



POLICY BRIEF

Overview of Property Tax Levies for Pike Place Market and Seattle Parks

*Latest tax proposals would add to the 14 bonds and special levies,
totaling \$1.5 billion, Seattle residents are currently paying*

by
Paul Guppy

October 2008



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Contents

Introduction	2
Neglecting essential public amenities.....	2
Seattle’s rising tax burden	4
Three new tax proposals	4
The tax burden on Seattle residents in 2008	5
Recent tax increases.....	7
Adding taxing districts as a way around the 1% limit.	8
Mismanagement of public money	8
Conclusion.....	9
About the Author	11

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Introduction

This November, Seattle voters are being asked to approve three new tax increases. Two are proposed by Seattle's elected leaders, who are again urging voters to authorize an increase in the tax burden, over and above what citizens pay now, to pay for core public amenities.

The two new Seattle levies are:

Proposition 1: to increase property taxes for six years for the Pike Place Market;
Proposition 2: to increase property taxes for six years for the Parks Department.

In addition, mass transit officials are asking voters in King, Pierce and Snohomish counties to approve a new \$22.8 billion measure to augment the budget of Sound Transit. The package is in addition to the taxes currently levied by the regional transit agency.

At the same time, the amount of money the people of Seattle give to the mayor and the city council each year continues to rise. The city's budget, adjusted for inflation, has more than doubled since 1980. This year Seattle's elected leaders will oversee a total budget of \$3.5 billion.¹ Next year they plan to increase the budget to \$3.9 billion.²

The three proposed new taxes would be added to the 14 local and county bonds and special levies Seattle residents are currently paying for, on top of the basic sales and property taxes residents pay.

Neglecting essential public amenities

The two Seattle proposals continue the practice of funding basic public amenities with special levy funds, rather than revenues from regular taxes. A recent example of this approach to public budgeting occurred in 2006, when Seattle leaders secured passage of a \$365 million, nine-year special levy to pay for maintaining the city's streets and bridges.

¹ "2008 Adopted Budget, Ordinance 122560," Expenditure Summary, Finance Department, City of Seattle, page 13.

² "Mayor Presents Proposed 2009-10 Budget," Office of the Mayor, City of Seattle, September 30, 2008, at www.seattle.gov/mayor/.

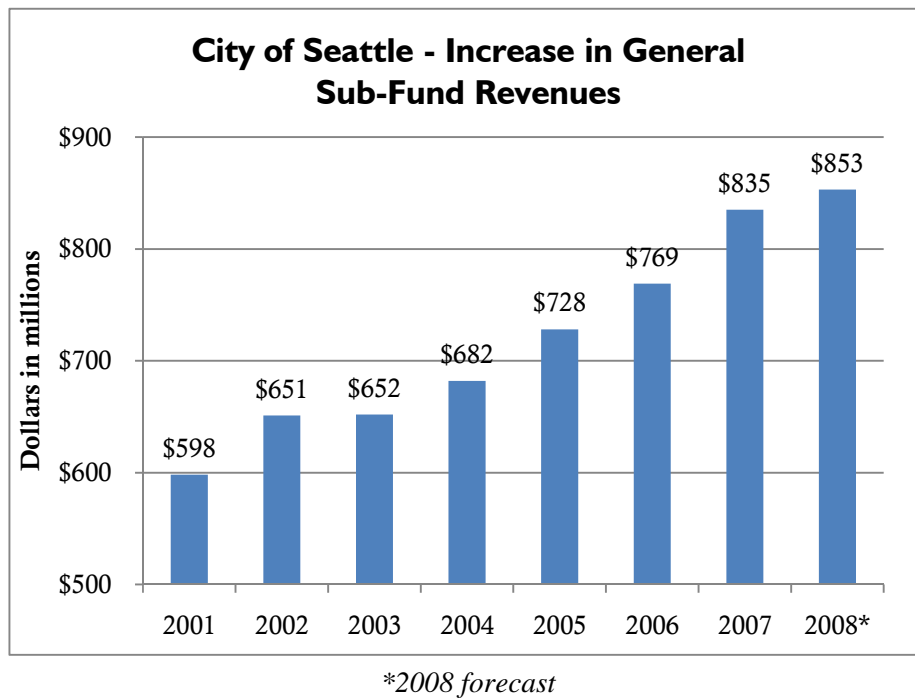
At 101 years old, the Pike Place Market is showing its age. City leaders have known for several years that the Seattle landmark is in need of major restoration work, particularly for wiring, plumbing, seismic upgrades and fire safety. They have also known that the part of the Parks Department budget provided by the temporary parks levy is due to expire. Yet Seattle leaders have neglected to make provision for these looming expenses.

The decision to expose funding for important public amenities to the risk of a levy election continues a trend in the way city leaders handle public money. It is common practice for city council members to fund low priorities using annual increases in regular tax revenue, while neglecting to set aside funds for high priority public services until the need becomes urgent. Once there are no other options, city leaders turn to voters and ask for additional money.

The implication of this approach is that if voters do not agree to accept a higher tax burden, city leaders will decline to authorize funding for the public amenity. Political campaigns to pass special levies are often presented in terms of “save historic Pike Place Market” and “save our parks,” creating the impression these public resources will be lost if citizens do not agree to higher taxes.

City leaders do not comment on what they would do if one or both of the proposed tax-increase levies failed. The city’s financial situation, however, is not as dire as it might appear. Given steadily rising tax revenue, if voters turn down the two special levies this year, city leaders would most likely direct needed funding to the Pike Place Market and to parks by reviewing priorities within existing budget increases.

To illustrate how money going into the city treasury is constantly rising, the following chart shows recent increases in Seattle’s General Sub-Fund revenue.³



³ Summary Tables, All Budgeted Funds, Adopted Budgets 2001 - 2008, Finance Department, City of Seattle, at www.seattle.gov/financedepartment/budgetarchives.htm.

Seattle's rising tax burden

Passage of the two city special levies, combined with the added funding request from Sound Transit, would add considerably to the high cost of living in Seattle. One long-time observer has noted Seattle's rising tax burden:

"Here's a fact to take to your next dinner party. Since Nickels was elected in 2001, Seattle voters have approved \$735 million in levies (for housing, fire stations, transportation, and education). Assuming passage of the Pike Place Market measure, the total will be \$808 million. If you add the Pro Parks renewal, it's \$953 million. That's getting mighty close to \$1 billion, which will be easily exceeded if the affordable housing levy gets renewed next year, as expected."⁴

Three new tax proposals

Following are details on the three new tax proposals on the ballot this year.

Proposition 1: to increase property taxes for six years for the Pike Place Market.

- Total cost: \$75 million over six years.
- Taxing method: an increase in the city property tax.
- Cost to families: \$50 per year on an average \$502,500 home.
- Projects funded: major repair, structural and infrastructure and accessibility upgrades to all Pike Place Market buildings. Examples include, new electrical systems, new high-efficiency central heating and cooling plant, a new elevator, new restrooms, increased handicapped accessibility and \$2 million in capital improvements to Victor Steinbrueck Park. Financing costs are estimated at \$4.4 million.⁵

Proposition 2: to increase property taxes for six years for the Parks Department.

- Total cost: \$145 million.
- Taxing method: an increase in the city property tax.
- Cost to families: \$191 a year on an average \$502,500 home.
- Projects funded: additional funding for acquiring, developing and restoring parks, recreation facilities, cultural facilities, green spaces, playfields, trails, community gardens and shoreline areas.⁶

Background: The \$198.2 million Parks for All levy passed in November 2000 and was presented to voters as a temporary levy, rather than a long-term increase in the tax burden. Proposition 2 would renew the parks levy and is again being presented as a temporary measure.

⁴ "Presto! Seattle has a parks levy!" by C.R. Douglas, Crosscut.com, July 22, 2008 at www.crosscut.com/recreation/16120/Presto!+A+Seattle+parks+levy!/.

⁵ "Mayor Greg Nickels' Proposed Pike Place Market Levy Overview," Office of the Mayor, City of Seattle, March 25, 2008.

⁶ "Proposition 2, Six-Year Property Tax Increase for Parks," Seattle Voters' Guide, Ethic and Elections Commission, City of Seattle, 2008, at www2.ci.seattle.wa.us/ethics/votersguide.asp.

Sound Transit 2: to expand light rail construction and bus service

- Total cost: \$22.8 billion over 30 years.
- Taxing method: an increase in the sales tax to 9.5%.
- Cost to families: \$173 a year per household.
- Projects funded: 36 miles of light rail, expanded Sounder commuter rail and regional bus service.

The tax burden on Seattle residents in 2008

Seattle residents are currently paying to support 14 county and municipal bonds and special levies, totaling roughly \$1.5 billion. The table below shows the total cost of each bond or special levy, the year it was enacted and the year it expires. In addition to voter-approved measures, residents also pay a steadily-rising basic property tax (the city council imposes the maximum annual increase allowed by state law), plus uncapped revenues collected from new construction and real estate excise taxes, which increase the cost of housing throughout the city.

Seattle and King County Bonds and Special Levies				
<u>Bond or Levy</u>	<u>Total Cost</u>	<u>Payable for</u>	<u>Passed</u>	<u>Expires</u>
Farm and Open Space	\$50 million	30 years	1979	2009
Youth Detention Center	\$14.2 million	20 years	1988	2008
Public Green Space	\$118 million	20 years	1989	2009
Harborview Refit	\$193 million	20 years	2000	2020
County Parks	.10/\$1000*	4 - 6 years	2007	2013
Fingerprint System	.05/\$1000*	6 years	2006	2012
Health/Human Svcs (Vets)	.05/\$1000*	6 years	2005	2011

* Levy rate is five cents per \$1,000 of assessed value.

Seattle Bonds and Special Levies				
<u>Bond or Levy</u>	<u>Total Cost</u>	<u>Payable for</u>	<u>Passed</u>	<u>Expires</u>
Library	\$196 million	30 years	1998	2028
Parks for All	\$198 million	8 years	2000	2008
Low Income Housing	\$60 million	7 years	2002	2009
Low Income Housing	\$26 million	7 years	2002	2009
Fire Facilities	\$167 million	9 years	2003	2012
Families and Education	\$117 million	7 years	2004	2011
Transportation	\$365 million	9 Years	2006	2015

The following table uses data from the King County Assessor's office to show the total tax burden officials in different taxing districts are collecting from the owner of an average-value home in King County this year. The table includes voter-approved tax measures as well as basic taxes levied annually by elected officials. Total property taxes paid in 2008 on an average King County

home valued at \$502,500 home are \$4,365, an increase of \$517 compared to taxes on a similar home in 2006, when elected officials last sought to add to the list of outstanding bonds and special levies.

The table shows how this amount would rise under the proposed tax increases for the Pike Place Market and city parks sought by Seattle officials.

Property Taxes on an average King County home of \$502,500	
<u>Taxing District</u>	<u>Tax in 2008</u>
State	\$1,070
King County	
General Fund	\$427
Conservation Special Levy	\$23
Parks Lid Lift	\$50
Vets/Human Services	\$21
Bonds	\$59
Medic 1	\$151
Flood Control Zone (new)	\$50
Ferry District (new)	\$28
Port of Seattle	\$112
Seattle School District	
Operations and Maintenance	\$490
Building Fund	\$123
Bond Levy	\$339
City of Seattle	
General Fund	\$853
Gen'l Obligation Bonds	\$86
Low Income Housing Lid Lift	\$15
Low Income Housing Levy	\$35
Families and Education Special Levy	\$69
Street Repair Levy (new)	\$153
Parks for All Levy	\$92
Fire Facilities Levy	\$87
Total (current)	\$4,365
<i>Proposed Pike Place Market Levy</i>	\$50
<i>Proposed Parks Levy</i>	\$191
Sound transit ST2	\$173
Total in 2009 (if all three new taxes are approved)	\$4,779

Recent tax increases

As voters consider whether to approve the new tax increases being requested by local leaders, it is important to understand these requests within the context of recent tax increases.

- **New tax for streets.** In 2006, city officials proposed moving a basic public service, repair of streets and sidewalks, out of the normal budget and funding it with a special voter-approved levy. The reason, officials said at the time, was the city had a large backlog of work, and that streets and sidewalks were not safe.

Voters agreed, and that year they approved the “Bridging the Gap” special levy, providing an additional \$365 million over nine years. The new tax was added to the city’s existing property tax burden, and requires the owner of a typical home to pay \$155 more in taxes each year.⁷

Two years later “...city officials say the problem is a backlog of work needed to be done on sidewalks and street safety and not enough money.”⁸ Despite the increased funding, 40% of Seattle streets lack sidewalks on both sides, and 30% have no sidewalks at all.⁹

- **New head tax.** In 2006, elected leaders imposed a tax on individual workers, regardless of whether they live in the city, “for the act or privilege of engaging in business activities within the City.”¹⁰ City officials applied the tax to their own employees, artificially adding \$267,000 a year to public payroll costs.
- **Higher parking tax.** In 2006, city officials imposed a new tax on “the act or privilege of parking a motor vehicle in a commercial parking lot within the City.”¹¹ Drivers will pay the city \$52 million in the first nine years. The tax has no expiration date.
- **The Nickels bag tax.** City officials have enacted a 20-cent per bag tax on people who use plastic shopping bags. Voters will have a chance to approve or reject the tax, most likely as part of the primary election on August 18th. If approved, the average cost of the bag tax to individual consumers would be \$119 a year.¹² The cost to a family that uses 25 plastic bags a week would be \$260 a year.
- In 2008, King County officials increased the amount of money they collect from citizens by 8.2% compared to 2007, increasing the tax burden to a total of \$3.2 billion. Annual inflation is 5.6%.
- **Higher solid waste costs.** Seattle officials have announced they intend to increase the rate citizens and businesses must pay for garbage collections by 46% over the next two years.

⁷ “The Seattle Street Repair Tax, Funding Basic Government with Special Levies,” by Paul Guppy, Policy Brief, Washington Policy Center, October 2006, at www.washingtonpolicy.org/Centers/transportation/policybrief/06_streettax.html.

⁸ “Mayors ‘walk more’ plan stumbles over sidewalks,” by Evi Sztajno, *Seattle Post-Intelligencer*, August 19, 2008.

⁹ Ibid, citing fact sheet issued by Seattle City Councilmember Nick Licata.

¹⁰ Seattle City Council Bill 115667, “Local Transportation Funding Package,” introduced July 24, 2006.

¹¹ Ibid.

¹² “City of Seattle Disposable Shopping Bags Green Fee and EPS Foam Food Container Ban,” Frequently Asked Questions, Seattle Public Utilities; April 2, 2008, page 5.

- **Increased water costs.** City officials have announced they intend to increase the rate citizens must pay for clean water by 40% over the next three years. A recent survey of 51 metropolitan areas found that Seattle residents pay the highest water and sewer rates in the nation.¹³
- **Mandatory food scraps program.** Starting in 2009, city officials will require all single-family homeowners in Seattle to join a mandatory food scrap recycling program. The increased cost will be built in to the regular monthly utility bill that families must pay.

Adding taxing districts as a way around the 1% limit.

Creating new taxing districts is a way county officials can evade the state's 1% limit on yearly property tax increases, since the limit applies only to individual districts. Once members of the Council have maxed their tax-increase authority as a county, they can meet as a ferry district and enact another increase, then meet again as a flood-control district and enact further increase, all while operating within the legal meaning of the 1% limit.

The new ferry district and flood-control districts created by the County Executive and County Council in 2007 requires the owners of a typical \$400,000 home to pay \$62 more in 2008.

Mismanagement of public money

The Seattle area has a long history of project overruns and mismanagement of public money. The frequent waste and poor oversight in public spending adds to the tax burden of city residents without improving public services. Following are some recent examples.

- **Self-cleaning toilets.** In 2004, city officials used public money to buy five enclosed high-tech toilets for \$5 million. The toilets quickly became a magnet for criminal activity, especially prostitution and drug dealing. In August 2008, city officials sold the toilets on eBay for \$12,500, or 0.25% of their original purchase price. The loss to taxpayers is \$4,987,500.¹⁴
- **Monorail debacle.** The failed Seattle Monorail cost city residents \$110 million over three years, without actually building anything.
- **Renovation overrun.** The Seattle School District's renovation of Garfield High School is \$30 million over budget.¹⁵
- **Overflowing sewage costs.** King County's Brightwater sewage plant will cost a minimum of \$1.8 billion (including \$4 million for artwork), nearly double what ratepayers were told when the project started. One official estimates the cost could rise to \$3 billion before construction is completed in 2011.¹⁶

¹³ "Survey - Seattle has highest water and sewer costs in the nation," *Puget Sound Business Journal*, September 24, 2008.

¹⁴ "Flushed away by the city: \$4,987,500," by Amy Rolph, *Seattle Post-Intelligencer*, August 15, 2008.

¹⁵ "Garfield renovation blends high-tech with history," by Jennifer Langston, *Seattle Post-Intelligencer*, September 2, 2008.

¹⁶ "How Brightwater soared to \$1.8 billion - and why you're paying more," by Keith Ervin, *The Seattle Times*, March 31, 2008.

- **Sound Transit overruns.** In 1996, public officials told voters that if they approved new taxes, Sound Transit would build a 21-mile light rail line for \$5 billion by 2006. Today, the project is \$10 billion over budget and three years late, and when completed will extend only 14 miles.¹⁷
- **Kingdome bonds.** Seattle and county residents are continuing to pay down debt for the 1976 construction of the Kingdome, demolished in 2000, in addition to paying for the football stadium built in its place. The Kingdome bonds include \$70 million for extensive roof repairs completed shortly before demolition.
- **\$45 million to retrofit bus tunnel.** In 1988, Seattle officials decided to add light rail tracks to the \$444 million, 1.3-mile downtown bus tunnel to save money on future light rail. The tracks were the wrong size, and in 2005 workers used jackhammers to tear them up and install new tracks for Sound Transit trains.¹⁸
- **\$42 million lost on new computers.** King County elected officials spent \$30 million in a failed effort to upgrade their computer system and produced exactly zero, then had to spend a further \$12 million to put it back the way it was. In August, County Executive Ron Sims announced he wants to try again. The new effort will cost \$84 million.¹⁹
- **\$13 million lost in teacher pay.** Objections from leaders of the teachers' union prevented school administrators from accepting a \$13 million grant from the Bill and Melinda Gates Foundation to increase teacher pay.²⁰
- **Lost business at Key Arena.** City officials have announced that the loss of the Sonics basketball team to Oklahoma City represents a loss of 100 reserved nights at city-owned Key Arena.²¹

Conclusion

These examples of waste and mismanagement indicate that poor decisions by county and local officials have conservatively cost taxpayers \$915 million, with little or no improvement in public services to show for it. The sloppy decision making in Seattle alone means \$160 million is not available today to pay for new parks or to renovate the Pike Place Market.

Budget shortfalls are often described by the media as though revenue to local government has declined (when it has actually increased) and that painful cuts are looming. In the midst of such reporting voters feel they must approve new taxes, and acquiesce quietly to utility rate increases, or lose vital public services.

When officeholders realize the public will accept this reasoning, it is easy for them to proactively arrange for government to appear to be running short of money by simply cranking up

¹⁷ "Citizens Guide to Sound Transit, Phase 2," by Michael Ennis, *Policy Notes*, Washington Policy Center, September 2008.

¹⁸ "Bus tunnel error years ago is costly in shutdown today," by Eric Pryne, *The Seattle Times*, October 13, 2005.

¹⁹ "Sims plans \$84 million computer fix, County set for another attempt at solving old problem," by Gregory Roberts, *Seattle Post-Intelligencer*, August 6, 2008.

²⁰ "\$13 million grant for AP teachers lost over pay dispute," by Linda Shaw, *The Seattle Times*, May 6, 2008.

²¹ "KeyArena struggles to fill vacant Sonics schedule," by Isaac Arnsdorf, *The Seattle Times*, August 14, 2008.

annual spending. This is why it is common for a city budget to grow at twice or three times the rate of inflation.

This reasoning is important to understanding why city officials continue to fund essential public amenities through special levies, even as revenue from basic taxes is rising sharply. Seattle leaders have learned that when they shape public funding choices in a certain way, voters will almost always go along. From an elected official's point of view this funding strategy makes perfect sense. After all, as long as voters continue to say "yes" to paying more taxes, why not keep asking them for more taxes?

One would expect this pattern to continue until city officials see voters express an unwillingness to go along and, because of economic worries or awareness of the accumulating tax burden, one day reject a special levy at the polls. At that point city officials would face three choices: submit the levy to the voters again, eliminate funding for an important public amenity, or use the natural yearly increase in basic tax revenues to fund the amenity. Given the yearly rise in tax revenues, the third possibility would be their most likely choice.

The new three tax proposals on the ballot this year would add \$414 a year to the taxes paid by a typical family in Seattle, on top of the current tax burden of \$4,365. As voters go to the polls in November, understanding how these new levies relate to the overall tax burden will be an important part of weighing whether the proposed public benefits are worth the added impact on family budgets.

About the Author

Paul Guppy is vice president for research at Washington Policy Center. Paul is a graduate of Seattle University and holds graduate degrees in political science from Claremont Graduate University and the London School of Economics. He came to the Center in 1998 after 12 years on the staff of the U.S. Congress, including service as Legislative Director, Chief of Staff and with the House Appropriations Committee, with a focus on budget policy and federal spending. He is the author of numerous published studies and articles, including the *Washington State Piglet Book*, and is editor of the *Policy Guide for Washington State*. He specializes in state and local tax systems, health care reform and free market economics. He is a member of the King County Citizens Election Oversight Committee, the State Commission on Tax Preferences, and the Attorney General's Eminent Domain Task Force.



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