

Port Presentation on Tax Levies

Commissioners Meeting, - Richland, Washington
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FRAMEWORK FOR TODAY'S PRESENTATION

- Budget
- Tax Levies
 - Types of levies
- IDD Levy
- TIF Review
- Banked Levy Capacity

PART ONE

- Capital Budget – Required by State Law
 - RCW 53.20 – Comprehensive Scheme
 - No Required Format
 - May be a “Comprehensive Plan” approved periodically
 - May be adopted on a project-by-project basis by commission resolution
- Operating Budget – Also required by RCW 84.52.020 to be approved and certified to the County legislative authority for purposes of the proposed tax levy

- The budget will include the dollar amount of the tax levy.
- The tax levy will not need to be identified as to which purpose is being accomplished
- That is a matter of policy for the Port Commission

REQUIRED TIMING FOR TAX LEVY

- Deliver certified copy of budget with tax levy information to Clerk of County Commissioners no later than November 30.
- County Commissioners certify tax levies to the County Assessor no later than November 30. RCW 84.52.070.
- For substantial tax levy controversies (greater than .0025 of assessed value) the assessor permits levy only for non-controverted amount.

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TYPES OF LEVIES

- General Levy
- Bond Levy
- Industrial Development Levy
- Dredging Levy

GENERAL LEVY

- RCW 53.36.020
- For general port purposes
- \$.45 per \$1000
- No election

BOND LEVY

- Part of general levy
- Except, it may exceed \$.45 per \$1000

DREDGING LEVY

- This will be an empty slide – never has happened

101% LEVY LIMITATION

- RCW 84.55
- This limitation DOES apply to port districts
- What is the 101% limit
 - Regular property taxes (total \$)
 - No greater than 101% of the highest levy during last 3 years
 - Plus \$ for new construction

WHAT IS THE IDD LEVY AUTHORITY?

- Ports have had the authority for industrial development districts (IDDs) since 1955 and additional levies (IDD levies) since 1957
- The levy was a substantial financial tool for port districts
- Port's regular levy is \$.45/\$1000
- IDD levy is an additional \$.45/\$1000
 - Limited to two 6-year periods
 - Ports on the Pacific Ocean "could" qualify for a third 6-year period

IMPACT OF LEVY

- Potentially Doubles the Tax Levy
 - Regular tax levy is capped at \$.45/\$1000
 - IDD levy is an additional \$.45/\$1000
- Substantial revenue increase
- But.... The political issue
 - The six levy years did not need to be consecutive.
 - The levy amount, however, was a cap.
 - Use it or lose it.....

RCW 53.36.160

- Permits up to two multi-year levy periods
 - (skip the third multi-year period – another legislative campaign)
- A multi-year levy period is no longer a six year period; it may extend up to 20 years.
- Although the maximum rate remains at \$.45/\$1000, the actual levy rate may be lower.

\$.45/\$1000 IS REPLACED BY A FORMULA

- Aggregate amount to be collected over each levy period (not to exceed 20 years (each)) is capped
- Sum of:
 - $\$2.70/\$1000 \times$ assessed valuation of Port in the base year
 - Difference between
 - Maximum that could have been collected in first six years of the levy period under RCW 84.55.010 and
 - The amount calculated under the $\$2.70/\1000 formula
 - This permits the recognition of tax increases based on new construction.

EXAMPLE – PORT OF WALLA WALLA

- Has not yet collected an IDD Levy
- Has available two multi-year levy periods
- If the Port determined to impose an IDD Levy for first collection in 2017, the base year is 2016.
- The Port's assessed valuation in 2016 is \$5,678,615,548
- The maximum amount to be collected during the first multi-year period is $\$2.70 \times \$5,678,616 = \$15,332,263$
- Plus – the amount of increase to the levy limit (permitted for new construction added to tax base) during first six years – WAG - \$500,000 (new wineries?) –
- For a grand total of \$15,832,263

\$15,832,263

- This amount may be collected by the Port over a 20-year period
 - The collection years need not be consecutive
 - Levy rates are not subject to the levy limits
 - Levy rates may go up or down

WHAT DOES THIS OFFER PORT DISTRICTS

- Funding
 - Funds for financing infrastructure
 - Funds for financing and leveraging economic development
 - Funds for addressing environmental concerns
- A method of financing that “can” be implemented incrementally ... politically



"Maybe you're right, maybe it won't ward off evil spirits, but maybe it will, and these days who wants to take a chance?"

HOW TO IMPLEMENT THIS FINANCIAL TOOL

- Establish an industrial development district (IDD)
- Adopt a comprehensive scheme of harbor improvements and industrial development
- Adopt a resolution during the base year (the year before the first collection year) approving the use of the use of a first or second multi-year levy period

INDUSTRIAL DEVELOPMENT DISTRICTS (IDD)

- Original purpose – to provide for development and redevelopment of marginal properties
- Grant of the powers of eminent and domain and express authority to spend money for the purpose of development and redevelopment
- Recognition that this development and redevelopment could not be accomplished by private enterprise alone
- The benefits from development and redevelopment will accrue to all inhabitants and property owners of the communities that they inhabit
- The development and redevelopment of these marginal properties is a public use and governmental function

WHAT ARE MARGINAL LANDS?

- They have any one or more of the following conditions:
 - Economic dislocation, deterioration or disuse resulting from faulty planning
 - Subdividing and sale of lots of irregular form and shape and inadequate size for proper usefulness and development
 - Laying out of lots in disregard of the contours and other physical characteristics of the ground and surrounding conditions
 - Existence of inadequate streets, open spaces and utilities

AND/OR

- Existence of lots or other areas which are subject to being submerged by water
- By a prevalence of depreciated values, impaired investments, and social and economic maladjustment to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered
- In some parts of marginal lands, a growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare
- In other parts of marginal lands, a loss of population and reduction of proper utilization of the are resulting in its further deterioration and added costs to taxpayers for the creation of new public facilities and services elsewhere

AND/OR

- Property of an assessed valuation insufficient to form a local improvement district for the financing of infrastructure
- Lands within an industrial area which are not devoted to industrial use but which are necessary to industrial development within the industrial area

PROCESS

- Port should identify “marginal lands”
- Decide on the boundaries of the IDD
 - A port may have one or more IDDs
 - An IDD may cover all or any portion of the boundaries of the port
- Publish notice of a public hearing on the question of formation of an IDD
 - Notice to be published at least 10 days prior to the hearing
- Port Commission holds the public hearing
- Port Commission adopts resolution forming the IDD
 - Resolution identifies boundaries and makes findings regarding marginal lands

COMPREHENSIVE SCHEME

- See RCW 53.20
- Comprehensive scheme of harbor improvements and harbor development
- Adopt by resolution
- Consider improvements required to improve marginal properties

RESOLUTION APPROVING THE USE OF MULTI YEAR LEVY PERIOD

- May be adopted by the Port at any time during the year prior to the first collection year
- Need not specify the improvements to be made
- Should reference need to finance the costs of improvements within the IDD and the payment of debt service on general obligation indebtedness

WHAT TO DO WITH THE LEVY AS COLLECTED

- Levies are to be deposited in a special fund
- Need not be spent in the year of collection
- May be spent for improvements within the boundaries of the IDD
- If not spent on those improvements, shall be used to pay debt service on general obligation indebtedness (bonds or otherwise)

CONCLUDING POINTS

- Regardless of the boundaries of the IDD, the IDD levy is assessed upon all taxable property in the Port.
- The multi-year levy does not eliminate the politics of taxation; it does permit a port to plan for and implement a plan of development in a flexible manner.

SECOND MULTI-YEAR PERIOD

- Follow the same process described for the first multi-year period PLUS
- Publish notice of intent to levy for the second multi-year levy period not later than April 1 of the year prior to the first collection year
- If a petition is filed (signed by 8% of the voters voting in the last gubernatorial election), then the question of whether a second multi-year levy period will be permitted is submitted to the voters

TIA OR TAX INCREMENT FINANCING

- The primary note here is that TIA or Tax Increment Financing is not a “NEW” or “Additional Levy Capacity”
- TIA just re-allocates existing taxes collected by different taxing districts

BANKED LEVY CAPACITY

- The concept has been around since 1986 – the good old days
- Ports were not required to use ALL of its levy capacity.
- The legislature recognized that “use it or lose it” was not a good incentive for taxing authorities
- Thus, the enactment of RCW ch. 84.55.092

HOW IS THIS IMPLEMENTED

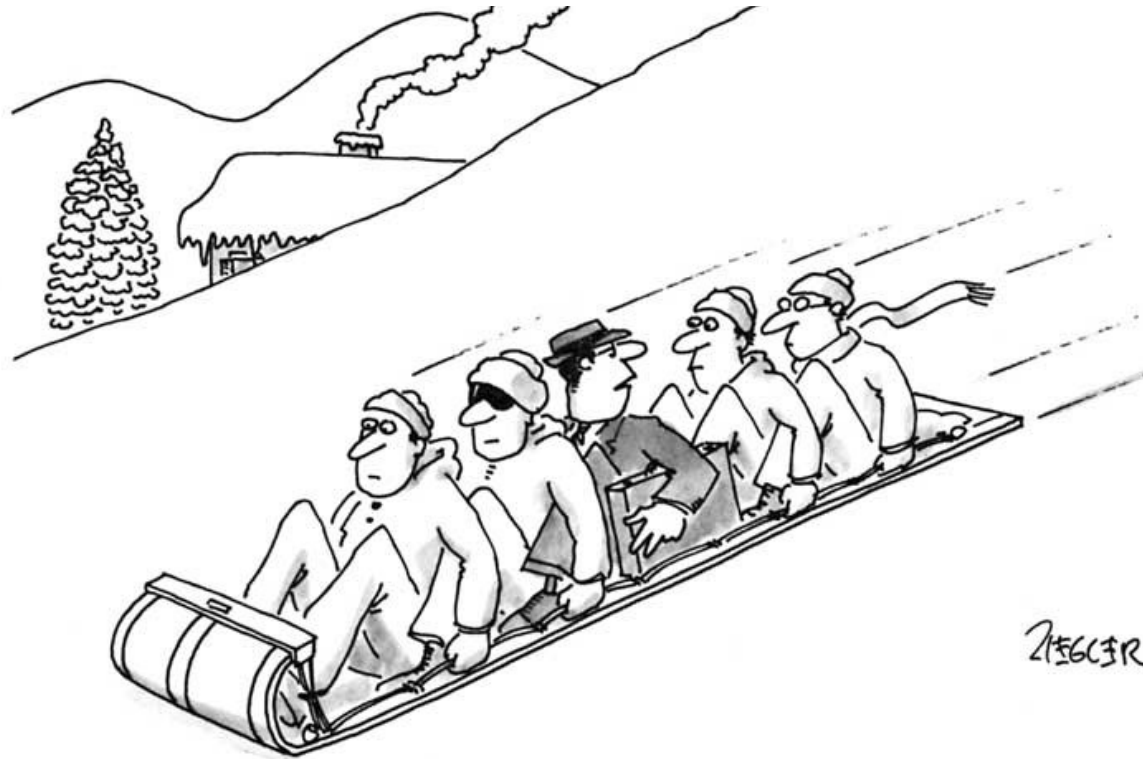
- The concept is that ... to the extent that a Port actually levies less than the maximum amount permitted to be levied, the Port will retain the that amount to potentially be levied in the future.
- This is referred to as “banked” levy capacity.
- Banked levy capacity may be added into future to the Port’s otherwise “maximum” then available levy.

CURRENT STATUS

- The Department of Revenue (DOR) acknowledges the concept of ‘banked levy capacity’
- WPPA—approximately 20 years ago – worked out a protocol with DOR for calculation of banked levy capacity. But. Where are we today?
- Lower levels of available dollar amounts – due to the 101% levy increase amount
- Currently, where you live may impact your ability to utilize ‘banked’ levy capacity; county by county practices

QUESTIONS AND DISCUSSION

“Look, I’m not saying it’s going to be today. But someday—someday—you guys will be happy that you’ve taken along a lawyer.”





What Happened to My District's Banked
Levy Capacity



2025 TAX YEAR LEVY CALCULATIONS

- Highest Lawful Levy Increased by limit factor:
 $\$400,000 * 101\% = \$404,000$
- Additional Funds for new construction improvements,
 $\$33,600$
- **2010 Tax Year Levy limit** **$\$437,600$**
- Statutory Maximum Levy Rate Limit
 $\$437,600 * \$.45 = \$196,920$
- Budget/Levy Certification $\$100,000$

Banked Levy Capacity $\$96,920$