

PORT OF VANCOUVER USA
TERMINAL 1



WPPA Finance & Administration Conference 2024
Tax Increment Financing



DISCOVER TERMINAL 1

Agenda



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- Overview of the Port of Vancouver's Tax Increment Area
- TIF Legislation Overview
- Cost Recover Model for County Assessors
- Best Practices for Valuation of Private Development



Terminal 1 – Site Map



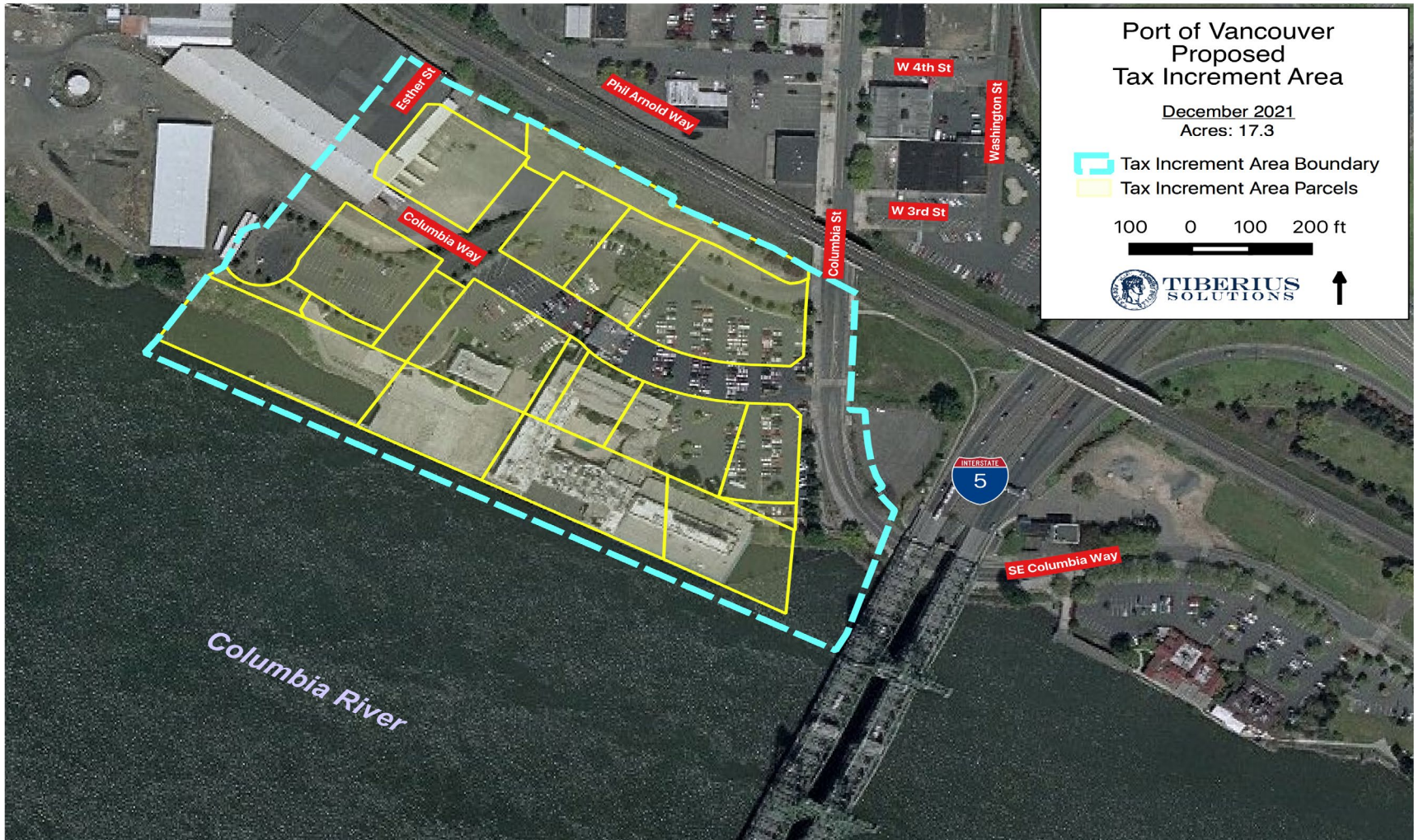
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Terminal 1 TIA Boundary



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Eligible Public Projects



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**NEW DOCK
for Public Market**



**RENAISSANCE TRAIL –
PHASE 2**



**CENTRAL PLAZA &
DANIELS WAY**

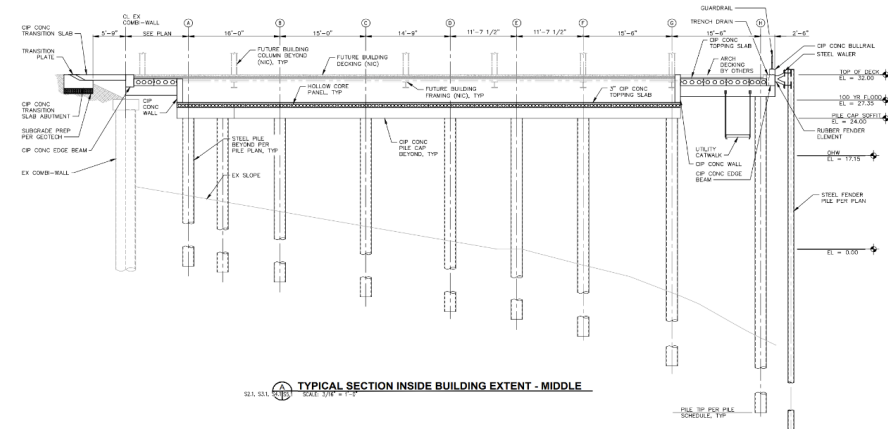


**LAND
IMPROVEMENTS**



EAST PORTAL

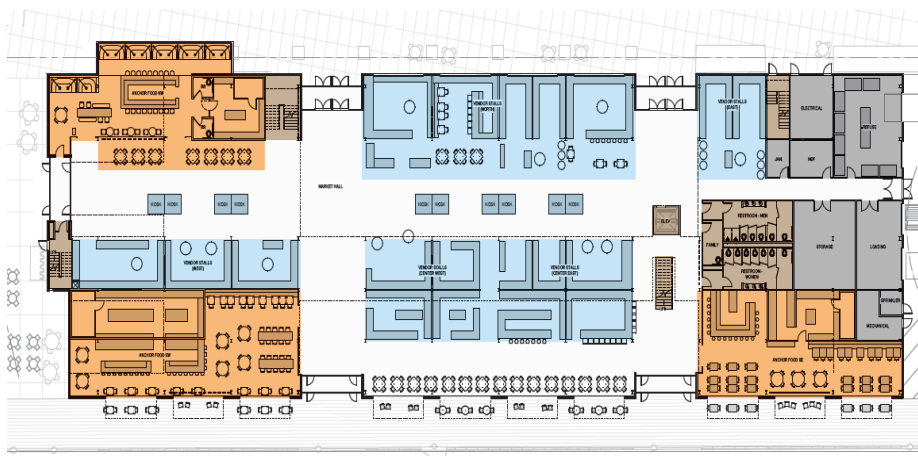
Current Project – T1 Dock Demolition & Construction



Future Project – Public Marketplace

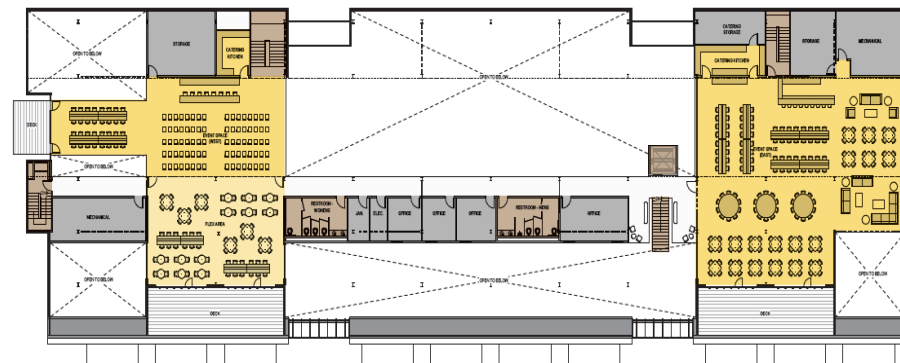


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MAIN LEVEL

Terminal 1 Dock Marketplace



MEZZANINE LEVEL

Terminal 1 Dock Marketplace

TIF Legislation Overview



2021 – Original Legislation: House Bill 1189 (Effective July 21, 2021) Established the framework for Tax Increment Financing in the State of Washington

- **Designating increment areas:** Local governments can create up to 2 increment areas at one time, not exceeding \$200M in assessed valuation limits (real and personal), to finance designated public improvements with tax allocation revenues.
- **Project analysis:** Local governments must prepare an analysis detailing objectives, property acquisition plans, improvement costs, and impact assessments before designating an increment area.
- **Tax allocation revenues:** Regular property taxes collected on the increment value are apportioned to fund public improvements.
- **Mitigation and review:** Requirements include mitigating impacts on housing, local businesses, schools, and fire services, and reviewing project analyses by the treasurer and through public briefings.
- **Sunset and commencement:** Increment areas have a sunset date no more than 25 years and must commence construction within a 5-year timeframe.

TIF Legislation Overview - continued



2023 – Amended Legislation: House Bill 1527 (Effective May 9, 2023)

Makes modifications to the tax increment financing statutes. In particular:

- The increment value refers to the property value increase that occurs after the increment area takes effect.
- The allowable public improvement costs are expanded to include site acquisition, including appurtenant rights, and expansion.
- The definition of "public improvements" is expanded to include infrastructure improvements owned by a state government, as well as real property owned or acquired by a local government within the increment area.
- The legislation provides more detail on when public notice of a proposed TIF ordinance must be posted and when certified copies of an adopted ordinance must be delivered.

TIF Legislation Overview - continued



2024 – Amended Legislation: House Bill 2354 (Effective June 6, 2024) – Makes modifications to the tax increment financing statutes. In particular:

- Allows for funding for mitigation of impacted taxing districts to be funded by the tax allocation revenues.
- Expands the assessment of impacted parties to include not only local fire service but also public hospital service, and emergency medical services and requires that any assessment of impacts includes any necessary mitigation to the local fire service, public hospital service, and emergency medical services.
- Adds language that assessment of any impacts be expanded to include any other junior taxing districts not referenced.
- Provides arbitration requirements in the event the sponsoring jurisdiction and the impacted taxing districts cannot agree upon an appropriate mitigation plan.
- Requires local government designating the increment area to provide written notice to the governing body of each taxing district within the increment area is located a minimum of 90 days before submitting the project analysis to the State Treasurer.
- Clarifies that the two public meetings must not occur no earlier than 90 days after submission of the Project Analysis to the State Treasurer.
- Clarifies that the Project Analysis must be sent to the local governments and impacted taxing districts no less than 90 days prior to the adoption of the ordinance/resolution.

TIF Legislation Overview - continued



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Future Potential Legislative Changes

- DOR has determined that Personal Property Values should be included in the calculation of determining if the increment area assessed value meets the \$200M / 20% AV calculation test.
- A Tax Increment Area MAY indirectly increase taxes. It is complicated and depends on a multitude of factors. See RCW 84.55.010(1)(e) and RCW 39.114.020.
- Continued Evolution of the TIF economic development tool.
 - WPPA is establishing a TIF Committee and is encouraging its member to join and participate on this committee to ensure alignment amongst all ports.

Cost Recovery Model for County Assessors



RCW language provides that sponsoring jurisdictions MAY reimburse Assessor and Treasurer for costs incurred to administer and maintain tax increment areas, including development of software and systems.

- Work with county assessor to develop a cost recovery model
- Counties may consider a fair and equitable cost recovery model including:
 - 1) Blended labor rate for all team members involved at the county
 - 2) Tracking of time to set up and administer the tax increment areas
 - 3) Creation of a tiered model based upon the number of parcels in the tax increment area
 - 4) Identifying the estimated hours to administer based on the following:
 - One-time costs (software testing, configuration)
 - Year 1, 2 initial administration and set-up
 - Years 3 – 25 ongoing administration
 - 5) Reimbursement should be separate of apportionment and distribution of taxes, so it does not complicate reconciliations and reporting.
 - 6) Create an interlocal agreement between the county and sponsoring jurisdiction to memorialize the why's and how's of the reimbursement activity.

Cost Recovery Proposed Model Example



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	Port of Vancouver				City of Ridgefield				Port of Ridgefield	
	< 25 parcels	< 25 parcels	25 - 100 parcels	25 - 100 parcels	101 - 200	101 - 200	201 - 400	201 - 400	400+	400+
	Set up (Years 1 & 2)	Ongoing	Set up (Years 1 & 2)	Ongoing	Set up (Years 1 & 2)	Ongoing	Set up (Years 1 & 2)	Ongoing	Set up (Years 1 & 2)	Ongoing
Maintain property accounts, TCA maintenance, splits/merges	4	2	8	4	16	8	32	16	48	20
Set up accounting, approved/release disbursements, financials	3	3	4	4	3	3	3	3	3	3
Set up Fund in WD, PACS integration tables	2	2	2	2	2	2	2	2	2	2
Technical support for PACS, monitors, and property group coordination	4	2	16	8	32	16	64	32	100	40
Assess LTIF properties in increment areas	6	4	24	16	48	32	96	64	120	80
Assess LTIF properties in increment areas	6	4	24	16	48	32	96	64	120	80
Set up LTIF, capture base values, certify levies with LTIF commission	6	2	8	4	10	6	12	8	14	10
Reporting and distribution	12	15	12	12	12	12	12	12	24	20
Billing and collection of LTIF property taxes	8	2	12	3	15	6	25	10	40	15
Administrative overview	12	2	12	2	12	2	12	2	12	2
Administrative overview	12	2	12	2	12	2	12	2	12	2
Administrative overview	12	2	12	2	12	2	12	2	12	2
Appeals review, response, and cases	3	3	4	4	6	6	8	8	10	10
Total estimated hours	90	45	150	79	228	129	386	225	517	286
Total estimated cost recovery	\$ 9,270.00	\$ 4,635.00	\$ 15,450.00	\$ 8,137.00	\$ 23,484.00	\$ 13,287.00	\$ 39,758.00	\$ 23,175.00	\$ 53,251.00	\$ 29,458.00
Initial Set-up Costs of \$150K divided over 10 potential sponsoring taxing districts in Clark County	\$ 15,000.00				\$ 15,000.00				\$ 15,000.00	

Best Practices for Valuation of Private Development



- Meet with your County Assessor to understand how they will determine valuation of private development in your Increment Area
 - Understand how the timing of private development is assessed.
 - Understand how your county determines value at inception and potentially into the future.
 - Understand how the type of use may determine how your assessor values the construction in your increment area.
 - Each county may assess property differently.
- Inquire with the cities and counties what property tax-exemptions private developments within your tax increment area may be eligible to apply for, such as City of Vancouver has a multi-family tax exemption credit.
- When developing cost estimates for your private development remember to segment out real property from personal property and only count real property in your cost estimates.
- Consider developing a Low, Medium and High Forecast for your development based on factors such as timing of construction, cost, and type of uses.
 - Low Forecast could be used for determining the tax allocation revenues available to cover debt service.
 - High Forecast may be requested by the impacted taxing districts requiring mitigation.
- Update your tax allocation revenue forecast as timing and cost estimates for the development in your increment area changes on a periodic basis.

Updated Tax Allocation Revenue Forecast for Port of Vancouver



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Original Tax Allocation Revenue Forecast	\$ 49,116,185
Changes:	
Less: T1 Hotel Valuation - Cost Method moving to Income	(538,144)
Less: Lot 1 Change in Use from Office to Residential	(3,980,418)
Less: Lot 2 Delay in Construction	(1,200,993)
Less: Lot 5/6 Change in Use from Office to Residential	(2,014,895)
	<u>\$ (7,734,450) -16%</u>
<i>Adjusted Tax Allocation Revenue</i>	<u>\$ 41,381,735</u>
Debt Issuance Amount - Original (Based on Avg Revenue)	\$ 26,977,148
Debt Issuance Amount - Adjusted (Based on Avg Revenue)	21,581,718
<i>Reduction in Debt Issuance Amount</i>	<u>\$ (5,395,430) -20%</u>

Questions?



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