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TAX INCREMENT FINANCING
WPPA – ECONOMIC DEVELOPMENT COMMITTEE
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What is Tax Increment Financing ("TIF")?

A method that may be used by cities, counties and port districts for the financing the cost of "public improvements" by using incremental tax revenues that would have been received by multiple taxing districts over a period of years (up to 25 years)

Statutory citation: RCW chapter 39.114, enacted by the Legislature in 2021

Why should your Port use TIF?

1. The ideal rationale:
   a. The Port has identified an entity that is committed to coming to the Port that will generate substantial future tax revenue not only for the Port but also for other taxing districts (within the Port boundaries)
   b. The entity and the entity's overall financing plan is "solid" – not "speculative"
   c. The entity is requesting assistance from the Port in providing "public improvements" that will enable the entity to develop to its maximum extent
   d. The Port is willing to "donate/dedicate" its future incremental tax revenues as well as the incremental tax revenues of "other" taxing districts to enable this project (for a period of years (up to 25 years)
2. The defensive reason: protect the Port's future incremental tax revenues from being diverted

How does it work? What is the process?

1. Be aware that it is not entirely easy and may be time consuming and costly
2. Every city, county and port district may create two (and that's all!) tax increment areas ("TIAs")
3. Collectively, the assessed value of the TIAs (at the time of formation) may not exceed 20% of the assessed value of the port, city or county, respectively
4. Once a TIA is formed, the territory in the TIA may no longer be included in another TIA
5. <u>The process</u>:
   a. The Port identifies the "public improvements" to be undertaken and the total "public improvement costs" that will be incurred
   b. The Port identifies the boundaries of the TIA
   c. The Port makes a determination (strongly supported feasibility) that the money (tax revenues) received from the incremental area (the TIA) will be sufficient to pay the "public improvement costs"

d. Why is "c" important? The Port will be financing the "public improvement costs" through the issuance of its general obligation bonds. This not only uses debt capacity, it also affects the Port's credit rating (and ability to finance future general obligation bonds)

e. The Port makes a decision. Does it involve any other taxing districts in the process. This is NOT required. At this time, a public hearing is required, but there is no "veto" power by other taxing districts

f. The Port will adopt a resolution that forms the TIA and makes a number of required statutory findings

g. Commencing with the calendar year following the formation of a TIA:

    i. The county treasurer will re-distribute taxes levied within the TIA

    ii. Each "other" taxing district will receive only that portion of its regular property taxes produced by the rate of tax levied by or for the tax allocation base value for the TIA (that is the assessed value of the real property in the TIA for taxes imposed in the year in which the TIA was created (no more growth potential))

    iii. The Port will be entitled to receive an additional amount equal to the amount derived from regular property taxes levied by (or for) each other taxing district on the incremental value (growth in assessed value) within the TIA

    iv. These incremental taxes may only be used for costs directly associated with public improvements

h. The Port must prepare a project analysis

i. The project analysis must be submitted to the State Treasurer for review

j. Private developers may pay all or some of the costs

k. The Port may interlocal agreements with its "neighbors"

What are Public Improvements?

1. Infrastructure improvements owned by a local government that include

    a. Street or road construction

    b. Water and sewer system construction and improvements

    c. Sidewalks and other nonmotorized transportation improvements and streetlights

    d. Parking, terminal and dock facilities

    e. Park and ride facilities and other transit facilities

    f. Park and community facilities and recreational areas

    g. Stormwater and drainage management systems

    h. Electric, broadband or rail service

    i. Mitigation of brownfields

2. Other expenditures

    a. Purchase, rehabilitation, retrofit for energy efficiency

    b. Contraction of housing for the purpose of creating or preserving long-term affordable housing

    c. Purchase, rehabilitation for energy efficiency

d. Construction of child care facilities serving children and youth that are low-income, homeless or in foster care

e. Maintenance and security of public improvements

f. Historic preservation activities (RCW 35.21.395)

What are public improvement costs?

1. Design, planning, acquisition, required permitting, required environmental studies and mitigation, seismic studies or surveys, archaeological studies or surveys, land surveying, site preparation, construction, reconstruction, rehabilitation, improvement and installation of public improvements and other directly related costs;

2. Relocating, maintaining, and operating property pending construction of public improvements;

3. Relocating utilities as a result of public improvements;

4. Financing public improvements, including capitalized interest for up to six months following completion of construction, legal and other professional services, taxes, insurance, principal and interest costs on general indebtedness issued to finance public improvements, and any necessary debt service reserves;

5. Expenses incurred in revaluing real property for the purpose of determining the tax allocation base value by a county assessor under chapter 84.41 RCW in apportioning the taxes and complying with this chapter, and other applicable law . . .; and

6. Administrative expenses and feasibility studies . . . .

Proposes legislative amendments … 2023 and beyond