

Tax Increment Financing

“Become Both an Expert and a Skeptic”

City of Federal Way’s
Experience

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You’re Not Alone . . . But

Bond Counsel

Financial
Advisor

TIF Consultant



YOU must bring:

1. YOUR AV
2. YOUR Budget
3. YOUR Risk
4. YOUR revenue, debt and project cost forecasts



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The Revenue Estimate

Year	Assessed Value		Tax Rate	Tax Allocation Revenue	Cumulative
	Increment				
2023	\$ -	\$ -	\$ -	\$ -	\$ -
2024	\$ 9,966,940	\$ 3.8954	\$ 38,825	\$ 38,825	
2025	\$ 142,495,455	\$ 3.6727	\$ 523,346	\$ 562,172	
2026	\$ 288,007,640	\$ 3.3736	\$ 971,609	\$ 1,533,780	
2027	\$ 447,483,124	\$ 3.2432	\$ 1,451,272	\$ 2,985,053	
2028	\$ 621,967,686	\$ 2.9693	\$ 1,846,801	\$ 4,831,854	
2029	\$ 812,577,455	\$ 2.8545	\$ 2,319,540	\$ 7,151,394	
2030	\$ 994,488,884	\$ 2.7442	\$ 2,729,115	\$ 9,880,509	
2031	\$ 1,192,333,450	\$ 2.6382	\$ 3,145,607	\$ 13,026,116	
2032	\$ 1,407,263,183	\$ 2.5362	\$ 3,569,167	\$ 16,595,283	
2033	\$ 1,640,506,175	\$ 2.4382	\$ 3,999,946	\$ 20,595,229	
2034	\$ 1,893,371,346	\$ 2.3440	\$ 4,438,098	\$ 25,033,327	
2035	\$ 2,167,253,495	\$ 2.2534	\$ 4,883,774	\$ 29,917,101	
2036	\$ 2,463,638,650	\$ 2.1664	\$ 5,337,129	\$ 35,254,230	
2037	\$ 2,784,109,750	\$ 2.0826	\$ 5,798,315	\$ 41,052,545	
2038	\$ 3,130,352,664	\$ 2.0022	\$ 6,267,488	\$ 47,320,033	
2039	\$ 3,504,162,572	\$ 1.9248	\$ 6,744,803	\$ 54,064,835	
2040	\$ 3,907,450,729	\$ 1.8504	\$ 7,230,417	\$ 61,295,252	
2041	\$ 4,342,251,639	\$ 1.7789	\$ 7,724,486	\$ 69,019,738	
2042	\$ 4,810,730,648	\$ 1.7102	\$ 8,227,169	\$ 77,246,907	
2043	\$ 5,315,192,005	\$ 1.6441	\$ 8,738,625	\$ 85,985,532	
2044	\$ 5,858,087,395	\$ 1.5806	\$ 9,259,015	\$ 95,244,548	
2045	\$ 6,442,024,987	\$ 1.5195	\$ 9,788,500	\$ 105,033,048	
2046	\$ 7,069,779,015	\$ 1.4608	\$ 10,327,242	\$ 115,360,290	
2047	\$ 7,744,299,932	\$ 1.4043	\$ 10,875,406	\$ 126,235,696	
2048	\$ 8,468,725,173	\$ 1.3500	\$ 11,433,156	\$ 137,668,853	
Total			\$ 137,668,853		

Revenue grows:

1. Starts small
2. Can be saved or spent, but restricted inside the TIF
3. Growth is substantial

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Know Your AV

City's AV	\$17 billion
(Trending	4% increase)
TIA max	\$200M
TIF	1.2% of total

Message:

Improving 1.2% of the city, we create \$11 million in on-going annual revenue

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Pooling Is Powerful

1. Overlapping Agencies pool TIF
2. Leverage: City's Property Tax Revenue is 19% of total - City portion becomes 1/5 of total
3. All agencies continue to receive existing revenue
4. All agencies would have received no incremental increase but for the city's TIF project
5. Each agency's share reverts to each agency at the new higher rate when TIF dissolves

Tax Rate Summary Table
City of Federal Way

Taxing District	Tax Code Area	
	1202	1205
County-wide regular levy (non-voted)	\$ 0.5735	13.32%
AFIS (Fingerprint ID) Lid Lift	\$ 0.0319	0.74%
Parks Lid Lift	\$ 0.1858	4.32%
Human Svcs/Vets Lid Lift	\$ 0.0916	2.13%
Children/Family Justice Ctr. Lid Lift	\$ -	0.00%
Best Start for Kids Lid Lift	\$ 0.1900	4.41%
Radio Communications Lid Lift	\$ 0.0491	1.14%
County-wide Transport levy	\$ 0.0442	1.03%
County Cons. Futures	\$ 0.0312	0.72%
County Flood Zone	\$ 0.0815	1.89%
County Ferry District	\$ 0.0091	0.21%
Port General Fund	\$ 0.0579	1.34%
EMS (voted)	\$ 0.2484	5.77%
Sound Transit	\$ 0.1841	4.28%
City General Fund	\$ 0.8169	18.97%
Library General Fund	\$ 0.2925	6.79%
Fire 39 General Fund	\$ 1.4188	32.94%
Total	\$ 4.3062	100.00%

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Evaluate Your Risk

Pros and Cons
of
Debt vs. Pay As We Go

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Pay As We Go

(Spend/save incremental revenue as it comes in)

Pro:

- City stays out of debt
- Spend as we receive

Con:

- Private sector development precedes infrastructure

Oh that pesky "But-For Test"

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How Long For Pay-Go?

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Total			\$ 137,668,853	

Saving incremental revenues gets to \$40 million in 14 years

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Issue Debt

Pro:

- Improvements are immediate
- New Private additions enjoy new infrastructure
- Smooths cost over life of project
- Financing cost borne by restricted TIF revenue

Con:

- Interest expense
- City is committed when debt proceeds are spent
- Should development stall for any reason, debt payments must be paid

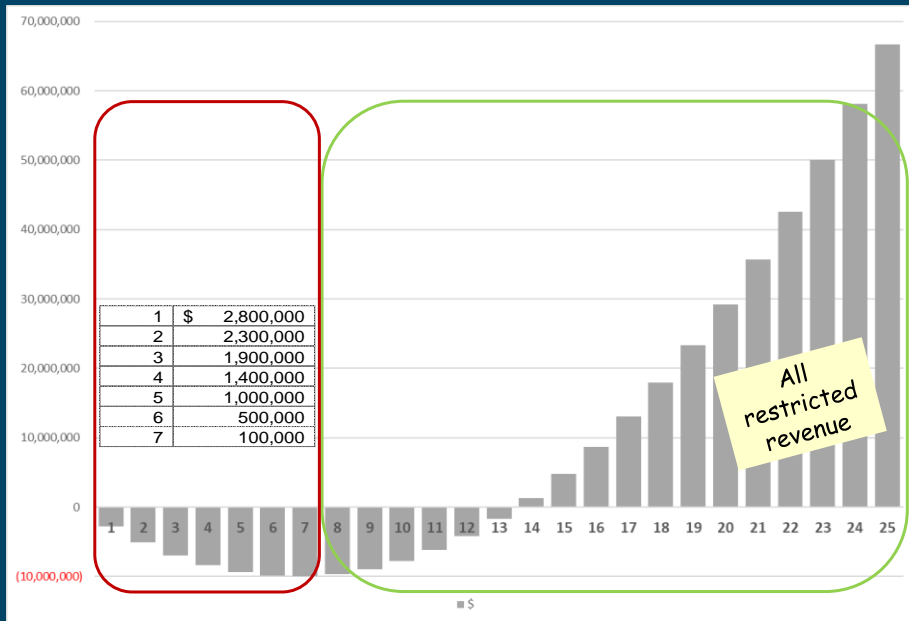
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How To Explain - Risk

One Graph will rule them all . . .

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How to Show Cashflow Risk?



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Clarify The City's Risk

1. Paying debt before revenue received
2. Development delays or construction lapses.
3. Belt-tightening required in 1st few years
4. Unfunded General Fund service level increases
5. Risk not shared by all overlapping entities

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Policy Questions To Be Answered

1. What is our confidence and risk tolerance?
2. How reasonable are the assumptions and timeline on the return on investment?
3. How probable is development if we make the infrastructure investment?
4. Is the resulting outcome worth the investment?

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City's Take-aways

1. Revenues are restricted improvements in the TIA
2. Revenue is only incremental
3. Pooling leverages all agencies
4. Success depends on delayed gratification by all
5. Risk comes primarily from debt issuance
6. Debt payments are obligatory
7. Risk borne by City, not overlapping entities

Be both the expert and the skeptic

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