City of Federal Way
Tax Increment Area

Project Analysis Report DRAFT

City of Federal Way
33325 8th Avenue South
Federal Way, WA 98003

Acknowledgments

This report was prepared for the City of Federal Way by Tiberius Solutions, a limited liability corporation headquartered in Portland, Oregon. Tiberius Solutions specializes in infrastructure funding and tax increment financing analysis, helping clients achieve their economic and financial goals.

Tiberius Solutions is not a registered municipal advisor as defined in Section 15B of the Securities Exchange Act, as amended by Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The contents of this report are intended to provide factual information and is not intended to be construed as advice or recommendations regarding any specific municipal financial products. The City should discuss any information and material contained in this report with any and all internal or external advisors and experts that the City deems appropriate before acting on this information.

Other firms that contributed to this report include:

- Elaine Howard Consulting, LLC led the City's efforts for public outreach and community engagement on this project.
- Johnson Economics conducted technical analysis related to the forecast of future private development in the area, and economic impacts related to job creation and housing affordability.
- PFM Financial Advisors LLC (PFM) served as the City's municipal financial advisor, providing advice on reasonable assumptions for the terms of future indebtedness.

Tiberius Solutions acknowledges the assistance and data provided by staff at the City who were deeply involved in the preparation of this report, providing input on key assumptions and review of all analysis. Tiberius Solutions would also like to thank the valuable contributions made by the King County Assessor's Office and the Office of the Washington State Treasurer, who provided data used in the analysis and guidance on the content of this report. Despite the assistance of other public and private-sector entities, Tiberius Solutions is responsible for the contents of this report.

Table of Contents

Summary

How Tax Increment Financing Works

In 2021, the Washington State Legislature passed House Bill 1189, allowing some municipalities (cities, counties, and ports) to establish Tax Increment Areas (TIAs) to fund public improvements that allow for new private development to occur.[1] Revised Code of Washington (RCW) 39.114 describes the legislative requirements for tax increment financing in Washington. Each TIA must have a clearly defined boundary and a list of public improvement projects to be funded in the area. Some of the property taxes generated by increases in assessed value in a TIA are allocated to the TIA to help pay for the public projects in the area. The result is each TIA redirects some of the taxes that would have been collected by other taxing districts for the TIA projects instead. Revenues generated from the growth in assessed value within a TIA are not restricted by other RCW provisions that would otherwise limit the jurisdiction's levy amount to no more than 101 percent of the prior year's levy authority.

With a TIA, a municipality can borrow money to fund important public projects in an area, and then pay back the cost of those projects with property tax revenues generated by the increased property value of new private development inside the TIA. TIAs can collect property taxes for no more than 25 years. The projects funded by a TIA are intended to stimulate new construction that occurs sooner or with higher values than would otherwise be expected to occur. Thus, some of the property taxes received by TIAs would not exist without the new public projects paid for by the TIA.

When a municipality establishes a TIA, the current value of property in the TIA is "frozen" and called the *base value*. Property taxes paid on the base value are paid as usual to the taxing districts that collect property taxes in the area. Over time, the property values in the TIA are expected to increase. Property value above the base value is called the *increment value*. Some property taxes paid on the increment value are distributed to the TIA, called *tax allocation revenues*. Some taxes, like school district excess levies, are identified in RCW as not impacted by TIAs. Thus, some taxing districts continue to receive taxes paid on the increment value, like usual.

Anticipated Public Improvements

The proposed City of Federal Way (City) TIA includes 233.7 acres and is generally bordered by Interstate 5 to the East, S 312th Street to the North, Highway 99 to the West, and S 330th Street to the South. The development of this area is vital to the City's goal to transform a suburban, auto-centric and non-remarkable area of Federal Way into a distinct, vibrant, and walkable

[1] The tax increment financing program was subsequently amended by house bill 1527 in 2023.

downtown. For this development to occur, the City must complete many significant infrastructure projects, including:

- Public Parking
- Recreation Projects
- Mobility Projects
- Community Building
- Public Safety Projects
- Placemaking Projects

The cost of these projects is estimated to range between $72 and $170 million in 2023 dollars, and tax allocation revenues from the proposed TIA would provide essential funding for these projects. When considering the impacts of inflation and interest on debt, the cost of the public projects would be more than the amount of tax allocation revenues generated in the proposed TIA. The City assumes some of the project costs would need to be paid for by additional funding sources.

Anticipated Private Development

In 2023 the City issued a request for proposals for professional services to prepare a Town Center Master Development Plan for City-owned property that will be a cornerstone project in the City's effort to revitalize the downtown. As a result of this process, the City accepted a proposal from One Trent, a Seattle-based real estate development firm. As of the writing of this report, the City is currently negotiating a development agreement with One Trent, who plan to develop a four-phase mixed-use project within the proposed TIA, including residential opportunities in the form of rental apartments and townhomes for homeownership, retail and office, with an expected taxable value of $472 million (in 2023 dollars). Additional market analysis was completed to identify speculative future development opportunities based on current market conditions. It is estimated that future speculative development in the proposed TIA would result in an additional $1.2 billion (in 2023 dollars) in improvement value being added to the tax rolls over the life of the proposed TIA (by 2049).

Impacts to Taxing Districts

The proposed TIA is forecast to receive $68.9 million in tax allocation revenues over the course of 25 years, ending in 2049. This would result in an equal amount of "foregone" property tax revenues from impacted taxing district levies. However, RCW 84.55.010 allows taxing districts to increase the amount of their levy to account for growth in assessed value inside a TIA. This would result in slightly higher overall levy amounts and tax rates for impacted taxing districts. Thus, the net impact the TIA would have on taxing district levies is $65.0 million, which is less than the total amount of tax allocation revenues received. The proposed TIA would receive tax allocation revenues from the following levies:

- King County: Regular, Lid Lifts, Transportation, Conservation Futures

- County Flood Zone
- County Ferry District
- Port of Seattle: General Fund
- EMS
- Sound Transit
- City of Federal Way
- King County Library System: General Fund
- South King Fire & Rescue (Fire District 39)

The following levies are not impacted by the proposed TIA, and therefore would receive additional property tax revenues from new private development in the proposed TIA as soon as construction is complete:

- State Schools (Part 1 and 2)
- King County Bonds (voted) levy
- Port Bond Fund levy
- Federal Way Public Schools (Maintenance & Operations, Construction, and Bond levies)
- Library GO Bond levy
- Fire District 39 / South King Fire and Rescue (Maintenance & Operations and GO Bond levies)

Economic Impacts

The proposed TIA is expected to generate substantial economic impacts for the local and regional economy. The infrastructure investments supported by the proposed TIA would support a significant level of development, with substantial employment from construction as well as ongoing business activity. The total estimated economic impacts (direct, indirect, and induced) from the construction phase are roughly 4,201 FTE positions and $351.3 million in labor income (2023 dollars).

Following development, the completed structures are expected to generate ongoing impacts to the local and regional economy. Employees at the office and retail spaces are expected to generate income that would circulate in the local economy, supporting additional employment and tax revenues. The overall level of employment in the proposed TIA is estimated at 632 when completed and tenanted.

The remainder of this Report details all assumptions used for the analysis of the potential TIA.

1 Background

1.1 Background and Purpose

The City of Federal Way incorporated as a city in 1990 in response to the community desire to take more control over how the city would develop and grow over time, as opposed to leaving the decisions to King County. Included in that vision was a recognizable downtown. The downtown, or "City Center" does not currently present an identifiable sense of a downtown or urban center. However, things are changing. With a population just over 100,000, the City is actively taking steps to transform itself into a welcoming city in the Puget Sound region, with an identifiable and memorable downtown.

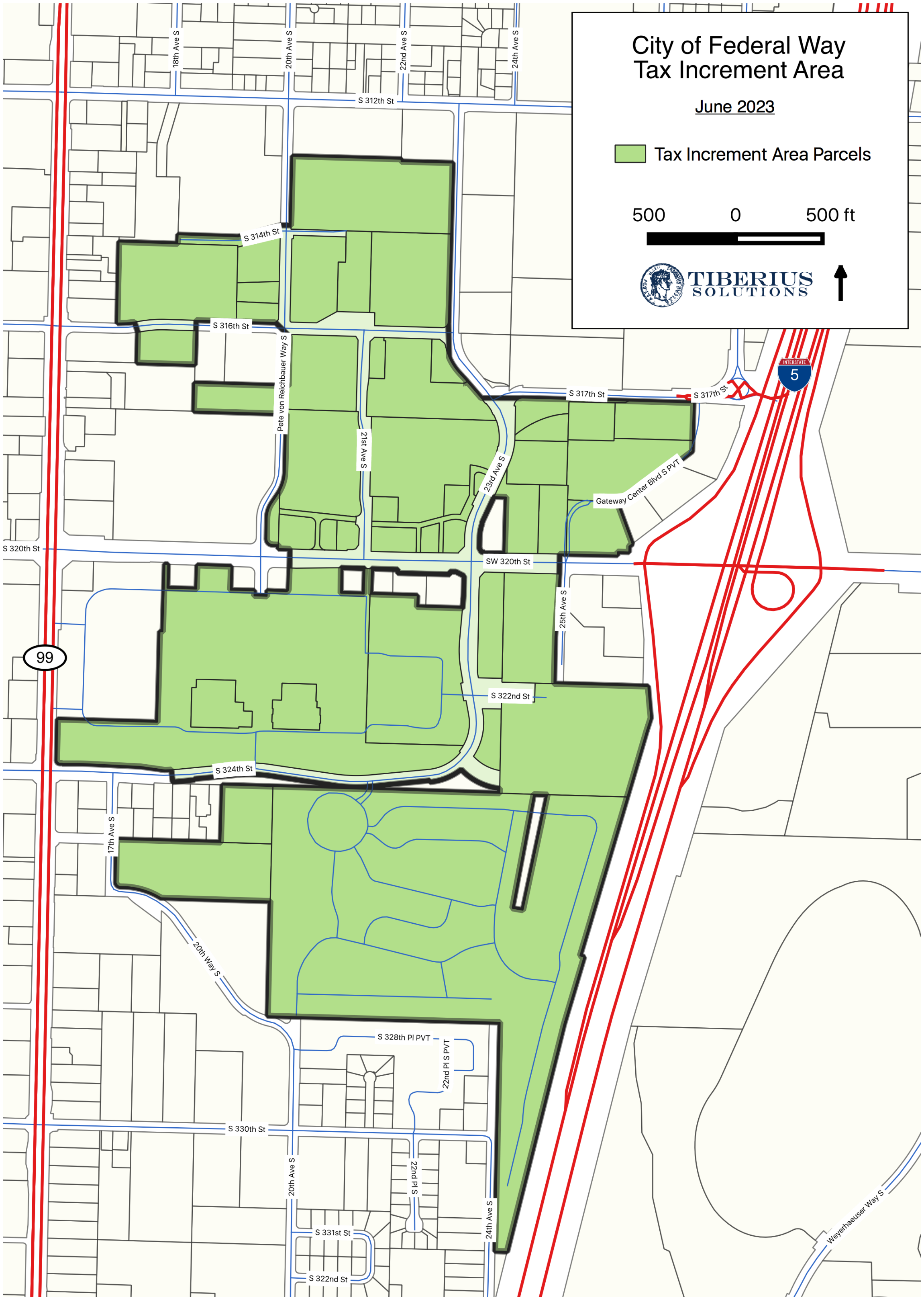
The City has taken initial steps in transforming the City Center into a true downtown for the community. The City built the Performing Arts & Entertainment Center (PAEC) and the Town Square Park as initial cornerstone elements aimed at defining the City Center neighborhood. In 2026, a Sound Transit light rail station will allow residents, employees, and visitors greater transit access to and from the City Center. As part of the station opening, Sound Transit will be selling approximately six acres in this neighborhood for transit-oriented development. The City owns approximately 7.5 acres of redevelopable property east of the PAEC and north of Town Square Park and the Federal Way Transit Center.

The City sees the Town Center as a central gathering place for community where the whole community can congregate and celebrate. Civic and cultural facilities, including the PAEC, park, and open-space system, will meet the needs of residents, employees and visitors. These amenities will connect to the citywide and regional system of open spaces, parks, and trails. Public and private projects will contain design elements such as wayfinding, public art pieces, iconic infrastructure and decorative landscaping.

1.2 Boundary

Exhibit 1 shows a map of the boundary for the proposed Federal Way Tax Increment Area (TIA), including all tax lots included within the boundary. The boundary includes 233.7 acres and is generally bordered by Interstate 5 to the East, S 312th Street to the North, Highway 99 to the West, and S 330th Street to the South. All parcels are zoned City Center Core, City Center-Frame, Community Business, or Multi-Family Residential. Excluding rights-of-way, parcels zoned City Center Core compose 53% of the acreage and 62% of the current taxable assessed real property value. Parcels zoned RM3600 (1 unit/3,600 square feet), a Multi-Family Residential zone, compose 29% of acreage and 21% of taxable assessed value. Parcels zoned City Center Frame compose 14% of acreage and 15% of taxable assessed real property value, and parcels zoned Community Business compose 4% of acreage, and 2% of taxable assessed real property value.

Exhibit 1. Proposed Federal Way TIA Boundary



Source: Tiberius Solutions with data from the King County Assessor's Office

Appendix A provides a list of all 130 tax lots included within the proposed TIA boundary. These properties are located within tax code areas 1202 and 1205. They had a combined appraised value of $216,417,300 and assessed value of $195,802,900 for tax year 2023.

RCW 39.114 establishes limits for the taxable assessed value of all property included within TIAs for a jurisdiction. When the ordinance establishing the TIA is passed, the TIA may not have an assessed valuation of more than $200 million or 20 percent of the total assessed valuation of the City of Federal Way (whichever is less). The total assessed valuation of the City in tax year 2023 was $17,270,222,086, which means that 20 percent of that assessed valuation is $3,454,044,417. Thus, $200 million is the applicable threshold for the maximum amount of assessed value that can be included in the proposed TIA. As stated previously, all of the tax lots within the proposed TIA boundary have a total taxable assessed value of $195,802,900. Thus, the proposed TIA boundary complies with the limitations on assessed value described in RCW. These calculations are shown below in Exhibit 2.

Exhibit 2. Calculations of Limitations on Assessed Value, Proposed Federal Way TIA, Tax Year 2023

Total Assessed Value, City of Federal Way	$ 17,270,222,086
20% of Total Assessed Value	$ 3,454,044,417
Statutory Limit	$ 200,000,000
Assessed Value of TIA	$ 195,802,900
In Compliance with RCW?	Yes
Remaining Capacity	$ 4,197,100

Source: Tiberius Solutions with data provided by the King County Assessor's Office

RCW 39.114 requires the City to identify any property that it intends to acquire within the proposed TIA boundary. At the time of writing this report, the City has not identified any specific properties it intends to acquire within the proposed TIA boundary.

1.3 Objectives

The City has identified the following goal and objectives for the proposed TIA:

Goal

Transform a suburban, auto-centric and non-remarkable area of Federal Way into a distinct, vibrant, and walkable downtown.

Objectives

- Utilize creative funding tools to help achieve the Goal.
- Leverage the regional investment in high-capacity transit; the sale of City-owned property; and, local investment to attract high-quality, private development that will catalyze redevelopment.

- Prioritize walkability and enhanced non-motorized connections. Construct pedestrian-oriented infrastructure improvements that that improve mobility.
- Invest in community gathering areas and placemaking to define the area and create a destination for the community.

2 Anticipated Development

2.1 Public Improvements

The following public improvements may be funded in part or whole by tax allocation revenues generated by the proposed TIA:

A. **Public Parking.** These projects may include:
   - A stand-alone parking garage
   - Public parking integrated into a private garage
   - Shared parking agreements w/ other parties
   - Other equivalent projects that would add parking

B. **Recreation Projects.** These projects may include:
   - New park or park expansion
   - Civic plaza
   - Park improvements
   - Other equivalent projects that would add recreational amenities

C. **Mobility Projects.** These projects may include:
   - S 320th Dip (Dipping S 320th Street under 21st Ave S for a pedestrian/bicycle at-grade crossing)
   - Pedestrian promenade
   - Protected bike lanes
   - Transit shelters
   - Bicycle lockers
   - City Center Access
   - Other equivalent projects that would increase mobility

D. **Community Building.** These projects may include:
   - Public market
   - Senior center
   - City Hall
   - Community Center north
   - Downtown meeting room

- Other equivalent projects that would add an indoor community space to the district

E. Public Safety Projects. These projects may include:

- Improvements to benefit Federal Way Police Department
- Improvements to benefit South King Fire & Rescue
- Improvements to lessen code compliance issues
- Other equivalent projects that would improve public safety

F. Placemaking Projects. These projects may include:

- Gateway features
- Wayfinding signs
- Pedestrian nodes/public spaces
- Public art
- Lighting (e.g. catenary lights, etc.)
- Special street furniture
- Other equivalent projects that would improve placemaking

Exhibit 3 summarizes the estimated cost and prioritization for each of these public improvements. Collectively, these projects are estimated to between \$72 million and \$170 million in 2023 dollars.

Exhibit 3. Public Improvements to be Funded with Tax Allocation Revenues, Proposed Federal Way TIA

		Estimated Project Cost Range (2023$)				
Project			**Low**		**High**	**Priority**
A	Public Parking	$	27,000,000	$	30,000,000	High
B	Recreation	$	10,000,000	$	16,000,000	High
C	Mobility	$	30,000,000	$	60,000,000	Medium
D	Community Building	$	3,000,000	$	60,000,000	Medium
E	Public Safety	$	1,000,000	$	1,000,000	Low
F	Placemaking	$	1,000,000	$	3,000,000	Low
Total		**$**	**72,000,000**	**$**	**170,000,000**	

Source: City of Federal Way

RCW 39.114.020 requires the City to impose a deadline by which commencement of construction of the public improvements shall begin, “which deadline must be at least five years into the future..." Thus, for the proposed Federal Way TIA, the deadline for construction of public improvements to begin is 2028.

2.2 Private Development

In 2023 the City issued a request for proposals for professional services to prepare a Town Center Master Development Plan for City-owned property that will be a cornerstone project in the City's effort to revitalize the downtown. As a result of this process, the City accepted a proposal from One Trent, a Seattle-based real estate development company. As of the writing of this report, the City is currently negotiating a development agreement with One Trent, who plan to develop a four-phase project within the proposed TIA (apartments and office or condos), with an expected taxable value of $472 million (in 2023 dollars).

One Trent intends to apply for the City's Multifamily Tax Exemption (MFTE), which would result in an eight-year tax exemption on eligible value. The City's MFTE program is authorized by RCW 84.14 to incentivize residential construction in urban centers. The City has designated certain "residential targeted areas," where new construction is eligible for MFTE benefits. The proposed TIA overlaps with a designated residential targeted area. To qualify, new construction projects must be located within the designated residential targeted areas, and must include at least 16 new multifamily units. There are no affordability restrictions related to the 8-year exemption. However, to qualify for a 12-year exemption, projects must meet certain thresholds for housing affordability, as described in City code.

This analysis assumes that for Phases 1, 2, and 3 of the One Trent development, over 95% of total taxable value would be eligible for the exemption. This analysis assumes Phase 4 would not be eligible for the exemption. Exhibit 4 summarizes the forecast assessed value from this development.

Exhibit 4. One Trent Development Plan

Phase	Development Type	Completion Year	Taxable Value of Development (2023 $)	MFTE-Eligible Value	Non MFTE-Eligible Value
Phase 1	Apartments	2027	$ 179,827,337	$ 172,312,858	$ 7,514,479
Phase 2	Apartments	2028	$ 110,900,540	$ 107,920,895	$ 2,979,645
Phase 3	Apartments	2030	$ 118,393,420	$ 115,507,471	$ 2,885,949
Phase 4	Condos	2032	$ 63,355,171	$ -	$ 63,355,171
Total			**$ 472,476,468**	**$ 472,476,468**	**$ 472,476,468**

Source: Tiberius Solutions with data and input from the City of Federal Way

Additional market analysis was completed to identify speculative future development opportunities based on current market conditions. The analysis was conducted by Johnson Economics, using proprietary development models to evaluate the likelihood of future development on all tax accounts inside the proposed TIA that were not associated with the One Trent development. The analysis estimated the residual land value of each tax lot, based on zoning and current market conditions. Properties with the lowest ratio of real market value to estimated residual land value were forecast to have the highest likelihood of future development. The likelihood of development for each parcel over the 25-year forecast period ranged from 1% to 22%. Of the 9.4 million square feet of potentially developable or redevelopable properties in the proposed TIA, the analysis estimates 17% would experience new development over the 25-year forecast period, resulting in a total of 5,292 new housing units, and $1.58 billion in speculative new construction value.

The analysis conservatively assumes that no speculative development would occur until the One Trent development has broken ground (estimated 2026). Based on conversations with City staff regarding expectations of the use of the MFTE, this analysis assumes that 80% of new construction value within the proposed TIA would be multifamily, and that 100% of that value would be eligible for the 8-year MFTE. It is estimated that future speculative development in the proposed TIA would result in an additional $1.62 billion in improvement value (in tax year 2023 dollars) being added to the tax rolls over the life of the proposed TIA (construction occurring through 2047, and coming on the tax roll through 2049).

Exhibit 5 summarizes the private development forecast to occur in the proposed TIA, both from One Trent and the speculative development. When new projects complete construction, there is a delay before that increase in assessed value is reflected on the tax roll. This evaluation conservatively assumes that new construction in the proposed TIA is added to the tax roll two years after construction is completed. Property value that qualifies for the MFTE exemption would have an additional eight year delay (ten years after construction is completed) before being added to the tax roll.

Exhibit 5. Summary of Estimated Private Development, Proposed Federal Way TIA (2023 $)

	Taxable Assesed Value (2023 $)	
Year on Tax Roll	OneTrent Development	Speculative Development
2028	$ -	$ 14,819,826
2029	$ 7,514,479	$ 14,819,826
2030	$ 2,979,645	$ 14,819,826
2031	$ -	$ 14,819,826
2032	$ 2,885,949	$ 14,819,826
2033	$ -	$ 14,819,826
2034	$ 63,355,171	$ 14,819,826
2035	$ -	$ 14,819,826
2036	$ -	$ 74,099,129
2037	$ 172,312,858	$ 74,099,129
2038	$ 107,920,895	$ 74,099,129
2039	$ -	$ 74,099,129
2040	$ 115,507,471	$ 74,099,129
2041	$ -	$ 74,099,129
2042	$ -	$ 74,099,129
2043	$ -	$ 74,099,129
2044	$ -	$ 74,099,129
2045	$ -	$ 74,099,129
2046	$ -	$ 74,099,129
2047	$ -	$ 74,099,129
2048	$ -	$ 74,099,129
2049	$ -	$ 74,099,129
Total	**$ 472,476,468**	**$ 1,155,946,409**

Source: Johnson Economics and Tiberius Solutions with data and input from City of Federal Way

2.3 Impact of Public Projects on Private Development

The development assumptions included in this analysis reflect a scenario where the TIA provides funding for a portion of the public projects identified in this report. Without these vital infrastructure improvements, we do not anticipate significant new construction to occur within the proposed TIA boundary in the near future. The private development forecast in this analysis would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future without the proposed public improvements. The increase in assessed value within the increment area that could reasonably be expected to occur without the proposed public improvements would be less than the increase in the assessed value estimated to result from the proposed development with the proposed public improvements.

There are currently no projects in the proposed TIA boundary under construction, or with approved permits for construction. The City-owned property within the boundary is anticipated to be the site best situated for new private construction. The City received six responses to its RFP for a master developer for the City-owned property, and all respondents determined that public investments would be necessary on the part of the City to make private development feasible on the site.

Additional speculative development is not expected to occur in the area until after construction begins on the City-owned property, which would include City investment in public infrastructure and amenities in the area. With these proposed investments in public projects, the City-owned site should act as a catalyst project for private development in the surrounding area, encouraging more private development activity to occur. Even with the projected public improvements, this analysis assumes that only 17% of the properties within the proposed TIA boundary would experience speculative future development over the 25-year life of the proposed TIA.

3 Finance Plan

3.1 Forecast of Tax Allocation Revenues

Tax allocation revenues generated within the proposed TIA would provide a critical source of funding to pay for the public improvements identified in this report. The tax increment area is expected to take effect on June 1, 2024, following the adoption of the ordinance establishing the proposed TIA. Based on this timing, the first year the proposed TIA would be eligible to receive tax allocation revenues is 2025.

The duration of the proposed TIA shall be no more than 25 years after the first year in which tax allocation revenues are collected. This analysis assumes that the final year the proposed TIA would be eligible to receive tax allocation revenues is 2049. In the remainder of this section, the assumptions and methods for forecasting future tax allocation revenues are described.

Determine the Annual Levy Rates

Property tax levies included in the calculation of tax allocation revenues are limited to “regular property taxes” as defined in RCW 84.04.140, except regular property taxes levied by port districts and public utility districts to repay general obligation debt and regular property taxes levied by the state for the support of common schools. Regular property taxes also do not include any levies that are exempt from aggregate limits for junior/senior limits in RCW 84.52.043 or excess property taxes levied by local school districts.

Exhibit 6 shows the regular property tax levies that are included in the calculation of tax allocation revenues for the proposed TIA, and the rates associated with each of these levies in 2023. Although the proposed TIA overlaps two individual tax code areas (1202 and 1205), the property tax levies included in each are the same. This report therefore does not calculate tax allocation revenues nor report values by individual tax code area, but instead groups all tax code areas together.

Exhibit 6. Levies Included in Calculation of Tax Allocation Revenues, Proposed Federal Way TIA, All Tax Code Areas, Tax Year 2023

Taxing District		2023 Levy Rate (Per $1,000 AV)
County-wide regular levy (non-voted)	$	0.481920
AFIS (Fingerprint ID) Lid Lift	$	0.026810
Parks Lid Lift	$	0.171430
Human Srvs/Vets Lid Lift	$	0.078790
Children/Familty Justice Ctr. Lid Lift	$	-
Best Start for Kids Lid Lift	$	0.162970
Radio Communications Lid Lift	$	0.041310
County-wide Transport levy	$	0.037210
County Cons. Futures	$	0.062500
County Flood Zone	$	0.067170
County Ferry District	$	0.007780
Port General Fund	$	0.054730
EMS (voted)	$	0.209220
Sound Transit	$	0.155760
City General Fund	$	0.687290
Library General Fund	$	0.234330
Fire 39 General Fund	$	1.251370
Total	**$**	**3.730590**

Source: Tiberius Solutions with data provided by the King County Assessor's Office

These levy rates are expected to change over time, based on increases in each jurisdiction's levy authority and changes in assessed value of property within those jurisdictions. Historically, these tax rates have decreased over time, as growth in assessed value has outpaced growth in levy authority. This analysis assumes that those historical trends would continue, with rates decreasing over time.

To forecast future changes in tax rates for jurisdictions impacted by the proposed Federal Way TIA, we forecast growth in assessed value for each jurisdiction, distinguishing between growth from appreciation of existing property and growth from new construction. Recent historical trends for assessed value growth in King County have been unsustainably high and are unrealistic to assume will continue for the 25-year duration of the proposed TIA. Instead, we look at long-term historical trends for per capita personal income growth as the basis for forecasting appreciation of existing property values, and we look at forecasts of population growth as the basis for forecasting the increase in assessed value from new construction.

Per capita personal income growth is strongly correlated with growth in property values. Data from the Federal Reserve for personal income growth in King County shows that the five-year rolling average from 1977 to 2012 was between 4.4% to 6.6% per year.[2] Growth has been more rapid over the last decade, but that rapid growth is unlikely to be sustainable in the future. Based on the long-term trends, we assume average annual growth of 5.1% for personal income, and thus 5.1% annual growth in assessed value from appreciation of existing properties for all years of the forecast period.

Assessed value growth from new construction is correlated with population growth. The most recent State Growth Management Act (GMA) population forecasts for King County were conducted in 2022 and cover the period from 2025 to 2050. This forecast calls for gradual slowing of population growth in the County, with an average annual growth rate of 0.9% from 2025 to 2031, 0.8% from 2031 to 2038, 0.7% from 2039 to 2049, and 0.6% in 2049. We apply those same percentage growth assumptions to our forecast of assessed value from new construction countywide (and apply the 0.9% growth rate for the years before this forecast, 2023-2025). This forecast of future growth in assessed value from new construction countywide is not directly tied to forecasts of construction activity within the proposed TIA, as the annual growth in assessed value in the proposed TIA is estimated to be only a fraction of the total forecast countywide in any given year.

Exhibit 7, Exhibit 8, and Exhibit 9 show the forecast of future levy rates applicable for the TIA. The total applicable levy rate for the proposed TIA is forecast to decrease from $3.730590 in 2023 to $1.158518 in 2049. This analysis conservatively assumes that no potential future levies or extensions of current levy lid lifts would be approved by voters.

[2] U.S. Bureau of Economic Analysis, Per Capita Personal Income in King County, WA [PCPI53033], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PCPI53033, June 12, 2023.

Exhibit 7. Forecast of Future Levy Rates, Proposed Federal Way TIA (1 of 3)

Tax Year	County-wide regular levy (non-voted)	AFIS (Fingerprint ID) Lid Lift	Parks Lid Lift	Human Srvs/Vets Lid Lift	Children/ Family Justice Ctr. Lid Lift	Best Start for Kids Lid Lift
2023	$ 0.481920	$ 0.026810	$ 0.171430	$ 0.078790	$ -	$ 0.162970
2024	$ 0.461511	$ 0.025676	$ 0.163327	$ -	$ -	$ 0.155267
2025	$ 0.443665	$ -	$ 0.157011	$ -	$ -	$ 0.149263
2026	$ 0.426504	$ -	$ -	$ -	$ -	$ 0.143490
2027	$ 0.410008	$ -	$ -	$ -	$ -	$ 0.137939
2028	$ 0.394149	$ -	$ -	$ -	$ -	$ -
2029	$ 0.378904	$ -	$ -	$ -	$ -	$ -
2030	$ 0.364248	$ -	$ -	$ -	$ -	$ -
2031	$ 0.350160	$ -	$ -	$ -	$ -	$ -
2032	$ 0.336603	$ -	$ -	$ -	$ -	$ -
2033	$ 0.323572	$ -	$ -	$ -	$ -	$ -
2034	$ 0.311045	$ -	$ -	$ -	$ -	$ -
2035	$ 0.299004	$ -	$ -	$ -	$ -	$ -
2036	$ 0.287428	$ -	$ -	$ -	$ -	$ -
2037	$ 0.276301	$ -	$ -	$ -	$ -	$ -
2038	$ 0.265607	$ -	$ -	$ -	$ -	$ -
2039	$ 0.255316	$ -	$ -	$ -	$ -	$ -
2040	$ 0.245423	$ -	$ -	$ -	$ -	$ -
2041	$ 0.235914	$ -	$ -	$ -	$ -	$ -
2042	$ 0.226773	$ -	$ -	$ -	$ -	$ -
2043	$ 0.217986	$ -	$ -	$ -	$ -	$ -
2044	$ 0.209539	$ -	$ -	$ -	$ -	$ -
2045	$ 0.201419	$ -	$ -	$ -	$ -	$ -
2046	$ 0.193615	$ -	$ -	$ -	$ -	$ -
2047	$ 0.186112	$ -	$ -	$ -	$ -	$ -
2048	$ 0.178900	$ -	$ -	$ -	$ -	$ -
2049	$ 0.171962	$ -	$ -	$ -	$ -	$ -

Source: Tiberius Solutions

Exhibit 8. Forecast of Future Levy Rates, Proposed Federal Way TIA (2 of 3)

Tax Year	Radio Communicat-ions Lid Lift	County-wide Transport levy	County Cons. Futures	County Flood Zone	County Ferry District	Port General Fund
2023	$ 0.041310	$ 0.037210	$ 0.062500	$ 0.067170	$ 0.007780	$ 0.054730
2024	$ 0.039561	$ 0.035634	$ 0.059675	$ 0.064341	$ 0.007452	$ 0.052412
2025	$ -	$ 0.034257	$ 0.057367	$ 0.061853	$ 0.007163	$ 0.050385
2026	$ -	$ 0.032932	$ 0.055148	$ 0.059461	$ 0.006886	$ 0.048437
2027	$ -	$ 0.031658	$ 0.053015	$ 0.057161	$ 0.006620	$ 0.046563
2028	$ -	$ 0.030433	$ 0.050965	$ 0.054950	$ 0.006364	$ 0.044762
2029	$ -	$ 0.029256	$ 0.048993	$ 0.052824	$ 0.006118	$ 0.043031
2030	$ -	$ 0.028125	$ 0.047098	$ 0.050781	$ 0.005881	$ 0.041366
2031	$ -	$ 0.027037	$ 0.045277	$ 0.048817	$ 0.005654	$ 0.039766
2032	$ -	$ 0.025990	$ 0.043524	$ 0.046927	$ 0.005435	$ 0.038227
2033	$ -	$ 0.024984	$ 0.041839	$ 0.045110	$ 0.005224	$ 0.036747
2034	$ -	$ 0.024017	$ 0.040219	$ 0.043364	$ 0.005022	$ 0.035324
2035	$ -	$ 0.023087	$ 0.038662	$ 0.041685	$ 0.004828	$ 0.033957
2036	$ -	$ 0.022193	$ 0.037165	$ 0.040071	$ 0.004641	$ 0.032642
2037	$ -	$ 0.021334	$ 0.035726	$ 0.038520	$ 0.004461	$ 0.031378
2038	$ -	$ 0.020508	$ 0.034344	$ 0.037029	$ 0.004289	$ 0.030164
2039	$ -	$ 0.019714	$ 0.033013	$ 0.035595	$ 0.004122	$ 0.028995
2040	$ -	$ 0.018950	$ 0.031734	$ 0.034215	$ 0.003963	$ 0.027872
2041	$ -	$ 0.018216	$ 0.030504	$ 0.032890	$ 0.003809	$ 0.026792
2042	$ -	$ 0.017510	$ 0.029322	$ 0.031615	$ 0.003661	$ 0.025754
2043	$ -	$ 0.016831	$ 0.028186	$ 0.030390	$ 0.003520	$ 0.024756
2044	$ -	$ 0.016179	$ 0.027094	$ 0.029213	$ 0.003383	$ 0.023797
2045	$ -	$ 0.015552	$ 0.026044	$ 0.028081	$ 0.003252	$ 0.022874
2046	$ -	$ 0.014949	$ 0.025035	$ 0.026993	$ 0.003126	$ 0.021988
2047	$ -	$ 0.014370	$ 0.024065	$ 0.025947	$ 0.003005	$ 0.021136
2048	$ -	$ 0.013813	$ 0.023132	$ 0.024941	$ 0.002889	$ 0.020317
2049	$ -	$ 0.013278	$ 0.022235	$ 0.023974	$ 0.002777	$ 0.019529

Source: Tiberius Solutions

Exhibit 9. Forecast of Future Levy Rates, Proposed Federal Way TIA (3 of 3)

Tax Year	EMS (Voted)	Sound Transit	City General Fund	Library General Fund	Fire 39 General Fund	Total
2023	$ 0.209220	$ 0.155760	$ 0.687290	$ 0.234330	$ 1.251370	**$ 3.730590**
2024	$ 0.200362	$ 0.149187	$ 0.656254	$ 0.224234	$ 1.192334	**$ 3.487226**
2025	$ 0.192614	$ 0.143418	$ 0.631226	$ 0.215564	$ 1.146604	**$ 3.290391**
2026	$ 0.185164	$ 0.137871	$ 0.606811	$ 0.207226	$ 1.102255	**$ 3.012184**
2027	$ 0.178002	$ 0.132538	$ 0.583340	$ 0.199211	$ 1.059621	**$ 2.895675**
2028	$ 0.171117	$ 0.127412	$ 0.560777	$ 0.191506	$ 1.018635	**$ 2.651069**
2029	$ 0.164498	$ 0.122483	$ 0.539108	$ 0.184099	$ 0.979259	**$ 2.548573**
2030	$ 0.158136	$ 0.117746	$ 0.518286	$ 0.176978	$ 0.941415	**$ 2.450061**
2031	$ 0.152019	$ 0.113192	$ 0.498262	$ 0.170133	$ 0.905027	**$ 2.355344**
2032	$ 0.146134	$ 0.108810	$ 0.478990	$ 0.163546	$ 0.870008	**$ 2.264194**
2033	$ 0.140476	$ 0.104597	$ 0.460466	$ 0.157215	$ 0.836348	**$ 2.176579**
2034	$ 0.135038	$ 0.100548	$ 0.442656	$ 0.151128	$ 0.803987	**$ 2.092347**
2035	$ 0.129810	$ 0.096655	$ 0.425602	$ 0.145278	$ 0.772952	**$ 2.011520**
2036	$ 0.124785	$ 0.092913	$ 0.409140	$ 0.139654	$ 0.743043	**$ 1.933675**
2037	$ 0.119954	$ 0.089316	$ 0.393372	$ 0.134248	$ 0.714355	**$ 1.858966**
2038	$ 0.115311	$ 0.085860	$ 0.378372	$ 0.129053	$ 0.686950	**$ 1.787486**
2039	$ 0.110844	$ 0.082533	$ 0.363872	$ 0.124053	$ 0.660507	**$ 1.718563**
2040	$ 0.106548	$ 0.079335	$ 0.349835	$ 0.119246	$ 0.634980	**$ 1.652101**
2041	$ 0.102420	$ 0.076261	$ 0.336432	$ 0.114627	$ 0.610542	**$ 1.588407**
2042	$ 0.098452	$ 0.073306	$ 0.323453	$ 0.110185	$ 0.586945	**$ 1.526977**
2043	$ 0.094637	$ 0.070466	$ 0.310974	$ 0.105916	$ 0.564260	**$ 1.467921**
2044	$ 0.090970	$ 0.067735	$ 0.298975	$ 0.101812	$ 0.542451	**$ 1.411148**
2045	$ 0.087445	$ 0.065111	$ 0.287440	$ 0.097867	$ 0.521485	**$ 1.356571**
2046	$ 0.084056	$ 0.062588	$ 0.276349	$ 0.094075	$ 0.501329	**$ 1.304103**
2047	$ 0.080799	$ 0.060163	$ 0.265686	$ 0.090430	$ 0.481952	**$ 1.253665**
2048	$ 0.077668	$ 0.057831	$ 0.255434	$ 0.086926	$ 0.463323	**$ 1.205176**
2049	$ 0.074656	$ 0.055588	$ 0.245568	$ 0.083555	$ 0.445397	**$ 1.158518**

Source: Tiberius Solutions

Forecast Future Assessed Value in TIA

Future growth in assessed value in the proposed TIA would come from new construction and the appreciation of existing property. This report assumes 5.1% annual growth assessed value for existing property value, based on long-term trends in personal income for King County as described above.

As stated previously, much of the new construction forecast to occur in the proposed TIA is predicated on City providing adequate infrastructure, including some of the projects identified in this report. The expected increases in assessed value from new construction anticipated to occur in the proposed TIA over its lifetime were shown previously in Exhibit 5.

Exhibit 10 summarizes all of the anticipated increases in assessed value from new construction, including known development and speculative development. This exhibit includes the value of new development in both constant 2023 dollars and nominal dollars, which account for appreciation of property values between now and when the projects complete construction.[3] Assuming annual appreciation of 5.1% as described above, the total increase in assessed value from new construction in estimated to be $1.6 billion constant 2023 dollars, and $3.8 billion in nominal dollars.

Exhibit 10. Assessed Value from New Construction, Proposed Federal Way TIA

Year on Tax Roll	Taxable Assesed Value (2023 $)			Taxable Assesed Value (Nominal $)		
	OneTrent Development	Speculative Development	Total	OneTrent Development	Speculative Development	Total
2028	$ -	$ 14,819,826	**$ 14,819,826**	$ -	$ 18,082,312	**$ 18,082,312**
2029	$ 7,514,479	$ 14,819,826	**$ 22,334,305**	$ 9,636,348	$ 19,004,510	**$ 28,640,858**
2030	$ 2,979,645	$ 14,819,826	**$ 17,799,471**	$ 4,015,881	$ 19,973,740	**$ 23,989,621**
2031	$ -	$ 14,819,826	**$ 14,819,826**	$ -	$ 20,992,401	**$ 20,992,401**
2032	$ 2,885,949	$ 14,819,826	**$ 17,705,774**	$ 4,296,456	$ 22,063,013	**$ 26,359,469**
2033	$ -	$ 14,819,826	**$ 14,819,826**	$ -	$ 23,188,227	**$ 23,188,227**
2034	$ 63,355,171	$ 14,819,826	**$ 78,174,997**	$ 104,185,967	$ 24,370,826	**$ 128,556,794**
2035	$ -	$ 14,819,826	**$ 14,819,826**	$ -	$ 25,613,739	**$ 25,613,739**
2036	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 134,600,197	**$ 134,600,197**
2037	$ 172,312,858	$ 74,099,129	**$ 246,411,986**	$ 328,967,499	$ 141,464,807	**$ 470,432,306**
2038	$ 107,920,895	$ 74,099,129	**$ 182,020,023**	$ 216,542,707	$ 148,679,512	**$ 365,222,218**
2039	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 156,262,167	**$ 156,262,167**
2040	$ 115,507,471	$ 74,099,129	**$ 189,606,600**	$ 256,007,998	$ 164,231,537	**$ 420,239,535**
2041	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 172,607,346	**$ 172,607,346**
2042	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 181,410,320	**$ 181,410,320**
2043	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 190,662,247	**$ 190,662,247**
2044	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 200,386,021	**$ 200,386,021**
2045	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 210,605,708	**$ 210,605,708**
2046	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 221,346,600	**$ 221,346,600**
2047	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 232,635,276	**$ 232,635,276**
2048	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 244,499,675	**$ 244,499,675**
2049	$ -	$ 74,099,129	**$ 74,099,129**	$ -	$ 256,969,159	**$ 256,969,159**
Total	**$ 472,476,468**	**$ 1,155,946,409**	**$ 1,628,422,877**	**$ 923,652,856**	**$ 2,829,649,340**	**$ 3,753,302,196**

Source: Tiberius Solutions with data and input from the City of Federal Way and Johnson Economics

In addition to increases in assessed value from new construction, all property values in the proposed TIA are estimated to increase by 5.1% per year from appreciation. Exhibit 11 summarizes the forecast total growth in assessed value in the TIA from new construction and appreciation.

[3] Note that no additional inflation is assumed between the date the construction is completed and the date the increased value appears on the tax roll based on conversations with county assessors in Washington.

Exhibit 11. Assessed Value Forecast, Proposed Federal Way TIA (Nominal $)

Tax Year	Prior Year	PLUS: Appreciation of Existing Property	PLUS: New Construction	Total
2023				**$ 195,802,900**
2024	$ 195,802,900	$ 9,985,948	$ -	**$ 205,788,848**
2025	$ 205,788,848	$ 10,495,231	$ -	**$ 216,284,079**
2026	$ 216,284,079	$ 11,030,488	$ -	**$ 227,314,567**
2027	$ 227,314,567	$ 11,593,043	$ -	**$ 238,907,610**
2028	$ 238,907,610	$ 12,184,288	$ 18,082,312	**$ 269,174,210**
2029	$ 269,174,210	$ 13,727,885	$ 28,640,858	**$ 311,542,953**
2030	$ 311,542,953	$ 15,888,691	$ 23,989,621	**$ 351,421,265**
2031	$ 351,421,265	$ 17,922,485	$ 20,992,401	**$ 390,336,151**
2032	$ 390,336,151	$ 19,907,144	$ 26,359,469	**$ 436,602,764**
2033	$ 436,602,764	$ 22,266,741	$ 23,188,227	**$ 482,057,732**
2034	$ 482,057,732	$ 24,584,944	$ 128,556,794	**$ 635,199,470**
2035	$ 635,199,470	$ 32,395,173	$ 25,613,739	**$ 693,208,382**
2036	$ 693,208,382	$ 35,353,627	$ 134,600,197	**$ 863,162,206**
2037	$ 863,162,206	$ 44,021,273	$ 470,432,306	**$ 1,377,615,785**
2038	$ 1,377,615,785	$ 70,258,405	$ 365,222,218	**$ 1,813,096,408**
2039	$ 1,813,096,408	$ 92,467,917	$ 156,262,167	**$ 2,061,826,492**
2040	$ 2,061,826,492	$ 105,153,151	$ 420,239,535	**$ 2,587,219,178**
2041	$ 2,587,219,178	$ 131,948,178	$ 172,607,346	**$ 2,891,774,702**
2042	$ 2,891,774,702	$ 147,480,510	$ 181,410,320	**$ 3,220,665,532**
2043	$ 3,220,665,532	$ 164,253,942	$ 190,662,247	**$ 3,575,581,721**
2044	$ 3,575,581,721	$ 182,354,668	$ 200,386,021	**$ 3,958,322,410**
2045	$ 3,958,322,410	$ 201,874,443	$ 210,605,708	**$ 4,370,802,561**
2046	$ 4,370,802,561	$ 222,910,931	$ 221,346,600	**$ 4,815,060,092**
2047	$ 4,815,060,092	$ 245,568,065	$ 232,635,276	**$ 5,293,263,433**
2048	$ 5,293,263,433	$ 269,956,435	$ 244,499,675	**$ 5,807,719,543**
2049	$ 5,807,719,543	$ 296,193,697	$ 256,969,159	**$ 6,360,882,399**

Note: Dollar values in this summary exhibit may differ than other exhibits in the report due to rounding
Source: Tiberius Solutions

Forecast of Tax Allocation Revenues

Exhibit 12 shows the forecast of annual tax allocation revenues, combining the forecasts of future assessed value in the proposed TIA and applicable tax rates. Annual tax allocation revenues are expected to be $34,533 in 2025, increasing to over $7.1 million in its final year in 2049. Total tax allocation revenue over 25 years is expected to equal $68.9 million.

Exhibit 12. Tax Allocation Revenues, Proposed Federal Way TIA (Nominal $)

Tax Year	Assessed Value Total	Base Value	Increment	Levy Rate	Tax Allocation Revenues
2023	$ 195,802,900	$ -	$ -	$ -	$ -
2024	$ 205,788,848	$ 205,788,848	$ -	$ -	$ -
2025	$ 216,284,079	$ 205,788,848	$ 10,495,231	$ 3.290400	$ 34,533
2026	$ 227,314,567	$ 205,788,848	$ 21,525,719	$ 3.012200	$ 64,839
2027	$ 238,907,610	$ 205,788,848	$ 33,118,762	$ 2.895700	$ 95,901
2028	$ 269,174,210	$ 205,788,848	$ 63,385,362	$ 2.651100	$ 168,039
2029	$ 311,542,953	$ 205,788,848	$ 105,754,105	$ 2.548600	$ 269,522
2030	$ 351,421,265	$ 205,788,848	$ 145,632,417	$ 2.450100	$ 356,808
2031	$ 390,336,150	$ 205,788,848	$ 184,547,302	$ 2.355300	$ 434,672
2032	$ 436,602,762	$ 205,788,848	$ 230,813,914	$ 2.264200	$ 522,608
2033	$ 482,057,730	$ 205,788,848	$ 276,268,882	$ 2.176600	$ 601,321
2034	$ 635,199,468	$ 205,788,848	$ 429,410,620	$ 2.092300	$ 898,476
2035	$ 693,208,380	$ 205,788,848	$ 487,419,532	$ 2.011500	$ 980,454
2036	$ 863,162,204	$ 205,788,848	$ 657,373,356	$ 1.933700	$ 1,271,146
2037	$ 1,377,615,782	$ 205,788,848	$ 1,171,826,934	$ 1.859000	$ 2,178,386
2038	$ 1,813,096,405	$ 205,788,848	$ 1,607,307,557	$ 1.787500	$ 2,873,039
2039	$ 2,061,826,488	$ 205,788,848	$ 1,856,037,640	$ 1.718600	$ 3,189,718
2040	$ 2,587,219,174	$ 205,788,848	$ 2,381,430,326	$ 1.652100	$ 3,934,363
2041	$ 2,891,774,698	$ 205,788,848	$ 2,685,985,850	$ 1.588400	$ 4,266,440
2042	$ 3,220,665,528	$ 205,788,848	$ 3,014,876,680	$ 1.527000	$ 4,603,647
2043	$ 3,575,581,717	$ 205,788,848	$ 3,369,792,869	$ 1.467900	$ 4,946,590
2044	$ 3,958,322,406	$ 205,788,848	$ 3,752,533,558	$ 1.411100	$ 5,295,382
2045	$ 4,370,802,557	$ 205,788,848	$ 4,165,013,709	$ 1.356600	$ 5,650,136
2046	$ 4,815,060,087	$ 205,788,848	$ 4,609,271,239	$ 1.304100	$ 6,010,966
2047	$ 5,293,263,427	$ 205,788,848	$ 5,087,474,579	$ 1.253700	$ 6,377,987
2048	$ 5,807,719,537	$ 205,788,848	$ 5,601,930,689	$ 1.205200	$ 6,751,314
2049	$ 6,360,882,392	$ 205,788,848	$ 6,155,093,544	$ 1.158500	$ 7,130,790
Total					**$ 68,907,079**

Source: Tiberius Solutions

Factors Affecting the Accuracy of the Forecast

The biggest factor affecting the accuracy of the tax allocation revenues forecast is the value and timing of new construction in the proposed TIA. The amount of future tax allocation revenues is, in part, dependent upon new construction. If that construction occurs on a different schedule, or with different values than has been assumed, it could impact the accuracy of the forecast.

In addition to the timing and value of new construction, actual tax allocation revenues for the proposed TIA would depend upon the actual appreciation/depreciation in assessed value in the area as well as the actual levy rates imposed. There is significant uncertainty with these factors over the next 25 years. However, these factors are related in ways that help to provide some confidence for this forecast. Changes in property values in the proposed TIA from appreciation/depreciation are likely to follow a similar pattern to changes in property values from appreciation/depreciation countywide. And, those countywide changes in appreciation/depreciation would determine annual changes in the levy rates imposed.

If property values increase faster than forecasted, it would result in lower levy rates and a similar forecast of annual tax allocation revenues. Similarly, if property values increase slower than forecasted (or decrease), it would result in higher levy rates and a similar forecast of annual tax allocation revenues.

The accuracy of the tax allocation revenues forecast is more impacted by the **relative** growth in assessed value within the proposed TIA versus countywide. In theory, rates of appreciation/depreciation in these two geographies should be similar over time. However, if they do differ, it has the potential to significantly impact the tax allocation revenues forecast. If properties within the proposed TIA appreciate faster than the county as a whole, it would lead to more tax allocation revenues than what is forecasted. Conversely, if properties within the proposed TIA appreciate slower than the county as a whole, it would lead to less tax allocation revenues than what is forecasted.

Impact on Overlapping Tax Levies

Tax allocation revenues are generated through the reallocation of tax levies. In other words, the financial impact of the proposed TIA is primarily borne by the affected, overlapping taxing districts. These impacts occur as "foregone" tax revenues. Thus, these jurisdictions are not losing revenue relative to what they collect today, but instead these districts would temporarily forego the future increase in revenue generated within the proposed TIA. Once the proposed TIA ceases to collect tax allocation revenues (limited to no more than 25 years), then these impacted jurisdictions would begin to receive the full amount of annual taxes from the new construction that has occurred within the proposed TIA.

RCW 84.55.010 allows taxing districts to increase the amount of their levy to account for growth in assessed value inside a TIA. This would result in slightly higher overall levy amounts and tax rates for impacted taxing districts. Thus, the net impact the TIA would have on taxing district levies is less than the total amount of tax allocation revenues received.

Exhibit 13 summarizes the annual tax revenues forecast to be foregone by the affected taxing districts. All jurisdictions are collectively expected to forego $65,015,961 in tax revenue over the life of the proposed TIA. While this is a significant amount of foregone tax revenues, it is not expected that much of this private development could or would occur within this area without the public investments proposed to be funded by the proposed TIA. Thus, a portion of these foregone revenues likely would not exist but for the investments made by the proposed TIA. Following the expiration of the proposed TIA, these revenues would be redirected to the overlapping taxing districts.

Exhibit 13. Impact on Overlapping Tax Levies, Proposed Federal Way TIA (Nominal $) (1 of 3)

Tax Year	County-Wide Regular Levy (Non-Voted)	AFIS (Fingerprint ID) Lid Lift	Parks Lid Lift	Human Srvs/Vets Lid Lift	Children/ Family Justice Ctr. Lid Lift	Best Start for Kids Lid Lift
2023	$ -	$ -	$ -	$ -	$ -	$ -
2024	$ -	$ -	$ -	$ -	$ -	$ -
2025	$ 187	$ -	$ 66	$ -	$ -	$ 63
2026	$ (4,243)	$ -	$ -	$ -	$ -	$ (1,428)
2027	$ (8,546)	$ -	$ -	$ -	$ -	$ (2,875)
2028	$ (19,853)	$ -	$ -	$ -	$ -	$ -
2029	$ (34,478)	$ -	$ -	$ -	$ -	$ -
2030	$ (46,792)	$ -	$ -	$ -	$ -	$ -
2031	$ (57,800)	$ -	$ -	$ -	$ -	$ -
2032	$ (70,372)	$ -	$ -	$ -	$ -	$ -
2033	$ (81,485)	$ -	$ -	$ -	$ -	$ -
2034	$ (125,131)	$ -	$ -	$ -	$ -	$ -
2035	$ (135,112)	$ -	$ -	$ -	$ -	$ -
2036	$ (177,734)	$ -	$ -	$ -	$ -	$ -
2037	$ (310,385)	$ -	$ -	$ -	$ -	$ -
2038	$ (406,646)	$ -	$ -	$ -	$ -	$ -
2039	$ (448,312)	$ -	$ -	$ -	$ -	$ -
2040	$ (556,417)	$ -	$ -	$ -	$ -	$ -
2041	$ (599,878)	$ -	$ -	$ -	$ -	$ -
2042	$ (647,248)	$ -	$ -	$ -	$ -	$ -
2043	$ (695,395)	$ -	$ -	$ -	$ -	$ -
2044	$ (744,334)	$ -	$ -	$ -	$ -	$ -
2045	$ (794,081)	$ -	$ -	$ -	$ -	$ -
2046	$ (844,652)	$ -	$ -	$ -	$ -	$ -
2047	$ (896,061)	$ -	$ -	$ -	$ -	$ -
2048	$ (948,323)	$ -	$ -	$ -	$ -	$ -
2049	$ (1,001,469)	$ -	$ -	$ -	$ -	$ -
Total	**$ (9,654,558)**	**$ -**	**$ 66**	**$ -**	**$ -**	**$ (4,240)**

Source: Tiberius Solutions

Exhibit 14. Impact on Overlapping Tax Levies, Proposed Federal Way TIA (Nominal $) (2 of 3)

Tax Year	Radio Communicat-ions Lid Lift	County-wide Transport Levy	County Cons. Futures	County Flood Zone	County Ferry District	Port General Fund
2023	$ -	$ -	$ -	$ -	$ -	$ -
2024	$ -	$ -	$ -	$ -	$ -	$ -
2025	$ -	$ 14	$ 24	$ 26	$ 3	$ 21
2026	$ -	$ (328)	$ (549)	$ (592)	$ (69)	$ (482)
2027	$ -	$ (660)	$ (1,105)	$ (1,191)	$ (138)	$ (971)
2028	$ -	$ (1,533)	$ (2,567)	$ (2,768)	$ (321)	$ (2,255)
2029	$ -	$ (2,662)	$ (4,458)	$ (4,807)	$ (557)	$ (3,916)
2030	$ -	$ (3,613)	$ (6,050)	$ (6,523)	$ (756)	$ (5,314)
2031	$ -	$ (4,463)	$ (7,474)	$ (8,058)	$ (933)	$ (6,564)
2032	$ -	$ (5,434)	$ (9,099)	$ (9,811)	$ (1,136)	$ (7,992)
2033	$ -	$ (6,292)	$ (10,536)	$ (11,360)	$ (1,316)	$ (9,254)
2034	$ -	$ (9,662)	$ (16,180)	$ (17,445)	$ (2,020)	$ (14,211)
2035	$ -	$ (10,432)	$ (17,470)	$ (18,836)	$ (2,182)	$ (15,344)
2036	$ -	$ (13,723)	$ (22,981)	$ (24,779)	$ (2,870)	$ (20,185)
2037	$ -	$ (23,966)	$ (40,134)	$ (43,272)	$ (5,011)	$ (35,249)
2038	$ -	$ (31,398)	$ (52,580)	$ (56,692)	$ (6,566)	$ (46,181)
2039	$ -	$ (34,615)	$ (57,968)	$ (62,501)	$ (7,238)	$ (50,913)
2040	$ -	$ (42,962)	$ (71,946)	$ (77,572)	$ (8,984)	$ (63,190)
2041	$ -	$ (46,318)	$ (77,566)	$ (83,632)	$ (9,686)	$ (68,126)
2042	$ -	$ (49,976)	$ (83,691)	$ (90,236)	$ (10,451)	$ (73,506)
2043	$ -	$ (53,693)	$ (89,917)	$ (96,948)	$ (11,228)	$ (78,973)
2044	$ -	$ (57,472)	$ (96,245)	$ (103,771)	$ (12,018)	$ (84,531)
2045	$ -	$ (61,313)	$ (102,677)	$ (110,707)	$ (12,821)	$ (90,181)
2046	$ -	$ (65,218)	$ (109,216)	$ (117,757)	$ (13,638)	$ (95,924)
2047	$ -	$ (69,187)	$ (115,863)	$ (124,924)	$ (14,468)	$ (101,762)
2048	$ -	$ (73,223)	$ (122,621)	$ (132,210)	$ (15,312)	$ (107,698)
2049	$ -	$ (77,326)	$ (129,493)	$ (139,620)	$ (16,170)	$ (113,733)
Total	**$ -**	**$ (745,454)**	**$ (1,248,362)**	**$ (1,345,985)**	**$ (155,883)**	**$ (1,096,433)**

Source: Tiberius Solutions

Exhibit 15. Impact on Overlapping Tax Levies, Proposed Federal Way TIA (Nominal $) (3 of 3)

Tax Year	EMS (Voted)	Sound Transit	City General Fund	Library General Fund	Fire 39 General Fund	Total
2023	$ -	$ -	$ -	$ -	$ -	**$ -**
2024	$ -	$ -	$ -	$ -	$ -	**$ -**
2025	$ 81	$ 61	$ 263	$ 91	$ 480	**$ 1,381**
2026	$ (1,842)	$ (1,372)	$ (6,037)	$ (2,062)	$ (10,967)	**$ (29,969)**
2027	$ (3,710)	$ (2,763)	$ (12,159)	$ (4,152)	$ (22,086)	**$ (60,356)**
2028	$ (8,619)	$ (6,418)	$ (28,246)	$ (9,646)	$ (51,308)	**$ (133,532)**
2029	$ (14,968)	$ (11,145)	$ (49,055)	$ (16,752)	$ (89,106)	**$ (231,903)**
2030	$ (20,314)	$ (15,126)	$ (66,580)	$ (22,735)	$ (120,936)	**$ (314,739)**
2031	$ (25,093)	$ (18,684)	$ (82,247)	$ (28,083)	$ (149,391)	**$ (388,791)**
2032	$ (30,551)	$ (22,748)	$ (100,140)	$ (34,192)	$ (181,888)	**$ (473,362)**
2033	$ (35,376)	$ (26,341)	$ (115,960)	$ (39,591)	$ (210,619)	**$ (548,130)**
2034	$ (54,325)	$ (40,450)	$ (178,078)	$ (60,798)	$ (323,439)	**$ (841,737)**
2035	$ (58,658)	$ (43,676)	$ (192,321)	$ (65,647)	$ (349,279)	**$ (908,958)**
2036	$ (77,162)	$ (57,454)	$ (252,997)	$ (86,356)	$ (459,469)	**$ (1,195,709)**
2037	$ (134,751)	$ (100,334)	$ (441,902)	$ (150,808)	$ (802,481)	**$ (2,088,294)**
2038	$ (176,542)	$ (131,452)	$ (579,309)	$ (197,580)	$ (1,051,744)	**$ (2,736,691)**
2039	$ (194,631)	$ (144,921)	$ (638,945)	$ (217,826)	$ (1,159,810)	**$ (3,017,681)**
2040	$ (241,564)	$ (179,867)	$ (793,147)	$ (270,353)	$ (1,439,622)	**$ (3,745,626)**
2041	$ (260,433)	$ (193,916)	$ (855,498)	$ (291,471)	$ (1,552,500)	**$ (4,039,023)**
2042	$ (280,998)	$ (209,229)	$ (923,202)	$ (314,488)	$ (1,675,254)	**$ (4,358,276)**
2043	$ (301,900)	$ (224,793)	$ (992,049)	$ (337,882)	$ (1,800,059)	**$ (4,682,837)**
2044	$ (323,147)	$ (240,613)	$ (1,062,051)	$ (361,662)	$ (1,926,939)	**$ (5,012,783)**
2045	$ (344,744)	$ (256,695)	$ (1,133,228)	$ (385,834)	$ (2,055,936)	**$ (5,348,218)**
2046	$ (366,699)	$ (273,042)	$ (1,205,603)	$ (410,407)	$ (2,187,089)	**$ (5,689,245)**
2047	$ (389,018)	$ (289,660)	$ (1,279,199)	$ (435,387)	$ (2,320,439)	**$ (6,035,969)**
2048	$ (411,707)	$ (306,555)	$ (1,354,038)	$ (460,781)	$ (2,456,026)	**$ (6,388,494)**
2049	$ (434,780)	$ (323,735)	$ (1,430,162)	$ (486,605)	$ (2,593,926)	**$ (6,747,019)**
Total	**$ (4,191,454)**	**$ (3,120,926)**	**$ (13,771,889)**	**$ (4,691,009)**	**$ (24,989,833)**	**$ (65,015,961)**

Source: Tiberius Solutions

Not all overlapping taxing districts would be impacted by the proposed TIA. The following property tax levies would be **excluded** from the calculation of tax allocation revenues:

- State Schools (Part 1 and 2)
- King County Bonds (voted) levy
- Port Bond Fund levy
- Federal Way Public Schools (Maintenance & Operations, Construction, and Bond levies)
- Library GO Bond levy
- Fire District 39/ South King Fire and Rescue (Maintenance & Operations and GO Bond levies)

All taxing districts listed above, whose rates would be **excluded** in the calculation of tax allocation revenues would not experience any foregone revenues from the proposed TIA. This includes the Federal Way Public Schools. For these jurisdictions, the proposed TIA would generate increased property tax revenues once the anticipated private development comes on the tax roll, or would reduce the property tax rate needed to produce the authorized levy amount.

3.2 Proposed Indebtedness

To finance the public improvements identified in this report, the City anticipates issuing limited tax general obligation bonds. These bonds would be secured by a pledge of the City's full faith and credit, including its regular property tax levy, and would be subject to statutory limitations and constraints on general obligation indebtedness.

City staff have identified two highest-priority projects that would need funding early in the life of the TIA to facilitate Phase 1 development of the One Trent project: a public parking garage, and a civic plaza. Combined, these projects are currently estimated to cost $36,000,000. This analysis assumes One Trent would pay the City $10,000,000 to acquire the Town Center property and a $4.8 million interfund loan on that property would be extinguished; therefore, the project funds needed would be $30,800,000. The calculation of estimated funding requirements for the proposed initial TIA borrowing is shown in Exhibit 16.

Exhibit 16. Estimated Project Funding Requirements for Initial Indebtedness, Proposed Federal Way TIA (nominal $)

Project		Funding Requirement
Parking Garage	$	30,000,000
Civic Plaza	$	6,000,000
Interfund Loan Repayment	$	4,800,000
Developer Contribution	$	(10,000,000)
Total	**$**	**30,800,000**

Source: City of Federal Way

The actual terms of indebtedness are uncertain and would be based upon the ultimate timing and amount of indebtedness the City chooses to incur, tax allocation revenues collected, and financial market conditions at the time of issuance. For the purposes of this analysis, the City consulted with their municipal financial advisors, PFM to estimate terms of indebtedness based upon current market conditions and the proposed timing and amount of future indebtedness. Key terms of the proposed indebtedness are shown in Exhibit 17. The proposed financing terms are based on the assumption that the debt would be tax-exempt, including interest rates as of 7/12/2023 plus 50 basis points. Appendix C includes an evaluation of an alternative finance plan with more conservative assumptions, assuming that the debt is taxable.

Exhibit 17. Estimated Terms of Indebtedness for Proposed Federal Way TIA Public Improvements (nominal $)

	Series 2024
Closing Month	December 2024
Taxable Status	Exempt
True Interest Cost	4.67%
Aggregate Par (Principal)	$ 29,630,000
Project Funds from Bond Proceeds	$ 30,800,000

Source: PFM Financial Advisors LLC

The public improvements within the Proposed TIA are anticipated to be funded through limited tax general obligation bonds, which are constrained by the City's statutory capacity for non-voted general obligation indebtedness. Exhibit 18 shows the calculated statutory authority for non-voted general obligation indebtedness for the City in 2023, estimated to be $257,137,929. The City has $27,983,000 of outstanding non-voted general obligation indebtedness, and a cash reserve of 363,121 resulting in $229,518,050 of remaining debt capacity. This remaining capacity is substantially larger than the amount of indebtedness being contemplated by the City for the proposed TIA.

Exhibit 18. Statutory Authority for Non-Voted General Obligation Indebtedness, City of Federal Way, 2023

Total Assessed Value	$ 17,142,528,580
Limit: Percent	1.50%
Limit: Amount	$ 257,137,929
Add Cash Reserve	$ 363,121
Less Outstanding Principal	$ (27,983,000)
Remaining Capacity	**$ 229,518,050**

Source: City of Federal Way

Based on the assumed terms of indebtedness shown in Exhibit 17, the City's financial advisors have estimated annual debt service payments as shown in Exhibit 19. Annual payments are assumed to be interest only for the first 15 years, with principal payments being amortized over the final 10 years of the TIA. This structure is intended to better align the projected debt service payments with tax allocation revenues, given the delayed growth in tax revenues due to the expectation that new construction in the area will qualify for the eight-year property tax exemption through the MFTE program. While this approach results in a higher overall cost of interest to the City, it is the City's preferred approach at this time, due to minimizing the amount of general fund resources needed to cover debt service.

Exhibit 19. Estimated Debt Service Payments, LTGO Debt for Proposed Federal Way TIA Public Projects (Nominal $)

Year	Principal	Interest	Total
2025	$ -	$ 1,481,500	**$ 1,481,500**
2026	$ -	$ 1,481,500	**$ 1,481,500**
2027	$ -	$ 1,481,500	**$ 1,481,500**
2028	$ -	$ 1,481,500	**$ 1,481,500**
2029	$ -	$ 1,481,500	**$ 1,481,500**
2030	$ -	$ 1,481,500	**$ 1,481,500**
2031	$ -	$ 1,481,500	**$ 1,481,500**
2032	$ -	$ 1,481,500	**$ 1,481,500**
2033	$ -	$ 1,481,500	**$ 1,481,500**
2034	$ -	$ 1,481,500	**$ 1,481,500**
2035	$ -	$ 1,481,500	**$ 1,481,500**
2036	$ -	$ 1,481,500	**$ 1,481,500**
2037	$ -	$ 1,481,500	**$ 1,481,500**
2038	$ -	$ 1,481,500	**$ 1,481,500**
2039	$ -	$ 1,481,500	**$ 1,481,500**
2040	$ 935,000	$ 1,481,500	**$ 2,416,500**
2041	$ 1,315,000	$ 1,434,750	**$ 2,749,750**
2042	$ 1,720,000	$ 1,369,000	**$ 3,089,000**
2043	$ 2,145,000	$ 1,283,000	**$ 3,428,000**
2044	$ 2,605,000	$ 1,175,750	**$ 3,780,750**
2045	$ 3,085,000	$ 1,045,500	**$ 4,130,500**
2046	$ 3,600,000	$ 891,250	**$ 4,491,250**
2047	$ 4,150,000	$ 711,250	**$ 4,861,250**
2048	$ 4,730,000	$ 503,750	**$ 5,233,750**
2049	$ 5,345,000	$ 267,250	**$ 5,612,250**
Total	**$ 29,630,000**	**$ 32,385,500**	**$ 62,015,500**

Source: PFM Financial Advisors LLC

Exhibit 20 shows the combination of revenue sources expected to cover the debt service payments. It is expected that $49,935,821 of tax allocation revenues and $12,079,679 of the City's regular property tax levy or other available revenues would be required to cover the full amount of debt service payments. It is anticipated that the City will need to rely on some level of general fund revenues to pay a portion of the annual debt service payments through 2036. After 2036, tax allocation revenues are estimated to be sufficient to cover future debt service payments with surplus tax allocation revenues being used to reimburse the City general fund for earlier debt service payments. Total tax allocation revenues are expected to exceed the total debt service payments by $6,891,579, which represents the anticipated amount of tax allocation revenue that could potentially be used to fund additional projects within the TIA.

Exhibit 20. Tax Allocation Revenues and Debt Service Payments (Nominal $)

Year	Payment	Revenue Source: Tax Allocation Revenue	Revenue Source: General Fund Resources	Tax Allocation Revenue Debt Service Coverage
2025	$ 1,481,500	$ 34,533	$ 1,446,967	0.02
2026	$ 1,481,500	$ 64,839	$ 1,416,661	0.04
2027	$ 1,481,500	$ 95,901	$ 1,385,599	0.06
2028	$ 1,481,500	$ 168,039	$ 1,313,461	0.11
2029	$ 1,481,500	$ 269,522	$ 1,211,978	0.18
2030	$ 1,481,500	$ 356,808	$ 1,124,692	0.24
2031	$ 1,481,500	$ 434,672	$ 1,046,828	0.29
2032	$ 1,481,500	$ 522,608	$ 958,892	0.35
2033	$ 1,481,500	$ 601,321	$ 880,179	0.41
2034	$ 1,481,500	$ 898,476	$ 583,024	0.61
2035	$ 1,481,500	$ 980,454	$ 501,046	0.66
2036	$ 1,481,500	$ 1,271,146	$ 210,354	0.86
2037	$ 1,481,500	$ 2,178,386	$ -	1.47
2038	$ 1,481,500	$ 2,873,039	$ -	1.94
2039	$ 1,481,500	$ 3,189,718	$ -	2.15
2040	$ 2,416,500	$ 3,934,363	$ -	1.63
2041	$ 2,749,750	$ 4,266,440	$ -	1.55
2042	$ 3,089,000	$ 4,603,647	$ -	1.49
2043	$ 3,428,000	$ 4,946,590	$ -	1.44
2044	$ 3,780,750	$ 5,295,382	$ -	1.40
2045	$ 4,130,500	$ 5,650,136	$ -	1.37
2046	$ 4,491,250	$ 6,010,966	$ -	1.34
2047	$ 4,861,250	$ 6,377,987	$ -	1.31
2048	$ 5,233,750	$ 6,751,314	$ -	1.29
2049	$ 5,612,250	$ 7,130,790	$ -	1.27
Total	**$ 62,015,500**	**$ 68,907,079**	**$ 12,079,679**	**1.11**

Source: PFM Financial Advisors LLC and Tiberius Solutions

4 Economic Impacts

4.1 Job Creation

The proposed TIA would be expected to generate substantial economic impacts for the local and regional economy. The infrastructure investments supported by the proposed TIA would support a significant level of development, with substantial employment from construction as well as ongoing business activity. Impacts during the construction phase would be temporary, while the impacts from operations once construction is complete would be ongoing.

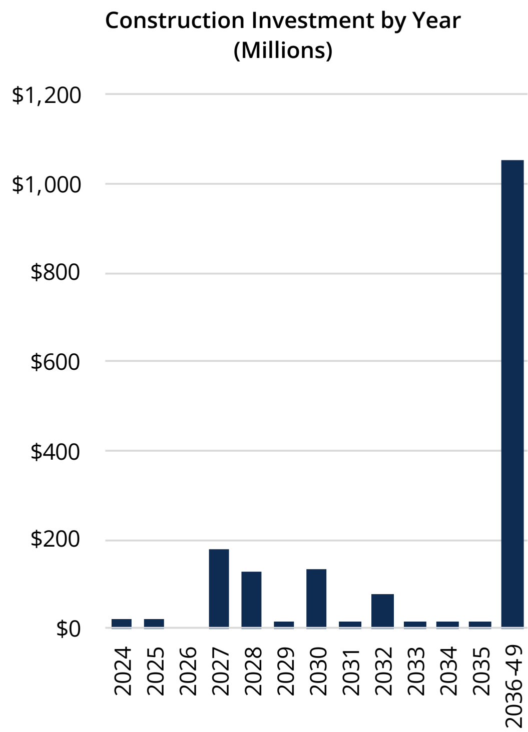
These impacts include direct impacts (jobs and spending occurring directly in the TIA), as well indirect and induced impacts. Indirect impacts are secondary impacts generated by the portion of direct expenditures that are spent on goods and services provided by local businesses. Induced impacts are secondary impacts generated by local expenditures made by employees who received personal income from the direct and indirect expenditures. The induced impacts are often referred to as the “multiplier effect” as the initial direct expenditures are re-spent multiple times, rippling through the local economy.

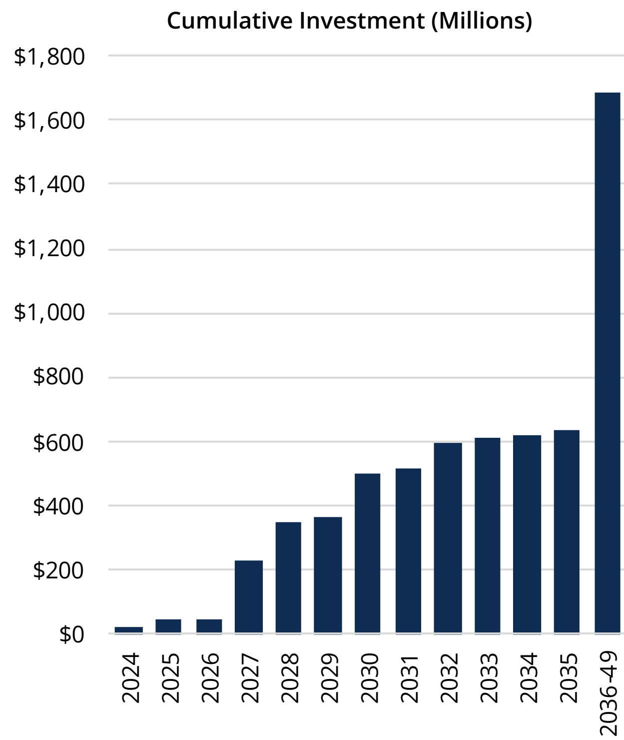
To model the economic impacts of various activities, Johnson Economics utilized the IMPLAN (IMPact for PLANning)[4] economic multiplier model. IMPLAN is an economic impact model designed for analyzing the effects of industry activity (employment, income, or business revenues) upon all other industries in an economic area.

Development activity in the area is expected to exceed $1.1 billion in current dollars over the next 25 years. Of that, over $472 million is proposed as part of the One Trent Development agreement. This development is expected to be introduced to the tax rolls in phases through 2040.

[4] Minnesota IMPLAN Group (MIG), Stillwater, Minnesota

Exhibit 21. Summary of Predicted Construction Investment by Year, Proposed Federal Way TIA (2023 $)





Source: Johnson Economics

To evaluate the temporary construction impacts of the proposed development programs, we calculated the ***total*** anticipated construction spending of the project measured as a direct industry change in construction of new nonresidential and residential commercial structures. Estimated construction expenditures were converted into estimated contributions to employment income and output within the "South King County" study area, including the communities of Federal Way, SeaTac, Burien, Tukwilla, Des Moines, Renton, Kent, and Auburn (Exhibit 22). Key findings include:

- Construction spending would translate into an estimated 2,474 direct full time equivalent (FTE) jobs over the construction period. Direct jobs would pay an estimated average of roughly $89,749 per FTE for wages and benefits.
- Because the development period is estimated to extend over multiple years, the direct construction jobs projected likely represent some of the same employees, employed throughout the project lifecycle over multiple buildings/phases.
- Each direct construction job would support approximately 0.7 indirect and induced jobs during the construction period. This translates into roughly 1,727 FTE jobs and labor income of $129.2 million during the construction period.
- The total estimated economic impacts (direct, indirect, and induced) from the construction phase are roughly 4,201 FTE positions and $351.5 million in labor income

(2023 dollars). The average annual impact over the 25-year period would be 168 FTE positions and $14.1 million in labor income.

Exhibit 22. Summary of Projected Impacts During Construction Phase, Proposed Federal Way TIA (2023 $)

	Projected Impacts, South King County (2023 $)			
	Employment	**Labor Income**	**Value Added**	**Output**
Construction				
Direct Effect	2,474	$ 222,049,076	$ 227,051,649	$ 577,857,372
Indirect Effect	869	$ 70,356,124	$ 109,309,026	$ 187,777,651
Induced Effect	858	$ 58,884,248	$ 109,902,280	$ 178,660,834
Total Effect	**4,201**	**$ 351,289,448**	**$ 446,262,955**	**$ 944,295,857**

Source: Johnson Economics, based on assumed future development forecasts

The preceding table also summarizes projected impacts on value added and output. The following is a brief description of what these terms represent:

- **Output** is the value of an industry's production. It can be measured in two ways: from the sales (income) perspective or the expenditures (spending) perspective. From the income perspective, output is the sum of sales to final users in the economy (gross domestic product or "GDP"), sales to other industrial (intermediate inputs), and inventory change. From the spending perspective, output is the sum of an industry's "value added" and intermediate inputs.
- **Value added** is defined as the total market value of all final goods and services produced within a region in a given period of time. It is the sum of all added value at every stage of production of all final goods and services produced within a country in a given period of time. In other words, it is the wealth created by industry activity. Value added in a social accounting matrix model such as IMPLAN is equal to GDP.

Following development, the completed structures would be expected to provide for ongoing impacts to the local and regional economy. Employees at the office and retail spaces would be expected to generate income that would circulate in the local economy, supporting additional employment and tax revenues.

At full buildout the TIA is expected to contain a mix of residential units and commercial space, with an overall direct investment approaching $1.7 billion in construction.

- On an ongoing basis, the study area is expected to accommodate direct employment of 632, of which 299 will reside in the South King County study area. The direct labor income is projected at $13.8 million and $40.6 million in economic output.
- The associated ancillary indirect and induced impacts are estimated to account for 88 jobs and $6.8 million in labor income.
- The total annual impact is estimated at 387 full-time equivalent positions with annual labor income in 2023 dollars over $20.3 million.

Exhibit 23. Summary of Projected Ongoing Impacts from Operations, Proposed Federal Way TIA (2023 $)

	Projected Annual Impacts, South King County (2023 $)						
	Employment		Labor Income		Value Added		Output
Ongoing - Annual							
Direct Effect	299	$	13,790,960	$	28,404,985	$	40,584,414
Indirect Effect	38	$	3,027,797	$	5,357,769	$	8,628,203
Induced Effect	50	$	3,444,770	$	6,432,982	$	10,460,218
Total Effect	**387**	**$**	**20,263,528**	**$**	**40,195,735**	**$**	**59,672,835**

Source: Johnson Economics, based on assumed future development forecasts

The overall impacts have been additionally broken out for the project planned by One Trent, as well as assumed speculative projects. While the TIA is expected to realize the level of development summarized previously, this known development has a higher level of certainty. As summarized in Exhibit 24, known projects and infrastructure investments are expected to support 1,290 full time equivalent positions and $107.9 million in labor income during construction, with ongoing annual employment of 119 with associated labor income of $6.2 million.

Exhibit 24. Summary of Impacts, Known Projects and Infrastructure, Federal Way TIA (2023 $)

	Projected Impacts, South King County (2023 $)						
	Employment		Labor Income		Value Added		Output
Construction - Known Projects							
Direct Effect	760	$	68,186,156	$	69,722,331	$	177,446,688
Indirect Effect	267	$	21,604,745	$	33,566,284	$	57,662,191
Induced Effect	263	$	18,081,996	$	33,748,459	$	54,862,627
Total Effect	**1,290**	**$**	**107,872,898**	**$**	**137,037,074**	**$**	**289,971,506**

	Projected Annual Impacts, South King County (2023 $)						
	Employment		Labor Income		Value Added		Output
Ongoing - Annual - Known Projects							
Direct Effect	92	$	4,234,886	$	8,722,517	$	12,462,539
Indirect Effect	12	$	929,767	$	1,645,247	$	2,649,522
Induced Effect	15	$	1,057,810	$	1,975,421	$	3,212,092
Total Effect	**119**	**$**	**6,222,463**	**$**	**12,343,184**	**$**	**18,324,153**

Source: Johnson Economics, based on assumed future development forecasts

Construction and operation of the multiple development programs in the study area will support a sizable number of jobs directly, as well as having significant indirect and induced impacts. The construction and ongoing operation of developments in the area is estimated to support roughly 7,326 full time equivalent positions through 2049, reflecting average annual support of approximately 277.6 jobs, with roughly $17.7 million per year in labor income in 2023 dollars. These figures are lower than the impacts after full build-out, as the impacts in earlier years are lower than in later years, due to the phasing of new construction and employment in the area.

Exhibit 25. Summary of Average Annual Impacts Through 2049, Federal Way TIA (2023 $)

	Employment		Payroll
Direct Effect	200.4	$	11,728,951
Indirect Effect	35.5	$	2,961,833
Induced Effect	41.6	$	2,990,928
Total	**277.6**	**$**	**17,681,713**

Source: Johnson Economics, based on assumed future development forecasts

4.2 Fiscal Impacts

In addition to economic impacts, development, and operation of the various development parcels in the proposed TIA would have fiscal implications for the City of Federal Way, King County, other local service providers, and the State of Washington. These impacts include sales tax, property taxes, income and business taxes, and development charges and fees.

Sales taxes will represent the most significant fiscal contribution, during both the construction and ongoing phases. The next largest source of local and state tax revenue would be property taxes, while the federal government is expected to realize a substantive level in income taxes.

Exhibit 26 and Exhibit 27 present an estimate of tax contributions, such as income and business taxes, from the construction and operations based on the modeling assumptions in the IMPLAN scenarios. Estimates are broken down by federal vs. state and local contributions. These fiscal impacts exclude direct property taxes, as property tax revenue from the planned development within the TIA is calculated and reported separately in this report. While direct property taxes are excluded from the tables below, the analysis does include some property taxes from indirect and induced activity that occurs outside of the proposed TIA. Key findings include:

- Through the construction period, the project is expected to contribute $164.9 million at the federal level, and $56.4 million in state and local tax revenues (excluding property taxes).
- When completed and operational, the combined program is expected to generate $3.4 million per year in state and local taxes (excluding property taxes), while generating $9.6 million in federal taxes.
- Sales taxes represent the largest source of state and local revenue, with close to $38.0 million in sales taxes during construction and an additional $4.7 million per year going forward.

Exhibit 26. Summary of Anticipated One-Time Tax Revenues Associated with Construction (2023 $)

Description	Employee & Proprietor Compensation	Tax on Production and Imports	Households	Corporations	Total
Federal					
Social Ins Tax- Employee Contribution	$ 6,274,986				**$ 6,274,986**
Social Ins Tax- Employer Contribution	$ 56,101,535				**$ 56,101,535**
Tax on Production and Imports: Excise Taxes		$ 3,991,096			**$ 3,991,096**
Tax on Production and Imports: Custom Duty		$ 1,858,692			**$ 1,858,692**
Tax on Production and Imports: Fed NonTaxes		$ 3,068,112			**$ 3,068,112**
Corporate Profits Tax				$ 9,944,982	**$ 9,944,982**
Personal Tax: Income Tax			$ 83,641,230		**$ 83,641,230**
Total Federal Tax	**$ 62,376,521**	**$ 8,917,900**	**$ 83,641,230**	**$ 9,944,982**	**$ 164,880,633**
State and Local					
Dividends				$ 3,835,602	**$ 3,835,602**
Social Ins Tax- Employee Contribution	$ 87,432				**$ 87,432**
Social Ins Tax- Employer Contribution	$ 376,159				**$ 376,159**
Tax on Production and Imports: Sales Tax		$ 37,993,947			**$ 37,993,947**
Tax on Production and Imports: Motor Vehicle Lic		$ 440,052			**$ 440,052**
Tax on Production and Imports: Severance Tax		$ 290,022			**$ 290,022**
Tax on Production and Imports: Other Taxes		$ 5,677,459			**$ 5,677,459**
Tax on Production and Imports: S/L NonTaxes		$ 2,773,385			**$ 2,773,385**
Corporate Profits Tax					**$ -**
Personal Tax: Income Tax					**$ -**
Personal Tax: NonTaxes (Fines- Fees			$ 3,504,953		**$ 3,504,953**
Personal Tax: Motor Vehicle License			$ 1,002,088		**$ 1,002,088**
Personal Tax: Other Tax (Fish/Hunt)			$ 414,560		**$ 414,560**
Total State and Local	**$ 463,591**	**$ 47,174,866**	**$ 4,921,602**	**$ 3,835,602**	**$ 56,395,660**

Note: Excludes Property Taxes
Source: Johnson Economics, Minnesota IMPlan Group, based on assumed future development forecasts

Exhibit 27. Summary of Anticipated Ongoing Tax Revenues, Excluding Property Taxes (2023 $)

Description	Employee & Proprietor Compensation	Tax on Production and Imports	Households	Corporations	Total
Federal					
Social Ins Tax- Employee Contribution	$ 1,871,461				**$ 1,871,461**
Social Ins Tax- Employer Contribution	$ 1,892,615				**$ 1,892,615**
Tax on Production and Imports: Excise Taxes		$ 498,134			**$ 498,134**
Tax on Production and Imports: Custom Duty		$ 231,988			**$ 231,988**
Tax on Production and Imports: Fed NonTaxes					**$ -**
Corporate Profits Tax				$ 1,589,447	**$ 1,589,447**
Personal Tax: Income Tax			$ 3,551,354		**$ 3,551,354**
Total Federal Tax	**$ 3,764,075**	**$ 730,121**	**$ 3,551,354**	**$ 1,589,447**	**$ 9,634,998**
State and Local					
Dividends				$ 613,020	**$ 613,020**
Social Ins Tax- Employee Contribution	$ 2,948				**$ 2,948**
Social Ins Tax- Employer Contribution	$ 12,694				**$ 12,694**
Tax on Production and Imports: Sales Tax		$ 4,742,090			**$ 4,742,090**
Tax on Production and Imports: Motor Vehicle Lic		$ 54,927			**$ 54,927**
Tax on Production and Imports: Severance Tax		$ 7,455			**$ 7,455**
Tax on Production and Imports: Other Taxes		$ 708,611			**$ 708,611**
Tax on Production and Imports: S/L NonTaxes		$ 346,151			**$ 346,151**
Corporate Profits Tax					**$ -**
Personal Tax: Income Tax					**$ -**
Personal Tax: NonTaxes (Fines- Fees			$ 114,120		**$ 114,120**
Personal Tax: Motor Vehicle License			$ 35,734		**$ 35,734**
Personal Tax: Other Tax (Fish/Hunt)			$ 17,605		**$ 17,605**
Total State and Local	**$ 15,642**	**$ 5,859,233**	**$ 167,459**	**$ 613,020**	**$ 6,655,354**

Note: Excludes Property Taxes

Source: Johnson Economics, Minnesota IMPlan Group, based on assumed future development forecasts

4.3 Affordable and Low-Income Housing

The TIA is not anticipated to have a substantial negative impact on affordable and low-income housing in the region and is more likely to increase affordability through the expansion of residential opportunities. The TIA may have minor impacts on housing affordability due to indirect impacts on housing affordability associated with economic activity generated within the TIA.

Housing Construction in the TIA

There are a number of existing affordable housing complexes within and around the TIA (Traditions, Senior City, Uptown Square).

Income restricted affordable housing units are required to make up 4% of the total units within any new housing project with 25 units or more. The City of Federal Way's development regulations requiring mixed-income housing projects through the affordable housing regulations ensure long-term production of income restricted units.

The Sound Transit surplus property within the TIA is subject to the Washington State Statute RCW 81.112.350 to offer 80 percent of its surplus property that is suitable for housing to qualified entities to develop housing affordable to families at 80 percent of area median income or less.

New construction within the TIA is expected to primarily consist of residential developments, as well as some commercial development. Our land use modeling indicates that residential uses currently represent the highest and best use for most parcels in the TIA, and the office market is expected to remain challenging for the next decade. As a result, most of the projected development activity is expected to be primarily residential with some ground floor commercial uses, as well as redevelopment and/or reconfiguration of retail space.

While the new projects are expected to provide largely market rate units with relatively high rent levels, the market-rate construction within the TIA can still help to improve housing affordability in the region. Housing prices are determined based on the factors of supply and demand. Thus, any new construction of housing units in the region that increases housing supply should reduce price pressure in the local housing market. Indeed, most housing economists identify a persistent lack of new construction in past years for the rapid increases in home values in recent years.

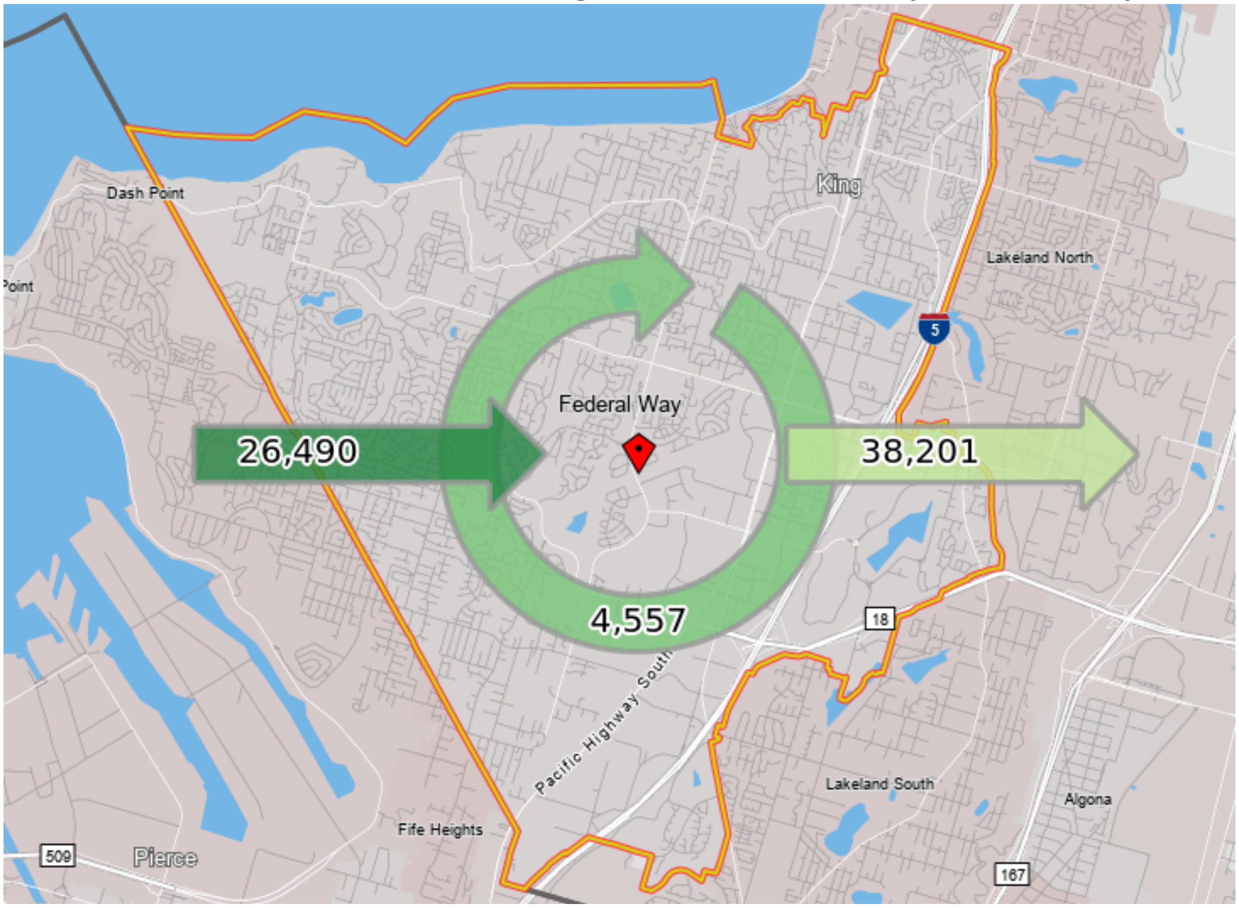
The process by which construction of new market-rate homes helps to improve housing affordability is known as "filtering." Construction of a new market-rate home allows a household to move out of a lower-quality, existing home to purchase the new home. The previous home occupied by that household is now vacant, and available to another household at a lower price than the new home. Thus, constructing new homes at virtually any price point should ultimately improve the availability of homes at all income levels.

Impacts on Housing Affordability from Economic Activity

Evaluations of housing affordability often focus on the cost of housing, but affordability is defined as the ability of someone to pay for a good or service. Thus, this evaluation of housing affordability also considers household incomes. Increases in household income will increase the ability of households to pay for housing, thus increasing housing affordability. The economic impacts generated by the new development anticipated within the TIA are expected to support marginal increases in local household incomes, helping to support regional housing affordability.

The City of Federal Way is a relatively well-balanced community in terms of jobs and housing, although the workforce commuting outside of the City for employment exceeds those commuting in by almost 12,000. An estimated 26,490 workers were estimated to commute into the City for employment in 2020, while 38,201 commuted to jobs outside of the community. These commuting patterns are shown in Exhibit 28.

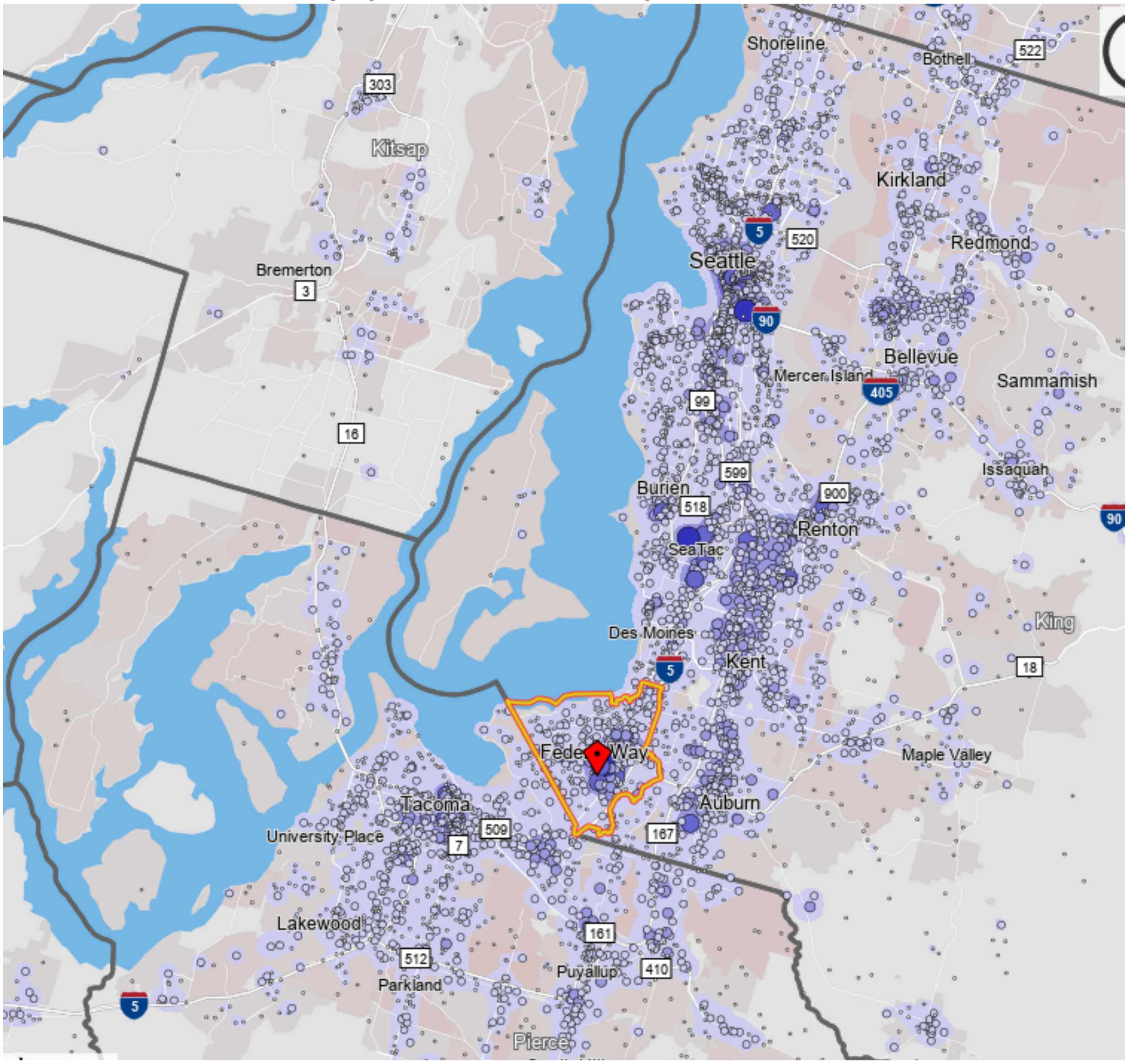
Exhibit 28. Estimated Workers Commuting Into and Out of the City of Federal Way, 2020



Source: US Census Bureau, LEHD Database

Federal Way residents who commute out of the City of employment are largely employed in Seattle (21.9%) to the north, as well as Tacoma (7.5%) and Kent (7.4%). Developing additional residential capacity near the new transit infrastructure should reduce commuting costs for local residents, which can have a substantive financial impact. Exhibit 29 shows the locations of employment for Federal Way residents.

Exhibit 29. Location of Employment for Federal Way Residents, 2020



Source: US Census Bureau, LEHD Database

4.4 Local Business Community

This section to be left blank in the initial draft of the report and will be filled in after the City has completed community outreach and conducted interviews with representatives of local businesses (interviews are currently underway).

This section will summarize key points from those interviews. Full notes from interviews with business representatives to be included as an appendix to the report.

4.5 Local School District

As stated earlier in this report, the property tax levies for Federal Way Public Schools and the State Schools fund would not be included in the calculation of tax allocation revenues, and therefore would not experience any foregone revenues from the TIA. Private development anticipated to occur as a result of public improvements within the proposed TIA would generate increased property tax revenues for state school funding reduce the levy rate for local school levies. Exhibit 30 shows the forecasts of the future property tax revenues that could be generated for state levies over the 25-year duration of the proposed TIA. Development within the proposed TIA would be estimated to generate $49.0 million in property tax revenues for State school funding over the 25-year forecast period.

Exhibit 30. Property Tax Revenues for State Schools, Proposed Federal Way TIA (Nominal $)

Tax Year	Increment Value	State Schools (Parts 1 and 2) Levy Rate	State Schools (Parts 1 and 2) Revenue
2023	$ -	$ 2.311040	$ -
2024	$ -	$ 2.209181	$ -
2025	$ 10,495,231	$ 2.123755	$ 22,289
2026	$ 21,525,719	$ 2.041610	$ 43,947
2027	$ 33,118,762	$ 1.962642	$ 65,000
2028	$ 63,385,362	$ 1.886729	$ 119,591
2029	$ 105,754,105	$ 1.813753	$ 191,812
2030	$ 145,632,417	$ 1.743600	$ 253,925
2031	$ 184,547,302	$ 1.676161	$ 309,331
2032	$ 230,813,914	$ 1.611268	$ 371,903
2033	$ 276,268,882	$ 1.548888	$ 427,910
2034	$ 429,410,620	$ 1.488923	$ 639,359
2035	$ 487,419,532	$ 1.431283	$ 697,635
2036	$ 657,373,356	$ 1.375871	$ 904,461
2037	$ 1,171,826,934	$ 1.322608	$ 1,549,868
2038	$ 1,607,307,557	$ 1.271417	$ 2,043,559
2039	$ 1,856,037,640	$ 1.222158	$ 2,268,371
2040	$ 2,381,430,326	$ 1.174800	$ 2,797,705
2041	$ 2,685,985,850	$ 1.129284	$ 3,033,241
2042	$ 3,014,876,680	$ 1.085526	$ 3,272,726
2043	$ 3,369,792,869	$ 1.043463	$ 3,516,253
2044	$ 3,752,533,558	$ 1.003029	$ 3,763,901
2045	$ 4,165,013,709	$ 0.964163	$ 4,015,752
2046	$ 4,609,271,239	$ 0.926803	$ 4,271,884
2047	$ 5,087,474,579	$ 0.890890	$ 4,532,379
2048	$ 5,601,930,689	$ 0.856369	$ 4,797,317
2049	$ 6,155,093,544	$ 0.823154	$ 5,066,588
Total			**$ 48,976,708**

Source: Tiberius Solutions

Development within the proposed TIA would be estimated to generate additional assessed value for local school funding over the 25-year forecast period. This assessed value would not result in a net increase in total tax revenue for the local school district, but rather would reduce the levy rate that the school district imposes to produce the approved annual levy amounts for debt service and enrichment.

4.6 Local Fire Service

> This section can be expanded upon to include a summary of any feedback received directly from the Fire District during the outreach phase of the project.

Exhibit 13 shown earlier in this report summarizes the impact from foregone property tax revenue the proposed TIA is expected to have on each taxing district, including Fire District 39/ South King Fire and Rescue. These annual impacts would be estimated to begin at $11,000 per year in 2026, increasing over time to $2,590,000 in 2049, the final year of the proposed TIA. Cumulatively, it is estimated Fire District 39/South King Fire and Rescue would forego $25.0 million of property tax revenue over the 25-year life of the TIA, or an average of $1.0 million per year. The TIA would not impact the district's other two levies: the Maintenance & Operations and GO Bond levies.

RCW requires any TIA to include the negotiation of a mitigation plan if the TIA will impact at least 20 percent of the assessed value of an impacted fire district. South King Fire and Rescue provides service within the proposed TIA boundary and would be the only fire service provider impacted by the proposed TIA. The total assessed value of the South King Fire and Rescue is $28.7 billion in 2023, and is forecast to grow to $126.7 billion by 2049. Increment value for the proposed TIA would be $0 in 2024 and is forecast to grow gradually over time to nearly $6.1 billion in 2049. Thus, the proposed TIA increment value is estimated to be less than 6% of the total assessed value for South King Fire and Rescue in each year of the proposed TIA, and therefore would not require the negotiation of a mitigation plan. The ratio of increment value to total value for South King Fire and Rescue is shown in Exhibit 31.

Exhibit 31. Forecast Proposed Federal Way TIA Increment Value as a Share of South King Fire and Rescue Total Assessed Value (Tax Year 2023 to 2049).

Tax Year	District Total AV	Federal Way TIA Increment	% of District Total
2023	$ 28,647,944,719	$ -	0.0%
2024	$ 30,366,821,402	$ -	0.0%
2025	$ 32,188,830,686	$ 10,495,231	0.0%
2026	$ 34,120,160,527	$ 21,525,719	0.1%
2027	$ 36,167,370,159	$ 33,118,762	0.1%
2028	$ 38,337,412,368	$ 63,385,362	0.2%
2029	$ 40,637,657,110	$ 105,754,105	0.3%
2030	$ 43,075,916,537	$ 145,632,417	0.3%
2031	$ 45,660,471,529	$ 184,547,302	0.4%
2032	$ 48,354,439,349	$ 230,813,914	0.5%
2033	$ 51,207,351,271	$ 276,268,882	0.5%
2034	$ 54,228,584,995	$ 429,410,620	0.8%
2035	$ 57,428,071,510	$ 487,419,532	0.8%
2036	$ 60,816,327,729	$ 657,373,356	1.1%
2037	$ 64,404,491,065	$ 1,171,826,934	1.8%
2038	$ 68,204,356,039	$ 1,607,307,557	2.4%
2039	$ 72,160,208,689	$ 1,856,037,640	2.6%
2040	$ 76,345,500,793	$ 2,381,430,326	3.1%
2041	$ 80,773,539,839	$ 2,685,985,850	3.3%
2042	$ 85,458,405,150	$ 3,014,876,680	3.5%
2043	$ 90,414,992,649	$ 3,369,792,869	3.7%
2044	$ 95,659,062,223	$ 3,752,533,558	3.9%
2045	$ 101,207,287,832	$ 4,165,013,709	4.1%
2046	$ 107,077,310,527	$ 4,609,271,239	4.3%
2047	$ 113,287,794,538	$ 5,087,474,579	4.5%
2048	$ 119,858,486,621	$ 5,601,930,689	4.7%
2049	$ 126,690,420,359	$ 6,155,093,544	4.9%

Source: Tiberius Solutions

5 Evaluation of Risk Factors

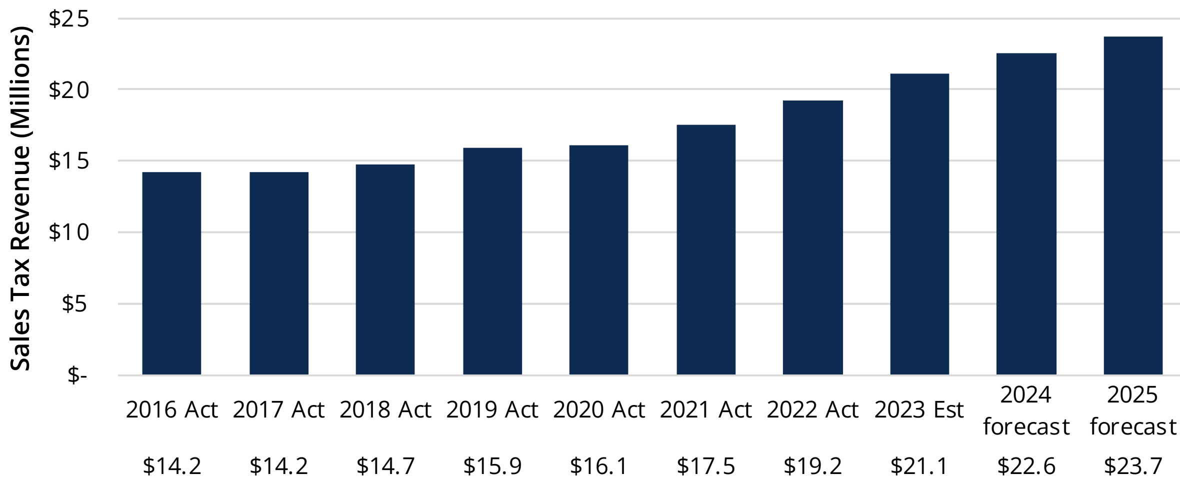
Certain statements contained in this document reflect not historical facts but forecasts and forward-looking statements. All projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this report. All forward-looking statements are inherently subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been projected. Such risks and uncertainties include, among others, changes in regional, domestic, and international political, social, and economic conditions; federal, state, and local statutory and regulatory initiatives; litigation, population changes; technological change; and various other events, conditions, and circumstances, many of which are beyond the control of the City.

5.1 General Economic Conditions

The City monitors economic changes in the region and on the national landscape. The City has seen reduced single-family residential permits issued in 2022 when compared to the previous two years. Current land use applications are up for commercial retail projects. Many businesses continue to struggle to fill job openings and supply chain issues have caused inflationary pressures on residents and the City. The City has seen increased costs for public works construction projects, basic services and supplies that support the public services provided to Federal Way residents.

Historical Sales Tax has trended positively. Factors such as inflation, growth of the underlying retail base and economic uncertainty all contribute to a climate suggesting caution. That said, 2023 YTD Sales Tax is trending 14% over prior year. A cautious 5% increase in future years has been budgeted, which would yield the following City-provided forecast for budgetary purposes in the 2023-24 biennium and following year.

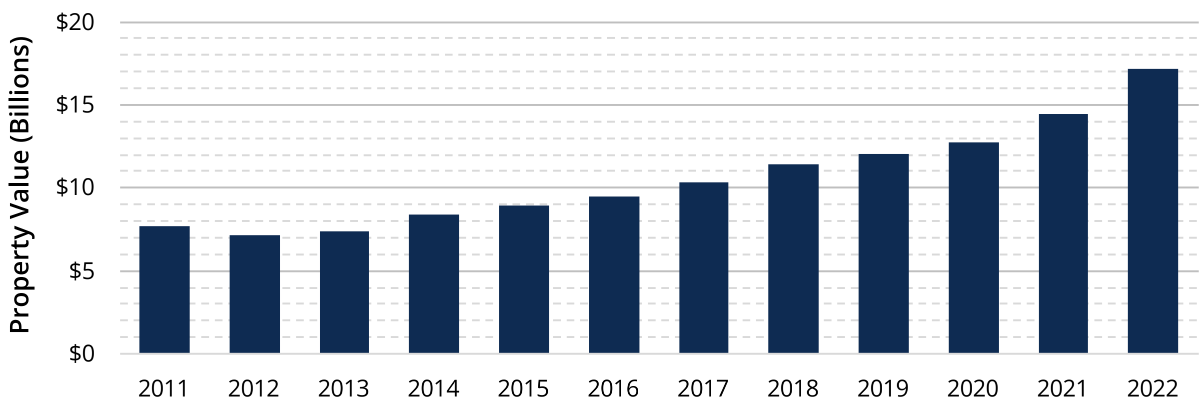
Exhibit 32. Sales Tax Revenue. Actual and Forecast, City of Federal Way



Source: City of Federal Way

Historical assessed value of property citywide has trended positively since 2013, as shown in Exhibit 33.

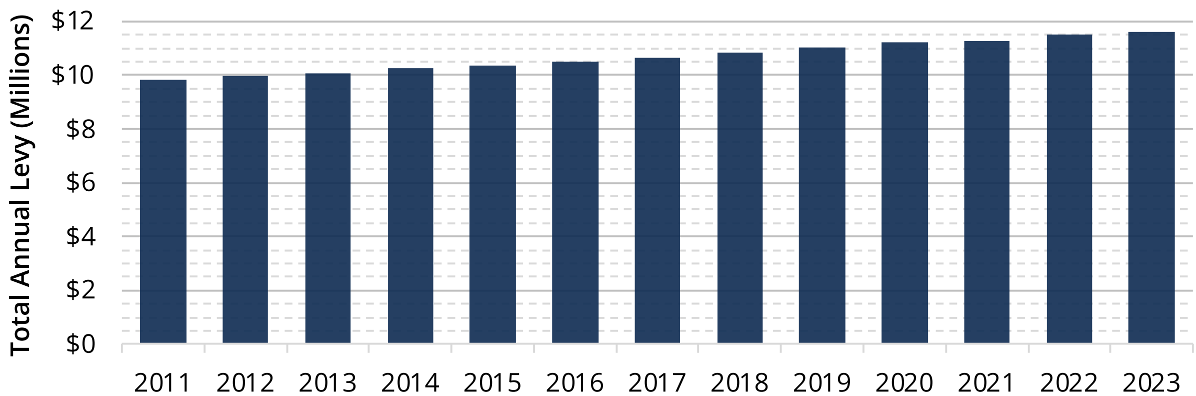
Exhibit 33. Property Value, City of Federal Way



Source: City of Federal Way

Due to the 1% cap on property tax levy for existing property, the increase in the City's annual levy has of course not kept pace with the increase in assessed value.

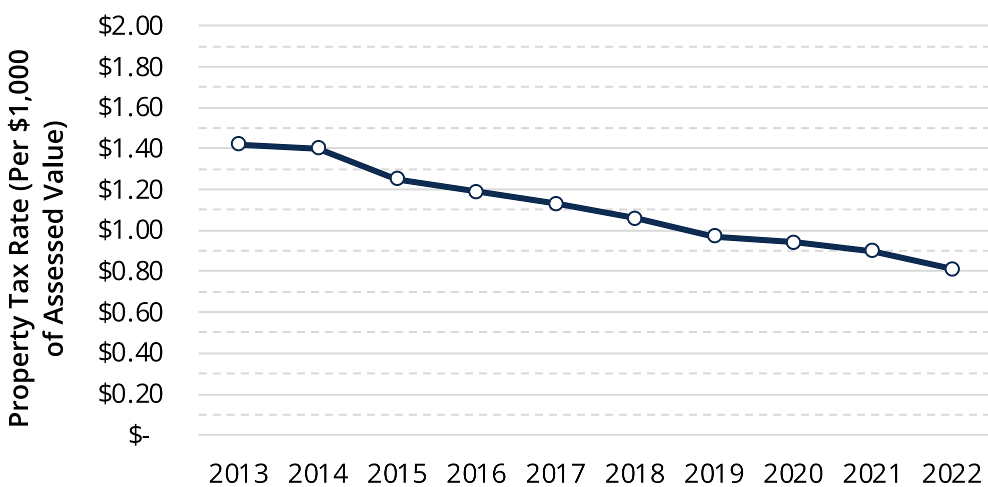
Exhibit 34. Total Annual Levy, City of Federal Way



Source: City of Federal Way

The actual historical trend in Property Tax Rate has resulted in a decrease which creates a theoretical capacity for voted lid lift. The General Fund levy maximum of $3.60 per $1,000 of assessed value is reduced by $1.50 for the levy rate available for the overlapping fire district and $0.50 for the overlapping library district, leaving a practical cap of $1.60 available to the City.

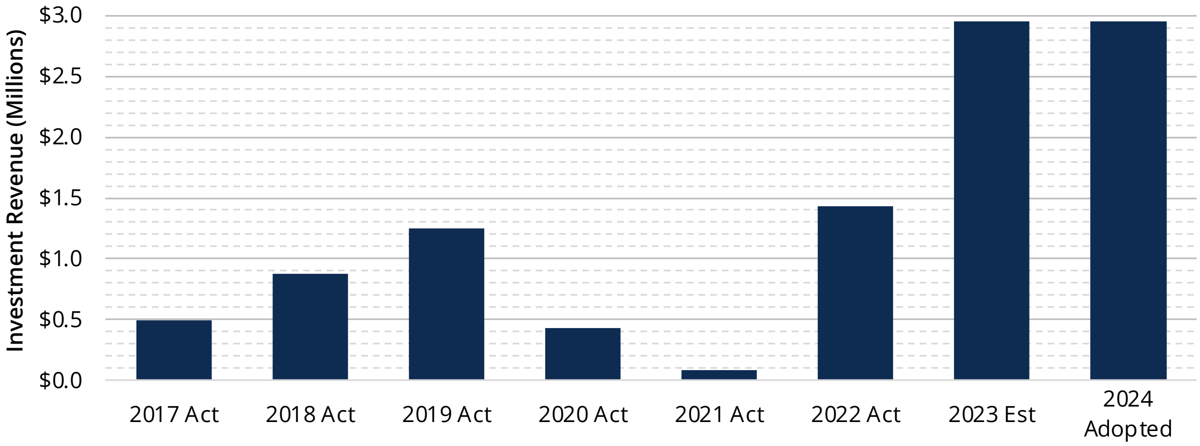
Exhibit 35. Property Tax Rate, City of Federal Way



Source: City of Federal Way

The City Finance Department embarked on creating an investment portfolio of Treasuries and uncallable Agencies for a substantial portion of City reserves. By evaluating historical and forecasted cashflow needs, the finance staff commenced investing $55 million in $1M increments, maturing $1M monthly. Historically, the City's cash was invested exclusively in the State Treasurer's Local Government Investment Pool, which has an average maturity cap of 60 days. The City's laddered investment portfolio purchased longer maturities, up to 48 months, allowing investing farther up the yield curve than the State Pool is able to. This, coupled with the recent rise in underlying investment rates, has created a substantial, predictable and budgetable income stream to the City's General Fund.

Exhibit 36. Past and Projected Investment Revenue, City of Federal Way



2017 Act	2018 Act	2019 Act	2020 Act	2021 Act	2022 Act	2023 Est	2024 Adopted
$0.50	$0.88	$1.25	$0.43	$0.08	$1.43	$2.95	$2.95

Source: City of Federal Way

5.2 Future Assessed Values and Tax Rates

This report forecasts future property tax allocation revenues based on the assumed timing and value of new construction in the proposed TIA, future appreciation of those properties once they have been constructed, and future changes in property tax rates applicable to the calculation of tax allocation revenues. All of these factors are subject to uncertainty, and future tax allocation revenues could be higher or lower than forecast in this report. Factors that could result in lower collections of tax allocation revenues include:

- **Delays in construction of private projects in the proposed TIA.** The proposed TIA is limited to 25 years of tax allocation revenue collection. Any delay in private construction would reduce the total amount of tax allocation revenues collected during the 25-year duration.
- **Lower than anticipated valuation of private projects in the proposed TIA.** This report estimates the value of new construction based on assumed construction costs. The King County Assessor would ultimately determine the value of new construction, in part, based on the net operating income of the properties at stabilization. It is likely that the Assessor would determine the market value of improvements in the proposed TIA would exceed their construction costs, but the actual determination of value depends on market conditions at the time the new construction is added to the tax roll. If the Assessor values new construction in the proposed TIA at less than the amounts assumed in this report, it would reduce the total amount of tax allocation revenues collected during the 25-year duration.
- **Lower appreciation of property values for properties inside the proposed TIA than countywide.** The rate of appreciation of property values countywide determines annual changes in applicable tax rates. This report assumes property values inside the proposed TIA would appreciate at the same rate as properties countywide. If properties in the proposed TIA appreciate at a faster rate than countywide, it would increase the

total amount of tax allocation revenues collected during the 25-year duration. However, if properties in the proposed TIA appreciate more slowly than properties countywide, it would reduce the total amount of tax allocation revenues collected during the 25-year duration.

5.3 Future Public Costs of Construction and/or Borrowing

This report estimates the future timing and value of construction of public projects partially or fully funded by the proposed TIA. The actual timing and cost of these projects is uncertain and could be affected by factors outside of the City's control. The terms of future indebtedness are also uncertain. Changes in interest rate, amortization period, and other factors could result in a total cost of borrowing that exceeds the assumptions used in this report. Borrowing assumptions in this report were developed with the assistance of the City's financial advisors and reflect conservative financing assumptions based on current market conditions.

Ultimately, if public construction costs are higher than anticipated or the cost of borrowing is higher than anticipated in this report, the City could cover those higher costs by allocating more of its general tax levy than is forecast in this report. Alternatively, the City could seek other funding sources or eliminate or redesign elements of the public improvements to reduce the total cost to the City.

5.4 Other City Revenues

The City would expect to pay a portion of the costs of the public infrastructure in the proposed TIA with other legally available City revenues. General economic conditions, in addition to conditions within the proposed TIA could affect taxable sales, real estate transactions, and other taxable events. The City would be obligated to pay debt service on its limited tax general obligation bonds even if City revenues are negatively affected by these or other conditions.

5.5 Non-Voted Debt Limit

The City's ability to issue limited tax general obligation bonds is limited by assessed value within the City at the time the bonds are issued. A decline in assessed value in the City, or growth that is slower than expected, could constrain the City's non-voted debt capacity and ability to finance proposed TIA (and other) projects with non-voted debt. If the City is required to fund a greater share of project costs on a pay-go basis due to debt capacity constraints, the pace of the investment may be slowed with resulting impacts on private development.

5.6 Seismic Activity and Other Natural Disasters

The City can give no assurance regarding the effect of an earthquake, a tsunami from seismic activity in Washington or in other areas, a volcano, mudslide, or other natural disaster, or that surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major earthquake or other natural disaster.

5.7 Initiatives and Referenda

In recent years, there have been a number of initiatives filed in the State, including initiatives targeting fees and taxes imposed by local governments or subjecting local governments to additional requirements. The City cannot predict whether this trend will continue, whether any filed initiatives will receive the requisite signatures to be certified for the ballot, whether such initiatives will be approved by the voters, whether, if challenged, such initiatives will be upheld by the courts and whether any current or future initiative could have a material adverse impact on the City's finances or operations.

5.8 City of Federal Way's Approach to Financial Uncertainty

The City has considered all of the issues identified above. The City intends to secure the debt with a pledge of both tax allocation revenues and the City's general tax levy. The City maintains reserve fund balances in fourteen funds in addition to the General Fund. Current fund balance policy requires one year of debt service as a transfer in to the Debt Service Fund covering the next year's debt service amount, in advance. The City has a separate Strategic Reserve Fund of $3 million to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the budget was prepared.

Some of the potential risk factors could be addressed by delaying the timing of the proposed indebtedness or reducing the list of projects to be funded by the indebtedness. The City anticipates incurring the indebtedness in 2024 when multiple private development projects within the proposed TIA should either be completed or under construction. If those private construction efforts are delayed or substantially reduced in value, the City could choose to alter their approach to the planned indebtedness. The City has considered, and will continue to consider alternative financing structures that may be employed to address any of the risk factors identified in this report.

Appendix A: Tax lots included in the Proposed Federal Way TIA Boundary

Property Identification Number	Levy Code	Total Appraised Value	Total Taxable Value	Zone	Acres
921049057	1202	$0	$0	City Center Core	0.5
921049111	1202	$806,900	$806,900	City Center Frame	0.7
921049137	1202	$19,302,900	$19,302,900	City Center Core	4.6
921049019	1202	$1,420,500	$1,420,500	City Center Frame	0.6
921049020	1202	$1,344,000	$1,344,000	City Center Core	0.4
921049030	1202	$2,305,100	$2,305,100	City Center Core	1.9
921049035	1202	$2,674,300	$2,674,300	City Center Core	2.4
7978200525	1205	$6,308,600	$0	City Center Core	4.4
7978200526	1205	$0	$0	City Center Core	11.5
921049163	1202	$1,597,700	$1,597,700	City Center Frame	1.3
921049172	1202	$3,242,200	$3,242,200	City Center Core	1.5
921049270	1202	$2,119,300	$2,119,300	City Center Core	0.9
921049271	1202	$1,722,700	$1,722,700	City Center Core	0.5
921049276	1202	$2,932,100	$2,932,100	City Center Core	1.9
921049280	1202	$0	$0	City Center Frame	0.8
921049296	1202	$749,000	$749,000	City Center Core	0.4
921049302	1202	$13,626,800	$13,626,800	City Center Frame	7.0
1621049023	1205	$3,689,500	$3,689,500	Commercial	6.5
1621049028	1205	$7,404,700	$7,404,700	City Center Core	2.0
1621049037	1205	$41,375,000	$41,375,000	RM3600	62.2
1621049039	1205	$0	$0	Commercial	2.2
2423200010	1202	$0	$0	City Center Core	0.1
2423200020	1202	$0	$0	City Center Core	0.5
2423200030	1202	$0	$0	City Center Core	0.4
2423200040	1202	$0	$0	City Center Core	0.8
2423200050	1202	$0	$0	City Center Core	7.5
2423200055	1202	$0	$0	City Center Core	0.5
2423200060	1202	$0	$0	City Center Core	0.9
2423200070	1202	$0	$0	City Center Core	0.5
7622400011	1202	$1,761,300	$1,761,300	City Center Core	1.5
7622400025	1202	$2,164,700	$2,164,700	City Center Core	1.8
7622400010	1202	$33,573,000	$33,573,000	City Center Core	31.7
7622400020	1205	$84,400	$84,400	City Center Core	0.9

Property Identification Number	Levy Code	Total Appraised Value	Total Taxable Value	Zone	Acres
921049299	1202	$5,452,800	$250,900	City Center Core	0.7
921049053	1202	$11,543,100	$11,543,100	City Center Frame	8.8
921049021	1202	$0	$0	City Center Core	3.9
921049297	1202	$23,856,200	$23,856,200	City Center Core	6.0
8575000010	1202	$0	$0	City Center Frame	3.1
8575000020	1202	$0	$0	City Center Frame	1.8
921049017	1202	$0	$0	City Center Frame	5.6
921049042	1202	$488,900	$0	City Center Core	0.8
921049321	1202	$1,374,300	$0	City Center Core	2.2
921049337	1202	$0	$0	City Center Core	1.0
921049027	1202	$1,617,100	$0	City Center Core	1.3
921049298	1202	$0	$0	City Center Core	4.8
7622400019	1202	$10,732,900	$10,732,900	City Center Core	10.4
921049304	1202	$5,523,700	$5,523,700	City Center Core	1.5
8665030000	1202	$5,623,600	$0	City Center Core	1.7
8665030010	1202	$4,554,900	$0	City Center Core	0.0
8665030020	1202	$5,623,600	$0	City Center Core	0.0
8665030030	1202	$4,554,900	$0	City Center Core	0.0
8665030040	1202	$5,623,600	$0	City Center Core	0.0
8665030050	1202	$4,554,900	$0	City Center Core	0.0
8665030060	1202	$5,623,600	$0	City Center Core	0.0
8665030070	1202	$4,554,900	$0	City Center Core	0.0
8665030080	1202	$5,623,600	$0	City Center Core	0.0
8665030090	1202	$4,554,900	$0	City Center Core	0.0
8665030100	1202	$5,623,600	$0	City Center Core	0.0
Total		**$267,309,800**	**$195,802,900**		**215.0**

Source: Tiberius Solutions with data provided by the King County Assessor's Office

Appendix B: Summary of Public Outreach

Summary of all public outreach conducted for the project and feedback received.

Appendix C: Alternate Scenario

The City evaluated a more conservative financial scenario, with the same assumptions on tax allocation revenues, project funds, and amortization period, but assuming taxable debt rather than tax exempt. This alternate scenario results in a true interest cost of 5.50%, which 83 basis points higher than the tax-exempt scenario included in the main body of this report. Exhibit 37 shows the estimated terms of indebtedness for the alternate scenario.

Exhibit 37. Estimated Terms of Indebtedness for Proposed Federal Way TIA Public Improvements, Alternate Scenario (Nominal $)

	Series 2024
Closing Month	December 2024
Taxable Status	Taxable
True Interest Cost	5.50%
Aggregate Par (Principal)	$ 31,150,000
Project Funds from Bond Proceeds	$ 30,800,000

Source: PFM Financial Advisors LLC

Exhibit 38 shows the estimated debt service payments in the alternate scenario. Total debt service payments are estimated to cost $68,270,964 over the life of the TIA, compared to $62,015,500 in the baseline scenario.

Exhibit 38. Estimated Debt Service Payments, LTGO Debt for Proposed Federal Way TIA Public Projects, Alternate Scenario (Nominal $)

Year	Principal	Interest	Total
2025	$ -	$ 1,696,984	**$ 1,696,984**
2026	$ -	$ 1,696,984	**$ 1,696,984**
2027	$ -	$ 1,696,984	**$ 1,696,984**
2028	$ -	$ 1,696,984	**$ 1,696,984**
2029	$ -	$ 1,696,984	**$ 1,696,984**
2030	$ -	$ 1,696,984	**$ 1,696,984**
2031	$ -	$ 1,696,984	**$ 1,696,984**
2032	$ -	$ 1,696,984	**$ 1,696,984**
2033	$ -	$ 1,696,984	**$ 1,696,984**
2034	$ -	$ 1,696,984	**$ 1,696,984**
2035	$ -	$ 1,696,984	**$ 1,696,984**
2036	$ -	$ 1,696,984	**$ 1,696,984**
2037	$ -	$ 1,696,984	**$ 1,696,984**
2038	$ -	$ 1,696,984	**$ 1,696,984**
2039	$ -	$ 1,696,984	**$ 1,696,984**
2040	$ 1,020,000	$ 1,696,984	**$ 2,716,984**
2041	$ 1,410,000	$ 1,642,853	**$ 3,052,853**
2042	$ 1,820,000	$ 1,567,812	**$ 3,387,812**
2043	$ 2,260,000	$ 1,470,424	**$ 3,730,424**
2044	$ 2,730,000	$ 1,348,972	**$ 4,078,972**
2045	$ 3,235,000	$ 1,201,606	**$ 4,436,606**
2046	$ 3,770,000	$ 1,025,946	**$ 4,795,946**
2047	$ 4,345,000	$ 820,368	**$ 5,165,368**
2048	$ 4,955,000	$ 581,958	**$ 5,536,958**
2049	$ 5,605,000	$ 309,284	**$ 5,914,284**
Total	**$ 31,150,000**	**$ 37,120,964**	**$ 68,270,964**

Source: PFM Financial Advisors LLC

Exhibit 39 shows the estimated annual debt service payments in the alternate scenario alongside the projected tax allocation revenues and the other general fund resources that would be required to cover debt service payments. Over the 25-year maximum duration of the proposed TIA, projected tax allocation revenues are expected to be equal to the total cost of debt service in the alternate scenario. However, annual tax allocation revenues are not anticipated to be sufficient to cover annual debt service payments until 2037, requiring contributions of other general fund resources to cover the debt service in earlier years. The total amount of general fund contribution is forecast to be $14,665,486 in the alternate scenario, which would be repaid over time with surplus tax allocation revenues in later years.

Exhibit 39. Tax Allocation Revenues and Debt Service Payments, Proposed Federal Way TIA, Alternate Scenario (Nominal $)

Year	Payment	Revenue Source: Tax Allocation Revenue	Revenue Source: General Fund Resources	Tax Allocation Revenue Debt Service Coverage
2025	$ 1,696,984	$ 34,533	$ 1,662,450	0.02
2026	$ 1,696,984	$ 64,839	$ 1,632,144	0.04
2027	$ 1,696,984	$ 95,901	$ 1,601,083	0.06
2028	$ 1,696,984	$ 168,039	$ 1,528,945	0.10
2029	$ 1,696,984	$ 269,522	$ 1,427,462	0.16
2030	$ 1,696,984	$ 356,808	$ 1,340,176	0.21
2031	$ 1,696,984	$ 434,672	$ 1,262,312	0.26
2032	$ 1,696,984	$ 522,608	$ 1,174,376	0.31
2033	$ 1,696,984	$ 601,321	$ 1,095,663	0.35
2034	$ 1,696,984	$ 898,476	$ 798,508	0.53
2035	$ 1,696,984	$ 980,454	$ 716,530	0.58
2036	$ 1,696,984	$ 1,271,146	$ 425,838	0.75
2037	$ 1,696,984	$ 2,178,386	$ -	1.28
2038	$ 1,696,984	$ 2,873,039	$ -	1.69
2039	$ 1,696,984	$ 3,189,718	$ -	1.88
2040	$ 2,716,984	$ 3,934,363	$ -	1.45
2041	$ 3,052,853	$ 4,266,440	$ -	1.40
2042	$ 3,387,812	$ 4,603,647	$ -	1.36
2043	$ 3,730,424	$ 4,946,590	$ -	1.33
2044	$ 4,078,972	$ 5,295,382	$ -	1.30
2045	$ 4,436,606	$ 5,650,136	$ -	1.27
2046	$ 4,795,946	$ 6,010,966	$ -	1.25
2047	$ 5,165,368	$ 6,377,987	$ -	1.23
2048	$ 5,536,958	$ 6,751,314	$ -	1.22
2049	$ 5,914,284	$ 7,130,790	$ -	1.21
Total	**$ 68,270,964**	**$ 68,907,079**	**$ 14,665,486**	**1.01**

Source: PFM Financial Advisors LLC and Tiberius Solutions