

Establishing a Tax Increment Area

Federal Way, City Council Retreat
January 21, 2023



TIBERIUS
SOLUTIONS

Agenda

- Tax Increment Financing (TIF) 101
- Proposed Federal Way TIA Overview
- Increment Forecast
- Proposed Project List
- Adoption Process
- Finance Considerations
- Questions & Answers

TIF 101

- Washington Legal Framework
- How it works
- Required analysis
- Adoption process
- Examples from other communities

TIF in Washington

- RCW 39.114: HB 1189 enacted in 2021
- Cities, counties, and Ports can establish Tax Increment Areas (TIAs) to fund public improvements that enable private development
- Some property taxes paid in TIA are collected by the TIA to pay for public projects
- TIAs do not raise taxes on any property, but redirects some taxes paid

TIF in Washington

- Current taxable assessed value in TIA is “frozen,” and property taxes from the frozen ***tax allocation base value*** are paid to taxing districts
- Increase in assessed value is ***increment value***, and property taxes from the increment value are paid to the TIA (***tax allocation revenues***)
- TIAs can collect tax allocation revenues for a maximum of 25 years

Required Analysis for TIA Adoption

- TIA Boundary
- List of Public Improvements
- Anticipated Private Development
- Finance Plan
- Economic and Community Impacts

TIA Boundaries

- No more than two per municipality
- Assessed value: less than 20% or \$200M
- Identify property to be acquired by municipality
- Legal description*

Public Improvements

- Description and cost estimate for each
- Cannot add projects to the list in the future
- Capital, Admin, Financing, Maintenance, Security, Feasibility Studies
- Projects can be outside of TIA boundary, if they benefit property inside the TIA
- Deadline for commencement

Anticipated Development

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

Finance Plan

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

Economic and Community Impacts

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

Example: Port of Vancouver



Picture Source: Port of Vancouver

Example: City of Kirkland

NE 85th St. Future Vision Looking West



Picture Source: City of Kirkland

Financial Capacity

- Forecast growth in taxable assessed value
- Identify impacted levy rates, and forecast future changes
- Forecast future tax allocation revenue
- Estimate future financing terms
- Estimate financial capacity (adjusting for inflation and cost of interest)

Future Growth in Value

- Inherently uncertain
- RFP to select developer(s) for City-owned property downtown will provide some clarity

Calendar Year	New Taxable Assessed Value
2023-2027	\$116M Per Year
2028-2047	\$97M Per Year

Completed by Johnson Economics

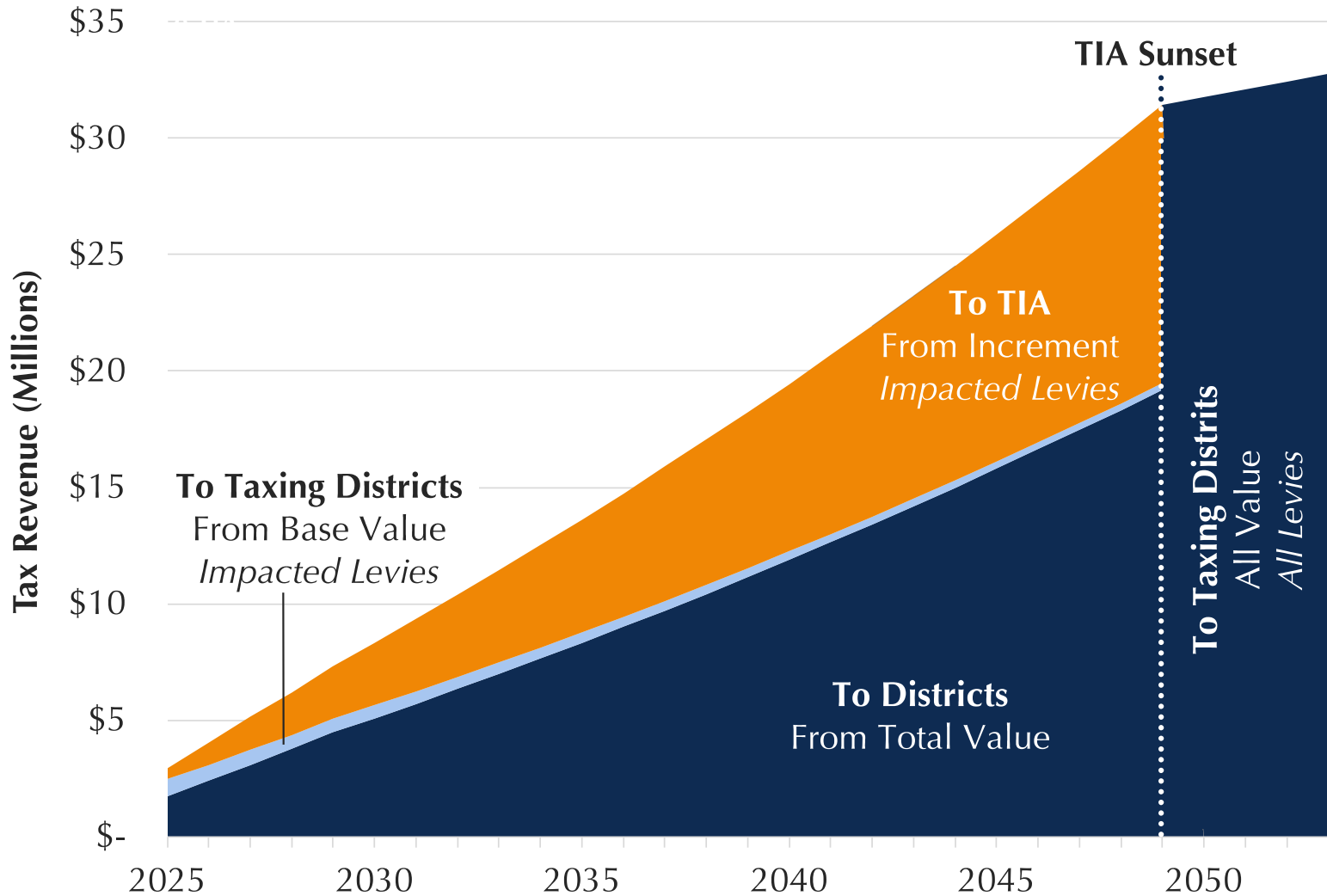
Impacted Levy Rates

- County Regular Levy
- County Lid Lifts
- County Transportation Levy
- County Conservation Futures
- County Flood Zone
- County Ferry District
- Port General Fund
- EMS
- Sound Transit
- City General Fund
- Library General Fund
- Fire District 39 General Fund

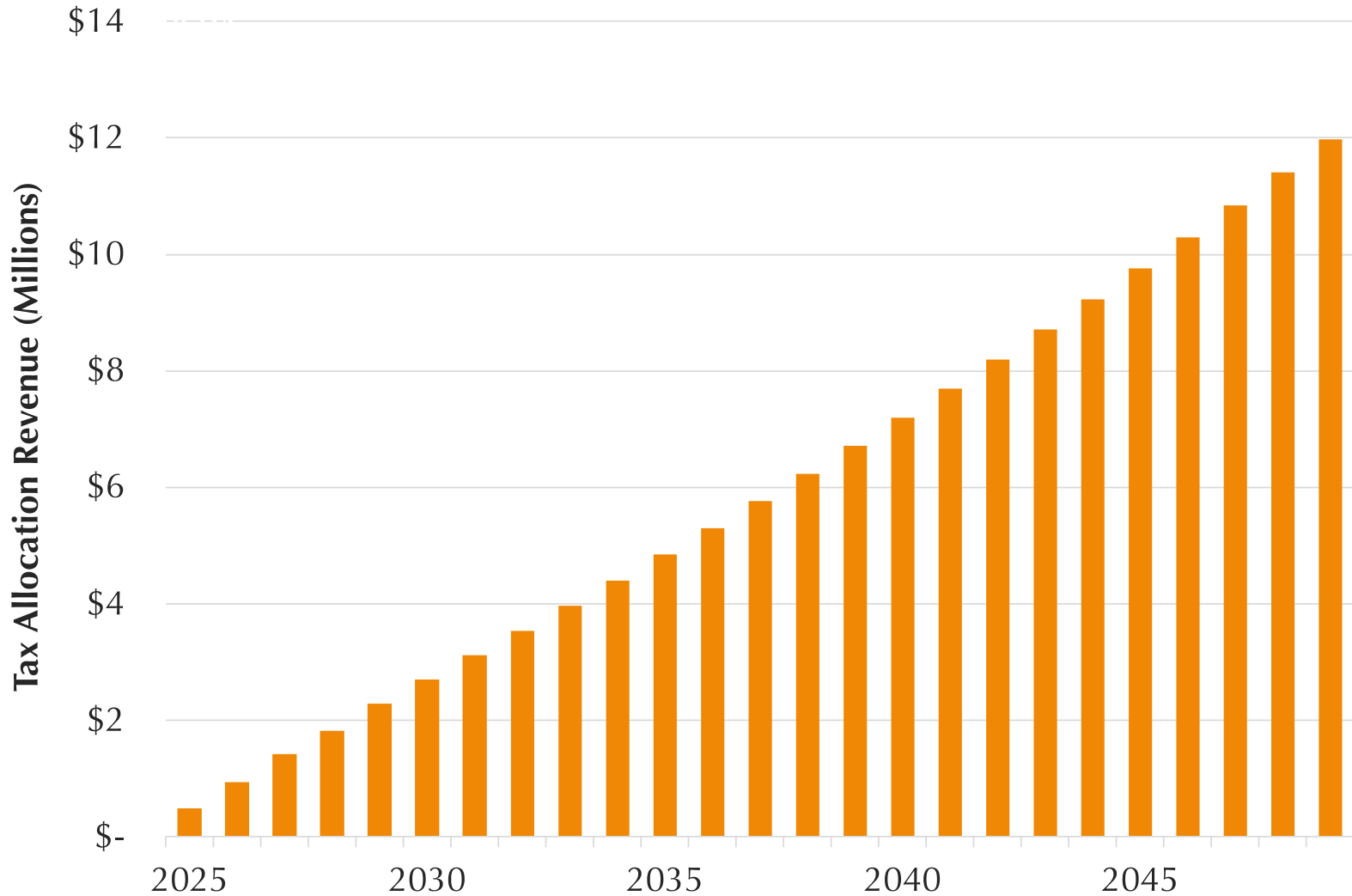
Levy Rates that are NOT Impacted

- State Schools Part 1
- State Schools Part 2 (McCleary)
- County Bonds (voted)
- Port Bond Fund
- Federal Way School District 210
- Library GO Bond
- Fire District 39 Maintenance & Operations
- Fire District 39 GO Bond

Tax Revenues



Tax Allocation Revenue



Financial Capacity

- Tax allocation revenues: \$149M
- Funding for projects: \$121M
(accounts for cost of interest on debt)
- Funding for projects (2023 \$): \$81M
(accounts for inflation over time)
- Key variables: timing/value of new construction, appreciation of property values, inflation rates, interest rates, borrowing assumptions.

Impacts to Taxing Districts

Levy	Total Impact (25 Years)
Countywide Regular Levy	\$22,500,000
Countywide Lid Lifts	\$300,000
Countywide Transport levy	\$1,700,000
County Conservation Futures	\$1,200,000
County Flood Zone	\$4,400,000
County Ferry District	\$400,000
Port General Fund	\$2,300,000
EMS	\$9,800,000
Sound Transit	\$7,200,000
City of Federal Way General Fund	\$32,000,000
Library General Fund	\$11,500,000
Fire District 39 General Fund	\$55,500,000
Total	\$148,800,000

Proposed Projects

Priority	Project	Description	Other Funding?	Total Projected Cost	TIA Portion
1	Public Parking & Plaza	<ul style="list-style-type: none"> • 400 stalls @ \$65,000/stall • \$10M plaza (based on cost for Yakima Central Plaza) 	No	\$36M	\$36M
2	Recreation	<ul style="list-style-type: none"> • 4 acres @ \$2M/ac • \$3M park (based on 2022 Rose Village Neighborhood Park, Vancouver) 	Yes	\$12M	\$8M
3	Pedestrianization & Placemaking	<ul style="list-style-type: none"> • S 320th Dip • 21st Avenue S reimagination • S 316th St reimagination 	Yes	\$52M	\$1M
4	Public Art	<ul style="list-style-type: none"> • 2% of each project (part of budget) 	No	\$2M	\$0
Total				\$100M	\$45
Not Included	Community Building	<ul style="list-style-type: none"> • 15,000 sf • Located on TC-3 plaza • Could be built later under separate funding solution 		\$4M	\$0

Adoption Process & Timeline

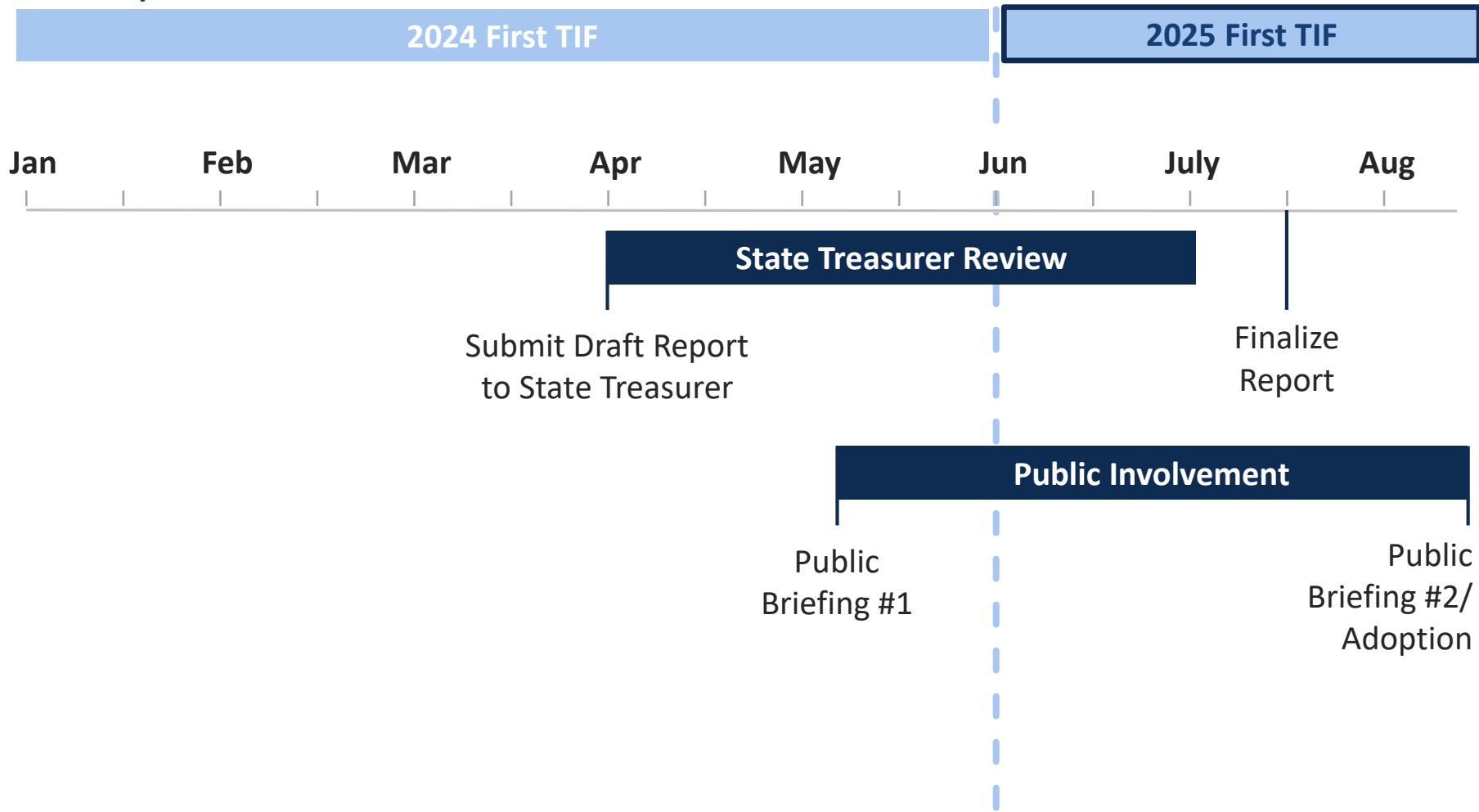
- City has unilateral authority to establish TIA
- State reviews and comments, but has no formal approval
- Impacts other taxing districts, but does not require their approval
- Timing considerations impact frozen base year, first year of tax revenues, long-term financial capacity

RCW Requirements

- Required by RCW
 - Review (90 days) and input from State Treasurer
 - Two public briefings
 - Resolution adopted at public hearing
- Recommended
 - Outreach to impacted tax districts
 - Outreach to key stakeholders
 - Coordination with County Assessor

Schedule – Option 1

TIA Adoption Deadlines



Schedule – Option 2

TIA Adoption Deadlines

