

PORT OF SEATTLE  
MEMORANDUM

COMMISSION AGENDA

Item No. 6e

Date of Meeting July 28, 2009

DATE: July 27, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Clare Gallagher, State Government Relations Manager  
Elizabeth Morrison, Senior Manager, Corporate Finance *CAF for EM*

SUBJECT: Resolution No. 3236-- Opting Out of Tax Redistribution for Local Revitalization Areas

BACKGROUND

This past legislative session, the Washington Legislature adopted SB 5045, Community Revitalization Financing, which permits Washington local governments, including port districts, to form "local revitalization areas" (RA) to finance public infrastructure designed to attract private investment and economic development. This new tool is based on tax increment financing (TIF). Traditional TIF financing taps increased tax revenue generated by private development, and applies those taxes to pay bonds issued to finance the public infrastructure supporting the development.

Under SB 5045, the state will provide grants in the form of a state sales credit to local jurisdictions for infrastructure improvements. The city would be allowed to keep up to \$500,000 per year in sales tax money that otherwise would go to the state. That money must be matched, dollar for dollar, by local tax revenue. That local tax revenue can include pledged new tax revenue resulting from the new development from the city applying for the grant, other grant monies or private contributions, as well as new tax revenue collected by overlapping tax jurisdictions such as port districts or transit districts for up to the 25 years of the project.

SB 5045 allows local taxing districts that do not wish to redistribute the increased property and sales taxes within the RA to take official action to opt out. By opting out, the Port would collect its full portion of property tax generated on the improved property. Per the law, the proposing jurisdiction is required to provide notice, hold a public hearing and allow taxing districts to opt out of the revitalization area financing within a 30-day time frame before adoption of the RA.

While the legislation offers only one opportunity to either participate in the proposed new RA or to opt out, nothing in the legislation prohibits the Port from participating in development through

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more traditional means such as interlocal agreements, which would allow the Port more time and involvement to determine that the development is an appropriate use of the Port's tax levy funds.

The Port of Seattle has received notice from the cities of Auburn, Bellevue, Federal Way and Renton that they intend to form a revitalization area under the new legislation.

### Auburn:

Public hearing July 20, 2009

Project proposal: Downtown Transit Center improvements

Estimated project cost: \$8 million

Opt out deadline: August 3

### Bellevue:

Public hearing July 27, 2009

Project proposal: NE 4<sup>th</sup> Extension project

Estimated project cost: \$29.4 million

Opt out deadline: August 3

### Federal Way:

Public Hearing August 4, 2009

Project proposal: Federal Way Village development, 44 acres at S 336<sup>th</sup> Street/Pac Highway S.

Estimated project cost: \$2.97 million

Opt out deadline: August 4

### Renton:

Public hearing August 10

Project proposal: Council evaluating development at S. Lake Washington and/or Port Quendall

Estimated project cost: undetermined at this time

Opt out deadline: August 10

Due to the long life of this authority (25 years) and the lack of information regarding future growth in each of the RAs, there is no way to calculate or to estimate the amount of the Port's tax receipts that would be diverted to these other jurisdictions. However, the Port's levy collection would be impacted. Each year, the Commission establishes a dollar amount of tax levy which is then translated into a levy rate applied to all assessed value in King County. By participating in an RA, the Port's levy rate applied to 75% of the new assessed value created in the RA would remain in the RA and only 25% would be sent to the Port. The result is that the Port would collect less than its full levy amount. That could mean that the Port would need to set a higher tax levy in order to fund Port projects.

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### **RECOMMENDED ACTION**

Because the legislation is very new and the future impact to the Port is unclear, the recommendation is to opt-out from participation in 2009 local revitalization area participation. Should the Port choose to support a project in a city or town, the use of an interlocal agreement (ILA) is available, and is a method used historically by the Port to define financial participation. The Port's role in any ILA must be consistent with the Port's mission, as defined by statute, and provides greater certainty regarding support of another local government's project, use of Port monies and consistency with our fiduciary responsibility under the statute.

In order to transmit an official action from the Port Commission by the first opt-out deadline for the City of Auburn, the Commission must take final passage on a resolution by August 3. The proposed resolution is attached and the Commission should consider taking first and second reading on its meeting of July 28 to meet that deadline.

