

## CITY COUNCIL STUDY SESSION ITEM

### **SUBJECT:**

Summary report on the Formation Analysis (Phase II) for the proposed Wilburton Connections Local Improvement District (LID) and request for Council direction to prepare a Resolution of Intent to form the LID and set a public hearing date to consider the LID formation.

### **STAFF CONTACT:**

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*Transportation Department*

Lori Riordan, City Attorney, 425-452-7220  
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### **FISCAL IMPACT:**

There is no immediate fiscal impact associated with this subject. On February 2, 2009, Council approved Resolution No. 7876 authorizing a professional services agreement with Macaulay & Associates, Ltd., to conduct a phased Feasibility and Formation Analysis of the proposed local improvement district for select Wilburton Connections projects. The agreement, in an amount up to \$194,400, is funded through the Mobility and Infrastructure Initiative (CIP Plan No. G-80). These Feasibility and Formation Analysis costs will be included in the total project costs once the benefit area is established and are recoverable, in part, through the LID assessments, if the LID is implemented. The final LID assessment roll, if the LID is formed, will become one component of the Wilburton Connections financing plan.

The LID Formation Special Benefit Study Final Report identifies a total estimated special benefit of \$13,565,000 within the proposed LID boundary. LID assessment scenarios including 75 percent (\$10,175,000) and 50 percent (\$6,785,000) of the total estimated special benefit are also described within the Formation Study.

### **POLICY ISSUES:**

This work supports the implementation of the NE 4<sup>th</sup> Street Extension and improvements to 120<sup>th</sup> Avenue NE between NE 4<sup>th</sup> and NE 8<sup>th</sup> Streets, both identified as high priority projects in the Mobility and Infrastructure Initiative due to their connecting corridor role between Downtown Bellevue and the Wilburton and Bel-Red Subareas. The projects are consistent with policies in the 2008 update to the Wilburton/NE 8<sup>th</sup> Subarea Plan, including improving local access and circulation (S-WI-25) and improving pedestrian/bicycle facilities on arterial streets (S-WI-28).

The Wilburton Connections LID Formation Analysis (Executive Summary provided as Attachment 1) supports implementation of the Mobility and Infrastructure Initiative Finance Plan approved by Council on January 20, 2009. The Feasibility and Formation Analysis supports formation of the Wilburton Connections LID, which is the first of two LIDs assumed in the Mobility and Infrastructure Initiative Finance Plan.

**DIRECTION NEEDED FROM COUNCIL:**

- Action
- Discussion
- Information

Staff is seeking Council direction tonight on the following Wilburton Connections LID formation issues:

1. Direct staff to prepare a final Resolution of Intent to form the Wilburton Connections LID. With this direction, staff will return at the **September 20 Regular Session** with this legislation, which will include identification of the date of the public hearing to be held regarding the LID’s formation.
2. Determination of the specific LID boundary to be identified in the Resolution of Intent for the Wilburton Connections LID.
3. Determination of a preliminary assessment ratio of the Total Estimated Special Benefit determined by the formation analysis (discussed further below).

Maintaining the LID formation timeline (refer to Attachment 5) will help to ensure the City continues to meet other project schedule and financing constraints. Federal grants awarded to the Wilburton Connections projects come with specific obligation dates. Failure to meet these obligation timeframes could put up to \$8.2 million in federal funding for the project at risk.

**BACKGROUND/ANALYSIS:**

On December 1, 2008, Council approved Ordinance No. 5851 adopting the 2009-2010 Budget and 2009-2015 CIP Plan, which included the Mobility and Infrastructure Initiative (MII) project (CIP Plan No. G-80). On January 20, 2009, Council approved Resolution No. 7874 endorsing the Mobility and Infrastructure Finance Plan, which included a variety of revenue options to fund high priority capital projects supporting planned growth in Downtown Bellevue, the Wilburton Subarea, and the emerging Bel-Red Corridor.

On February 1, 2010, Council approved Ordinance No. 5936 amending the 2009-2015 CIP Plan to include three new projects including the NE 4<sup>th</sup> Street Extension (CIP Plan No. PW-R-160) and 120<sup>th</sup> Avenue NE Improvements (Segment 1; CIP Plan No. PW-R-161) projects. [The third project created was the NE 6<sup>th</sup> Street Extension (CIP Plan No. PW-R-162), but this project is not part of the proposed LID package.] All three projects were created with only partial implementation funding.

The tables below summarize the Current Project Cost Estimates (Table 1) and Current Project Funding Status (Table 2) for the NE 4<sup>th</sup> Street Extension and 120<sup>th</sup> Avenue NE Improvements (Segment 1) projects. The estimated project costs total \$47,495,000 and there is an estimated funding gap of \$18,095,000. Financing options Council could consider to fund the gap include property owner participation through the proposed LID, right-of-way dedications, additional state and federal grants, general CIP allocation, and additional property tax increases.

**Table 1 – Current Project Cost Estimates (\$000)**

<b><u>NE 4th Street Extension (CIP Plan No. PW-R-160)</u></b>	
Design	\$ 3,600
ROW	24,200
Construction	10,600
Subtotal	\$38,400
<b><u>120th Ave NE Improvements (Seg. 1; CIP Plan No. PW-R-161)</u></b>	
Design	\$ 925
ROW	5,070
Construction	3,100
Subtotal	\$ 9,095
<b>Total Cost Estimate</b>	<b>\$47,495</b>

**Table 2 – Current Project Funding Status (\$000)**

<b><u>Currently Secured Funding (Both Projects)</u></b>	
Supplemental CIP	\$ 7,400
Mobility Initiative Funding*	2,200
Local Revitalization Financing	7,000
Federal Grant (120th)	2,600
Federal Grant (Portion NE 4th Grant)	2,300
Subtotal	\$21,500
<b><u>Other Probable Funding</u></b>	
Unallocated Mobility Initiative Funding*	\$ 4,600
Federal Grant (Remainder NE 4 <sup>th</sup> Grant)	3,300
Subtotal	\$ 7,900
<b>Total Secured &amp; Probable Funding</b>	<b>\$29,400</b>

<b>Current Projected Funding Gap</b>	<b>\$18,095</b>
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\* Mobility Initiative Funding assumes LTGO Bonds issued on 2009 3% Property Tax Lift

The Wilburton Connections Local Improvement District is one of two LIDs assumed in the Mobility and Infrastructure Initiative Finance Plan. An LID provides a means for property owners who derive a “special benefit” from transportation improvements to pay a proportionate share of the costs of those projects through assessments. The “special benefit” a property gains from a capital improvement (road or utility) is the difference between the fair market value of the property before and immediately after the project is completed. An assessment to a property cannot exceed the special benefit to that parcel — it must be proportionate to the special benefit received in relation to other properties in the LID and cannot include general or public benefits of the project.

The first step in advancing the development of an LID is to determine *if* the special benefit derived by properties within the proposed LID boundary is sufficient to support the LID assessments. This step is known as a Feasibility Analysis and evaluates benefits in relation to categories of properties and the degree of assessments that could be supported if an LID were to be formed. This analysis is usually completed by an appraiser and serves as a first decision point for Council to proceed with the formation process.

Staff presented the results of the Macaulay & Associates Feasibility Analysis to Council at the June 7, 2010 Study Session. Based on the research and analysis completed at that time, the Wilburton Connections LID Special Benefits range was estimated at between \$13 and \$18 million. Council directed that staff and the consultant proceed with the Formation Analysis phase of the process. (Please see Attachment 5 for the proposed Wilburton Connections LID Formation Schedule and Attachment 6 for more information about the LID Formation Process).

A Formation Analysis is a property-by-property appraisal of the market value of each parcel with and without the completion of the planned capital improvements. This analysis determines the special benefit each property is anticipated to receive and is used to set the boundaries of the LID and the proposed assessments for all property owners within the LID. The Formation Analysis will help determine the most appropriate and defensible methodology for allocating the proportionate project costs to the properties in the LID.

Special benefit to affected properties derives from enhanced relative location provided by the proposed roadway projects, which results in reduced traffic congestion and improved traffic circulation. In addition, with the NE 4<sup>th</sup> Street Extension in place, a number of parcels will be rezoned allowing for more intensive land uses in the north-central portion of the proposed district.

In summary, the Macaulay & Associates Formation Special Benefit Study evaluated each parcel within a preliminary LID boundary including a core or central area and two contiguous "Option Areas," a total of 111 parcels. The analysis concluded that a specific set of parcels within the preliminary boundary would receive a special benefit from the construction of the NE 4<sup>th</sup> Street Extension and the 120<sup>th</sup> Avenue NE Improvements (Seg. 1) projects. Based on the analysis, 83 parcels have been included within the Proposed LID Boundary. All remaining parcels within the study area and all parcels outside the preliminary boundary would receive no or only a very marginal special benefit. **The Formation Analysis Report indicates there is a total estimated special benefit of \$13,565,000 within the Proposed LID boundary.** Please refer to Attachment 1, Executive Summary: Wilburton Connections LID Formation Special Benefit Study; Attachment 2, parcel by parcel special benefit appraisal spreadsheet; and Attachment 3, Proposed LID Boundary (and parcel) Map.

Under Washington state statutes, the full special benefit amount can be assessed against individual affected parcels. The amount funded by an LID varies considerably from project to project depending on construction and other costs, funding sources and the extent of special benefit. However, in order to provide an economic incentive to property owners, an LID assessment is typically 50% to 75% of the full special benefit. Based on a 75% ratio, the above estimated special benefit within the Proposed LID Boundary would support an LID that could fund \$10,175,000 of total project costs. With a 50% ratio, the estimated special benefit would support \$6,785,000.

The next step in the LID development process would be for Council to adopt a Resolution of Intent to Form the Wilburton Connections LID, setting the date for a public hearing on the formation and the proposed LID boundary. Please refer to Attachment 4 for a Draft of the Resolution of Intent to Form the Wilburton Connections LID. Additional steps in the LID formation process following the formation hearing, including the formation ordinance, protest period, project development, final assessment roll, and final assessment roll hearing were outlined within a Management Brief provided to Council in November 2008 (See Attachment 6).

**ALTERNATIVES:**

1. Direct staff to return to Council on September 20, 2010, with a Resolution of Intent to form the Wilburton Connections LID.
2. Direct staff to provide additional information for further discussion at a subsequent meeting.
3. Direct staff to discontinue the Wilburton Connections LID formation process.
4. Provide alternative direction to staff.

**RECOMMENDATIONS:**

1. Direct staff to return to Council on September 20, 2010, with a Resolution of Intent to form the Wilburton Connections LID.
2. Direct staff to include the LID Boundary consistent with the Proposed LID Boundary line on the attached map (Attachment 3).
3. Direct staff to develop a Preliminary Assessment Role based on a specific percentage of the Total Estimated Special Benefit indicated in the Macaulay & Associates, Ltd. Wilburton Connections LID Formation Special Benefit Study Final Report.

**ATTACHMENTS:**

1. Executive Summary: Wilburton Connections LID Formation Special Benefit Study
2. Parcel by parcel special benefit appraisal spreadsheet
3. Wilburton Connections LID Proposed Boundary (and parcel) Map
4. Draft Resolution of Intent to Form the Wilburton Connections LID
5. Proposed Wilburton Connections LID Formation Schedule
6. Memo to City Council on Local Improvement District Formation Process (11/17/08)
7. Wilburton Connections Project Map
8. June 7 Council Minutes regarding LID Feasibility Analysis

**AVAILABLE IN COUNCIL OFFICE:**

1. Wilburton Connections LID Formation Special Benefit Study Final Report
2. Executive Summary – Preliminary Economic Feasibility Study Findings for the proposed Wilburton Connections LID project

Proposed City of Bellevue Wilburton Connections Local  
Improvement District (LID) Project  
Bellevue, Washington

**SUMMARY OF FORMATION SPECIAL  
BENEFIT/PROPORTIONATE ASSESSMENT  
STUDY-NARRATIVE DISCUSSION AND TABULATIONS  
OF PRELIMINARY ASSESSMENTS**

**Prepared for:**

Mr. Goran Sparman,  
Transportation Director  
City of Bellevue  
450 110<sup>th</sup> Avenue NE  
Bellevue, WA 98004

**Date of Valuation:**

September 8, 2010

**Date of Report:**

September 8, 2010

Job #10-193

File: 10-193.0910

**Prepared by:**

Robert J. Macaulay, MAI  
MACAULAY & ASSOCIATES, LTD.  
Everett, Washington

September 8, 2010

Mr. Goran Sparrman,  
Transportation Director  
City of Bellevue  
450 110<sup>th</sup> Avenue NE  
Bellevue, WA 98004

RE: Proposed Wilburton Connections local improvement district (LID) project, Bellevue, WA. Job No. 10-193.

Dear Mr. Sparrman:

Our preliminary special benefit/proportionate assessment study in connection with the above-referenced LID project has been completed. A personal inspection has been made of the parcels within the LID project vicinity, together with a study of current market data in the subject area and surrounding market areas, for the purpose of forming an opinion as to the special benefit and recommended assessment to each affected parcel.

If formed, the LID would provide one of a number of funding sources for the planned extension of NE 4<sup>th</sup> Street between 116<sup>th</sup> and 120<sup>th</sup> Avenues NE and 120<sup>th</sup> Avenue NE Improvements (Segment 1) between NE 4<sup>th</sup> and 8<sup>th</sup> Streets, on the east side of Interstate Highway 405, approximately one mile from Bellevue's central business district. The total cost for these improvements is currently estimated at \$47,495,000.

Attached is a summary of the formation special benefit study, which uses mass appraisal techniques and is reported in a summary format including narrative and tabular presentation. This report is intended to comply with Standard 6 of the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Foundation for a summary mass appraisal report. As such, it includes limited discussions of the data, reasoning and analyses utilized in the valuation process; supporting documentation is retained in the appraiser's files. The depth of discussion contained in the report is specific to the needs of the client, the City of Bellevue, and for the intended use stated herein. It conforms with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include USPAP, as well as additional reporting requirements which are discussed herein. The appraiser is not responsible for unauthorized use of this report.

Briefly, the scope of the assignment was to propose an LID boundary encompassing the area specially benefitted and complete a preliminary special benefit/proportionate assessment study centering around two road improvement projects collectively known as the proposed Wilburton Connections Local Improvement District. One of the projects would construct a new section of NE 4<sup>th</sup> Street on the east side of Interstate 405, connecting 116<sup>th</sup> Avenue NE and 120<sup>th</sup> Avenue NE, and the other widens a section of 120<sup>th</sup> Avenue NE (beginning where the new NE 4<sup>th</sup> Street connects with 120<sup>th</sup> Avenue and ending south of NE 8<sup>th</sup> Street) in the Bellevue neighborhood known as Wilburton. Signalization would be installed at the

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new NE 4<sup>th</sup> Street/120<sup>th</sup> Ave NE intersection and at the nearby intersection (to the north) of NE 6<sup>th</sup> Street and 120<sup>th</sup> Avenue NE. As stated above, the current total estimated project cost is \$47,495,000. Between the two projects considered herein, the estimates are \$38,400,000 for the NE 4<sup>th</sup> Street extension portion and \$9,095,000 for the 120<sup>th</sup> Avenue NE widening portion.

The nationwide economic recession, which began in late 2007, is having a profound and long-lasting effect on commercial real estate markets. The tightening of both national and global credit markets and a resultant reduction in liquidity are adversely impacting both current and future investments in real estate. This has resulted in limited real estate sales activity over the last several years in the Bellevue vicinity. Reductions caused by the ongoing recession have been especially severe when contrasted with the economic boom which preceded it in the early years of this decade.

As in the greater Seattle area, new development has been sharply curtailed and a number of large projects have been cancelled or put on hold in Bellevue and elsewhere on the "Eastside". According to the June 2010 issue of the Puget Sound Economic Forecaster (PSEF), the region added 3,600 new jobs in the first quarter of 2010. However, growth has remained slow this year and it is estimated that the region will not recoup the 135,000± jobs lost during the recession until some time in 2013. Current positive signs in the local market pertaining to new sale transactions and development activity remain limited.

To make estimates of probable increases in market value or special benefit resulting from the proposed LID project, market sales of land and improved properties were researched, together with rental rate information on the various types of property found within the proposed LID boundary. These property types consist primarily of office and retail uses. Also, engineering and economic studies relating to supply and demand, absorption and population growth trends were reviewed.

Special benefit to affected properties derives from enhanced relative location provided by the proposed road improvements, which results in reduced traffic congestion, improved circuitry of traffic flow and enhancement of the neighborhoods' reputation and aesthetic appeal. Also, with the NE 4<sup>th</sup> Street Extension in place, a number of parcels will be rezoned, allowing for more intensive land uses in the north-central portion of the proposed district.

Recognizing that the definition of market value requires well-informed market participants, estimates are made of the value of individual parcels without the road improvement project and again with the project assumed completed, as of the same date. Estimated value ranges without and with the LID are refined into valuation conclusions by making the appropriate adjustments based on factors affecting market value of individual parcels. For each assessable parcel within the LID boundary, this basis of valuation results in a special benefit estimate, which is the difference in value before (or without) the project as compared to the same parcel after (or with) the project. Electronic data based on records of the King County Assessor's office was provided by the client and forms the basis of the preliminary assessment roll spreadsheets which are integral parts of this report.

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The purpose of a preliminary special benefit/proportionate assessment study is to provide a fair and proportionate allocation of preliminary assessments, based on highest and best use and market value of affected property, without as opposed to with the LID project completed. This study can then be utilized by the city and the affected property owners to establish the LID boundaries and make a determination as to whether or not to form the district.

The preliminary assessments are reasonable and proportionate to each other; they are based on consideration of the physical characteristics and highest and best use of individual affected parcels with market value estimates derived from comparable sales data. In our research, market analysis, and subject to the accompanying assumptions and limiting conditions, the entire area outlined on the exhibit entitled "Proposed LID Boundary Map" has been considered. As shown on the map and discussed further herein, at the client's request, it was divided into what is termed the "core area" (vicinity which experiences the most special benefit due to the project), together with "option area 1" (to the south), which experiences much lesser degrees of special benefit, and "option area 2" (north of NE 8<sup>th</sup> Street), where special benefit due to the project is more similar to that experienced by properties just south of NE 8<sup>th</sup> Street. On the proposed LID boundary map included herein, most of the core area and option area 2 are outlined in blue and option area 1 is outlined in white. The proposed LID boundary (outlined in a continuous blue line), encompasses 83 tax parcels; 60 which are in the core area together with another 23 parcels to the north in option area 2.

In the first of two scenarios considered herein, special benefit to the 62 affected parcels in the core area is estimated. Also at the client's request, the spreadsheet prepared for scenario one includes two preliminary recommended assessment columns; the first shows the individual preliminary assessment amounts based on a 50% ratio of total assessment to total special benefit. The second column of preliminary assessments utilizes a 75% ratio.

The same process is followed for the second scenario, which encompasses the 62 parcels in the core area, together with 26 additional tax parcels in option area 1 (south of Main Street and SE 1<sup>st</sup> Street) and another 23 parcels in option area 2 (north of NE 8<sup>th</sup> Street). The second spreadsheet, which includes all 111 parcels, also has two preliminary assessment columns; the first showing the individual assessment amounts based on a 50% ratio of total assessment to total special benefit and the second, utilizing a 75% ratio of project costs (assessment) to total special benefit. The 83 parcels within the proposed boundary comprise the third spreadsheet ("Proposed Assessment Roll"), for which the 50% and 75% ratios are again shown.

Following the "Executive Summary" located near the front of this report are three tabulations (spreadsheets) listing map number, owner's name, tax parcel number, site address, land area, brief improvements description (if any), zoning, probable market value (land and improvements contribution) without the LID, probable market value with the LID, estimated special benefit and preliminary assessment to each parcel. As described above, the first spreadsheet pertains to the 62 tax parcels in scenario one (the core area), the second encompasses the core area together with option areas 1 and 2 (total of 111 tax parcels), and the third, the proposed assessment roll, encompasses 83 parcels.

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Below are the primary findings resulting from this study, subject to the accompanying assumptions and limiting conditions. The date of valuation for the following conclusions is September 8, 2010.

**Scenario One (core area – 62 tax parcels)**

Total estimated special benefit ..... (R)\$13,190,000  
Preliminary assessment @ 50% ratio ..... (R)\$6,595,000  
Preliminary assessment @ 75% ratio ..... (R)\$9,890,000

**Scenario Two (core area and two option areas – 111 tax parcels)**

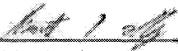
Total estimated special benefit ..... (R)\$13,820,000  
Preliminary assessment @ 50% ratio ..... (R)\$6,910,000  
Preliminary assessment @ 75% ratio ..... (R)\$10,365,000

**Proposed Boundary (60 parcels in core area and 23 parcels in option area two)**

Total estimated special benefit ..... (R)\$13,565,000  
Preliminary assessment @ 50% ratio ..... (R)\$6,785,000  
Preliminary assessment @ 75% ratio ..... (R)\$10,175,000

The total estimated special benefit for option area 1 alone is (R)\$220,000 and for option area 2 alone it totals (R)\$415,000. Additional narrative descriptions, maps and tabulations concerning the scope of the project, subject parcels and comparable market data are retained in our files. If you have questions or desire further clarification, please call.

Respectfully submitted,  
MACAULAY & ASSOCIATES, LTD.

  
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Robert J. Macaulay, MAI  
WA State Certified - General Appraiser No. H100517

## Executive Summary

### Preliminary Boundary:

As shown on the map on the prior page, the preliminary boundary analyzed is segregated into a core area and option areas 1 and 2; the core area extends south from NE 8<sup>th</sup> Street on both sides of 116<sup>th</sup> Avenue NE and 120<sup>th</sup> Avenue NE roughly to Main Street. Option area 1 encompasses property generally located south of Main Street on both sides of 116<sup>th</sup> Ave NE and west of 118<sup>th</sup> Ave NE, extending south to the Lake Hills Connector. Option area 2 is the vicinity north of NE 8<sup>th</sup> Street between 116<sup>th</sup> Ave NE to just east of 120<sup>th</sup> Ave NE and includes corner parcels at the Bel-Red/120th Ave NE intersection.

The core area experiences the greatest degree of special benefit due to the project as relative location of the affected parcels is enhanced, access and circuitry of traffic flow are significantly improved (enhancing the neighborhood's reputation), and rezoning of a number of parcels provides opportunities for increased intensity of use. The two option areas experience varying degrees of special benefit, due primarily to a lessening of traffic congestion, from the project. Option area 1 includes 26 tax parcels generally located south of Main Street/NE 1<sup>st</sup> Street, between I-405 and 118<sup>th</sup> Avenue SE. Option area 2 encompasses ownerships (23 individual tax parcels) fronting on the north side of NE 8<sup>th</sup> Street between 116th Ave NE and just east of the intersection of NE 8<sup>th</sup> Street and Bel-Red Road.

As discussed further in this report, the most significant special benefit accrues to property in the core area and in option area 2. Marginal special benefit (\$0.25/SF and less) is attributed to property in option area 1. Recognizing this, the proposed LID boundary consists of the core area except map numbers 11 and 13; the economic entity comprised of these two parcels is significantly impacted by wetlands and lacks any 116<sup>th</sup> Ave NE exposure. The proposed boundary also includes option area 2, situated north of NE 8<sup>th</sup> Street. Outlined in blue on the map, it includes a total of 83 tax parcels; 60 in the core area and another 23 in option area two.

### Definition of Special Benefit:

Special benefit is defined as a specific, measurable increase in value of certain real property in excess of enhancement to the general area (and benefitting the public at large) due to a public improvement project. It is measured as the difference accruing by reason of the project, between the market value of each parcel studied without the LID project and market value of the same parcel with the LID project assumed completed as of the same date.

**Project Overview:**

Wilburton Connections is the name given to a group of three long-planned road construction projects in the west Wilburton area. They are designed to work together to improve connections between the downtown, Wilburton, Bel-Red and Overlake areas of the city. The projects are 120<sup>th</sup> Avenue NE Improvement (Segment 1) (includes no improvements to the NE 8<sup>th</sup> Street intersection) and NE 4<sup>th</sup> and 6<sup>th</sup> Streets (extensions). A neighborhood protection plan to address potential traffic impacts along NE 5<sup>th</sup> Street to the east of 120<sup>th</sup> Avenue NE may be developed in coordination with the neighborhood although this planned NE 5<sup>th</sup> Street traffic mitigation is not included in the LID project. The 6<sup>th</sup> Street extension is not part of the proposed LID and this study focuses on the first two; the widening of 120<sup>th</sup> Avenue NE and the NE 4<sup>th</sup> Street extension. The two are collectively termed herein the "proposed Wilburton Connections Local Improvement District". A more detailed description of the proposed projects is included in this report.

**Neighborhood Description:**

A close-in mixed use neighborhood (predominantly office and retail), the Wilburton commercial area is conveniently situated just across Interstate 405 from the intensely developed urban core of the City of Bellevue, Washington state's fifth largest city. Further description of the subject neighborhood is found on subsequent pages.

Without the project, the vicinity is characterized by poor traffic circulation, lack of contiguity in the arterial roadway network, congested arterials (NE 8<sup>th</sup> Street and 120<sup>th</sup> Avenue NE) and limited pedestrian/bicycle access to the local and regional trail systems.

With the LID in place, the vicinity is enhanced since the \$47.5± million project provides improved neighborhood reputation, enhanced arterial traffic capacity, improved intersection operations and reduced delays, and enhanced bicycle and pedestrian safety. All these factors create higher property values by improving the relative locations of affected parcels in the marketplace.

**Total Land Area:**

Based on information obtained from the City of Bellevue, which is derived from records of the King County Assessor and Treasurer, land area within the larger LID boundary (including all 111 tax parcels in the core area and both option areas) totals 6,769,351± SF or 155.4± acres.

**Individual Parcel Sizes:**

Tax parcels analyzed herein vary in size from 240± SF to 398,632± SF or from 0.01± to 9.15± acres. Land area to be acquired from a small number of parcels, needed for construction of the new NE 4<sup>th</sup> Street alignment and for improvements to 120<sup>th</sup> Avenue NE, has been deducted from the square footages shown on the spreadsheets. In other

words, the affected parcels are analyzed net of right of way acquisition, both without and with the project.

**Railroad Corridor:**

An unused rail line situated within a 100-foot wide right of way corridor extends in a generally north-south direction through the district. Due to its long, narrow configuration and lack of adequate access, highest and best use is severely limited. As part of a railroad corridor of indeterminate length, it has no development potential as a separate economic entity and therefore derives no special benefit from the project. Within this corridor on the south side of NE 8<sup>th</sup> Street are six small parcels for which the King County Assessor's office lists tax parcel numbers, land areas (all less than 8,500 square feet), and owners' names.

These six parcels, map numbers 68 and 107 through 111, likewise lack development potential as separate entities and therefore derive no special benefit from the project. One additional parcel, map number 88, is situated within the railroad corridor on the north side of NE 8<sup>th</sup> Street. Although the assessor's office has no map, tax parcel number or any other information, the client's records show that it contains 20,049 SF and is owned by Whole Foods. It is currently utilized together with their property adjacent on the west, as parking and driveway. Therefore, special benefit as shown on the spreadsheet is attributable to map number 88.

**Land Use Regulations:**

In the core area of the proposed LID, primary zoning designations are OLB (Office and Limited Business); GC (General Commercial); O (Office); and PO (Professional Office). Part of one parcel is zoned for multi-family residential uses. Zoning in option area 1 is CB (Community Business), OLB, O, PO with one parcel designated R-20, multi-family residential. In option area 2, zoning is BR-GC (Bel-Red General Commercial) and GC. Upon completion of the proposed project, a number of parcels in the main (core) area will be rezoned from GC, General Commercial, to CB, Community Business. Current and proposed zoning designations are consistent with the city's Wilburton/NE 8<sup>th</sup> Land Use Plan (see map in Addenda).

**Special Benefit/Proportionate Assessment Methodology:**

Assessments that do not materially exceed the special benefit and proportionality between each assessment and its respective special benefit are the two basic legal requirements of an assessment of this type. This market value estimate is based on the inter-relationship between supply and demand for each property in the current economic marketplace. In this instance, it is a market for commercial property in a well-developed area featuring the amenities of excellent access to transportation networks and to all the major regional employment and population centers of Puget Sound.

This is a mass appraisal report prepared under the requirements set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. Market value is estimated for each parcel within the LID boundary based on highest and best use, both without and with the improvement project completed as of the date of this study. The increase in value, if any, is the special benefit accruing to that parcel as a result of the project.

Estimated special benefits are totaled for all properties within the preliminary LID boundary, under each of the two scenarios discussed above, as requested by the client. The first encompasses only the core area, which experiences the greatest special benefit from the project and is made up of 62 tax parcels (map numbers 1 through 57, 61, 62, 107, 108 & 109). In the second scenario, the core area is combined with both option areas, yielding a total of 111 affected parcels. Proposed and shown in the third spreadsheet is a district encompassing 60 parcels in the core area and another 23 in option area 2, for a total of 83 parcels.

Also at the client's request, the spreadsheet prepared for scenario one includes two preliminary assessment columns; the first one shows the individual assessment amounts based on a 50% ratio of total assessment to total special benefit. The second column of assessments utilizes a 75% ratio. The same process is followed for the second scenario, which encompasses the 62 parcels in the core area, together with 26 additional tax parcels in option area 1 (south of Main Street and SE 1<sup>st</sup> Street) and another 23 parcels in option area 2 (north of NE 8<sup>th</sup> Street). The second spreadsheet, which includes all 111 parcels, also has two preliminary assessment columns; the first showing the individual assessment amounts based on a 50% ratio of total assessment to total special benefit and the second, utilizing a 75% ratio of project costs (assessment) to total special benefit. The third and final spreadsheet encompasses the proposed district of 83 parcels and also shows the 50% and 75% ratio columns.

**Valuation Conclusions:**

The spreadsheets on the following pages present pertinent tabulated data on the affected ownerships, some of which contain more than one map number. The map numbers represent individual tax lots and correspond to the preliminary LID boundary map on page 4. Each economic entity considered herein as a "parcel" is listed in the following tabulation on one to several lines, depending on the number of map numbers which make up the parcel.

The categories on each spreadsheet pertain to individual map numbers, the most significant of which are "Special Benefit" and "Preliminary Assessment". Compilation of this data on 62 individual map numbers

(scenario one), 111 map numbers (scenario two) and 83 map numbers (proposed boundary) results in the aggregate conclusions presented below and on the following spreadsheets, as of September 8, 2010.

**Scenario One (core area – 62 tax parcels)**

Total estimated special benefit ..... (R) \$13,190,000  
Preliminary assessment @ 50% ratio ..... (R) \$6,595,000  
Preliminary assessment @ 75% ratio ..... (R) \$9,890,000

**Scenario Two (core area and two option areas – 111 tax parcels)**

Total estimated special benefit ..... (R) \$13,820,000  
Preliminary assessment @ 50% ratio ..... (R) \$6,910,000  
Preliminary assessment @ 75% ratio ..... (R) \$10,365,000

**Proposed Boundary**

**(60 parcels in core area and 23 parcels in option area two)**

Total estimated special benefit ..... (R) \$13,565,000  
Preliminary assessment @ 50% ratio ..... (R) \$6,785,000  
Preliminary assessment @ 75% ratio ..... (R) \$10,175,000

**Scope of Assignment:**

The scope of services Macaulay and Associates, Ltd. has been engaged to perform is to estimate the preliminary special benefit adhering to each affected parcel as a result of the LID-funded project. To reflect the market's perception of total special benefit accruing to affected property as a result of the project and to maintain proportionality amongst the special benefit estimates, market value is estimated both without the LID and with the LID in place, as of the same date. Under this valuation basis, properties are treated consistently and market value estimates without and with the completed LID most accurately reflect the special benefit indicated by the market. The special benefit estimated for each parcel reflects an increase in value under the same market conditions as the benefit estimated for every other assessable parcel within the proposed LID boundary.

**Proposed Wilburton Connections Local Improvement District**  
Parcel by Parcel Estimated Special Benefit Appraisals - Sept. 8, 2010

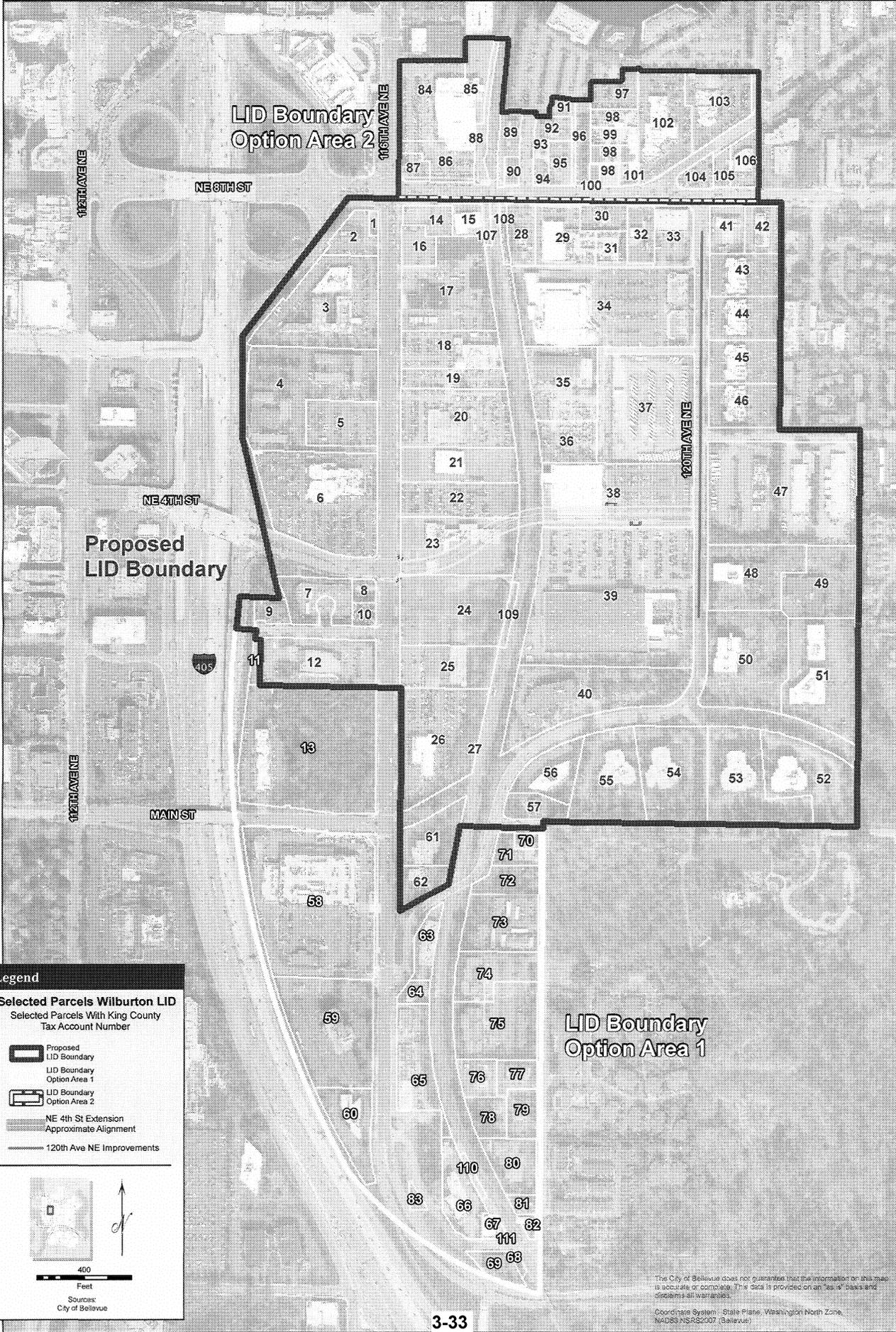
Map No.	Ownership	Estimated Special Benefit	Est. Special Benefit Per SF		50% Assessment		75% Assessment	
					Preliminary Assessment	Preliminary Assessment Per SF	Preliminary Assessment	Preliminary Assessment Per SF
1	HULING BROS PROPERTIES LLC	\$4,200	\$1.00	///	\$2,100	\$0.50	\$3,150	\$0.75
2	RASH & ASSOCIATES #47	\$26,572	\$1.00	///	\$13,286	\$0.50	\$19,929	\$0.75
3	GOLDTRUST HOTEL LLC	\$158,875	\$1.00	///	\$79,438	\$0.50	\$119,156	\$0.75
4	CITY OF BELLEVUE	\$184,005	\$1.00	///	\$92,003	\$0.50	\$138,004	\$0.75
5	BELLEVUE NORTHWEST LLC	\$85,500	\$1.50	///	\$42,750	\$0.75	\$64,125	\$1.13
6	CUSHMAN & WAKEFIELD INC	\$673,351	\$3.50	///	\$336,676	\$1.75	\$505,013	\$2.63
7	PUGET SOUND ENERGY/ELEC	\$0	\$0.00	///	\$0	\$0.00	\$0	\$0.00
8	PUGET SOUND ENERGY/ELEC	\$34,566	\$3.50	///	\$17,283	\$1.75	\$25,925	\$2.63
9	THOMAS M GILPIN	\$5,900	\$0.50	///	\$2,950	\$0.25	\$4,425	\$0.38
10	IGOR & KLARA CHULSKY	\$15,225	\$1.50	///	\$7,613	\$0.75	\$11,419	\$1.13
12	US POSTAL SERVICE	\$0	\$0.00	///	\$0	\$0.00	\$0	\$0.00
14	BP WEST COAST PRODUCTS LLC	\$23,090	\$1.00	///	\$11,545	\$0.50	\$17,318	\$0.75
15	R KIRK MATHEWSON	\$17,443	\$1.00	///	\$8,722	\$0.50	\$13,082	\$0.75
16	VOLKSTORF RENTALS PARTNERSH	\$22,950	\$1.00	///	\$11,475	\$0.50	\$17,213	\$0.75
17	BETA-BELLEVUE LLC	\$134,013	\$1.00	///	\$67,007	\$0.50	\$100,510	\$0.75
18	FAZENDA LLC % TOYOTA OF LAK	\$64,662	\$1.00	///	\$32,331	\$0.50	\$48,497	\$0.75
19	FAZENDA LLC % TOYOTA OF LAK	\$38,412	\$1.00	///	\$19,206	\$0.50	\$28,809	\$0.75
20	FAZENDA LLC % TOYOTA OF LAK	\$171,191	\$1.50	///	\$85,595	\$0.75	\$128,393	\$1.13
21	FORD LEASING & DEVELOPMENT	\$215,622	\$3.00	///	\$107,811	\$1.50	\$161,717	\$2.25
22	KG INVESTMENT MANAGEMENT	\$524,461	\$7.00	///	\$262,231	\$3.50	\$393,346	\$5.25
23	KG INVESTMENT MANAGEMENT	\$500,934	\$7.00	///	\$250,467	\$3.50	\$375,701	\$5.25
24	KG INVESTMENT MANAGEMENT	\$798,889	\$7.00	///	\$399,445	\$3.50	\$599,167	\$5.25
25	KG INVESTMENT MANAGEMENT	\$475,671	\$7.00	///	\$237,836	\$3.50	\$356,753	\$5.25
26	LINDSEY PROPERTIES LLC	\$441,900	\$3.00	///	\$220,950	\$1.50	\$331,425	\$2.25
27	GAIL A WYMAN	\$0	\$0.00	///	\$0	\$0.00	\$0	\$0.00
28	BURGER KING	\$58,900	\$2.00	///	\$29,450	\$1.00	\$44,175	\$1.50
29	SOUTH HEIGHTS/RICHARD SNYDER	\$120,378	\$2.00	///	\$60,189	\$1.00	\$90,284	\$1.50
30	DOLLAR DEVELOPMENT COMPANY	\$20,000	\$1.00	///	\$10,000	\$0.50	\$15,000	\$0.75
31	SOUTH HEIGHTS/RICHARD SNYDER	\$33,636	\$1.50	///	\$16,818	\$0.75	\$25,227	\$1.13
32	BOB BOLLMAN	\$57,072	\$2.00	///	\$28,536	\$1.00	\$42,804	\$1.50
33	BELLEVUE PROPERTIES	\$112,093	\$2.50	///	\$56,046	\$1.25	\$84,069	\$1.88
34	TRF CAPITAL LLC	\$744,141	\$3.00	///	\$372,071	\$1.50	\$558,106	\$2.25
35	MUTUAL MATERIAL CO	\$269,241	\$3.00	///	\$134,621	\$1.50	\$201,931	\$2.25
36	MUTUAL MATERIAL CO	\$129,750	\$3.00	///	\$64,875	\$1.50	\$97,313	\$2.25
37	BELLEVUE SCHOOL DIST 405	\$680,106	\$3.50	///	\$340,053	\$1.75	\$510,080	\$2.63
38	457-120TH AVENUE NE LLC	\$846,286	\$7.00	///	\$423,143	\$3.50	\$634,715	\$5.25
39	HD DEVELOPMENT OF MARYLAND	\$2,698,299	\$6.75	///	\$1,349,150	\$3.38	\$2,023,724	\$5.06
40	KBS REALTY ADVISORS	\$326,700	\$2.00	///	\$163,350	\$1.00	\$245,025	\$1.50
41	PAC WEST ENERGY	\$45,000	\$1.50	///	\$22,500	\$0.75	\$33,750	\$1.13
42	MEAD BUILDING LLC	\$15,000	\$0.50	///	\$7,500	\$0.25	\$11,250	\$0.38
43	PARK 120 INVESTMENTS LLC	\$40,889	\$0.75	///	\$20,445	\$0.38	\$30,667	\$0.56
44	PARK 120 INVESTMENTS LLC	\$41,491	\$0.75	///	\$20,745	\$0.38	\$31,118	\$0.56
45	PARK 120 INVESTMENTS LLC	\$41,385	\$0.75	///	\$20,693	\$0.38	\$31,039	\$0.56
46	PARK 120 INVESTMENTS LLC	\$40,692	\$0.75	///	\$20,346	\$0.38	\$30,519	\$0.56
47	BELLEVUE SCHOOL DIST 405	\$402,089	\$1.50	///	\$201,044	\$0.75	\$301,566	\$1.13
48	EOS AT RIDGEWOOD CORPORATE	\$196,352	\$2.00	///	\$98,176	\$1.00	\$147,264	\$1.50
49	EOS AT RIDGEWOOD CORPORATE	\$147,221	\$1.75	///	\$73,610	\$0.88	\$110,415	\$1.31
50	KBS REALTY ADVISORS	\$286,740	\$2.00	///	\$143,370	\$1.00	\$215,055	\$1.50
51	EOS AT RIDGEWOOD CORPORATE	\$239,034	\$1.75	///	\$119,517	\$0.88	\$179,276	\$1.31
52	BELLEVUE SCHOOL DIST 405	\$186,025	\$1.75	///	\$93,013	\$0.88	\$139,519	\$1.31
53	WILHELM TRU G INC	\$203,525	\$1.75	///	\$101,763	\$0.88	\$152,644	\$1.31
54	EASTRIDGE PARTNERS L L C	\$199,722	\$1.75	///	\$99,861	\$0.88	\$149,792	\$1.31
55	EASTRIDGE PARTNERS L L C	\$181,428	\$1.75	///	\$90,714	\$0.88	\$136,071	\$1.31
56	COSMOS INTERNATIONAL CORP	\$87,500	\$1.75	///	\$43,750	\$0.88	\$65,625	\$1.31
57	BELLEVUE CITY OF/PARKS	\$44,632	\$1.75	///	\$22,316	\$0.88	\$33,474	\$1.31
61	EAST BELLEVUE OFFICE PROP	\$24,931	\$0.50	///	\$12,465	\$0.25	\$18,698	\$0.38
62	FOURTH BURROUGHS LLC	\$14,500	\$0.50	///	\$7,250	\$0.25	\$10,875	\$0.38
84	WHOLE FOODS MARKET	\$60,288	\$0.75	///	\$30,144	\$0.38	\$45,216	\$0.56
85	WHOLE FOODS MARKET	\$41,325	\$0.75	///	\$20,663	\$0.38	\$30,994	\$0.56
86	WHOLE FOODS MARKET	\$31,125	\$0.75	///	\$15,563	\$0.38	\$23,344	\$0.56
87	WHOLE FOODS MARKET	\$12,188	\$0.75	///	\$6,094	\$0.38	\$9,141	\$0.56
88	WHOLE FOODS MARKET	\$15,037	\$0.75	///	\$7,519	\$0.38	\$11,278	\$0.56
89	RBJK VENTURES LLC	\$10,678	\$0.50	///	\$5,339	\$0.25	\$8,008	\$0.38
90	THOMAS H COWDIN JR	\$4,950	\$0.75	///	\$2,475	\$0.38	\$3,713	\$0.56
91	BARRIER PROPERTIES LBSC LLC	\$2,645	\$0.75	///	\$1,322	\$0.38	\$1,983	\$0.56
92	BARRIER PROPERTIES LBSC LLC	\$12,226	\$0.75	///	\$6,113	\$0.38	\$9,169	\$0.56
93	BARRIER PROPERTIES LBSC LLC	\$1,436	\$0.75	///	\$718	\$0.38	\$1,077	\$0.56
95	BARRIER PROPERTIES LBSC LLC	\$14,250	\$0.75	///	\$7,125	\$0.38	\$10,688	\$0.56
96	BARRIER PROPERTIES LBSC LLC	\$15,450	\$0.75	///	\$7,725	\$0.38	\$11,588	\$0.56
97	BARRIER PROPERTIES LBSC LLC	\$13,735	\$0.50	///	\$6,868	\$0.25	\$10,301	\$0.38
94	R D & DANIELLE GRIFFITH	\$7,035	\$0.75	///	\$3,518	\$0.38	\$5,276	\$0.56
98	ANDERSON GREGORY N C/O TOOL CRIB OF THE EASTSIDE	\$27,782	\$0.75	///	\$13,891	\$0.38	\$20,836	\$0.56
99	ANDERSON GREGORY N C/O TOOL CRIB OF THE EASTSIDE	\$11,204	\$0.75	///	\$5,602	\$0.38	\$8,403	\$0.56
100	ANDERSON GREGORY N C/O TOOL CRIB OF THE EASTSIDE	\$2,645	\$0.75	///	\$1,322	\$0.38	\$1,983	\$0.56
101	ANDERSON GREGORY N C/O TOOL CRIB OF THE EASTSIDE	\$5,873	\$0.75	///	\$2,936	\$0.38	\$4,404	\$0.56
102	JIMMY R BARRIER	\$46,426	\$0.50	///	\$23,213	\$0.25	\$34,820	\$0.38
103	JIMMY R BARRIER	\$36,155	\$0.50	///	\$18,078	\$0.25	\$27,116	\$0.38
104	JIMMY R BARRIER	\$11,925	\$0.75	///	\$5,963	\$0.38	\$8,944	\$0.56
105	ERNEST H BAKKER	\$9,510	\$0.75	///	\$4,755	\$0.38	\$7,133	\$0.56
106	BAKKERS INC	\$19,559	\$0.75	///	\$9,779	\$0.38	\$14,669	\$0.56
107	MIDLAKES LLC	\$0	\$0.00	///	\$0	\$0.00	\$0	\$0.00
108	TRF CAPITAL LLC	\$0	\$0.00	///	\$0	\$0.00	\$0	\$0.00
109	DOUGLAS DICKEN	\$0	\$0.00	///	\$0	\$0.00	\$0	\$0.00
<b>TOTALS</b>		<b>\$13,565,629</b>			<b>\$6,782,815</b>		<b>\$10,174,222</b>	

Total Special Benefit	\$13,565,629
Project Cost Funded by LID	\$6,782,815
Special Benefit Ratio	0.50

Total Special Benefit	\$13,565,629
Project Cost Funded by LID	\$10,174,222
Special Benefit Ratio	0.75

# Wilburton Connections

Proposed LID Boundary and Parcel Map



**Legend**

**Selected Parcels Wilburton LID**  
Selected Parcels With King County Tax Account Number

- Proposed LID Boundary
- LID Boundary Option Area 1
- LID Boundary Option Area 2
- NE 4th St Extension Approximate Alignment
- 120th Ave NE Improvements

400 Feet

Sources:  
City of Bellevue

The City of Bellevue does not guarantee that the information on this map is accurate or complete. The data is provided on an "as is" basis and does not constitute a warranty.

Coordinate System: State Plane, Washington North Zone, NAD83 NSRS2007 (Bellevue)

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION of the City Council of the City of Bellevue, Washington, declaring the intent of the City Council to consider the formation of a local improvement district, for the purpose of improving mobility between the downtown, Wilburton, and Bel-Red areas; and setting a public hearing date to consider the formation of a local improvement district.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

WHEREAS, the City Council of the City of Bellevue intends to order the improvements described in Exhibit A, attached hereto and incorporated by this reference as if set forth in full; and

WHEREAS, the Council desires to form a local improvement district (LID) for the purpose of making said improvements fully described in Exhibit A; and

WHEREAS, the date, time and place of a public hearing to consider the proposed local improvement district and improvements should be established; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. Declaration of Intent to Form LID. The City Council hereby declares its intent to form a local improvement district pursuant to the resolution method established in RCW 35.43.140 for the NE 4<sup>th</sup> Street Extension and the 120<sup>th</sup> Avenue NE (Segment 1) improvements, more particularly described in Exhibit A, attached hereto and incorporated by this reference as if set forth in full. All of the foregoing improvements shall be in accordance with the plans and specifications therefore prepared by the City and may be modified by the City as long as that modification does not affect the purpose of the improvements. Pursuant to RCW 35.43.140, the nature and territorial extent of the improvements are set forth on Exhibit A.

Section 2. Cost of Improvements. The cost and expense of all labor and material required to make a complete improvement, including legal, engineering, administrative, printing, costs of acquisition, financing, and all other expenses of every kind, is approximately \$47,495,000.00, and shall be paid from the special assessments against the property specially benefited by the improvements and from other funds legally available to the City for such improvements. A local improvement

district shall be established embracing as near as may be all the property specially benefited by such improvements and such specially benefited property shall be assessed to pay a proportionate share of the cost of such improvements under the mode of payment of bonds.

Section 3. Public Hearing. A public hearing shall be conducted before the city of Bellevue hearing examiner, previously designated by the City Council, in the City Council Chambers located at City Hall, 450 110<sup>th</sup> Avenue NE, Bellevue, Washington, on the \_\_\_ day of \_\_\_ *Month* \_\_, 2010 at the hour of \_\_\_\_ p.m., then and there to present their objections thereto, if any they have. NOTICE IS HEREBY GIVEN THAT THE ACTUAL ASSESSMENTS FOR THE LOCAL IMPROVEMENT DISTRICT MAY VARY FROM ASSESSMENT ESTIMATES SO LONG AS THEY DO NOT EXCEED A FIGURE EQUAL TO THE INCREASED TRUE AND FAIR VALUE THE IMPROVEMENTS ADD TO THE PROPERTY ASSESSED.

Section 4. Benefit Area. The Director of the Transportation Department of the City of Bellevue is hereby directed to submit to the hearing examiner at or prior to the day of the hearing, the estimated cost and expense of the proposed improvements together with a diagram or print showing thereon the lots, tracts, or parcels of lands or other property which will be especially benefited thereby.

Section 5. Notices. The City Clerk is hereby directed to have this resolution published in two consecutive issues of the official newspaper of the City, with the first publication to be at least 15 days before the day fixed for the hearing. In addition, the City Clerk is hereby directed to give notice of the hearing upon formation of the Local Improvement District by mail at least 15 days before the day fixed for the hearing to the owners of all lots, tracts, and parcels of land or other property to be specially benefited by the proposed improvement, as shown on the rolls of the County Assessor, direct to the address thereon shown. The notice shall set forth the nature of the propose improvement, the estimated cost, the estimated benefits to the particular lot, tract or parcel, and the method of assessment described in Section 3 of this resolution.

Passed by the City Council this \_\_\_\_\_ day of \_\_\_\_\_, 2010,  
and signed in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_,  
2010.

(SEAL)

\_\_\_\_\_  
Don Davidson, DDS  
Mayor

Attest:

\_\_\_\_\_  
Myrna L. Basich, City Clerk

**CITY OF BELLEVUE  
RESOLUTION OF INTENTION NO. \_\_\_\_\_**

**EXHIBIT A  
PROJECT DESCRIPTION  
NE 4<sup>TH</sup> STREET EXTENSION AND 120<sup>TH</sup> AVENUE NE IMPROVEMENTS  
(SEGMENT 1) OF THE  
WILBURTON CONNECTIONS MOBILITY IMPROVEMENTS**

The NE 4th Street Extension project will extend the roadway from 116<sup>th</sup> Avenue NE to 120th Avenue NE and includes an at-grade crossing of the Burlington Northern-Santa Fe railroad corridor. The new five-lane arterial road consists of two travel lanes in each direction and a center turn lane where needed. The project will include bike lanes, curb, gutter and sidewalk on both sides, illumination, landscaping and irrigation, storm drainage and detention. The project will accommodate other utility infrastructure as needed. The project will include a new signalized intersection at NE 4th Street and 120<sup>th</sup> Avenue NE and will modify the existing signalized intersection at NE 4<sup>th</sup> Street and 116<sup>th</sup> Avenue NE.

The 120<sup>th</sup> Avenue NE (Segment 1) improvement project consists of widening the roadway to five lanes, including two travel lanes in each direction with a center turn lane, turn pockets, or planted medians from south of NE 4th Street to south of NE 8th Street. The project will improve, or install where missing, bike lanes, curb, gutter and sidewalk on both sides, a traffic signal at the NE 6<sup>th</sup> Street intersection, illumination, landscaping and irrigation, storm drainage and detention. The project will be designed and constructed to accommodate intersections with the NE 4<sup>th</sup> Street Extension, the planned extension of NE 6<sup>th</sup> Street, and other utility infrastructure.

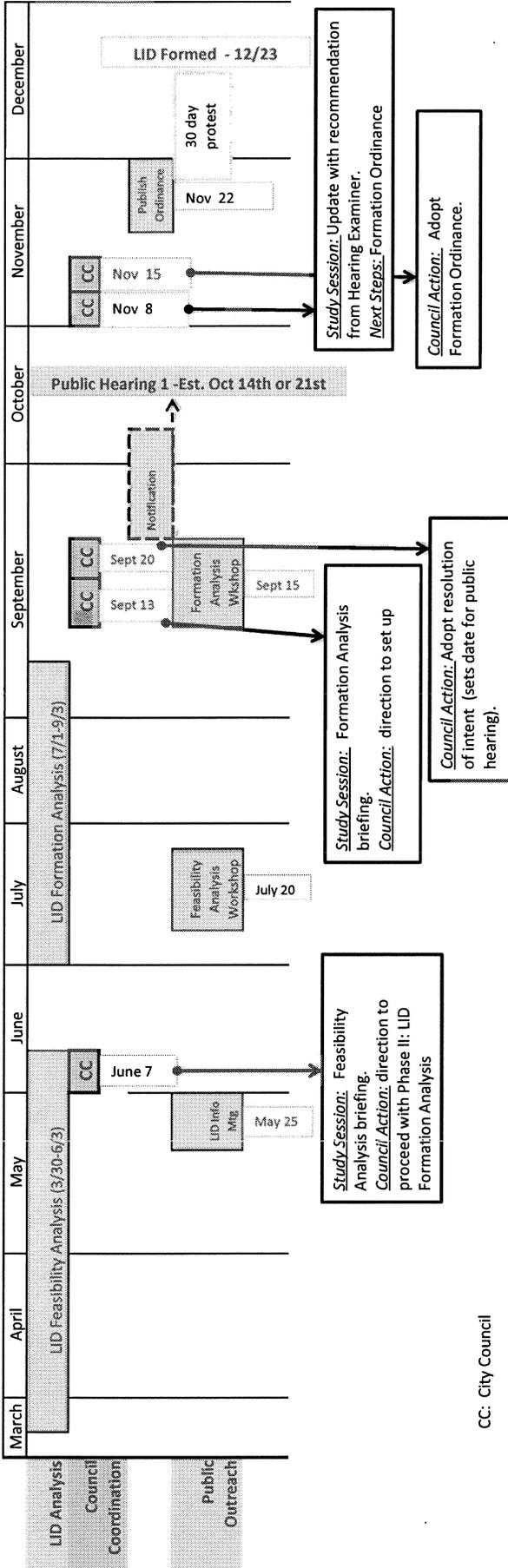
**CITY OF BELLEVUE  
RESOLUTION OF INTENTION NO. \_\_\_\_\_**

**EXHIBIT B  
LID BOUNDARY  
WILBURTON CONNECTIONS MOBILITY IMPROVEMENTS**

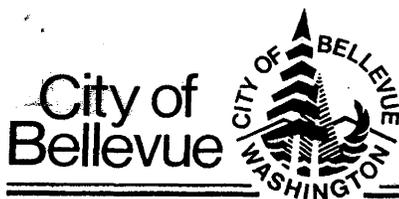
*Proposed LID Boundary Map and formal Legal Description to be inserted once determined by Council.*

DRAFT

Wilburton Connections LID Formation  
 PROPOSED 2010 Schedule -- All dates are estimates



CC: City Council



## Management Brief

**TO:** Mayor Grant Degginger and Bellevue City Councilmembers

**FROM:** Goran Sparrman, Director, Transportation Department  
 Jen Benn, Program Manager – Transportation Department

**DATE:** November 17, 2008

**SUBJECT:** Local Improvement District Formation Process

**cc:** Steve Sarkozy, Brad Miyake, Myrna Basich

In response to Councilmember Davidson's request at the November 10, 2008 Council meeting, this memo provides a summary level discussion of Local Improvement District (LID) principles and process. The LID formation process is governed by Chapter 35.43 RCW and Chapter 15.04 Bellevue City Code.

### What is an LID?

A Local Improvement District (LID) is a method of financing capital improvements constructed by the City that provide a special benefit to the properties within the boundary of the LID. The LID formation process leads to the sale of bonds and the retirement of those bonds via annual payments paid by the property owners within the district. The LID assessments become liens on the benefitted properties.

### What is a Special Benefit?

The "special benefit" a property gains from a capital improvement (road or utility) is the difference between the fair market value of the property before and immediately after the project is completed. "Fair market value" is the amount of money a purchaser willing, but not obligated, to buy would pay an owner willing, but not obligated, to sell. Fair market value also takes into consideration the current and future land uses that might reasonably be applied to the property. An assessment to a property cannot exceed the special benefit to that parcel: It must be proportionate to the special benefit received in relation to other properties in the LID and cannot include general or public benefits of the project.

### ESTABLISHING AN LID

LIDs can be created in two ways – in response to property owner petition or by Council direction. This memo will outline only the steps related to the Council directed process.

#### **STEP 1: Feasibility Analysis**

A feasibility analysis takes a broad look at categories of properties within a proposed LID boundary to determine the likelihood of special benefit to those categories and the degree of assessments that could be supported if an LID were to be formed. This analysis is usually completed by an appraiser and serves as a first decision point for Council to proceed.

**STEP 2: Formation Analysis**

A formation analysis is a property by property appraisal of the market value of a parcel before and after the completion of the improvement. This analysis determines the special benefit each property receives and is used to set the boundary of the LID and the proposed assessments for all property owners within the LID. The City may use any reasonable method to allocate costs among the various assessed properties. Common methods are square footage of property, front footage on the improvements, or "zone and termini." The formation analysis will help determine the most appropriate and defensible methodology for the proposed LID. (This work would be initiated if Council decides to include LIDs in the overall funding strategy.)

**STEP 3: Resolution of Intent**

Council adopts a resolution declaring its intent to form the LID and sets a hearing date. Notice of the hearing and an estimate of each property's assessment is mailed to all property owners and published at least 15 days before the hearing.

**STEP 4: Formation Hearing**

The purpose of the formation hearing is to hear objections to the formation of the LID. Testimony is allowed on the improvements to be constructed, what properties should be included in the LID, and whether it is appropriate to form an LID. The assessment methodology or amount of assessments are ordinarily not appropriate subjects for testimony, unless the City elects to use an alternative method (defined by the RCW) and provides notice of that method to the property owners prior to the formation hearing. Following the hearing, the Hearing Examiner will make a recommendation on the resolution to the City Council.

**STEP 5: Formation Ordinance**

Assuming no changes were made to the boundaries or the scope of the improvements to be funded based on the formation hearing, Council adopts an ordinance creating the LID and orders the construction of the improvements. If changes are made, a new hearing must be held.

**STEP 6: 30-Day Protest Period.**

The LID may be stopped if protests by property owners representing 60 percent or more of the estimated assessments are received within 30 days after the adoption of the formation ordinance. All lawsuits challenging the creation of the LID must be filed within 30 days from the end of the protest period. A successful protest does not bar the City from seeking to form the LID at a future date.

**STEP 7: Project Development**

The City and its competitively-selected contractors design, complete environmental documentation, and acquire right of way for the project and the advertisement for construction bids is issued.

**STEP 8: Bond Anticipation Notes**

Issue once the construction bid is awarded and construction begins.

**STEP 9: Final Assessment Roll**

Once construction is complete and all costs are known, the appraiser compiles the final assessment roll – maintaining the proportionality of costs to property benefits. The appraiser re-evaluates each property and makes any needed adjustments in the preliminary roll based on changes in use, new zoning, etc.

**STEP 10: Final Assessment Resolution**

Council adopts a resolution to set a date for the hearing on the final assessment roll. Notice of the hearing is published and mailed to all property owners at least 15 days before the hearing.

**STEP 11: Final Assessment Roll Hearing**

Hearing Examiner considers objections from property owners regarding their individual assessments. Only those property owners who have filed written objections at or prior to the hearing are allowed to speak at the hearing. The Hearing Examiner will consider the objections made and will make a recommendation to the Council to overrule objections or modify the final assessment roll based on the objections. If assessments are raised or reallocated based on Council's subsequent action, a new hearing must be held.

**STEP 12: Council Adopts Ordinance to Confirm Final Assessments**

**STEP 13: Appeal Period**

Property owners have 10 days from the effective date of the confirming ordinance to appeal assessments.

**STEP 14: Notice to Property Owners**

Notice is mailed to property owners indicating the assessments may be paid without interest within an identified 30 day period or in annual installments (up to 20 years) with interest based on the interest rate set on the LID bonds to be sold by the City. First annual payment is due one year after the end of the 30 day pre-payment period.

**STEP 15: City Sells Bonds**

After the prepayment period ends, City sells bonds in the amount of the outstanding assessments.

The LID formation process is clearly defined in state law and City code. Following all the steps to establish an LID takes time, however. Steps 1 – 6 outlined above require at least 6-9 months to implement, depending on the size and complexity of the proposed LID.

If you require additional information about the process to form an LID or have questions about other LID-related topics, please contact Jen Benn at 425-452-4270 or [jbenn@bellevuewa.gov](mailto:jbenn@bellevuewa.gov) or Monica Buck, City Assistant Attorney, at 425-452-4082 or [mbuck@bellevuewa.gov](mailto:mbuck@bellevuewa.gov).

# Conceptual Layout for Wilburton Connections



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Councilmember Wallace said he would like to explore how the plan relates to the Shoreline Master Program, and whether the project could provide the opportunity for less regulation of private property along the bay in exchange for the public recreational and environmental benefits associated with the park development, which includes improvements to wildlife habitats and water quality. With regard to shoreline habitat restoration, Mr. Wallace said he would be interested to know if the project could provide the opportunity for the City to engage WSDOT and Sound Transit in financing environmental mitigation measures, essentially in exchange for the environmental impacts (e.g., encroachment of wetlands) of the agencies' transportation projects within the community.

Mr. Wallace has concerns about moving forward with a project of this magnitude before completing the budget process. He would like to see alternatives to the pier and to the road closure that would optimize the goals of keeping the road open and reducing the pier to satisfy concerns about neighborhood compatibility. He would like more information about the marina proposal and whether it is economically viable. He questioned whether it would make sense to have vending machines instead of vendor carts and/or kiosks.

Mayor Davidson observed that three prominent themes raised by the Council are to maintain the project's original principles, continue to work as a committee of the whole, and to approach the project in phases or stages.

(b) Summary Report on the Wilburton Connections Local Improvement District (LID) Feasibility Study

City Manager Steve Sarkozy opened discussion regarding a feasibility analysis related to the proposal for a Wilburton Connections project Local Improvement District (LID).

Transportation Director Goran Sparrman introduced Francine Johnson, Senior Planner, and Bob Macaulay, a real estate appraiser and consultant, to provide the presentation regarding the consultant's work on assessing the feasibility of creating a LID.

Ms. Johnson recalled that the Wilburton Connections project is a component of the Mobility and Infrastructure Initiative plan adopted by the Council in January 2009. The Wilburton Connections package involves improvements to 120<sup>th</sup> Avenue NE, NE 4<sup>th</sup> Street, and NE 6<sup>th</sup> Street. Ms. Johnson reviewed project costs, budgets, and funding needs, noting a \$17.7 million funding gap for the NE 4<sup>th</sup> Street and 120<sup>th</sup> Avenue NE segments.

Ms. Johnson explained that an LID is a method of financing capital infrastructure improvements that provide a direct special benefit to properties within a defined district. LIDs can be created in response to a property owner petition or initiated by the Council through the adoption of a resolution. The LID formation process is established in state law (RCW 35.43), and the City's procedures are detailed in Chapter 15.04 of the Bellevue City Code. The proposed Wilburton Connections LID would fund a percentage of project costs associated with the NE 4<sup>th</sup> Street extension and 120<sup>th</sup> Avenue NE improvements between NE 4<sup>th</sup> and NE 8<sup>th</sup> Streets.

Ms. Johnson recalled that on February 2, 2009, the Council approved a contract for consultant services to conduct a feasibility analysis of creating a Wilburton Connections LID. The first phase of the study took a high-level look at the potential boundaries of the LID, as well as a range of special benefit. The second phase of the work would involve a detailed formation analysis to calculate the special benefit for each property within the LID.

Ms. Johnson reviewed the proposed timeline for the formation of the Wilburton Connections LID. She explained that this is the first step in the process, which will be directed by the Council on an ongoing basis. The project timeline anticipates establishing the LID by the end of this year, in order to maintain the construction schedule for improvements on 120<sup>th</sup> Avenue NE. The 120<sup>th</sup> Avenue project is set to begin construction in April 2011.

Mr. Macaulay said the feasibility analysis scope of work was to identify the potential LID boundary and to estimate the total special benefit range derived from the projects. Special benefit is the measurable difference in market value without the improvements, as opposed to the value with the LID improvements in place. The special benefit was estimated by segregating properties into classifications based on the highest and best use, as well as location within LID boundary. Four classifications were identified, and the overall special benefit is estimated at \$13 million to \$18 million. Approximately 50-60 percent of the special benefit would be assessed to properties located adjacent to or in close proximity of the NE 4<sup>th</sup> Street and 120<sup>th</sup> Avenue projects. Up to 100 percent of the special benefit can be assessed under State law. However, LID assessments typically range from the 50-75 percent cost-benefit ratio.

Ms. Johnson requested Council direction about whether to move forward with the LID formation analysis. The formation analysis will provide more detailed information about the special benefit associated with each specific property within the LID. The boundary could potentially be refined based on the analysis. Ms. Johnson reviewed the next steps which are to conduct the formation analysis through September, at which time staff will return to the Council to discuss the results and to consider the adoption of a Resolution of Intent. If a Resolution is adopted, a public hearing will be held in October. Council action on an LID Formation Ordinance will be requested in November.

Councilmember Wallace noted his understanding that this proposed LID does not meet the City's current financial policies, unless there is voluntary agreement among property owners within the LID area.

Mr. Sparrman said the potential use of the LID mechanism was discussed fairly extensively when the Mobility and Infrastructure Initiative finance plan was established. He is not aware of anything in the City Code that prohibits this type of LID from moving forward. He noted that LIDs can be formed at the request of property owners or as directed by the City Council.

Mayor Davidson said two potential LIDs were discussed early in the Bel-Red corridor planning process, and one did seem to have a fair amount of resistance.

Mr. Sparrman said the LID separate from the Wilburton Connections project affects infrastructure investments in the Bel-Red area that is north of NE 8<sup>th</sup> Street.

Councilmember Wallace reiterated his understanding that the LID does not comply with budget policies on LIDs.

Councilmember Chelminiak opined that the LID is in conformance with City policy.

Responding to Mr. Wallace about public outreach efforts, Ms. Johnson said the first open house on the Wilburton Connections project provided information about a potential LID. On May 25, the City held an LID informational meeting in the morning and in the afternoon, and property owners were invited. Tenants also received information about the LID and public meetings.

Councilmember Wallace said that tenants pay triple-net rents, and therefore need to be brought into the conversation.

Responding to Mr. Wallace, Ms. Johnson said the LID mechanism was heavily used in the 1970s and 1980s, including to fund projects along NE 8<sup>th</sup> Street. One of the last LIDs was formed in 1991 to complete improvements in the Crossroads area.

Mr. Sparrman said the last LID, to widen NE 10th Street to the freeway, was in the mid 1990s. The proposed Wilburton LID affects the Office and General Commercial districts, and does not include any Residential zoned properties.

In further response to Councilmember Wallace, Mr. Sparrman said the basic principle of the current work was to analyze the special benefit of public infrastructure investments to individual properties.

Mr. Macaulay commented on the delineation of the LID boundary. Residential properties are not included because they receive a general benefit from streets and other infrastructure, but they do not receive a special benefit.

Councilmember Wallace said he has a number of other questions on this topic.

At 7:59 p.m., Mayor Davidson declared recess to the Regular Session, noting that the Council can continue this conversation later.

Myrna L. Basich, MMC  
City Clerk

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the contract, should TransCore have any problems delivering the product. If this were to happen, the City would turn first to Tyco, and/or any of the other distributors for assistance.

Responding to Councilmember Degginger, Mr. Poch said Quick Turn, Aldridge, and Tyco have the ability to provide the services in the absence of TransCore.

In further response, Mr. Sparrman said TransCore will be legally responsible for upholding the contract with the City. However, if it became necessary in the future, the City could chose to contract with another entity that supplies the product.

Mr. Poch said a number of cities have been successful in contracting with TransCore for the SCATS system.

Responding to Councilmember Wallace, Mr. Poch explained that TransCore is a subdivision of Roper Industries, and TransCore has its own business relationship with Tyco.

Mr. Poch described the future phased implementation of the project to a total of 155 intersections at an estimated cost of \$2.3 million.

Councilmember Balducci expressed support for the project, which will help the City maximize the investments it has already made in its roads.

→ Councilmember Balducci moved to approve Resolution No. 8106, and Councilmember Robertson seconded the motion.

Responding to Councilmember Wallace, Mr. Poch said the \$120,000 study to evaluate the performance of the first phase of this project is not a necessary step. Staff is proposing this study to provide a detailed understanding of the project benefits.

Councilmember Wallace expressed an interest in amending the motion to remove the \$120,000 study. Mr. Poch clarified that the study is not part of this purchase agreement.

Responding to Deputy Mayor Lee, Mr. Sparrman said each project phase will function independently. However, the benefits of the overall system will be greatly enhanced as it is expanded.

Mr. Poch said that based on the experience of other cities, staff anticipates adding 25 to 30 intersections per year into the system.

→ The motion to approve Resolution No. 8106 carried by a vote of 7-0.

## 12. Unfinished Business

- (a) Wilburton Connections LID Feasibility Study [*Continued from Study Session Item 2(b)*]

Mr. Sparrman continued discussion from the earlier Study Session regarding the Wilburton Connections Local Improvement District (LID) feasibility study. Staff is seeking Council approval to move forward to the next phase of the feasibility analysis, which will provide more detailed information about the special benefit associated with each individual property within the proposed LID boundary. Mr. Sparrman noted a question in the Study Session about the policy context regarding the creation of LIDs. In speaking briefly with the City Attorney, it seems clear that state law and City Code both allow an LID to move forward.

City Attorney Lori Riordan noted the question raised regarding the City's financial policies as they relate to LIDs. City Code 15.04 adopts state law on forming LIDs, and reserves authority for the Council to establish LIDs in any manner allowed by state law, including a Council-initiated LID. Ms. Riordan said that the particular statement of policy being questioned is very brief and does not give enough context to know whether past Councils have adopted a policy to dictate limits on the use of LID procedures.

Councilmember Degginger recalled that the Mobility and Infrastructure Initiative finance plan adopted by the Council identified the LID as a potential funding mechanism.

Councilmember Chelminiak said the policy states that the City can consider an LID when a group of property owners wishes to accelerate infrastructure development. He feels this is consistent with the current situation. He noted that the Council has endorsed the Wilburton Connections project and voted to fund it.

Mr. Sparrman recalled a question regarding the types of properties included in LIDs in the past, and he had answered that the proposed Wilburton LID does not contain residential properties. However, the boundaries could be changed following the next phase of the feasibility and formation analysis. The City has assessed LIDs in the past that included residential properties.

Mayor Davidson noted that LIDs in the central business district in the past included residential zones, although residential development was not as prevalent as it is now. Mr. Sparrman said some single-family residences along NE 8<sup>th</sup> Street were located within an LID boundary in the 1980s.

Responding to Deputy Mayor Lee, Mr. Sparrman clarified that staff is seeking approval to move forward with an LID formation analysis. Council will not be asked until later this year to take action on whether or not to form an LID. The LID boundary is not firm at this time.

Responding to Councilmember Chelminiak, Bob Macaulay, the City's real estate appraisal consultant, said the purpose of the formation hearing is to determine whether to create an LID and whether the boundaries are reasonable. Once the LID is formed and the infrastructure is built, there will be a final assessment roll hearing. At that point, property owners could protest their individual assessment amounts.

Councilmember Chelminiak read, from the packet materials, statements that the LID could be stopped if protests by property owners representing 60 percent or more of the estimated assessments are received within 30 days after the adoption of the Formation Ordinance by the

City Council.

Councilmember Degginger feels it is prudent to go to the next step in the analysis. He reiterated that the Council identified the LID as a potential funding mechanism when it adopted the Mobility and Infrastructure Initiative. He suggested that the feasibility of this approach should be fully studied before making a decision.

→ Councilmember Wallace moved to extend the meeting by 10 minutes, and Councilmember Lee seconded the motion.

→ The motion to extend the meeting carried by a vote of 7-0.

Councilmember Wallace said he has a number of concerns about the proposed LID, and he would like information about the property owners who are interested in it.

Mr. Sarkozy said staff will follow up with additional information about the formation of a LID and how it has been used in the past. They tend to be used for projects with an area-wide benefit.

Councilmember Wallace referred to the history of LIDs in Bellevue, which has been involved in litigation at the State Supreme Court level three times. He expressed concern over potential lawsuits and delays if a LID is established.

Mr. Sparrman responded that staff's goal with regard to LID financing is fully consistent with state law, City Code, and conducting business as transparently as possible. He feels that staff has done this to date by informing property owners and parties potentially to be affected by the creation of an LID. He said legal issues will be addressed by the City Attorney's Office.

Mayor Davidson said the current approach is focused on property values as the basis for LID assessments. The City originally used trip generation as the basis for past assessments, but that approach was abandoned.

Councilmember Wallace questioned whether the creation of an LID is worth the potential legal and logistical issues. He noted public property within the proposed LID boundary, and questioned whether Bellevue School District will be subjected to LID fees.

Francine Johnson, Senior Planner, said the only property identified within the boundary as exempt from LID assessment is the U.S. Post Office property. The Bellevue School District and City-owned properties will be assessed.

Responding to Councilmember Robertson, Mr. Sparrman said KG Investments has been active in discussions about creating an LID. Additional property owners have been briefed. Some have expressed an interest in and general support for the transportation projects, but they are also concerned about the impacts to their future business operations.

Councilmember Robertson said she cannot support using LID dollars for regional transportation improvements, unless there is broad support from property owners.

Councilmember Balducci said she feels comfortable moving forward with collecting additional information and conducting a public process. As this information becomes available by the fall, she envisions that the Council will make a decision at the same time that it is reviewing the entire capital budget. Ms. Balducci said the City has significant capital infrastructure needs, including transportation projects to support the downtown. She said the Council must identify a viable way to fund these capital obligations.

Responding to Deputy Mayor Lee, Ms. Johnson said the cost of the formation analysis is \$122,000. The feasibility analysis already completed cost \$72,000.

Mayor Davidson noted general support for moving forward with the LID formation analysis.

→ Councilmember Degginger moved to proceed with the next phase of the LID feasibility and formation analysis, and Councilmember Balducci seconded the motion.

Councilmember Degginger said that Councilmember Balducci's statement is well taken, and that projects will need to be funded in some manner. The Council has agreed that the NE 4<sup>th</sup> Street project is a top priority in terms of improving mobility for the Downtown, Wilburton area, and Bel-Red corridor. If the Council does not find a way to pay for projects, they will not be built. The LID mechanism is one of several funding options. If there are issues that need to be resolved as the City goes through the LID process, Council and staff should continue to gather more information and work through the issues. Mr. Degginger suggested moving forward with additional analysis, and working with property owners to ensure the process is fair and that the LID boundary makes sense.

→ Councilmember Wallace move to extend the meeting to 10:15 p.m., and Councilmember Balducci seconded the motion.

→ The motion to extend the meeting carried by a vote of 7-0.

Councilmember Wallace said that for him the issue is not about how to pay for projects, but about whether this is an appropriate mechanism for funding infrastructure. He has serious concerns about the equity of the proposed boundary. It appears to exclude areas that will likely benefit from the improvements, and to include others that are less likely to benefit.

Mr. Wallace said he would like to have a broader discussion about all of the growth-related costs and taxes from the City and the State. He is concerned about the cumulative effects on development from impact fees, incentives, LID fees, and construction sales tax. He would like to take a look at whether an LID is equitable and would ultimately produce growth. Based on these concerns, he is not ready to support moving forward with further analysis at this point. He has a number of questions that he would like to have answered before moving forward.

→ The motion to proceed with additional analysis regarding the Wilburton LID carried by a vote of 5-2, with Councilmembers Robertson and Wallace opposed.