significant signage for new residential construction (which is tied to each house, rather than to a plat or subdivision, which is a good thing because Burien is built-out and most new construction is likely to be in-fill rather than new subdivisions).

Seattle King County REALTORS® will publish additional information about the Burien's new sign code rules as soon as the City Council takes final action on the Planning Commission's recommendation.

## TRANSPORTATION

### Tolling: More Changes Are Coming to the Way REALTORS® and Clients Get Around

The population is increasing, but more efficient vehicles means that despite more drivers, gas tax revenues for roads are lagging. In response, the Washington Department of Transportation (DOT) is turning to tolling to pay for transportation improvements.

But tolling is only allowed if the Legislature approves a specific "tolling facility" and authorizes the State Transportation Commission to set tolls. Such tolling was approved for the Tacoma Narrows Bridge in 2007, Highway 167 HOT Lanes in 2008, the 520 Bridge in 2011, and I-405 Express Lanes in 2015.

This year, the Legislature created a new "Puget Sound Gateway" tolling facility that will greatly affect how residents get around the region. The Puget Sound Gateway Project is the single largest undertaking financed by the transportation funding package approved by the Legislature in 2015.

#### **Puget Sound Gateway tolling facility**

The creation of the new tolling facility authorizes the State Transportation Commission to set and collect tolls on:

- State Route 167 between North Meridian Avenue in Puyallup and I-5 in Fife
- The State Route 509 spur between I-5 in Fife and SR 509 in Tacoma
- State Route SR 509 between South 188<sup>th</sup> Street and I-5 in SeaTac

The Legislature directed the State Transportation Commission and DOT to consider naming the sections of the facility the SR 167 Express Way and the SR 509 Express Way. In addition, the commission was directed to set a variable toll rate schedule to maintain travel time, speed and reliability, and was authorized to adjust toll rates for inflation.

For the SR 509 portion of the facility, the Legislature directed the commission and DOT to consider a lower rate schedule for low-income drivers, and for drivers who live in close proximity to the corridor.

The tolling will allow all Department of Transportation to bond \$340 million worth of The Gateway Project transportation improvements, and open Stage II of the project three years earlier, and at lower costs. In addition, it will provide up to \$5 million for noise mitigation on SR 509 between South 188<sup>th</sup> Street and Interstate 5.

### Express Toll Lane Corridor

The Legislature also created an Express Toll Lane Corridor that includes State Route 167 and I-405 with the goal of ensuring that traffic flows at 45 miles per hour, 90 percent of the time.

The corridor will begin on the northern end at I-405's junction with I-5 in Lynnwood, and end on the southern end at SR 167's junction with SR 512 near Puyallup. As part of creating this lengthened tolling corridor, the Legislature repealed the SR 167 HOT Lanes Pilot Project. The former SR 167 toll revenues are to be combined into a new account with I-405 titled the "Interstate 405 and State Route 167 Express Toll Lanes Account" within the Motor Vehicle Fund.

Toll charges on carpools with two or more people are prohibited on I-405 between Bellevue and the junction with SR 167, unless DOT finds that this would affect the state's financial obligations in connection with the new Express Toll Lane Corridor. In that case, DOT would be required to present alternatives to the Legislature within 30 days.



Creation of the Express Toll Lanes from Lynnwood to Puyallup will allow DOT to bond \$1.16 billion to pay for the following Gateway Project costs:

- Up to \$600 million for improvements on I-405 between SR 522 and SR 527
- Up to \$215 million for completion of the project on the south half of I-405 between Renton and Bellevue
- Up to \$3 million to update the SR 167 Master Plan
- Up to \$100 million to extend express toll lanes on SR 167 south
- Up to \$20 million for design of the I-405/North 8<sup>th</sup> Street direct access ramp project

Once the bonds issued are repaid, DOT and the commission are required to lower toll rates accordingly.

### Kent and Federal Way Oppose Locations for Sound Transit's Maintenance Facility



Sound Transit needs a maintenance facility in South King County, especially as it prepares to extend Link Light Rail to Federal Way by 2024, and from Federal Way to

Tacoma by 2030. Sound Transit says the operations and maintenance facility needs to be built within seven years so that the agency can service and store more than 140 light rail vehicles.

For months, the city of Kent has been fighting back, opposing efforts by Sound Transit to include the Lowe's Hardware/Dick's Drive-In site in Kent as a location to be studied in the agency's Draft Environmental Impact Statement for the new maintenance facility. Kent Mayor Dana Ralph, city councilmembers, and King County Councilmember Dave Upthegrove are aghast that after having won a multi-city competition for the first Dick's Drive-In in South King County, Sound Transit proposed tearing down the newly opened restaurant to build



a maintenance facility.



Sound Transit finally relented, reportedly because of the negative impacts on opportunities to accommodate Transit Oriented Development (TOD) that will include housing and retail on 30 to 50 acres near an elevated light rail passenger station at 30<sup>th</sup> Avenue and Pacific Highway South. The cities of Kent and Des Moines have been cooperating with Sound Transit to adjust zoning in the area to accommodate TOD.

Also removed from consideration were the Midway Landfill located near Pacific Highway S., and an additional area near Steel Lake Park that includes

a residential neighborhood in unincorporated King County near 316<sup>th</sup> Street and Military Road.

In the meantime, elected officials in Federal Way have also been vociferous in their opposition to considering two sites in their city in the Draft Environmental Impact Statement study, including the Christian Faith Center Church property at South 336<sup>th</sup> Street near I-5, and an industrial area near I-5 and 344<sup>th</sup> Street that is home to the Ellenos Yogurt Factory, Garage Town and an RV storage facility.

Federal Way officials favor placing the new operations and maintenance facility at the former Midway Landfill in Kent that has been closed since the 1980s and is owned by Seattle Public utilities.

## OTHER ACTIONS

### Independent Contractors: New Law Limits Noncompete Clauses in Broker Contracts

Most REALTORS® work as independent contractors and hang their broker's licenses with a real estate company licensed by the state. Typically, the terms of those independent contractor agreements are between the broker and the company. But occasionally, state regulators interject themselves into the middle of independent contractor relationships, as legislators did during the 2019 legislative session.

The Legislature this year passed Engrossed Substitute House Bill 1450, which will become effective on Jan. 1, 2020. Legislators were disquieted by the increasing use of non-competition covenants, as well as limits on employment mobility, being included in contracts that companies were making with workers, especially in technology-related industries and fast-food establishments.

Real estate brokers were not the object of legislators' concerns, because most real estate brokers typically have significant mobility when it

comes to changing firms. But because brokers are typically independent contractors, the new law will apply to REALTORS® too.

The new law makes certain practices unlawful because the Legislature deemed those to be unfair or unreasonable to independent contractors, and also employees. As a result, the Legislature amended the law to provide that:

- If an independent contractor earns less than \$250,000 annually (adjusted upward in future years to account for inflation) but signs a non-compete agreement/covenant, the non-competition provision is unenforceable.
- If an employee earns less than \$100,000 annually (adjusted upward in future years to account for inflation) but signs a non-compete agreement/covenant, the non-competition provision is unenforceable.
- Regardless of an individual's earnings, any non-competition covenant or agreement longer than 18 months is presumed to be unreasonable.

- In order to overcome so-called no-poaching practices of companies in the fast food industry (in which companies declined to hire an employee from another company who wanted to leave one fast food company franchise and go to work for another, or who wanted to hold a second job in a different fast food company) the Legislature included provisions in the law to better protect low-wage workers.
- The new law also provides for sanctions in the event of a violation: The Attorney General has enforcement powers, and in fact just entered into consent decrees with six different companies in the fast food industry. Additionally, if an employer tries to enforce an overly broad noncompete agreement/covenant and the court rewrites it, the ex-employee is entitled to a \$5,000 statutory penalty, plus attorney fees.

### **Puget Sound Energy Costs Are Increasing for Residential Disconnect/Reconnect Services**

Puget Sound Energy announced that effective May 6, 2019 it will be charging customers more for Residential Disconnect and Reconnect work.

This includes requests for a meter pull to de-energize service to the electrical panel, clipping the service conductor at the weather head or source, and dropping the service wire, except for work involving tree trimming.

PSE says that for over 20 years it has charged \$37 for providing service during core business hours, but the new rate will be \$83. Similarly, the charge for providing service outside of core business hours has been \$74, but the new rate will be \$165. If one of the requests is for service as during core business hours, and the other is not, the blended rate will be \$124.

The change will not affect new construction, remodeling and other projects that were already

in place prior to May 6, 2019. In addition, PSE said that previously quoted costs will be honored for 90 days from the date of the quote, but that work completed after 90 days will be subject to the new pricing.

PSE noted that these prices only include requests for disconnects and reconnects of existing wire. New wire, lengthening existing wire, shortening, or re-routing the service from one point of connection to another, will follow applicable Schedule 85 pricing guidelines. In addition, services or meters that are disconnected or reconnected by non-PSE personnel will be considered meter tampering and may be subject to additional charges.

More information is available from PSE Customer Construction Services at (888) 321-7779.



### **Seattle Council Selects Abel Pacheco for Vacancy Appointment**

The Seattle City Council has appointed Abel Pacheco Jr. to fill the council vacancy left by Councilmember Rob Johnson on April 5 in Northeast Seattle's District 4.

Pacheco joins the council from the University of Washington's Mathematics, Engineering, Science Achievement (MESA) program where

he served as director of strategic engagement. The MESA program is the state's largest STEM diversity educational pathway program, increasing opportunities for students of color and young women in STEM. Pacheco brings a unique and diverse background, advocating for young people, people of color, immigrants, and other marginalized communities to the City Council.



Pacheco has assumed the chairmanship of the Planning Land Use and Zoning Committee, which will soon be discussing the upzone of the “Ave” in the University District.

Formerly a candidate for the District 4 council seat, Pacheco has expressed his support for the Housing Affordability & Livability Agenda (HALA)

upzones and a range of strategies for increased housing supply in the city.

Pacheco will serve as councilmember in Position 4 until Nov. 26, 2019, the date all election results are certified by King County Elections, and the newly elected councilmember representing District 4 takes the oath of office.

## Officials Appointed to Fill Vacancies



Dr. Jennifer Jones, a Highline College professor of geography and global studies, has been appointed to the Federal Way Public Schools Board of Directors. She will fill the seat vacated by Claire Wilson, who resigned on Feb. 26 after being elected to serve as a state senator for the 30<sup>th</sup> district.



Jennifer Harjehausen was appointed on April 9 to position No.2 on the Covington City Council to fill a vacancy created by the unexpected death of Councilmember Paul Selland. Harjehausen ran for the council in 2017 and has been active in the community working with the city of Covington and the Kent School District.

## Federal Way Attempts to Ban Camping and Still Comply with Federal Court Decision

In response to a case from Boise, Idaho, the 9<sup>th</sup> Circuit of the Federal Court of Appeals has ruled that local governments may not remove homeless people from public property if there are no other shelter beds available within the city that the homeless person is living in.

The federal court decision applies to local governments in Idaho, Washington, Oregon, Montana, Alaska, California, Nevada, Arizona, Hawaii, Guam and the Northern Mariana Islands.

The decision notwithstanding, the city of Federal Way is continuing its prior practice of banning camping on city property, and says that unlike Boise, Federal Way does not run afoul of the 9<sup>th</sup> Circuit decision in part because “at no time does the city (of Federal Way) arrest the homeless for simply sleeping out-of-doors as was apparently the practice in Boise, Idaho,” according to City Communications Coordinator Tyler Hemstreet.

Instead, Federal Way prohibits outdoor camping on city property, and issues a 72-hour notice to vacate before city staff enters its city-owned property to “clean up homeless camps to address the health and safety hazards posed by flammable materials, human waste, drug needles and trash,” said Hemstreet.

One point of contention appears to involve the issue of who is responsible for determining whether or not there are any shelter beds available. Federal Way apparently takes the position it is the responsibility of the homeless – not the city – to keep track of that information. Nevertheless, Federal Way Police Chief Andy Hwang reportedly said that representatives from the Salvation Army accompany Special Operations Unit officers when they enter homeless encampments to provide opportunities for shelter and other resources. According to Federal Way Mayor Jim Ferrell, the city has shut down and cleaned up over 30 homeless encampments.

As distinguished from city-owned property, if a homeless person is camping on private property the police department will issue a trespass notice.

If the trespass notice is violated, and the homeless person re-enters the private property, the police can and will make an arrest.

### Federal Way Withdraws from SCORE Jail, Then Moves to Refinance Bonding



Faced with a financial burden that Mayor Jim Ferrell described as unsustainable, the Federal Way City Council has voted to withdraw from the South Correctional Entity Regional Jail (SCORE Jail), effective at the end of 2019.

intended to provide cost savings to the cities for incarceration of misdemeanor offenders. According to city officials, however, Federal Way's jail budget was \$2 million in 2012, but by last year had ballooned by approximately 225 percent to nearly \$6.5 million. City officials estimate that withdrawing from SCORE could save the city \$2 million annually.

In addition, the council will refinance up to \$15 million of jail bonds that will be paid off by 2039 with lower payments. The bonds represent Federal Way's share of the capital cost of constructing the jail, which was created in 2009. The facility is operated pursuant to an inter-local agreement between Federal Way and the cities of Renton, Des Moines, Auburn, Tukwila, SeaTac and Burien.

Federal Way will continue to utilize the SCORE jail for the remainder of the year. After that, it expects to replace the SCORE jail beds by contracting with Kent, Yakima, Issaquah, Puyallup King County and/or Kittitas County, all of which operate jails. Federal Way already has contracts with Kent, Issaquah and Puyallup to provide Federal Way with a minimum number of guaranteed-to-be-available jail beds. Other jail bed space is charged to the city on an as-used basis.

As originally envisioned, the SCORE jail was

## TAXES

### Property Taxes: More Relief for Service-Connected Disabled Veterans and Senior Citizens



The Legislature has increased the amount of annual income a person may earn and still qualify for property tax relief programs. Previously, the maximum annual income qualification threshold was either \$30,000 or less, \$35,000 or less or \$40,000 or less.

The change will be especially important in King County because at \$89,675, King County's 2017 median household income is \$18,696 higher than the statewide median, and \$29,339 greater than the nationwide median household income. The median household income data for 2018 (including King County's median household income data) will be released in September of 2019.

With the passage of Senate Bill 5160, the Legislature has fundamentally changed the maximum qualifying income limits, from a fixed dollar amount to a percentage of the County Median Household Income, or CMI.

Previously, to qualify a person was required to be retired from employment because of disability or 61 years old in the year of the application, own their principal residence, and have a combined disposable income of less than \$40,000 a year.



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The following exemptions are authorized by a constitutional amendment that benefits senior citizens, persons retired due to disability and veterans entitled to and receiving compensation from the U.S. Department of Veterans Affairs under a total disability rating for a service-related disability.

- A partial exemption from the original state property tax levy for common schools that was first imposed when Washington achieved statehood in 1899
- A full exemption from the additional state property tax levy for schools the Legislature approved in 2017 as part of the “McCleary fix” required by the Washington Supreme Court
- A partial exemption on voter approved levies in-excess of the constitutional limitation on property taxes

Eligible individuals may qualify for a partial property tax exemption and a valuation freeze.

The amount of the prior exemptions, and the amount of the new exemptions, are as follow:

- If disposable income was \$30,000 or less, the exemption applied to:
  - o All excess levies
  - o the Additional State School Levy, and
  - o Regular levies on the greater of \$60,000 or 60 percent of assessed value of a person's residence

Under the new law, the disposable income threshold of \$30,000 or less is now equal to the larger of:

- o 45 percent of CMI (which would currently be \$40,353.75) – an increase of \$10,353.75
- o The income threshold for the previous year

- If disposable income was \$30,001-\$35,000, the exemption applied to:
  - o All excess levies
  - o The Additional State School Levy, and
  - o Regular levies on the greater of \$50,000 or

35 percent of assessed value of a person's residence up to a maximum of \$75,000, whichever was greater

Under the new law, the \$30,001-\$35,000 income threshold is now the larger of:

- o 55 percent of CMI (which would currently be \$49,321.25) – an increase of \$14,321.25
- o The threshold for the previous year

- If disposable income was \$35,001-\$40,000, the exemption applied to:

- o All excess levies, and
- o The Additional State School Levy

Under the new law, the \$30,001-\$35,000 income threshold is now the larger of:

- o 65 percent of CMI (which would currently be \$58,288.75) – an increase of \$18,288.75
- o The threshold for the previous year

In addition to property tax exemptions, Washington law also provides a Property Tax Deferral Program that previously had a \$45,000 maximum income threshold to qualify. That too has been changed. The new income threshold for the deferral program is based on the greater of the income threshold for the previous year, or 75 percent of the CMI. Currently, 75 percent of King County's \$89,675 CMI would be \$67,256.25 – an increase of \$22,256.25 above the prior \$45,000 maximum limit on household income.



Unlike tax preference is which are subject to performance reviews and automatic expiration provisions, the Legislature made these changes in the law exempt from such requirements.

For more information see:

1. <https://www.kingcounty.gov/depts/assessor/>

[TaxRelief.aspx](#)

2. <https://www.kingcounty.gov/depts/assessor/~/media/depts/assessor/documents/Forms/ExemptionForms/Senior/SrCitDisApp.ashx>

3. <http://lawfilesexternal.leg.wa.gov/biennium/2019-20/Pdf/Bill%20Reports/Senate/5160-S.E%20SBR%20FBR%2019.pdf>

### **Kent's "Fiscal Cliff" Disappears – City is Awash in Cash**

Listening to Kent leaders for the last year and a half, one might have thought the financial sky is falling at City Hall. The dire predictions were used to justify 100 percent increases in the B&O tax on multiple occasions, to raise the city's portion of property taxes 38.8 percent in a single year and to increase cash reserves to 18 percent of the city's operating budget.

Why? City officials said they would be losing \$4.5 million in annexation sales tax credit beginning in June 2020 in connection with the Panther Lake annexation, and (as they have said for several years) the Legislature was going to cut off an additional \$5 million per year in streamlined sales tax mitigation funds that had been promised to the city.

But what happened instead is:

- The Legislature has continued to provide the city with millions in streamlined sales tax mitigation funding (and did so once again in the budget it just adopted for the upcoming biennium)
- In the wake of robust economic growth, the city's General Fund Tax Revenue Collections were \$7.9 million over budget, at \$110 million last year
- Sales tax revenues collected by the city came

in \$3.5 million over budget

- Other tax revenues collections (including B&O tax and permit fees) were \$3.1 million over budget

In addition, Kent has a General Fund Reserve Balance of \$21.6 million, or 19.8 percent of the general budget find (even though the City Council's Reserve Policy only requires 18 percent; the Government Finance Officers Association considers more than 15 percent in reserves "very strong").

Councilmember Les Thomas changed his mind and cast the deciding vote to permanently increase the City's portion of the property tax by raising property taxes 38.8 percent in a single year.



He has now drawn two opponents in the upcoming election – more than any other incumbent on the council. Challenging Thomas are Hira Singh Bhuller (a senior software developer at Starbucks in Seattle) and Sarah Franklin (who works for the King County Assessor administering the Senior Citizen and Disabled Veterans' Property Tax Exemption Program).

### **"Rally the Valley" Zoning Changes in Kent are Designed to Increase City Tax Revenues**

With the city's appetite for more taxes unsatisfied, Kent city officials have launched a new initiative to rezone properties on the valley floor to prevent the development of additional warehousing and self-storage facilities.

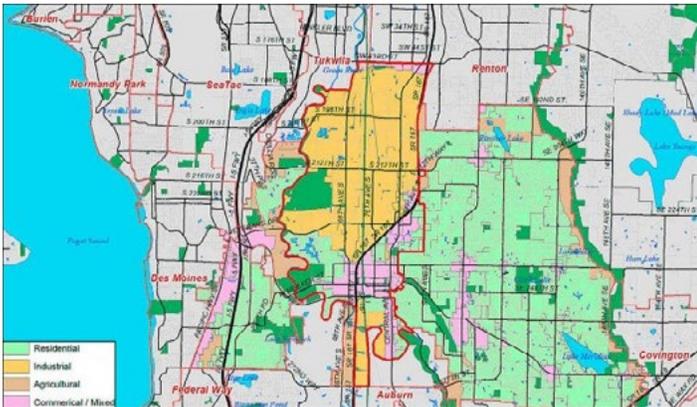
City officials say other uses of the property would produce additional new B&O taxes and sales taxes for city coffers. In a Kent Reporter article by Steve Hunter, Kent Mayor Dana Ralph is quoted as saying, "If we can introduce a retail or commercial use here or there in a small footprint, it has the potential of



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doubling the revenue to the city of Kent and then allows us to provide services of road infrastructure, police and parks.”

In addition to producing more tax revenue for the city from retail or commercial businesses, city officials say the change would also restrict truck-intensive uses of property in the city.



The area in gold shows where Kent officials want to prevent more warehouses

The City Council unanimously approved a one-year interim zoning ordinance that would limit large warehouse is in half of the Kent industrial zone. Under the interim ordinance, new buildings are allowed just one dock-high loading door for each 40,000 square feet of gross floor area. In addition, the footprint of new buildings is limited to 125,000 square feet.

The largest adverse impact would hit two parcels – totaling approximately 50 acres – owned for many

years by Segale properties. Segale representatives say the company has invested millions in one of those properties, which consists of approximately 10.25 acres that are located near the Boeing Space Center at the NW corner of 59<sup>th</sup> Place South and South 212<sup>th</sup> Street. According to a letter submitted to the city by Segale’s attorney Nancy Rogers, “Segale was literally days away from submitting a complete building permit application for a 157,000-square-foot industrial distribution warehouse on the 10-acre parcel when the City Council adopted the moratorium.”

Peter Steinbrueck, a former Seattle City Councilmember and now a Port of Seattle Commissioner, spoke on behalf of the Northwest Seaport Alliance, which is the partnership between the Port of Seattle and the Port of Tacoma. He told the City Council, “We are very concerned that the interim land use restrictions on industrial land runs contrary to meeting the region’s long-term industrial land needs.”

Kent is not alone in its desire for more tax revenues. City staff from Kent, Auburn and Renton interviewed four companies before selecting the consulting team of Mackenzie and EcoNW to assist leaders in each city evaluate land-use regulation changes for the Rally the Valley initiative. The objective is to help the cities conduct a needs assessment and to develop a vision, goals and strategies plan for the manufacturing industrial areas in each city. Kent has agreed to spend up to \$150,000 over the next two years to pay for the work of the consultants it is hiring to help it increase tax collections.

## PROTECTING YOUR BUSINESS

### Elections in 2019

Laws govern the way in which you conduct your business and affect your bottom line. Laws are made by elected officials. This year elections will be conducted for city council positions, county council positions and the Port of Seattle. The primary

election is on August 6; the general election is on November 5.

**REALTORS® don’t just sell homes. We sell neighborhoods and Quality of Life.**

REALTORS® know that Quality of Life begins with a good job in a company that has a great future. Homes are where those jobs go at night. That's why it's so important to have elected officials who understand the key contribution that jobs and housing make to healthy, vibrant communities.

We need elected officials who share our REALTOR® values, and who appreciate the hard work you do

as a real estate professional. So, members of the Association will review voting records of elected officials. And it's why your REALTOR® colleagues will interview candidates running for office.

This year Seattle King County REALTORS® will act to protect and enhance your business by supporting candidates for local office (city councils, county council) who share our REALTOR® values.

## King County: \$810mm Countywide Parks Levy to Appear on Ballot in August Election



On April 17, the King County Council unanimously approved putting a measure on the August 2019 Primary Election ballot to replace and increase property taxes paid by property owners in King County to support parks, trails and open space.

The six-year property tax levy is expected to raise \$810 million. The county is asking voters to increase the current levy rate to \$0.1832 per \$1,000 of assessed value. According to reports, during the first year of the ordinance the property taxes on a \$610,000 home would increase from \$77 per year to \$102.60 per year (which would be a 33.2 percent increase of \$25.60).

According to the county, in years two through six (2021-2025), the amount of property tax would be adjusted upward consistent with the "limit factor" in RCW 84.55.050, based on the King County Inflation Rate plus Population Index, or the "limit factor" in RCW 84.55.050, whichever is greater.

There will be exemptions for low income households in an amount expected to be 3/10ths of 1 percent of the total amount of taxes collected, according to the county. The aggregate amount of the exemptions would be approximately \$3 million over six years (or a total of \$500,000 per year countywide on the \$810 million levy).

The motion and ordinance passed by the County Council in April provide that the \$810 million in property taxes would be spent for specifically identified items, with one exception:

The County Council expressly retained the right to re-allocate the taxes that are collected to other items "if the council determines that it has become advisable or impractical" to keep the original allocations in place. In addition, the ordinance provides that the County Department of Natural Resources and Parks should report to the County Council annually by Sept. 30 of each year if it anticipates requesting a reallocation of monies for projects or programs.

The initial list of proposed expenditures that will be submitted to voters in August includes the following:

**\$277 million** King County operations and maintenance (including \$300,000 for the King County Fair)

**\$165.65 million** 16 public trail systems (both regional and local, with amounts per trail ranging from \$150,000 for the Inter-Urban Trail connection in Milton, to \$50.5 million for the Eastside Rail Corridor. Half of the 16 trail systems would receive \$5 million or less, 4 would receive between \$5.5 million and \$9 million, and the remainder would receive between \$16 million



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and \$50.5 million)

**\$123.5 million** Open space acquisition/land conservation:

- \$78 million King County Open Space
- \$25 million Towns and cities open space
- \$18 million Operation/maintenance of lands acquired
- \$2.5 million Acquisition of water access to Lake Washington in proximity to the Burke Gilman trail

**\$60 million** King County towns and cities (\$25,000 for each town/city, plus \$75,000 to cities with more than 4,000 residents. Fifty percent of the remaining funds would be allocated based on population, and the other 50 percent would be allocated based on the assessed value of towns/cities)

**\$44 million** Pools (includes \$8 million for the Aquatics Center in Federal Way)

**\$41.5 million** Repair and renovation of active recreation and other parks

**\$36 million** Woodland Park Zoo

**\$22 million** River Corridor Open Space

**\$10 million** Property tax exemptions (\$3 million), and under-collection of taxes (\$7 million)

**\$10 million** Targeted Equity Grants (to increase access in underserved communities)

**\$9.57 million** Community partnerships and grants (For Marymoor, Dockton, Five Mile, Skyway and Preston Mill Parks)

**\$8 million** Seattle Aquarium

**\$3 million** Costs of Elections

The County Council would appoint one person from each of the nine council districts to be part of a Citizens' Oversight Board. Terms of the existing Oversight Board members conclude in 13 months.

Last February, County Executive Dow Constantine proposed that a levy be placed on the ballot to continue funding for parks. Following the County Council's approval of the ballot measure that will be submitted to voters on Aug. 6, Executive Constantine released a statement saying:

"I thank the County Councilmembers for their thorough review of my proposal to support and expand our parks and trails system while protecting forests and green space. The renewed King County Parks Levy would connect and improve regional trails, increase access to green space, and help keep parks clean, safe, and open throughout our rapidly growing region."

## Seattle Council Races: Seven of Nine Seats Up for Election

This fall, seven of the nine Seattle City Council seats are up for reelection. The three remaining incumbents who have filed for reelection are Lisa Herbold, Kshama Sawant and Deborah Juarez.

Four incumbents have announced that they will not seek reelection: Rob Johnson, Mike O'Brien, Bruce Harrell and Sally Bagshaw.

At the close of filing week in mid-May, a total of 57 candidates are running for the seven seats.

While this is a tremendous opportunity for change, it will be important for REALTORS® and their customers to engage in the election to ensure a pool of candidates that supports a healthy real estate market, high quality of life and neighborhood safety. REALTORS® can play an important role in

helping bring moderation to the council through engagement in the election. Please review your REALTOR® Voting Guide for endorsed candidates

and make sure you, your family and friends vote in the Aug. 6 primary election.

### REALTORS® Political Action Committee (RPAC)

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As of the end of 2018, Seattle King County REALTORS® raised **\$305,745** for the REALTOR® PAC. **Please invest in RPAC** at [www.warealtor.org/government/political-affairs/](http://www.warealtor.org/government/political-affairs/).

Introducing a new secure, online REALTOR® PAC (RPAC) investment site making it easier than ever for busy REALTORS® to protect their business.

We can't all go to Washington DC, the state Capital or even our city halls while government leaders are making decisions that affect our industry; but while we are busy, REALTOR® PAC can fight for us and for our clients.

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Issues & Impacts is a quarterly publication produced by Seattle King County REALTORS® to inform members about current issues and successes within your Governmental Affairs Department. We will release our next publication in October 2019. The 2019 VP of Governmental & Public Affairs is Lynn Sanborn [lynn@windermere.com](mailto:lynn@windermere.com), VP-elect of Governmental & Public Affairs is Dahni Malgarini-Logar [dahnim@dahnim.com](mailto:dahnim@dahnim.com), staff director is David Crowell [dcrowell@nwrealtor.com](mailto:dcrowell@nwrealtor.com), and our local legislative housing advocates are Sam Pace [sam@sampace.com](mailto:sam@sampace.com) and Randy Bannecker [randy@bannecker.com](mailto:randy@bannecker.com). Please call David at 425.974.1011 ext. 704 if there are any local legislative issues that need our attention.