

# 2016-2017 MID Assessment Overview

## Executive Summary

Annual MID assessments are calculated from a formula prescribed in the MID's authorizing ordinance that was adopted in May 2013. For the past three years, ratepayers have been assessed according to a property's 2011 total taxable value (TTV). The ordinance states that in Year 4, the Assessment Formula is to be updated to include a property's 2015 total taxable value (TTV) in the calculation.

In 2016-2017, this adjustment of the formula, in addition to new construction and development, leads to \$9.85m in total MID assessments, a 30 percent increase from FY13/14 assessments. Over that same period, the total taxable value of property within the MID boundary increased by 64 percent – twice the rate of MID assessments. Today, total 16/17 MID assessments represent 0.04 percent of the total taxable value within the district. Additionally, a growing share of MID ratepayers has reached an assessment ceiling, and will pay CPI going forward. New construction and development, which has accounted for a significant share of the MID's increase in total assessments since 13/14, will play an increasingly important role in future MID assessment growth.

## Key Findings

- Total MID assessments have grown to **\$9.85m**, a **30 percent** increase since 2013.
- Since 2013, MID assessments have been primarily based on **2011 property values**.
- Between 2013 and 2015, **nearly half of MID ratepayers** experienced an annual assessment increase of **less than inflation** which was 1.3 percent (2014) and 1.84 percent (2015).
- In Year 4 (2016-2017), according to the ordinance, the formula is adjusted to include a property's **2015 value**.
- Between 2013 and 2016, total properties within the MID have increased in value by **64 percent** and now total more than **\$22b**.
- MID **property value appreciation** since 2013 (2011 property values) is the **primary driver** of assessment growth, but **new construction** and **development** is a significant factor.
- Since 2013, estimates indicate that new development has contributed an additional **\$820k**, or approximately **36 percent** of the increase in total MID assessments.
- In 2016, nearly **two-thirds** of MID ratepayers will have reached an assessment cap.
- Downtown resident and employee populations have continued to grow, increasing the demand for MID services.

## I. Assessment Formula Development

- In March 2012, the MID established the Assessment Equity Committee to develop the new assessment formula.
- The Committee was comprised of a diverse mix of MID ratepayers.
- The Committee reviewed previous MID assessment formulas, as well as best practices from around the country.
- In Late 2012, the Committee established the Base Assessment Formula, as well as the process guiding assessment formula updates that were subsequently approved by MID ratepayers and adopted by the Seattle City Council.

## II. The Assessment Formula

- The following is the initial MID Base Assessment Formula:

$$\text{2013 BASE FORMULA} = \left[ \$0.32 \times \text{Land Square Footage} \right] + \left[ \$0.37 \times \left( \frac{\text{2011 Total Taxable Value}}{\$1,000} \right) \right]$$

Receives a minor adjustment for inflation annually
A property's TTV is updated in Years 4 and 7

**FORMULA RATIONALE**

<p>Reflects common level of services to all benefitting properties.</p>	<p>Reflects differential benefit associated with different land uses, investment value of property within land uses, and economic activity.</p>
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- 3, a property's assessment has been based on its 2011 TTV.
- For most MID ratepayers, assessments received a CPI adjustment applied to the Land Square Footage portion of the formula.
- Between 2013 and 2015, **nearly half of MID ratepayers** experienced an annual assessment increase of **less than inflation** which was 1.3 percent (2014) and 1.84 percent (2015).
- Over this period, total MID assessments grew at a compounded annual rate of **1.56 percent**.
- In Year 4 (according to the MID ordinance), the assessment formula is updated to include a property's 2015 total taxable value (TTV), in addition to the annual inflation adjustment.
- The following is the 2016/2017 MID Assessment Formula (updates in light green):

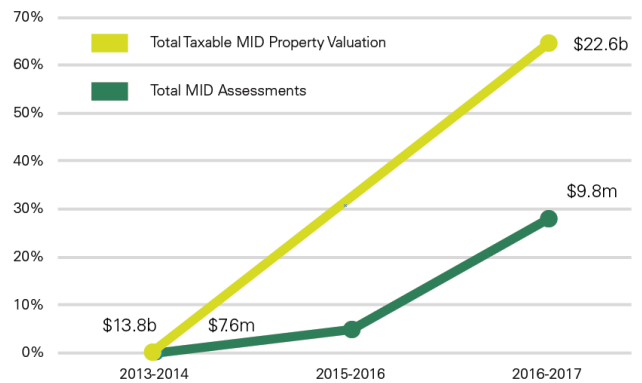
$$\text{2016 FORMULA} = \left[ \$0.32 \times \text{Land Square Footage} \right] \left( \text{Cumulative Inflation Factor} \right) + \left[ \$0.37 \times \left( \frac{\text{2015 Total Taxable Value}}{\$1,000} \right) \right]$$

- The **appreciation in MID property values** from 2011 to 2015 is the **primary driver** of the MID's 16/17 growth in total assessments.

### III. Appreciation of MID Properties

- Since 2013, MID properties (using 2011 values) have appreciated by 64 percent – increasing from \$13.8b to **\$22.6b**.
- The total TTV of MID properties has experienced a compounded annual growth rate of 13.1 percent.
- Between 2013 and 2016, MID property values rose nearly **twice the rate** of MID assessments over the same time period.

Percent Change in MID TTV v. Assessments (2013-2016)



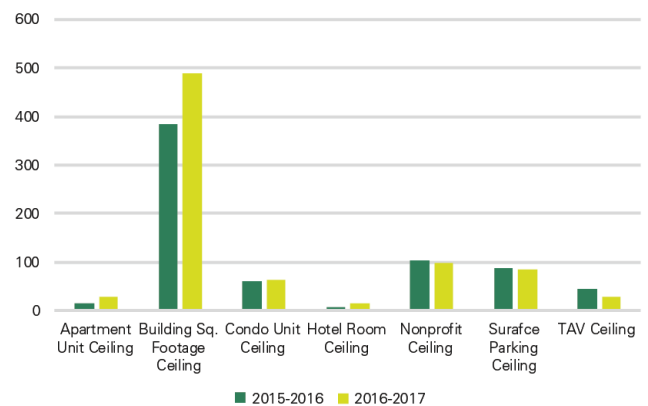
### IV. Role of Growth & Development

- While property appreciation is a primary driver of the increase in total MID assessments, **new development and projects** coming online also represent a **significant share** of the increase.
- Since 2013, estimates indicate that new development has contributed an additional **\$820k**, or approximately **36 percent** of the **increase in total MID assessments** over that period.
- The MID Assessment Formula assumes that **new construction** will be the **primary driver** of the increase in total MID assessment for most years.

### V. Ceilings

- In addition to the formula, the MID's Assessment Equity Committee established a variety of "ceilings" that limit a ratepayer's assessment.
- The number of ceilings coming into effect **increased** with the FY16 assessment calculation.
- The Building Square Footage Ceiling saw the largest increase, adding **100 ratepayers** over the previous year.
- This year, **two-thirds of MID ratepayers** will have reached an assessment ceiling.
- Ceilings are **adjusted** for inflation **annually**.
- For many ratepayers, regardless of property appreciation, assessment increases will be **limited to inflation**.

MID Ratepayer Ceilings in Effect (2015 v 2016)



Examples of Assessment Ceiling Formulas

$$\text{Building Sq. Ft. Ceiling} = \left( \$0.17 \times \text{Net Building Square Footage} \right)$$

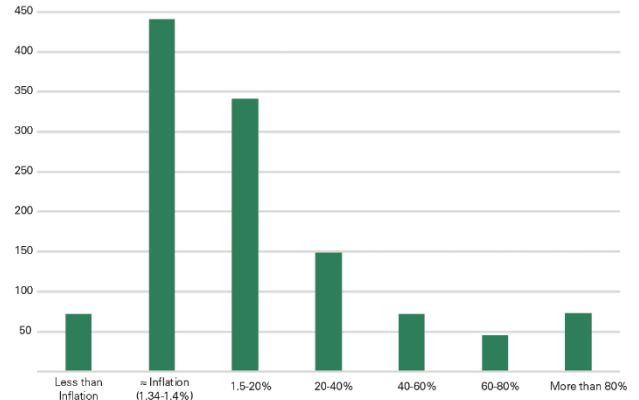
$$\text{TAV Ceiling} = \left( \$1.84 \times \left( \frac{\text{Total Appraised Value}}{\$1,000} \right) \right)$$

$$\text{Residential Unit Ceiling} = \$125 \text{ per unit}$$

**VI. Distribution of 16/17 Assessment Increases**

- a. **43 percent** of ratepayers will experience an assessment increase of CPI or less compared to 2015 assessments.
- b. Properties experiencing an increase of 40 percent or more tend to be **new projects** coming online or Downtown’s **higher end commercial** and **residential properties**, which have both seen strong property value appreciation since 2011.

Distribution of Assessment Percent Change, FY15-FY16



**VII. Increasing Leverage**

- a. In addition, to the growth in total assessments, the MID has looked to increasingly leverage MID funds to magnify impact of investments.
- b. Income from grants, earned income, sponsorships and private contributions have increased by **425 percent** since 2012 – rising from \$247k to **\$1.3m** in 14/15

**VIII. Growing Demand for MID Services**

- a. *Downtown Employees*
  - i. In the past five years, Downtown Seattle has added **more than 25,000 employees**, an increase of 11 percent of the total Downtown workforce.
  - ii. Figure is set to increase over the coming years with an **additional 70,000 jobs** Downtown anticipated by 2035.
- b. *Downtown Residents*
  - i. Since 2010, Downtown experienced a **14 percent** increase in the number of occupied housing units.
  - ii. Between 2010 and 2020, Downtown’s population is expected to grow by nearly 15,000 residents - a **25 percent increase** in Downtown’s resident population.
- c. *Downtown Visitors*
  - i. In 2015, Downtown Seattle hotels sold **3.4 million total hotel nights**, an **8 percent increase** since 2013.