TAX INCREMENT FINANCING TOOLS

Effective Tool for Supporting Economic Development

Tax Increment Financing Overview

- TAX INCREMENT FINANCING (TIF) IS A FINANCING TOOL THAT LOCAL GOVERNMENTS IN WASHINGTON STATE CAN USE TO FUND PUBLIC INFRASTRUCTURE. RCW 39.89
- THE LOCAL GOVERNMENT WISHING TO UTILIZE TIF WILL DESIGNATE AN “INCREMENT AREA” SURROUNDING THE SITE OF THE PROPOSED PUBLIC IMPROVEMENTS
- THE PROPERTY TAX PORTION OF INCREASES IN ASSESSED VALUATION OF PROPERTIES WITHIN THE INCREMENT AREA ARE ALLOCATED TOWARDS PAYING FOR PUBLIC INFRASTRUCTURE COSTS

Authorized Public Improvements

- THE TAX ALLOCATION REVENUES MAY BE USED TO PAY FOR "PUBLIC IMPROVEMENT COSTS" AS DEFINED IN RCW 39.89. THIS INCLUDES ROAD, SEWER, WATER AND PARK AND RECREATIONAL PROJECTS AND AFFORDABLE HOUSING.
- THE TIF ORDINANCE MUST IDENTIFY SPECIFIC PUBLIC IMPROVEMENTS TO BE FINANCED AND WHETHER BONDS MAY BE USED
- THE LOCAL GOVERNMENT MUST MAKE A FINDING THAT THE PUBLIC IMPROVEMENTS ARE EXPECTED TO ENCOURAGE PRIVATE DEVELOPMENT AND INCREASE ASSESSED VALUATIONS IN THE INCREMENT AREA.

Infrastructure Funding without TIF's

Impact fees and charges – paid up front and raise the cost of the project

General fund expenditures

Grant funding

Chapter 39.89 RCW

39.89 – Spokane County currently utilizes.

39.102 - Spokane County used for River District Development as pilot program. Not available anymore.

39.104 - Awkward provisions and is not utilized by Spokane County.

39.114 - Requires project analysis and budget pro-formas leading to county bonding. Work is paid up front by a developer.

How Does Tax Increment Financing Work?

Basic Overview of Statute RCW 39.89

How Property Taxes are allocated in a TIF District

Public Investment to Stimulate Private Investment

Funding Options for 39.89

DEVELOPER PURCHASES NON-RECOURSE BONDS ISSUED BY COUNTY

COUNTY REIMBURSES DEVELOPER EXPENSES AS REVENUE IS AVAILABLE

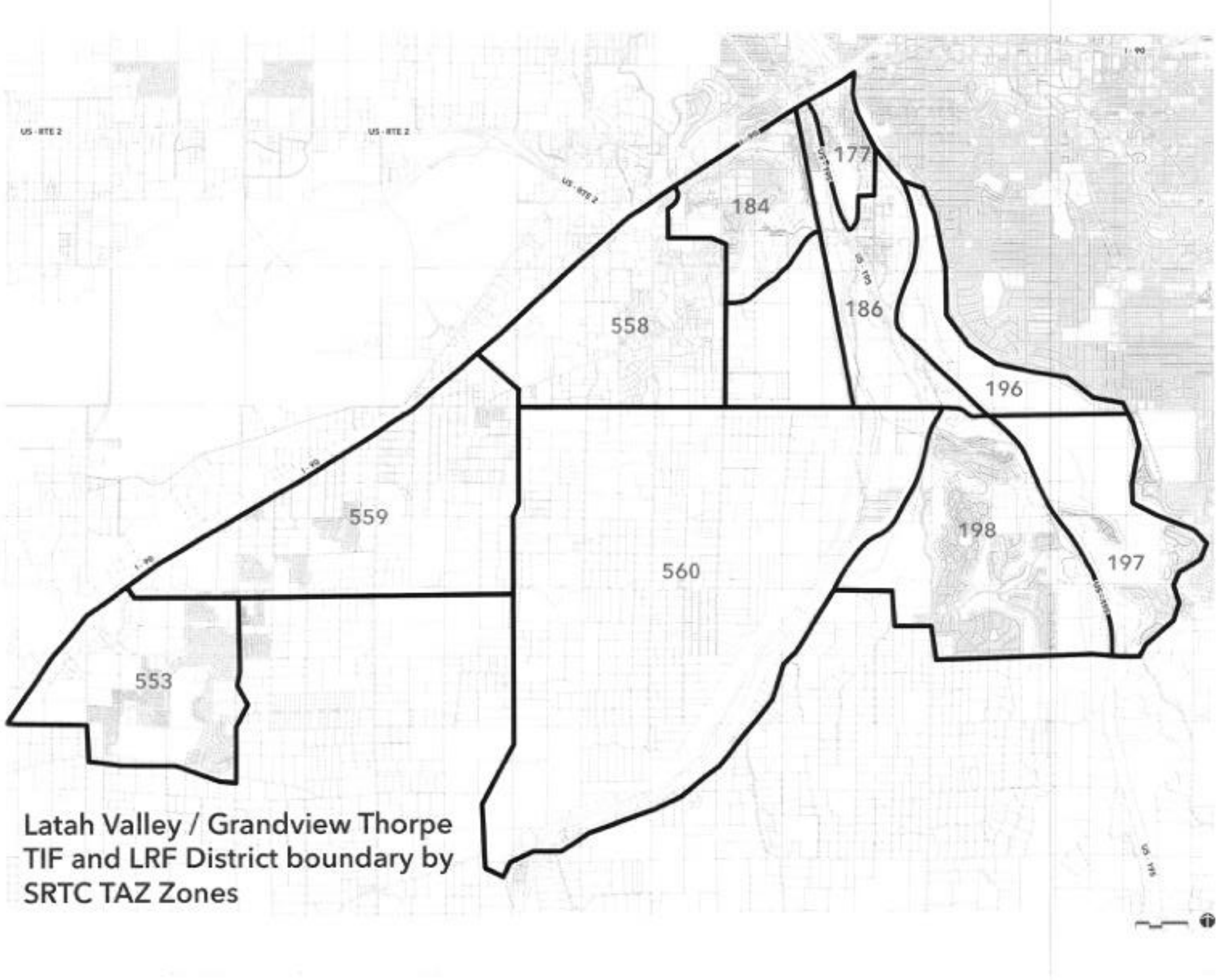
Allocation of Property Taxes

With TIF, each property within the increment area has “base value” that is fixed at the time the tax increment area takes effect

Each local taxing district continues to receive revenues based on this base assessed value. The increment area takes effect on June 1

In future 75% of the increases in assessed value go to pay for public improvements within the tax allocation area. The remaining 25%of the increases in assessed valuation remains with the local taxing district.

The property tax levies excluded from TIF are the state school levy; taxes levied to repay general obligation bonds; and local school district levies and bonds



PROPOSED TIF BOUNDARY IS AREA BENEFITED FROM PUBLIC INFRASTRUCTURE

Private Investment will be Dependent on Public Infrastructure

Private investment can be suppressed without the necessary public infrastructure improvements

$ The expected assessed valuation within the increment area without the proposed public improvements would be significantly less

Requirement Under GMA to Plan for Growth Within the UGA

Both the City and the County are required to plan for growth within the UGA.

Often current infrastructure will not support the GMA growth projections

Public Infrastructure Project List

A detailed list of the infrastructure needed to correct existing system deficiencies and plan for future growth has been provided.

The list includes:

Transportation Projects:	$ 92,000,000
Utility Systems:	$ 36,600,000
Community Facilities:	$ 40,000,000

TIF Can Place the Infrastructure Burden on Private Developers

- Private Developers Build the Necessary Infrastructure to Support Private Investment
- Developers Reimbursed from TIF as funds are available
- Places Investment Risk on Developer
- Municipal Investment, where appropriate, can also be reimbursed

Affordable Housing Set Aside

RCW 39.89 Allows TIF funding to be used for "Permanently Affordable Housing"

While Infrastructure needs to be the Priority, the allocation of funds to permanently affordable housing helps meet GMA housing goals

Help support the development of mixed use and walkable neighborhoods

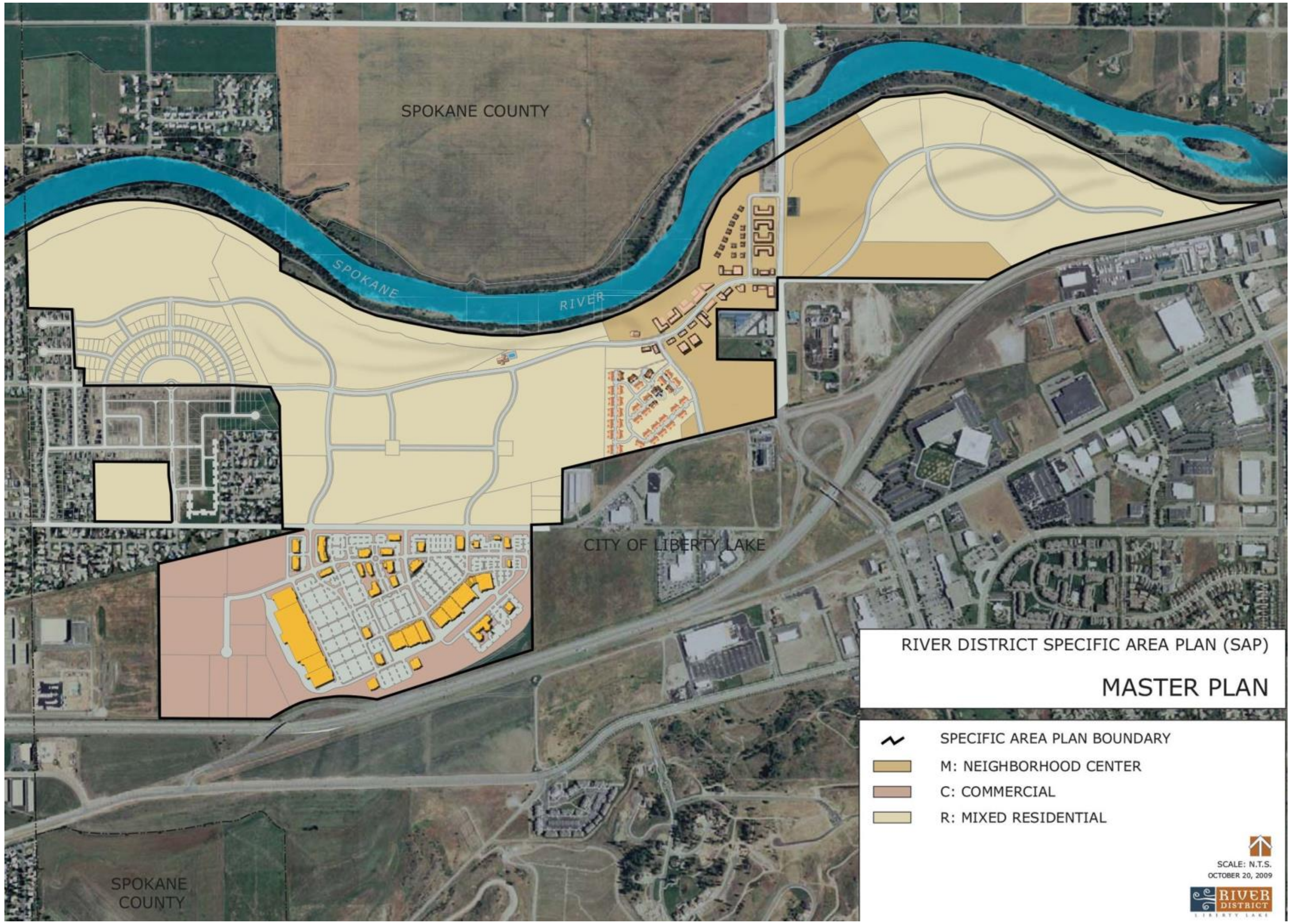
TIF Districts

History of Success in Spokane County

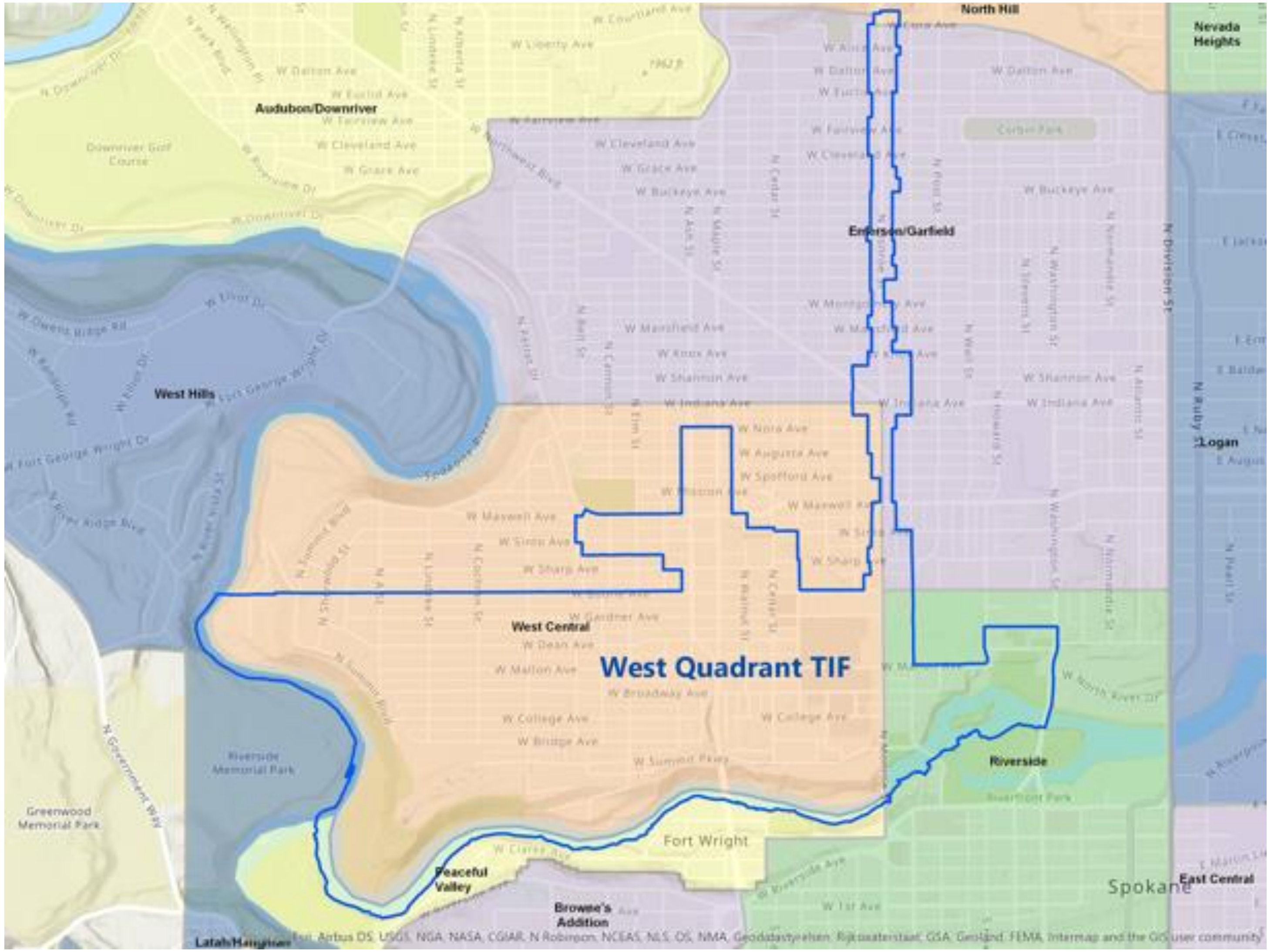
There have been several TIF Districts formed in the Past 20 Years that have funded Significant Public Infrastructure and Stimulated Private Investment:

- Urban Development - Iron Bridge TIF
- Urban Redevelopment - West Quadrant TIF
- Industrial Development - West Plains TIF
- Rural Development - River District TIF and LIFT
- Affordable Housing – Mead Works TIF

River District TIF and LIFT



Kendall Yards West Quadrant TIF



Proposed Legislation

Revise RCW 39.89.020 (8) RCW as follows:

(8) “Public Improvements” means:

(a) infrastructure improvements within the increment area that include:

(i) Street and road construction and maintenance;

(ii) Water and sewer system construction and improvements;

(iii) Sidewalks and streetlights;

(iv) Parking, terminal, and dock facilities;

(v) Park and ride facilities of a transit authority;

(vi) Park facilities and recreational areas;

(vii) Stormwater and drainage management systems;

(viii) Permanently affordable housing; and

(ix) Public safety facilities; and

Proposed Legislation

Revise RCW 39.89.020 (8) (b)

(b) Expenditures for ay of the following purposes:

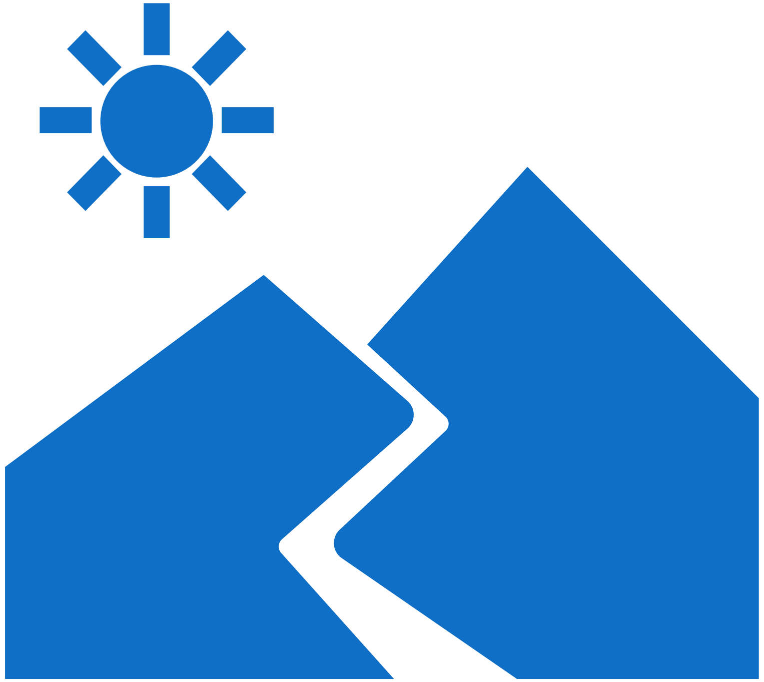
(i) Providing environmental analysis, professional management, planning, and promotion within the increment area, including the management and promotion of retail trade activities in the increment area;

(ii) Providing maintenance and security for common or public areas in the increment area; or

(iii) Historic preservation activities authorized under RCW 35.21.395

Add a new subsection to 39.89.020(8) RCW as follows:

"Public safety facilities" means any facilities, structures, improvements or equipment to be used to provide police, fire, emergency medical or other public safety services.



Proposed Legislation for State Highway Improvements

Add new subsections to 39.89.020(8) as follows:

“State Highway” means every highway as defined in RCW 47.04.010, or part thereof, which has been designated as a state highway, or branch thereof, by legislative enactment.

“State sales and use taxes revenue” means revenues estimated to be received by the state in each calendar year following the date of creation of the increment area, as set forth in the reports required by RCW 39.89.__, from taxable activity within the increment area derived from state retail sales and use taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in RCW 82.08.020(1), less the amount of tax distributions from all local retail sales and use taxes, imposed on the same taxable events that are credited against the state retail sales and use taxes under RCW 82.08 and 82.12

“State Secretary of Transportation” means the means the secretary of transportation as provided for in RCW 47.01.041

Proposed Legislation for Regular Property Taxes

RCW 84.55.010 proposed as follows:

(f) Any increase in the assessed value of real property, as that term is defined in RCW 39.89.020, within an increment area as created by any local government in RCW 39.89.050 provided that such increase is not included elsewhere under this section. This subsection (1)(f) does not apply to levies by the state or by port districts and public utility districts for the purpose of making required payments of principal and interest of general indebtedness.

Conclusion

- A tax increment financing district, together with Developer fees, can be sufficient to fund the needed infrastructure in areas with significant infrastructure deficits
- In many instances there are no other realistic options for funding the magnitude of required public investment
- The funding burden and investment risk is placed on the private sector
- TIF Districts have a record of success in the region