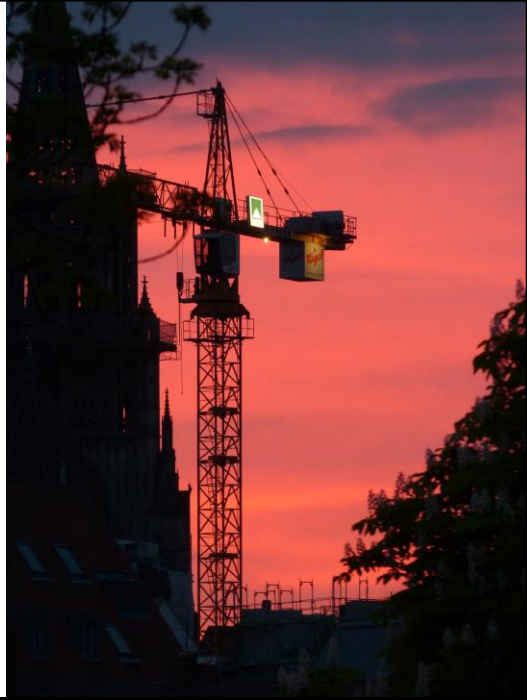


TIF Introduction Meeting



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Tax Increment Financing

Chapter 39.114 RCW

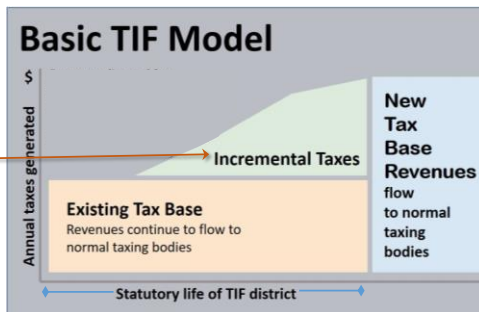
Model

Generally, TIF captures property taxes generated from increased assessed valuation on the site that results from private development following infrastructure investment.

Washington State TIF law excludes State property tax and voter approved school levies.

Revenues from REGULAR property taxes assessed against the Increment Value only, are captured.

- ✓ To pay "public improvement costs"
- ✓ To repay bonds issued for "public improvements"



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2

Overview of Tax Increment Financing

SUMMARY

- Available to cities, counties, and ports.
- Powerful economic development tool.
- Designed for specific project/site – Not build infrastructure and hope/wait for development.
- Projects will not occur “but for” the public investment in infrastructure – “But-For” Requirement.
- Results in creation of new assessed value, public benefits, construction of desired development and short/long-term jobs.
- Taxes from the development fund the public infrastructure needed by the development.

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Overview of Tax Increment Financing

KEY ELEMENTS

Adoption of ordinance designating increment area, public improvements, and whether bonds will be issued. Limitations:

- No more than two active increment areas and they may not overlap.
- Increment areas may not total more than \$200 million in assessed valuation, or more than 20% of the total assessed valuation of the sponsoring jurisdiction, whichever is less.
- Cannot add additional public improvements or change the boundary of the increment area once adopted.
- Must include a deadline by when construction of public improvements will begin.
- The local government may only receive TIF revenues for the period of time necessary to pay the costs of the public improvements.
- If the local government finances the public improvements, the increment area must be retired no more than 25 years.

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Overview of Tax Increment Financing

KEY ELEMENTS

Eligible Infrastructure improvements owned by a local government within or outside of and serving the increment area that include:

- Street and road construction;
- Water and sewer system construction and improvements;
- Sidewalks and other non-motorized transportation improvements and streetlights;
- Parking, terminal, and dock facilities;
- Park and ride facilities or other transit facilities;
- Park and community facilities and recreational areas;
- Stormwater and drainage management systems;
- Electric, broadband, or rail service;
- Mitigation of brownfields; or

Eligible expenditures for any of the following purposes:

- Purchasing, rehabilitating, retrofitting for energy efficiency, and constructing housing for the purpose of creating or preserving long-term affordable housing;
- Purchasing, rehabilitating, retrofitting for energy efficiency, and constructing child care facilities serving children and youth that are low-income, homeless, or in foster care; Providing maintenance and security for the public improvements; or
- Historic preservation activities authorized under RCW 35.21.395.

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Overview of Tax Increment Financing

KEY ELEMENTS

Project Analysis

- Description of the expected private development within the TIA, with and without proposed public improvements – ***But For Requirement***

- An assessment of any impacts to the following:
 - Affordable and low-income housing
 - Local business community
 - Local school districts
 - Local fire service, **public hospital districts, and emergency medical services**
 - **Other junior taxing districts**

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Overview of Tax Increment Financing

KEY ELEMENTS

Project Analysis

*If 20% of the assessed value in the **public hospital district** or fire district impacted or the fire district's annual report or **adopted capital facilities plan** demonstrates an increase in the level of service directly related to the increment area, a mitigation plan must be negotiated.*

If parties can not agree, the parties must proceed to arbitration – 3 member board with one appointed by TIF sponsor, one appointed by junior taxing districts and one appointed by other two arbitrators.

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Overview of Tax Increment Financing

KEY ELEMENTS

Project Analysis – Continued

- Must include either specific or general description of public improvements along with cost estimates.

Note: Public Improvement don't need to be located inside of TIA, but there must be a nexus to private development.

- Must include a jobs analysis.
- Must include a risk assessment and mitigation plan.

Note: Passage of the TIA Ordinance does not commit a TIF sponsor to fund any of the proposed public improvements.

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Overview of Tax Increment Financing

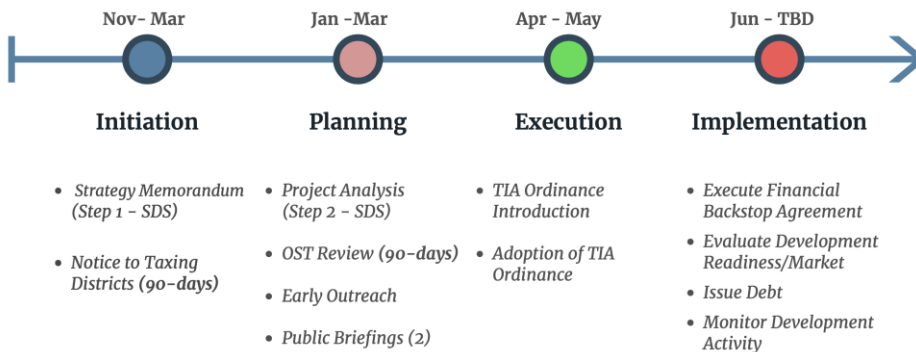
KEY ELEMENTS

- **Provide notice to all local governments within increment area 90 days before submitting project analysis to OST.**
- Submit to OST for review its 90-day review period.
- **Submit Project Analysis to all local governments 90 days prior to anticipated TIA ordinance adoption.**
- Hold two public briefings exclusively on the project **no earlier than 90 days after submitting the project analysis to OST.**
- Publish notice in public newspaper.
- Notice to county treasurer, county assessor, and governing body of each taxing district where the increment area is located.
- Increment area effective June 1 of any year.

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Minimum TIF Timeline: 2024-2025



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TIF Observations

- TIF works best when private development projects are ready to go if not for the public improvement needs.
- Early outreach to other taxing districts is important.
- On average, we have seen TIF revenues generating about 5 percent of total increased value over 25-year period. Ex.- for every \$100M of AV increase, will support \$5M of public improvement debt.
- More education is needed regarding any impacts to other taxing districts.
- Subject to the scope and timing of private development, TIF revenues may be sufficient to pay for some or all of the identified infrastructure costs.

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TIF Observations

- City will be responsible for any debt it issues regardless if development materializes. How to mitigate?
 - Development agreement that identify both private and public development responsibilities and timing will help mitigate surprises and any revenue shortage to cover annual payments.
 - Financial agreement in which developer(s) will financially backstop (some to all) annual debt not covered by TIF revenues.

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