

## Industrial Development Corporation (IDC) of the Port of Seattle

### Overview of the Port of Seattle's (the "Port") IDC:

- The Industrial Development Corporation of the Port of Seattle, also known as IDC, was established in 1982 pursuant to Revised Code of Washington (Chap. 39.84)<sup>1</sup>. The IDC is a special purpose government with limited powers.
- The IDC was established for the purpose of facilitating industrial expansion through tax-exempt financing.
- Any company with a project that (i) qualifies for tax exempt financing, and (ii) qualifies under RCW 39.84 and IDC policy may apply for IDC financing. In general, projects will be eligible for IDC financing if they will further the objectives of the Port of Seattle.<sup>2</sup>
- Debt issued by a company through the IDC is the sole responsibility of the company and is always non-recourse to the Port and to the IDC.
- The IDC is governed a board of directors comprised of members of the Port Commission; accordingly, both the IDC Board and the Port Commission must approve any IDC bond issue.
- The Port cannot lend credit or give money to IDC.
  - *[See the IDC's Frequently Asked Questions which provides more details.]*

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<sup>1</sup> See Appendix A of Frequently Asked Questions.

<sup>2</sup> Resolution No. 2 (see Appendix B of Frequently Asked Questions) adopted April 27, 1982 is a master policy for the purpose of determining the eligibility of projects or proposals for financing.

## Industrial Development Corporation (IDC) of the Port of Seattle

<i><b>IDC Frequently Asked Questions (FAQs)</b></i>		
<b>1.</b>	<b>What is the purpose of an IDC?</b>	<ul style="list-style-type: none"> <li>• To facilitate industrial expansion through use of tax-exempt financing.</li> </ul>
<b>2.</b>	<b>Who can establish an IDC?</b>	<ul style="list-style-type: none"> <li>• Any city, county or port in the State of Washington can establish an IDC.</li> </ul>
<b>3.</b>	<b>When and how was the Port's IDC formed?</b>	<ul style="list-style-type: none"> <li>• The Port's IDC was established on February 9, 1982 pursuant to RCW 39.84.</li> </ul>
<b>4.</b>	<b>What is the Port's IDC's structure?</b>	<ul style="list-style-type: none"> <li>• It is a special purpose government with limited powers.</li> <li>• It is governed by a board of directors – comprised of the same members as the Port Commission.</li> <li>• The Port cannot lend credit or give money to IDC.</li> <li>• Debt is always non-recourse to the Port and to the IDC.</li> </ul>
<b>5.</b>	<b>What law(s) govern the IDC?</b>	<ul style="list-style-type: none"> <li>• The IDC is governed by Washington State law RCW 39.84 (see Appendix A).</li> <li>• Tax-exempt debt issued by the IDC is further governed by Federal law (tax code).</li> <li>• In addition, the IDC is governed by resolutions adopted by the IDC board.</li> </ul>
<b>6.</b>	<b>What is IDC policy?</b>	<ul style="list-style-type: none"> <li>• Resolution No. 2 (see Appendix B) adopted April 27, 1982 is a master policy for the purpose of determining the eligibility of projects or proposals for financing.</li> <li>• In general, projects will be eligible for IDC financing if they will further the objectives of the Port of Seattle.</li> </ul>
<b>7.</b>	<b>Who borrows through the IDC?</b>	<ul style="list-style-type: none"> <li>• Any company with a project that qualifies for tax exempt financing and qualifies under RCW 39.84 and IDC policy may apply for IDC financing.</li> <li>• Both the IDC Board and the Port Commission must approve any IDC bond issue.</li> </ul>
<b>8.</b>	<b>How does the IDC get compensated?</b>	<ul style="list-style-type: none"> <li>• The IDC is compensated by the company borrowing through the IDC, for administrative expenses related to the bond issues. The compensation is based on a percentage of the debt service. Payments can be made annually through the life of the bond or in a lump-sum when bonds are issued.</li> </ul>

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### *IDC Frequently Asked Questions (FAQs)*

<b>9.</b>	<b>Who pays the debt service (principal and interest) on the bond issue?</b>	<ul style="list-style-type: none"> <li>• The company borrowing through the IDC pays the debt service. RCW 39.84.060 (Public Corporation – Limitations) permits the IDC only to incur nonrecourse revenue obligations, payable from revenues generated by the financed facility, amounts received under financing documents, and/or amounts received from other private sources. The IDC’s bond issues are structured as conduit revenue bond issues. The IDC pays the bond proceeds (less the IDC’s costs of issuance) to the company, who is then responsible for paying debt service on the bonds.</li> </ul>
<b>10.</b>	<b>Do the IDC’s financial statements get audited?</b>	<ul style="list-style-type: none"> <li>• Yes, the IDC’s financial statements are audited by the state auditor’s office as required by RCW 39.84.070., currently at least once every three years.</li> </ul>
<b>11.</b>	<b>Is the IDC responsible if a company fails to perform on the debt service payments?</b>	<ul style="list-style-type: none"> <li>• No, debt is always non-recourse to the Port and to the IDC.</li> </ul>
<b>12.</b>	<b>Does the IDC receive any bond proceeds when bonds are issued?</b>	<ul style="list-style-type: none"> <li>• No, bond proceeds go directly to the company borrowing through the IDC, except for reimbursement of any IDC incurred cost of issuance.</li> </ul>
<b>13.</b>	<b>Why does the IDC not show outstanding debt on its Balance Sheet?</b>	<ul style="list-style-type: none"> <li>• The liability shows up on the books of the company borrowing through the IDC since it is the entity responsible for debt service.</li> </ul>
<b>14.</b>	<b>Who are the bondholders?</b>	<ul style="list-style-type: none"> <li>• The IDC does not have this information available to it.</li> <li>• The companies borrowing through the IDC pay their debt service (principal and interest) to a trustee.</li> </ul>
<b>15.</b>	<b>Are there other IDCs in Washington State?</b>	<ul style="list-style-type: none"> <li>• There are numerous cities, counties, and ports that have IDCs. A few examples are:               <ul style="list-style-type: none"> <li>○ City of Seattle Industrial Development Corporation,</li> <li>○ King County Economic Enterprise Corporation,</li> <li>○ Industrial Development Corporation of the Port of Bellingham,</li> <li>○ Economic Development Corporation of the Port of Olympia,</li> <li>○ Economic Development Corporation of Pierce County.                   <ul style="list-style-type: none"> <li>▪ See Appendix C for additional examples of IDC’s.</li> </ul> </li> </ul> </li> </ul>

# **Industrial Development Corporation (IDC) of the Port of Seattle**

## ***IDC Frequently Asked Questions***

### **Appendix A**

Chapter 39.84 RCW

INDUSTRIAL DEVELOPMENT REVENUE BONDS

Chapter 39.84 RCW Industrial Development Revenue Bonds can be found in the Washington State Legislature web site, via the following hyperlink: <http://apps.leg.wa.gov/rcw/default.aspx?cite=39.84>.

# **Industrial Development Corporation (IDC) of the Port of Seattle**

## **Appendix B**

### RESOLUTION NO. 2

A RESOLUTION of the Industrial Development Corporation of the Port of Seattle adopting a master policy for the purpose of determining the eligibility of projects or proposals for financing.

WHEREAS, the Industrial Development Corporation of the Port of Seattle (the “Corporation”) is a public corporation created pursuant to Chapter 300, Laws of Washington 1981 (Reg. Sess.) codified as Chapter 39.84 of the Revised Code of Washington and Resolution No. 2845 adopted by the Port of Seattle Commission on February 9, 1982; and

WHEREAS, the Corporation is now desirous of adopting a master policy to determine the eligibility of projects or proposals coming before the Corporation; and

WHEREAS, the Corporation wishes to establish and empower a Chief Staff Officer for the Corporation with the authority to amend, update and revise, when necessary, the initial procedures to carry out the adopted policies herein; and

WHEREAS, the initial procedures have been submitted to the Board of Directors of the Corporation and by adoption of this Resolution represents Board concurrence in the general context and form.

NOW, THEREFORE, BE IT RESOLVED BY THE INDUSTRIAL DEVELOPMENT CORPORATION OF THE PORT OF SEATTLE, WASHINGTON, as follows:

Section 1. It is the basic policy of the Corporation to comply with the applicable Federal and State of Washington laws and amendments thereto in determining the eligibility of any project or proposal coming before the Corporation for consideration and/or approval for financing.

Section 2. The Corporation hereby adopts the following additional policy to determine the eligibility of projects or proposals for financing by the Corporation:

- A. The Corporation will consider only projects or proposals which will further the purposes and objectives of the Port of Seattle as adopted by the Port Commission December 9, 1980 or as further amended from time to time.
- B. Tax exempt industrial revenue bonds will be issued only for the financing of projects which broaden and strengthen the economic base of the Port District by enhancing trade and the movement of passengers and cargo by air or sea, including:
  - (1) the development or improvement of marine terminals and airport facilities or components thereof;
  - (2) the development and improvement of commercial and industrial land, manufacturing facilities, warehouses, terminal and transfer facilities, and related improvements which enhance trade via Port-owned or operated airport and marine facilities;
  - (3) the development and improvement of facilities which will enhance or promote the Port’s Comprehensive Scheme; and
  - (4) the development and improvement of facilities which directly support and assist the movement of passengers and cargo by air or waterborne transportation, including, but not limited to, aircraft and ship construction and repair facilities, facilities necessary for the inspection, weighing, storage, and packaging of cargo; and connecting surface transportation facilities.

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A. The Corporation will not consider projects or proposals that:

- (1) unnecessarily or unjustifiably subsidize users, i.e., proponents must demonstrate reasonable need for this form of financing;
- (2) create unfair competition or dislocate the balance of competition within the Port District;
- (3) duplicate existing facilities which already adequately meet current needs;
- (4) are proposed by others than the directly interested party, or by any proponent unable to demonstrate a sound operating financial history; and
- (5) and are not otherwise authorized by the 1981 Local Economic Development Act or other applicable laws.

Section 3. The Chief Staff Officer of the Corporation shall be the Executive Director of the Port of Seattle. The chief staff officer is hereby authorized to carry out the purposes of the policies hereby and henceforth adopted by the Corporation and may amend, update and revise the procedures of this Resolution as it is from time to time necessary due to changes in law and/or operations of the Port without prior Commission approval, except as to fees and assessments to be charged.

The initial procedures have been submitted to the Board of Directors of the Corporation and by this Resolution they concur in the general context and form.

ADOPTED by the Board of Directors of the Industrial Development Corporation of the Port of Seattle, Washington this 27th day of April 1982.

JACK BLOCK  
PRESIDENT

ATTEST:  
HENRY L KOTKINS

SECRETARY  
(SEAL)

# **Industrial Development Corporation (IDC) of the Port of Seattle**

## ***IDC Frequently Asked Questions***

### **Appendix C**

#### **Examples of some local area IDCs\*\***

City of Kent Economic Development Corporation  
King County Economic Enterprise Corporation  
Industrial Development Corporation of the City of Everett  
Economic Development Corporation of Pierce County  
City of Seattle Industrial Development Corporation  
City of Redmond Economic Development Corporation  
City of Auburn Economic Development Corporation  
Industrial Development Corporation of Kitsap County

\*\* Entities listed established IDCs. This is a partial representative list, and does not include all IDCs and Entities with the IDCs in the State of Washington.