

Establishing a Tax Increment Financing (TIF) District

WPPA Finance & Admin Seminar
June 9, 2022

Presenters



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HB 1189 Requirements

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TIBERIUS
SOLUTIONS

Overview

- Public Improvements
- Tax Increment Area (TIA) Boundaries
- Anticipated Development
- Finance Plan
- Economic and Community Impacts
- Adoption Process

Public Improvements

- Must include description and cost estimates
- Cannot add projects to the list in the future
- Capital, Admin, Financing, Maintenance, Security
- Feasibility study costs incurred prior to TIA adoption
- Projects can be outside of TIA boundary
- Must include deadline for commencement

TIA Boundaries

- No more than two per municipality
- Assessed value: 20% or \$200M
- Identification of parcels included in boundary
- Property to be acquired by municipality
- Statement of objectives

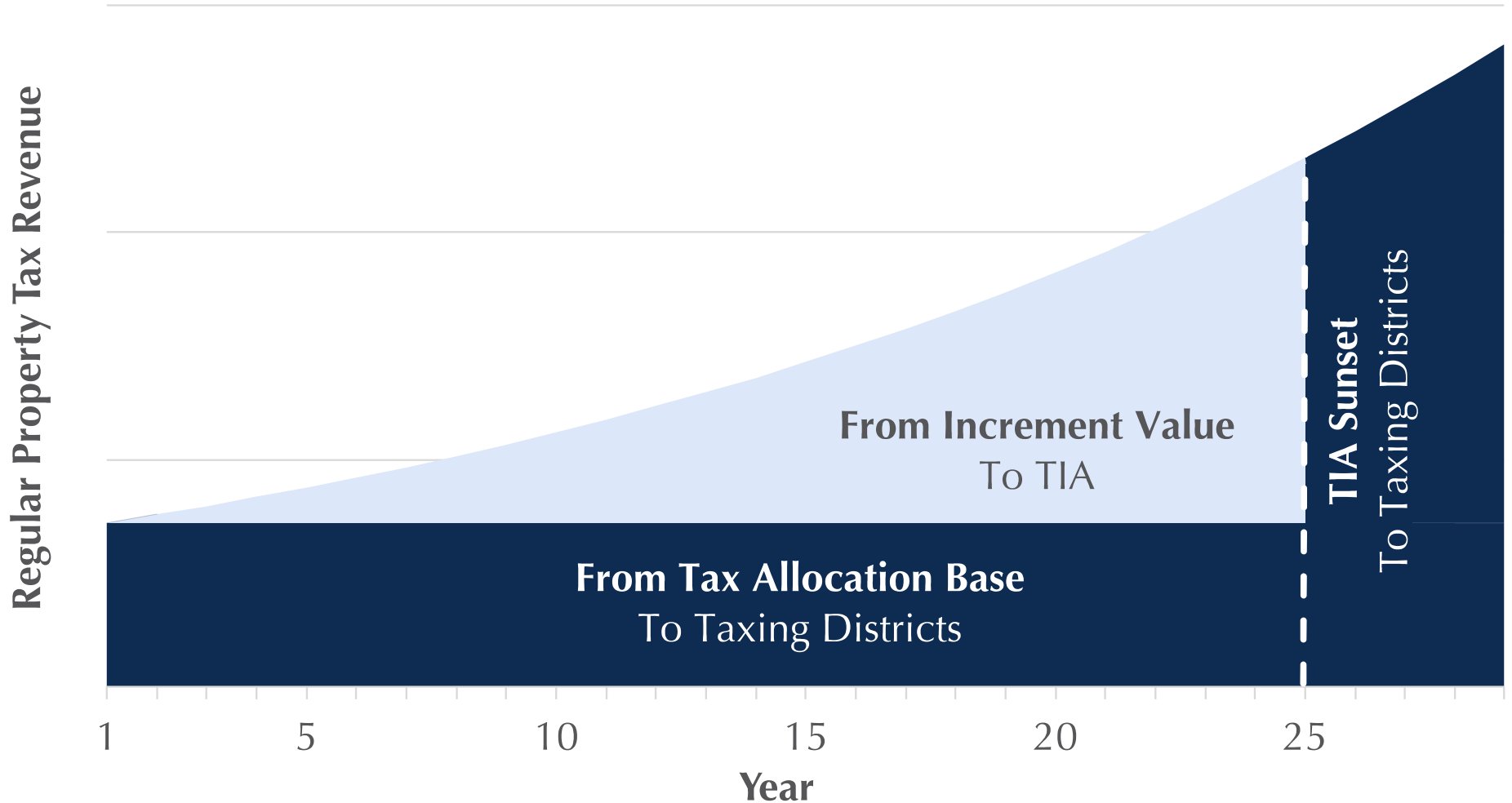
Anticipated Development

- Description of private development with and without public improvements
- Public improvements result in higher value development, sooner than without the improvements
- Private development consistent with applicable zoning

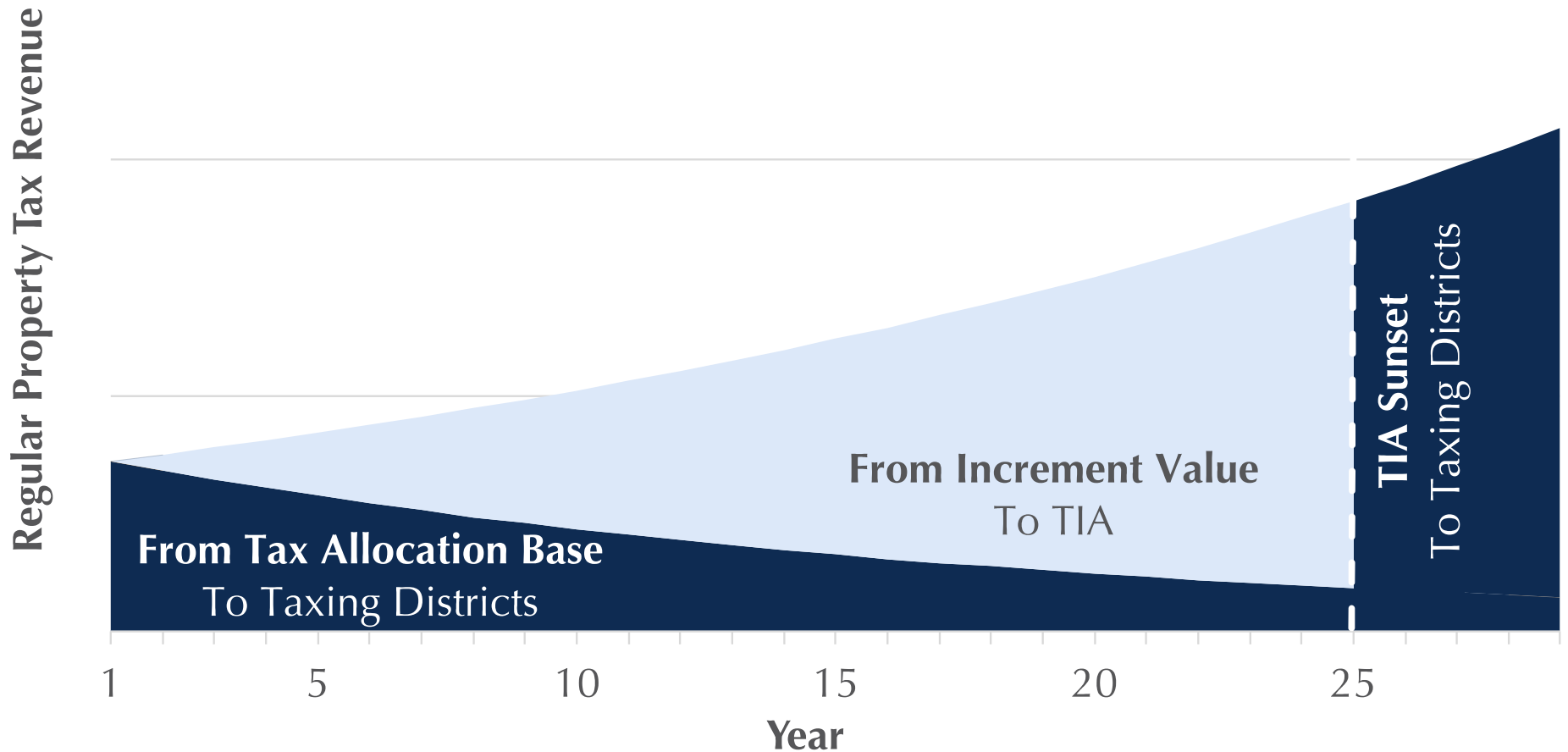
Finance Plan

- Effective date
- Duration (no more than 25 years)
- Estimate tax allocation base value
- Estimate of future increment value and tax allocation revenues
- Maximum amount of debt obligations to be financed with tax increment

How We Think TIF Works



How TIF Actually Works in WA



Finance Plan – Key Issues

- Identifying impacted tax rates, and forecasting future changes in tax rates.
- Collaboration with bond counsel and financial advisors on assumed financing terms.
- General obligation bonds vs revenue bonds

Economic and Community Impacts

- Job creation
- Affordable and low-income housing
- Local business community
- Local school districts
- Local fire service

Adoption Process

- Review and input from State Treasurer
- Two public briefings
- Resolution adopted at public hearing

Recommended but not Required

- Purpose of the TIA
- Map of the proposed boundary
- Legal description for County Assessor
- Estimated foregone revenue of taxing districts
- Summary of public outreach

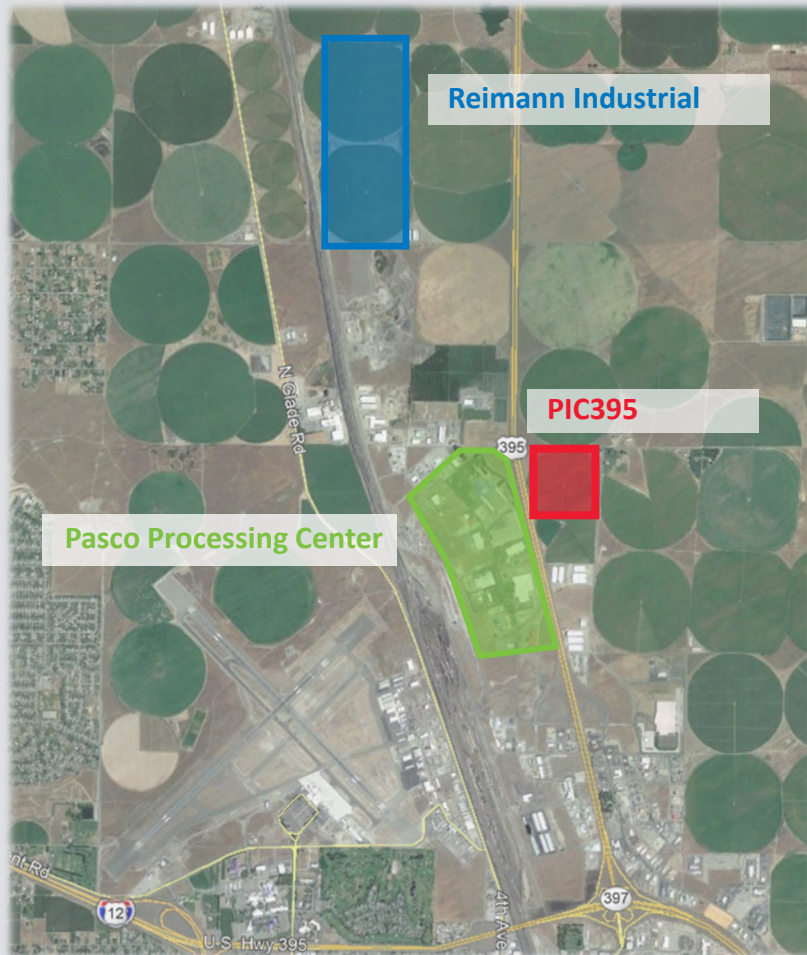


Reimann Industrial Center Tax Increment Financing



WPPA
2022 Finance &
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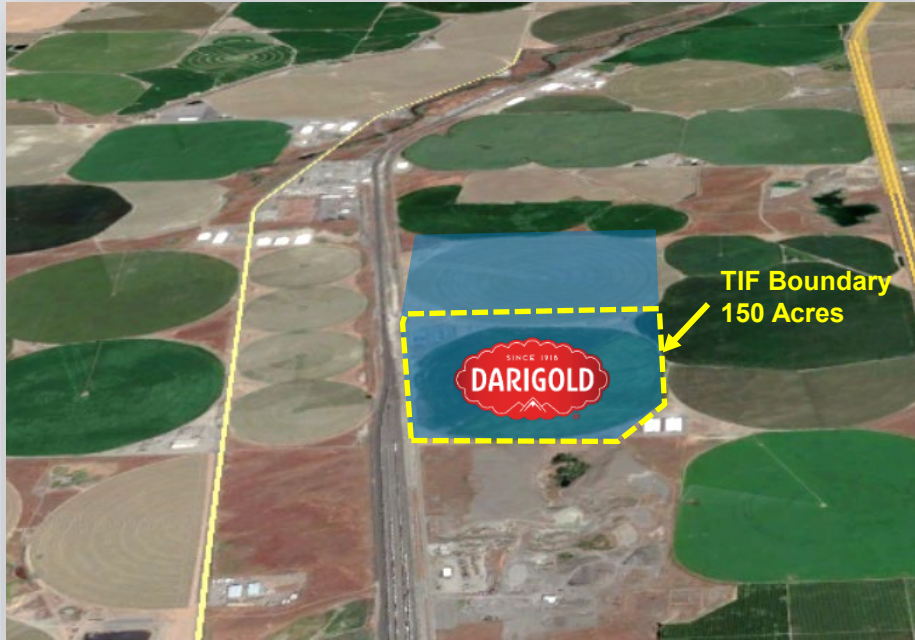
Reimann Industrial Center



- **300 Acres for New Industrial Park**
- **Purchase Completed October 2019**



Darigold



- Darigold Plans New 550,000 SF Facility at Reimann
- \$500M Investment and 200 New Jobs + 350 Farm Jobs
- Construction 2022, Open 2023

TIF Area of 150 acres will be formed to pay for a portion of the needed public infrastructure to serve the Darigold site



Public Improvements

Total Infrastructure Costs

Improvement	Cost
Connect to City Sanitary Sewer	\$2,582,187
Connect to City Domestic Water	\$5,101,626
N. Railroad Ave. Frontage	\$2,370,563
N. Railroad Ave. Non-Frontage	\$1,797,351
Fiber, Gas Line, and Telephone	\$2,173,751
Rail Spur Line - BNSF Switch to North of Southern Circle	\$6,071,309
TOTAL	\$20,096,787

Funding Sources

Agency or Mechanism	Amount
Port of Pasco	\$ 2,500,000
Franklin County .09 Fund	\$ 1,300,000
State Direct Appropriation	\$ 7,500,000
State CERB Board	\$ 575,000
Local Tax Increment Financing	\$ 8,225,000*
Total	\$ 20,100,000

The City of Pasco is making other major system upgrades to support the project that are not included in this list

*Debt Service for 20-Year Bond to Finance \$8,225,000 is \$552,513/year (3%)



Assessed Value Increase and Tax Collection Assumptions

Agency	2021 Tax Levy Rate	Annual Tax Increment for Assessed Value of:	
		\$200M	\$400M
Port of Pasco	0.24382	\$48,764	\$97,528
Franklin County	1.10500	\$221,000	\$442,000
City of Pasco	1.68420	\$336,840	\$673,680
Veterans Relief, Mental Health Levy	0.03625	\$7,250	\$14,500
Total	3.06927	\$613,854	\$1,227,708


Assumed TIF Collections



TIF Property Tax Allocation for \$200M Increment Value

Agency	2021 Tax Levy Rate	Annual Property Tax Allocation		
		Total Taxes	TIF Project Bond Amt	Excess to Agency*
Port of Pasco	0.24382	\$48,764	\$43,891	\$4,873
Franklin County	1.10500	\$221,000	\$198,916	\$22,084
City of Pasco	1.68420	\$336,840	\$303,180	\$33,660
Veterans Relief, Mental Health	0.03625	\$7,250	\$6,526	\$724
Total	3.06927	\$613,854	\$552,513	\$61,341[‡]

*Other taxes to state and local agencies include:

- Sales taxes
- Payroll taxes
- Utility taxes
- School bonds and levy's

[‡]TIF Proceeds will also reimburse County Assessor and Treasurer for their costs estimated at \$15k/yr

TIF Property Tax Allocation for \$400M Increment Value

Agency	2022 Tax Levy Rate	Annual Property Tax Allocation		
		Total Taxes	TIF Project Bond Amt	Excess to Agency
Port of Pasco	0.21768	\$87,073	\$70,049	\$17,024
Franklin County	0.90457	\$361,829	\$291,087	\$70,742
City of Pasco	1.46532	\$586,126	\$471,532	\$114,595
Veterans Relief, Mental Health	0.03625	\$14,500	\$11,665	\$2,835
Total	2.62382	\$1,049,528	\$844,333	\$205,195

Costs have increased drastically due to inflation, supply chain issues, and interest rate increases that we will need to tap into the additional revenue from a higher increment value

Darigold's costs have increased as well to support the higher increment value

Project Analysis Report

Project Analysis Report

- Legislation Requirements
- Office of the Treasurer Requests

Port Project Analysis Report is sent to the Office of the Treasurer State of Washington

Office of the Treasurer performs a project analysis review



Project Analysis Report

Legislation Requirements

- Objectives for the TIF area
- What portion of TIF agency owns or intends to acquire
- Duration of the TIF
- Description of expected private development in TIF
- Description of public improvements, costs, estimated bonds
- Assessed value of property in TIF, estimated increase due to the TIF, and estimated tax revenues to be generated
- Estimated of job creation and private investment expected to result from the TIF
- Impacts and mitigation to address
 - Affordable housing
 - Local business community
 - Local school districts
 - Local fire service



Project Analysis Report Treasurer Requests

- Identify and provide contact information for the financing team
- Provide detailed tax increment revenue projections of the TIF
- Provided a detailed description of the flow of funds or expected application of the projected tax increment revenue
- Describe the expected financing structure
- LTGO bond financing provide:
 - 5 years of historical financial information of the issuer
 - Debt capacity calculation
 - Debt service coverage calculation
 - Status of approval of the financing by the issuer
- Describe any steps by the issuer to mitigate risks related to project non-completion or shortfalls in projected revenues



Project Analysis Report

Treasurer Response

- Statutory Role and Purpose of Review
- Project Overview
- Project Timeline
- Tax Increment Area
- Tax Increment Revenue Projections
- Sources and Uses
- Financing Structure
- Debt Capacity
- Port Financials
- Projected Debt Service Coverage
- Risk Factors
- Recommendations



THANK YOU!



PORT^{OF} PASCO

CONNECTING HERE WITH THERE

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Terminal 1 Waterfront Development

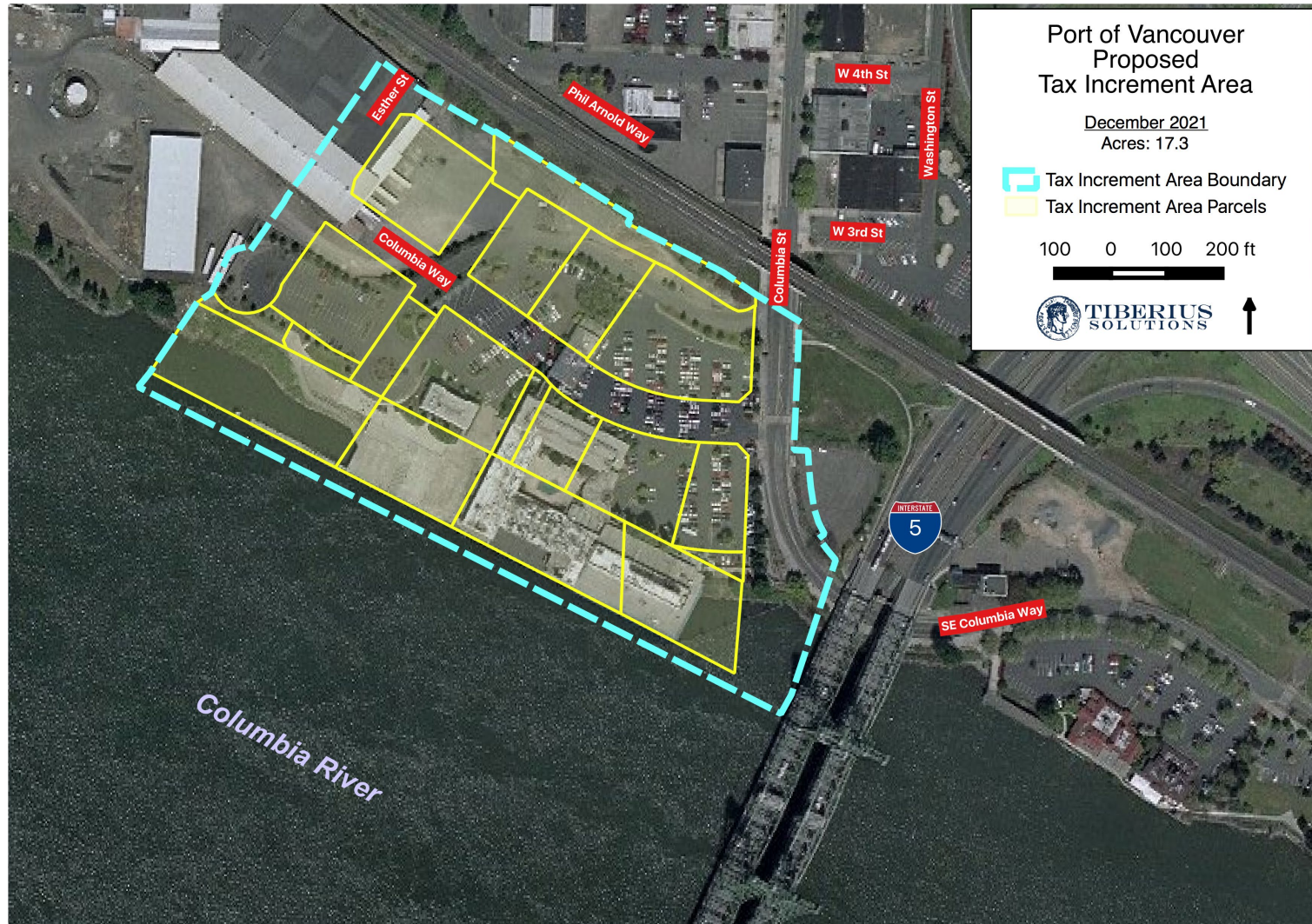
DISCOVER TERMINAL 1



Tax Increment Area Boundary



DISCOVER TERMINAL 1



Private Investment



DISCOVER TERMINAL 1



Future Public Projects



DISCOVER TERMINAL 1



**NEW DOCK
for Public Market**



**RENAISSANCE TRAIL –
PHASE 2**



**CENTRAL PLAZA &
DANIELS WAY**



**LAND
IMPROVEMENTS**



EAST PORTAL

Future Public Projects



DISCOVER TERMINAL 1

Estimated Project Costs

Project Name	Estimated Project Cost		Years of Construction
	2022 \$	Nominal \$	
Terminal 1 Dock Replacement	\$26,200,000	\$34,300,000	2022 to 2025
Ground Stabilization and Pile Extraction:			
Renaissance Trail: Part 2	\$2,000,000	\$2,800,000	2026
Landscaping: Dock	\$2,400,000	\$3,500,000	2027
Daniels Way: Part 2	\$2,100,000	\$3,300,000	2028
Renaissance Trail: Part 2	\$1,500,000	\$2,300,000	2028
East Portal	\$2,300,000	\$3,600,000	2028
East Portal: Public Restroom	\$250,000	\$400,000	2028
Total	\$36,750,000	\$50,200,000	



Total 25-year Impact to Taxing Districts

Taxing District	Total Impact Over 25 Years
Clark County - Current Expense	\$11,686,337
Clark County - Conservation Futures	\$440,468
City of Vancouver - General Fund	\$30,987,065
Fort Vancouver Library	\$4,168,933
Port of Vancouver	\$1,833,382
Total	\$49,116,185



Temporary Impacts from Construction

- 7,119 construction jobs (FTE)
- \$410.1 million in income (Nominal \$)

Permanent Impacts On-Site

- 4,112 new permanent jobs
- \$282.5 million annual income

Permanent Impacts Off-Site

- 3,756 new permanent jobs
- \$367.9 million annual income

TIF Interpretation/Misinterpretation



DISCOVER TERMINAL 1

- TIF Legislation is intentionally vague
- Excess Tax Allocation Revenues
- \$200M Test for Assessed Valuation
- Public notification of adoption of the “ordinance/resolution”
- Apportionment of Regular Property Taxes for New Construction
- Private Development on State-owned Property (Land Leases)
- What else have any of you heard?

Legislative and Administrative Changes



DISCOVER TERMINAL 1

- Improvements on State-owned land.
 - DOR has prepared DRAFT Legislation to put forth in the next session to ensure statutes for TIA are consistent with other Washington statutes.
- Specifically call out Public Markets as public improvements per the definition of eligible projects
- Allow revenue bonds to be issued with a pledge of tax allocation revenues.
- Possibly allow some limited mechanism to address mitigation for fire and affordable housing.
- Additional clarity on timeframe of Treasury's Review
- Provide administrative clarification on timing of notice and sending the certified ordinance to the county treasurer/assessor and taxing districts

Suggestions and Lessons Learned



DISCOVER TERMINAL 1

- Reach out early and reach out often to keep your City, County, County Assessor, County Treasurer, and Other Taxing District Partners informed of your TIA.
- Do earnest outreach as part of your assessment of necessary mitigation to address impacts on affordable housing, business community, local schools, fire service, and other local government agencies
- If in doubt about how to interpret the Tax Increment Legislation reach out to others that have established a TIA.
- Try your best to understand and follow legislative intent.

Questions?

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