

Economic Planning for The City of Snohomish: Tax-Increment Financing as a Supplemental Financing Tool

By: Grace Hansen, Telli Koroma, Elijah Jones, & Michael Saunders

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Professor Joaquín Herranz, Jr., PhD

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Author's Note

Grace Hansen will be graduating this spring with a Master of Public Administration, concentrating on Public Financial Management. After graduating with a bachelor's degree from Boise State University and working in the legal field for several years, she realized that she had the desire to work in the public sector and make an impact on the state or local level. She found a passion for public finance and the ability to help make an organization's strategic goals and values into a tangible reality. Working with the City of Snohomish to analyze financing tools and recommend applications was a wonderful opportunity to begin this kind of work, and she has valued the opportunity to work with the city and other interested stakeholders. She looks forward to continuing to work in the public sector within the Puget Sound region after graduation.

Telli Koroma is a Master of Public Administration candidate in the class of 2024 at the Evans School of Public Policy and Governance, and is passionate about the intersection of public policy and technology, with a particular focus on agriculture, finance, and healthcare. Before studying at Evans, he worked for various ministries and departments across the Government of Sierra Leone and the private sector, building digital tools to improve public service delivery. He received an M.S in Internet Systems and E-business from Durham University and a B.Eng from the University of Sierra Leone. Working on this project has provided a great opportunity to understand US public sector financing and he looks forward to working on impactful projects.

Elijah Jones will be graduating from the Evan's School of Public Policy and Governance this spring. Now having consecutively received his Associates of Business Administration at Highline College, his Bachelor's degree in political economics at the University of Washington and now a Master's in Public Administration he feels the culmination of his studies has prepared him to continue his career with King County. He has worked for King County the past 4 years as an intern for King County's housing authority, prosecuting attorney's office, international airport, and financial business operations division. He will reference this amazing opportunity to work with the City of Snohomish and will continuously utilize the lessons learned during this experience in future.

Michael Saunders is graduating from the Evans School of Public Policy with an MPA after focusing on *ethics, mediation, and race* in his tenure at the University of Washington. He earned his undergraduate degree in Political Science and plans to use all the information he's learned to assist communities and private entities in making sound ethical decisions. As a student of trans and disabled experience, having this kind of opportunity to work with the City of Snohomish, has given Michael a new idea of how he expects to navigate the ethical and rational decisions of the world.

Table of Contents

Abbreviations/Terms	5
Key Terminology	5
Executive Summary	6
Purpose of Report	8
Chapter I: Introduction	9
1.1 Introduction:	9
1.2 Background: City of Snohomish	9
1.3 Background: Tax Increment Financing	10
1.4 Economic Overview of Snohomish City	12
1.5 Scope & Objective:	13
1.6 Research Questions:	13
Chapter II: Literature Review	14
2.1 Introduction:	14
2.2 Literature Review Sources	14
2.3 Tax Increment Financing in the United States	15
2.4 The TIF Process and Implementation	16
2.5 TIF Effectiveness in Economic Development	17
2.6 TIF legislation differences in states	19
2.7 Challenges with Tax Increment Financing	20
2.8 Literature Conclusions	20
Chapter III: Methodology	22
3.1 Case Studies Introduction	22
3.2 TIF Case Study Analysis	24
3.3 Interview Methodology	28
Chapter IV: Data Analysis	30
4.1 Interview Analysis	30
Chapter V: Recommendations	37
5.1 Approaches by District	39
5.2 Next Steps	39
References	42
Appendices	44
Appendix A: Reviewed Washington State TIF Proposals	44
Appendix B: Interview Questions & Adapted Responses	44
Appendix C: TIF Project Proposal Requirements	47

Abbreviations/Terms

AV- Assessed Valuation

CIP- Capital Improvement Plan

FTE- Full Time Equivalent

EIFD - Enhanced Infrastructure Financing Districts

LTGO- Limited Tax General Obligation

TIF - Tax-Increment Financing

TIA - Tax- Increment Area

Key Terminology

Executive Summary

The City of Snohomish is participating in the University of Washington Evans School of Public Policy and Governance Master's of Public Administration Student Consulting Lab, in which a team of graduate students research *Tax-Increment Financing* as a part of their community development and improvement plans. This project is an Evan's School of Public Policy and Governance Capstone Project required for all MPA students at the end of their studies. The City of Snohomish was also selected to partner with the University of Washington's Livable City Year project, which connects students and faculty to public and private partners to work on 'high-priority' projects.

Tax increment financing (TIF) is an economic development tool newly adopted into law in Washington State in 2021. TIF works by gathering taxes based on future gains in property value and allocates the funds to redevelopment projects. These developments and investments increase the assessed property values within the increment area, allowing local governments to 'capture' the corresponding increase in tax revenue to fund these projects. The City of Snohomish has identified several infrastructure areas of concern, including long-term maintenance of the city's wastewater and drinking water pipes and pedestrian crossing and sidewalk improvements. The City has also identified several distinct parts of the town as potential areas for economic growth with additional development. The overall body of research on TIF and economic development suggests that TIF can promote local economic growth, particularly when carefully designed and implemented. However, the effectiveness of TIF is likely to depend on a range of contextual factors, and there may be significant variation in the impacts of TIF across different settings and types of projects.

We analyzed case studies of cities in Washington with TIF experience to understand the diversity in TIF applications and outcomes based on the cities' size, economic conditions, and project scope. We also interviewed city officials from four districts in Washington that have either implemented or researched TIF in their jurisdictions. These include the Cities of Wenatchee, Kirkland, and Arlington, and the Port of Everett. These locations offer diverse and relevant experiences and viewpoints on TIF's implementation and impact within different community and economic contexts. Organizing and analyzing this data provided the City of Snohomish with a simplified and concise understanding of the subject matter, allowing them to make better-informed decisions regarding TIF's usefulness in the Snohomish improvement project.

We found that early and ongoing engagement with overlapping taxing districts and the community is crucial for successful TIF implementation. Cities should educate stakeholders about TIF, address concerns, and secure buy-in through proactive outreach and clear communication. Furthermore, alignment with existing plans and development priorities is essential when pursuing TIF. Cities should focus on areas where development will likely occur based on zoning changes, infrastructure investments, and market demand. To mitigate the risks associated with TIF, conservative revenue

projections and a cautious approach to bonding are necessary. In their TIF projections, cities should use conservative assumptions, sensitivity analysis, and risk mitigation strategies. Integrating TIF into capital planning and budgeting is a common challenge. Cities should consider how TIF fits their overall infrastructure funding strategy, including grants, loans, developer contributions, and other sources. When implementing TIF, cities must navigate statutory limitations, legislative changes, and administrative complexities. Relying on consultants and working closely with county assessors can help address these challenges.

Based on the case studies, and interviews with city officials, we recommend that the City of Snohomish consider utilizing TIF to support specific infrastructure priorities that align with the city's economic development goals and have the potential to catalyze private investment and growth. The following criteria should be evaluated when determining the feasibility and appropriateness of implementing TIF for a particular project or area:

- Alignment with existing plans and development priorities
- Potential for catalytic impact and private investment
- Feasibility of revenue generation and bond repayment
- Stakeholder support and community benefit
- Capacity for implementation and administration

Based on these criteria, we recommend that the City of Snohomish prioritize the following areas for potential TIF implementation:

Midtown District - Avenue D Corridor: TIF could be used to fund key infrastructure improvements that would make the area more attractive for private investment and development.

North Lake Sub-Area: TIF could be used to fund the necessary downstream improvements to the sewer system to accommodate increased capacity and support anticipated development.

The City of Snohomish should also consider lessons learned from other cities in Washington that have implemented TIF, as well as the specific legal and administrative requirements for establishing a TIF district under state law. This includes conducting a thorough project analysis, engaging in stakeholder outreach, and developing a clear plan for financing and implementation.

The success of TIF in will depend on the city's ability to strategically target investments, leverage partnerships and other funding sources, and maintain a long-term commitment to the redevelopment and economic vitality of the selected areas. By carefully evaluating the criteria and learning from the experiences of other cities, Snohomish can position itself to effectively utilize TIF as a tool for supporting its economic development goals and enhancing the quality of life for its residents and businesses.

Purpose of Report

Research Methods

Our project is focused on assessing the City's current economic development landscape to identify areas where TIF may be applicable and provide additional research toward its intended use. We will be centering our research and analysis around whether tax increment financing is an appropriate tool to implement in the City of Snohomish.

Our analysis will focus on:

- A surface-level literature review of the current landscape of TIF in the United States.
- Case studies of other jurisdictions that have previously utilized TIF.
- Interviews with city officials throughout Washington who have looked into using TIF as an economic development tool.

Our recommendation included several components based on our case studies, economic data, and interviews with city/port officials regarding the intended purpose of TIF; including a review of conditions under which TIF may be implemented and how the City's current priorities would fit into these conditions. The City of Snohomish is exploring TIFs as an option to add to their current development plans, so our research and recommendations will not focus on making one specific recommendation, but on analyzing and assessing multiple options and providing input on whether each makes sense. We will explicitly recommend whether TIFs in Snohomish will generate enough funding to be useful to the improvement project by clarifying the average income generated per square capita in each city. By measuring those averages and comparing the city's composition we can determine an estimate that will inform us on whether The City of Snohomish can generate enough income with TIF. We also provide guidance on the next steps the City should take to give the city a holistic view of TIF and prioritize equitable decision-making and communication.

Chapter I: Introduction

1.1 Introduction:

The City of Snohomish is participating in the University of Washington Evan’s Student Consulting Lab as they research the possibility of including *Tax-Increment Financing* into their community development and improvement plans. This project is part of the Evan’s Student Master’s of Public Administration Capstone, a graduation requirement for every student.

The University of Washington leads an innovative partnership program that engages students and faculty with various communities in the state that need new ideas to help solve complicated and intricate problems. This is the University of Washington’s Liveable City Year Program. Each year, the university selects different community partners, and they partner with the City of Snohomish for the 2023-2024 school year.

This report provides recommendations to the City of Snohomish that advise for or against the use of *TIF*, with efforts to advise toward the most sustainable and positive end goal of developing the community and improving its standards. This report contains our findings and recommendations for *TIF* usage in the City of Snohomish for their community development projects.

The City of Snohomish has not decided on what projects they would like to see *TIF* used for just yet. We included examples in our recommendations that allowed us to complete the research necessary to provide a succinct recommendation. Our research highlights *TIF*s adequacy in other cities and use that research to make general assumptions for the City of Snohomish. We then make recommendations that will ensure the City of Snohomish can make well-informed and impactful decisions regarding *TIF* usage in their projects.

1.2 Background: City of Snohomish

The City of Snohomish is a small city in Snohomish County, Washington, just east of Everett. With a population of just over 10,000 as of the 2020 Census, Snohomish has a reputation as the antiques capital of the Pacific Northwest. Snohomish is located at the intersection of US Route 2 and State Route 9, blocking the city's northern, eastern, and western borders. The Snohomish River blocks the southern and western borders, giving Snohomish extremely limited land capacity. Working with a fifth of a square mile, the City of Snohomish requests assistance in creating recommendations supporting its economic development plan and addressing its development, management, and access issues. Our client aims to foster entrepreneurship and focus on policies that support local businesses.

The City has been researching potential economic development opportunities based on the city's existing landscape and future developments. Through a partnership with the UW's Livable City Year Program (LCY), several teams of students have worked with the City to develop strategies and tools to aid economic development within the city. A team of business students from UW Tacoma has conducted a business survey and Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis of the City's economy, and a team of Master of Urban Planning (MUP) students were updating the Comprehensive Plan's Economic Development Element. Our team of MPA student consultants was tasked with analyzing Washington's updated guidelines on tax increment financing to determine if this tool was well-aligned with some of the city's existing economic and infrastructure priorities.

The City of Snohomish has identified several infrastructure areas of concern, including long-term maintenance of the city's wastewater and drinking water pipes and pedestrian crossing and sidewalk improvements. The City has also identified several distinct parts of the town as potential areas for economic growth with additional development.

- Midtown - along the commercial area of the Avenue D corridor, currently containing strip mall development and grocery stores. The Midtown District has recently been rezoned and the City is looking into improvements to make the district more pedestrian and transit-friendly.
- North Corner Subarea - the most commercial area being studied by the city as an area for future development
- Pilchuck District - created in 2011, the Pilchuck District is intended to complement the city's Historic District as a mixed-use urban center.
- Historic District - along the Snohomish riverbank on the south side of town, the city's Historic District is one of the city's main drivers of economic activity. Repair for this area is only limited to preservation purposes.

1.3 Background: Tax Increment Financing

Tax increment financing (TIF) is a newly developed economic development tool adopted into law in Washington State in 2021, but it has been around in California since 1952 (Strategic Economics, 2020). The purpose of *TIF* is to support new development under the Community Development Act passed in 1945 (FHWA, 2024), which pushed for collective community buy-in for their development projects.

TIF gathers taxes based on future gains in property value and allocates the funds to redevelopment projects based on state limitations. In Washington State, ***TIF is used when a city or port's private***

economy cannot grow alone and requires government intervention. This means the land cannot sustain itself due to low business or population, and must rely on public funding to generate private business.

These developments and investments *increase the assessed property values* within the increment area, allowing *local governments to ‘capture’* the corresponding *increase in tax revenue* to fund these projects (MRSC, 2024). For example, The City of Snohomish would build infrastructure that makes space for a public park and 10 vendor spaces. The vendors will move into those spaces and property values will rise. The public agency, The City of Snohomish, uses the *property tax generated* by increased property values in the TIA to pay for the public improvement projects. After the project costs are paid, the public agency retires the TIA.

This tool does not increase a local government’s base tax rate but allows for greater tax revenue due to this increase in assessed value. TIF programs were initially designed to focus on economic redevelopment and revitalization, requiring the designated increment area to be “blighted”. This has shifted over time to instead focus on areas that could benefit from development, such as vacant or undeveloped plots.

Community development is typically funded by state and federal grants/subsidies, incentives from utilities, philanthropic gift donations, and private capital (Federal Reserve, 2023). The Washington State Legislature created the TIF authority through House Bill 1189 for a city, county, or port to create a Tax Increment Area (TIA). TIFs are used throughout the United States to promote economic development. The State of Washington passed ESHB 1189 in 2021, allowing jurisdictions within the state to utilize TIF freely by removing limits on property tax collections. (ESHB 1189, 2021) Under these new guidelines, local jurisdictions have the freedom to borrow and fund more economic development projects within their jurisdiction, allowing for greater public-private partnerships.

Since this tax funding is not directly managed by governors and mayors, the funding can be more easily used for something different from what they may advocate for. Due to this, it is important to consider funding sources that are in direct proximity to a community’s leadership. The communication bridge in governance can hold a lot of weight on a community’s future, so this research will also include findings on other funding sources that can be found or replicated in Snohomish.

The requirements for implementing a TIF district vary from state to state, and Washington’s code includes several conditions.

- Jurisdiction may have no more than two increment areas designated at any given time.
- Project cannot last more than 25 years.
- Increment areas (combined) may not have an assessed valuation greater than the lesser of:

- \$200 million, or
- 20% of the jurisdiction’s total assessed value. (ESHB 1189)
- Providing findings that the TIF proposal will stimulate economic development within the increment area that would not have happened otherwise.

1.4 Economic Overview of Snohomish City

The City benefits from a high quality of life with safe neighborhoods, employment opportunities, and low unemployment rates, as identified in the SWOT analysis. There is a desire for a balanced approach in economic development to ensure cultural heritage and local identities are preserved. However, some challenges need to be addressed, such as housing affordability and a need for diverse job opportunities. The survey shows that there is general satisfaction with city services, but there is a need for improvement in *Planning, Zoning, Historic Preservation, and Building and Fire Inspection*. **Permit processing times** have been identified as a concern that could hamper economic growth. The SWOT analysis highlighted vital areas for inclusion in the Comprehensive Plan:

*“ Enhancing small business development, community safety, and supporting high-quality education
Addressing road congestion and maintaining robust public services. “*

The Housing Assessment highlights a critical gap in affordable housing in the city, as the current housing supply struggles to meet demand, particularly for low and middle-income families. The report projects a **population increase of 2,752 by 2044**, requiring additional housing units. The city's median age is 38, with a significant senior population. There is notable diversification, with a 15% increase in minority populations since 2000. Most workers commute to the city, indicating that the city’s economic position is not self-sustaining. Collaboration between public and private sectors is crucial to increasing housing availability and affordability, directly impacting the city's hospitality/service sector.

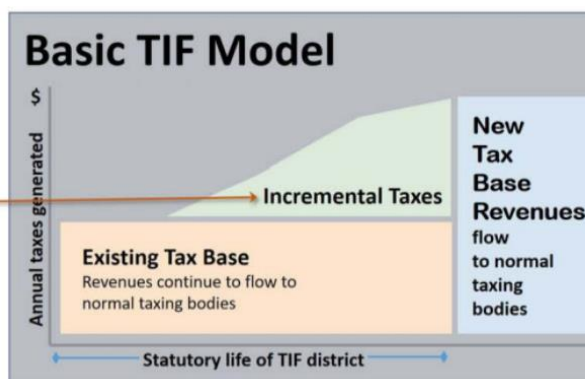
The lodging study reveals a demand for more lodging in Snohomish, driven by diverse factors like tourism, business travel, and local attractions. Snohomish’s local economy, proximity to Seattle, and anticipated future development contribute to this demand. Although there is a significant presence of hotels and short-term rentals with a healthy market indicated by high occupancy rates, tourism growth opportunities exist, especially in niche markets like eco-tourism. The study proposes strategic investments in the hospitality sector, but challenges like **environmental concerns and infrastructure** must be addressed.

Generally, TIF captures property taxes generated from the increased assessed valuation on the site that results from private development following infrastructure investment.

Washington State TIF law excludes State property tax and voter approved school levies.

Revenues from **REGULAR** property taxes assessed against the **Increment Value** only, are captured:

- ✓ To pay "public improvement costs"
- ✓ To **repay bonds** issued for "public improvements"



Source: Stowe Development & Strategies, 2022

1.5 Scope & Objective:

Our project is focused on assessing the City's current economic development landscape to identify areas where TIF may be applicable and provide additional research toward its intended use. We analyzed case studies from other jurisdictions that have used TIF, along with interviews with city officials from other Washington jurisdictions that have utilized it. We will present our recommendations as to whether the City should utilize TIF, our recommended application based on the city's current priorities, and additional steps that would be needed to implement the proposal smoothly. We will focus our analysis on the following research questions:

1.6 Research Questions:

How can The City of Snohomish use tax increment financing as an appropriate and sustainable tool for addressing the infrastructure and development needs of their community?

- What kinds of projects are appropriate in the City of Snohomish for TIF implementations?
- What lessons can Snohomish learn from the successes and challenges experienced by other cities in Washington that have implemented TIF?
 - What steps will the City need to take to implement TIF?
- Has tax-increment financing been proven effective in other cities similar to Snohomish?

These research questions guided our research and allowed us to pull from various texts to support our analysis and recommendations. The review below shows our investigation of TIFs and provides historical context that will inform our analysis and recommendations.

Chapter II: Literature Review

2.1 Introduction:

This review contextualizes findings from existing research on using tax increment financing (TIF) as a tool for economic development, focusing on its application in small cities. While TIF has been widely used in larger cities, its application in smaller cities like Snohomish has received less attention in the literature. This review will cover its historical development and key implementation processes, studies on its effectiveness, and the challenges and opportunities for small cities in implementing TIF. We look at academic research and policy reports from across the United States, with the understanding that Washington's economic landscape includes additional context that would be needed to draw any conclusions. This review aims to provide a comprehensive understanding of the current state of knowledge on TIF, as well as the trends and challenges to inform the design, methodology, and analysis of the findings in this project and contribute to the broader understanding of TIF as a tool for promoting local economic growth. This review also summarizes findings from administrative sources to understand the City of Snohomish's economic development needs. It includes an analysis of its current state, strengths, challenges, and comparable initiatives in similar cities. The findings will help narrow the research focus, inform recommendations, and highlight limitations.

2.2 Literature Review Sources

The sources for this review consist of documents provided by Snohomish's Economic Development Coordinator and articles from academic journals. This includes a Strengths, Weaknesses, Threats, and Opportunities (SWOT) analysis, The Business Retention and Expansion (BRE) survey report, a Housing Assessment, and a Gap Analysis to understand the current and future needs of the City. These sources provide a data-driven summary to inform economic objectives, understand the business landscape, and develop policy recommendations. The city also provided additional data on Taxable Sales Revenue, Employment Capacity, & Commercial Affordability. Academic articles were primarily sourced from Web of Science and Google Scholar. We use sources such as the TIF for jobs page, the Washington Economic Development Association (WEDA), and reports of cities implementing TIF.

2.3 Tax Increment Financing in the United States

TIF is a financing mechanism commonly used by local governments to finance public infrastructure and development projects in designated areas known as TIF districts. These districts are specific geographic areas where the property tax revenues generated by new development are set aside for future improvements within the same area (Briffault, 2010).

The concept of TIF emerged as a response to the changing roles of state and local governments in financing infrastructure and public capital investments, which were increasingly being shifted to the local level due to various economic and political factors. TIF originated in California in 1952 as a way to fund the redevelopment of underdeveloped or blighted areas (Briffault, 2010). Since then, TIF has been adopted by nearly all states in the United States, each with its own enabling legislation and regulations, and has expanded to a wide range of contexts, including suburban and rural areas, and adapted to support a variety of economic development goals (Greenbaum & Landers, 2014). Byrne (2006) attributes the widespread adoption of TIF to its ability to generate funding for urban redevelopment without raising taxes or diverting resources from other municipal services. Initially introduced as a mechanism for urban renewal, TIF gained prominence in the 1950s and 1960s as a response to challenges such as deteriorating infrastructure, declining property values, and limited public resources for redevelopment projects (Brown & Johnson, 2019).

The primary purpose of TIF is to promote urban redevelopment, attract businesses, and create jobs by leveraging future property tax revenues to finance present-day improvements (Greenbaum & Landers, 2014). TIF works by capturing the increase in property tax revenue generated by new development and using it to finance public improvements within the TIF district (Dye & Merriman, 2000) and enables cities to invest in infrastructure, such as roads, utilities, and public spaces, without relying on general fund revenues or raising taxes (Weber & Goddeeris, 2007). TIF can also be a powerful tool for leveraging private investment and encouraging redevelopment in areas that might otherwise struggle to attract market-driven development (Weber, 2003). There are several success stories, with notable contributions to revitalizing downtown areas in cities like Chicago and Denver. TIF played a pivotal role in these cities by funding key infrastructure improvements that sparked economic growth and development, underscoring the potential benefits of using TIF in similar contexts. However, TIF has also been subject to various criticisms and concerns.

Some critics argue that TIF can misallocate public resources, as the benefits of TIF-funded projects may not always justify the costs (Dye & Merriman, 2000). Others have raised concerns about the potential for TIF to exacerbate income inequality and gentrification, as the benefits of TIF-funded development may not be evenly distributed across the community (Lester, 2014). There are also concerns about the lack of transparency and accountability in some TIF programs and the potential for TIF to divert resources away from other important public services (Briffault, 2010).

2.4 The TIF Process and Implementation

TIF generally works by designating specific areas, known as TIF districts, where the incremental increase in property tax revenue is captured. TIF districts (TID) are created based on guidelines developed by the state. The TIDs are designed to include sufficient property to generate needed revenue and only encompass properties benefiting from new development. Typically, TIDs are larger than single development projects and often contain multiple projects (Johnson & Kriz, 2001). Several factors are generally considered when determining if TIF is appropriate and include:

- The presence of blight or underdeveloped conditions in the designated area (Johnson & Kriz, 2001; Briffault, 2010)
- Potential for private investment to drive economic growth in the designated area (Dye & Merriman, 2000; Weber, 2003)
- Availability of other funding sources or incentives for the desired development (Briffault, 2010; Greenbaum & Landers, 2014)
- The potential impact and benefits of the proposed infrastructure improvements or development projects on the community and local economy (Dye & Merriman, 2000; Weber, Bhatta, & Merriman, 2007)
- The potential for job creation and increased tax revenue resulting from the development (Smith, 2009; Merriman, Skidmore, & Kashian, 2011)
- Ability to effectively manage and administer Tax Increment Financing projects (Briffault, 2010; Greenbaum & Landers, 2014)
- Capability to demonstrate a clear and feasible plan for using the captured tax increment revenue (Johnson & Kriz, 2001; Briffault, 2010)

The baseline property tax revenue is established within a district, representing the tax revenue generated before any development or improvement activities. As development or redevelopment projects occur within the TIF district, resulting in increased property values and tax assessments, the incremental increase in property tax revenue, known as the "tax increment," is captured, as shown in Figure 1. This tax increment is then earmarked for financing TIF-supported projects, such as infrastructure upgrades, public facilities, affordable housing initiatives, and economic development incentives. The process of establishing a TIF district involves several key steps. These include legislative authorization, feasibility studies, public hearings, and adopting a TIF redevelopment plan (MRSC, 2021). The plan, a crucial component, outlines the goals, objectives, eligible project types, funding sources, and timelines for TIF-funded projects. Effective implementation often requires collaboration between municipalities, private developers, community stakeholders, and financing institutions.

Figure 2.1

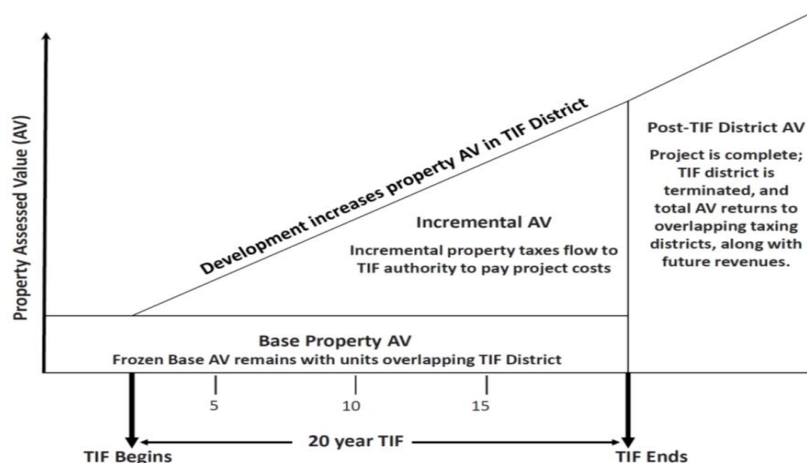


Figure 2.1. The TIF Increment: Property Assessed Value (AV) and Tax Revenue. Source: J. Klacik and S. Nunn, “A Primer on Tax Increment Financing,” in *Tax Increment Financing and Economic Development: Uses, Structures, and Impact* (2019).

This captured revenue is then utilized to finance infrastructure improvements and development projects within the TIF district.

TIF was designed for use when there is a need for public infrastructure improvements or economic development in specific areas, and the development would not happen without the assistance of tax increment financing. This is highlighted in the 'But for' test, which essentially means that the project would not be financially feasible without the additional revenue generated by Tax Increment Financing. In other words, the 'But for' test is a condition that must be met for TIF to be applied: the project would not occur 'but for' the use of TIF (Weber & Goddeeris, 2007).

2.5 TIF Effectiveness in Economic Development

A growing body of empirical research has examined the effectiveness of TIF as a tool for promoting economic development. While the results of these studies have been mixed, the evidence suggests that TIF can positively impact various economic indicators, such as employment, property values, and tax revenues. According to a study by the Schwartz Center of Economic Policy Analysis, “*One empirical study found only four out of 38 TIF projects grew fast enough to be considered self-financing*”. (Fisher et al, 2020) This suggests that TIFs are more effective as a partner-funding method than a more stable funding method like grants or high-traffic taxing (state, sales, etc).

Dye and Merriman (2000) analyzed data on TIF districts in the Chicago metropolitan area and found that TIF-funded projects positively impacted property values within the TIF districts but negatively impacted property values in the surrounding areas. This finding suggests that TIF may have some spillover effects, but these effects may not always be positive. Smith (2009) also found consistently positive impacts of TIF on economic development districts in Indiana and that TIF-funded projects positively impacted employment and property values within the districts.

Similarly, Weber, Bhatta, and Merriman (2007) found that Chicago's TIF districts experienced higher property value growth than similar areas without TIF.

However, some studies have highlighted TIF's limitations and potential drawbacks as an economic development tool. For instance, Lester (2014) found that TIF districts in Chicago tended to be in areas with higher levels of socioeconomic disadvantage and that the benefits of TIF-funded development were not always evenly distributed across the community. Lester argues that TIF may potentially exacerbate existing inequalities if not carefully designed and implemented.

Other research has highlighted the importance of various contextual factors in shaping the effectiveness of TIF. For example, Merriman, Skidmore, and Kashian (2011) found that the success of TIF districts in Wisconsin depended on factors such as the size of the district, the type of development being supported, and the overall economic conditions of the region. Similarly, Man and Rosentraub (1998) found that the effectiveness of TIF in Indiana varied depending on the specific goals and design of the TIF program.

There is also an ongoing debate in the literature about the appropriate methods for evaluating the economic impacts of TIF. Some studies have relied on simple before-and-after comparisons of economic indicators within TIF districts. In contrast, others have used more sophisticated econometric techniques to control for other factors that may influence economic growth (Greenbaum & Landers, 2014). There is also debate about the appropriate counterfactual for assessing the impacts of TIF, as it can be difficult to know what would have happened without TIF-funded investments (Byrne, 2010).

Despite these challenges and limitations, the overall body of research on TIF and economic development suggests that TIF can effectively promote local economic growth, particularly when carefully designed and implemented. However, the effectiveness of TIF is likely to depend on a range of contextual factors, and there may be significant variation in the impacts of TIF across different settings and types of projects.

2.6 TIF legislation differences in states

Differences in state legislation and local regulations regarding Tax Increment Financing have resulted in variations in TIF project criteria and eligibility requirements. These discrepancies can impact the implementation and success of such initiatives (Kerth & Baxandall, 2011). State laws may dictate the maximum duration of a TIF district, the types of infrastructure projects that can be funded, and the process for establishing and terminating a TIF district. On the other hand, local regulations may impose additional restrictions or requirements, such as the level of community

engagement or the allocation of TIF funds to specific types of development (Weber & Goddeeris, 2007). These disparities highlight the need for a comprehensive understanding of the legal and regulatory framework governing TIF in each jurisdiction to effectively navigate TIF projects' application and implementation process. Some states do not include exemptions for school districts, creating situations where implementing tax increment areas would draw funding away from schools. Washington code allows exemptions for school districts and required payments for public utility districts. Since TIF was introduced in Washington in 2021, over thirteen cities and port districts have submitted project proposals for review to the State Treasurer's Office. These project proposals have provided significant insight into the process of designating a tax increment area, identifying cost considerations, infrastructure development for which TIF can be utilized, and further considerations necessary to implement a proposal in the State of Washington. In the absence of administrative data and policy research specific to Washington, given the recency of TIF, we have identified these districts as valuable resources for further research, including semi-structured interviews. Official proposals for each district can be found in the Appendix A.

According to the Municipal Research and Services Center (MRSC, 2021), Washington state imposes several requirements of any potential tax increment financing proposals, as follows:

- No more than two active increment areas per sponsoring jurisdiction and they may not overlap.
- Increment areas may not total more than \$200 million in assessed valuation or more than 20% of the total assessed valuation of the sponsoring jurisdiction, whichever is less.
- Cannot add additional public improvements or change the boundary of the increment area once adopted.
- Must include a deadline of 5 years following the TIF adoption ordinance by when construction of public improvements will begin (ability to extend for good cause).
- The local government may only receive TIF revenues for the period of time necessary to pay the costs of the public improvements.
- If the local government finances the public improvements, the increment area must be retired no more than 25 years after the adoption of the ordinance designating the increment area.

2.7 Challenges with Tax Increment Financing

While TIF can be useful for financing public infrastructure and development projects, several challenges should be avoided. There may be a tendency to overly depend on TIF, and it should not be seen as a fix for all development needs. It is important to consider other financing options and ensure that TIF is used in conjunction with other tools and strategies (Davis, 1989; Kerth & Baxandall, 2011). TIF projects should be subject to rigorous oversight and transparency to ensure that funds are used appropriately and effectively, as they are susceptible to misuse (Weber & Goddeeris, 2007).

TIF projects risk displacing existing residents and businesses, unequal distribution of development benefits, and being unresponsive to local needs and priorities. (Davis, 1989; Greenbaum & Landers, 2014). In California, TIF grew significantly, but it also faced criticism for fostering inequality, misallocating resources, and contributing to fiscal strains on the state budget due to its impact on property tax revenues diverted from other public services, including education. The growing fiscal pressures on the state budget and criticism of the effectiveness and management of TIF resulted in legislation to dissolve redevelopment agencies in 2012 and curtailed the use of TIF. This decision was rooted in the need to reallocate funds more effectively and address the state's budgetary challenges. The large diversion of property tax revenues to redevelopment agencies under TIF arrangements contributed to funding shortfalls for essential public services, particularly education. The state was compelled to find alternative ways to support infrastructure development while ensuring a more equitable and transparent allocation of tax revenues among public services. The replacement of TIF with Enhanced Infrastructure Financing Districts EIFDs aimed to rectify these issues by requiring greater collaboration among local entities, excluding schools from revenue losses, and providing a more controlled and community-focused approach to funding infrastructure projects. This change reflects a broader shift towards ensuring that development financing tools do not inadvertently exacerbate fiscal disparities or underfund critical public services (Horiuchi & Chapman, 2019).

2.8 Literature Conclusions

This review has highlighted TIF's historical development, key implementation processes, and mixed evidence of its effectiveness in promoting economic growth. While TIF has been successful in revitalizing downtown areas in some large and small cities, the effectiveness of TIF projects depends on various contextual factors and careful design and implementation. The review has also identified several challenges and potential drawbacks of TIF, including the risk of misallocating public resources, exacerbating inequalities, and diverting funds from other essential public services. These findings underscore the importance of rigorous oversight, transparency, and community engagement in the planning and implementation of TIF projects.

The economic overview of Snohomish has revealed several key strengths and challenges for the city, including a high quality of life and low unemployment rates, as well as issues related to housing affordability, permit processing times, and the need for more diverse job opportunities. These findings, along with the insights from the literature on TIF effectiveness and best practices, will inform the design and methodology of this study. The next chapter will outline the research approach and methods used to assess the feasibility and potential impacts of implementing TIF in Snohomish, considering the specific economic development needs and priorities identified in this review. By carefully considering the lessons learned from previous TIF implementations and the unique context of Snohomish, this study aims to provide evidence-based recommendations for leveraging TIF as a tool for promoting sustainable and equitable economic growth in the city.

Chapter III: Methodology

This chapter describes the research methodology and discusses the approach to examining the legislative landscape and the criteria for selecting cities for case studies and interviews to answer whether tax increment financing is an appropriate tool to implement in the city of Snohomish and the steps needed for successful implementation. The qualitative data obtained will be analyzed using thematic analysis. The process will include reviewing the interview transcripts and iteratively coding texts to capture relevant ideas, perspectives, and experiences related to TIF implementation and impact. These codes will then be collated and organized into overarching themes reflecting the key findings from the interviews. We will pay particular attention to recurring concepts, similarities and differences across locations, and insights that directly address the research questions. The themes will be reviewed, refined, and clearly defined, with illustrative quotes and examples from the interviews used to substantiate and contextualize each theme where necessary.

Our research draws on academic and gray literature sources to understand the evolution of TIF and the legislative landscape in the United States. This includes examining the exemptions related to school districts and other pertinent legislative nuances. We also present our interview process and analysis strategy and highlight the limitations.

3.1 Case Studies Introduction

We analyzed case studies of cities in Washington with TIF experience to understand the diversity in TIF applications and outcomes based on the cities' size, economic conditions, and project scope. For this research, several cities in Washington were selected based on their experiences with TIF to provide a perspective on its implementation and outcomes. Each district we included in our case study was selected for its involvement in TIF research, application, and/ or purpose. These characteristics led us to almost twenty TIF districts in Washington State. We selected a few districts with key implementations or had time to interview and provide further insight.

For example, Everett was selected for its recent adoption of TIF and its relevance to the Washington state context. As a city within the same county as Snohomish, Everett provides a closer look at the legislative and practical nuances of implementing TIF under Washington's legal framework. The city's experience would provide insights into the stages of TIF implementation, including the challenges and immediate outcomes of such initiatives.

Washington State has been actively interested in using TIF to build its communities, giving Snohomish a good deal of context regarding its effectiveness in its community. Although TIF has existed outside of Washington State for quite some time, other state's laws and needs are different and may not apply to the conversation Snohomish is having. Due to Snohomish's interest in boosting tourism and economic development, we used the following criteria to compare other cities' TIF proposals with Snohomish's vision.

The case studies were conducted by reviewing the TIF project proposals submitted by each jurisdiction to the Washington State Treasurer's Office. These proposals provided detailed information on the TIF projects, including the increment area boundaries, public improvements to be funded, expected economic impacts, and financial projections.

To compare the TIF proposals with Snohomish's potential TIF projects and economic development goals, we focused on the following key aspects:

1. Population of the jurisdiction
2. Size and location of the increment area
3. Types of public improvements and projects to be funded
4. Projected tax increment revenues and debt service
5. Alignment with economic development priorities and expected impacts

We aimed to identify and compare common themes, challenges, and successful strategies that could inform the City of Snohomish's consideration of TIF as a tool for supporting its own economic development and infrastructure needs. The case studies provide a localized context for understanding the potential application and outcomes of TIF within Snohomish County, while also offering insights into the broader legal and administrative frameworks governing TIF in Washington state.

Population is important when determining how well a TIF will work in a community. If a population is too dense or sparse, the TIF can be ineffective in the time allotted due to shifts in residential zones and market zones. TIF districts are impacted by how much private market traffic is generated from the development of the district. This means if a district builds a park in a remote location with less traffic, the park's tax value will remain the same or decrease, meaning the city doesn't make its money back. TIF districts can be risky depending on how much of the city's budget is allocated to that area. If it is unsuccessful due to low population or over-saturated markets, it will lose its value. Any severe losses in this investment are detrimental to the city's financial sustainability.

Table 3.1 Washington State TIF Proposal Summary

City	Population (2022)	Development Area (Sq Ft)	Project Description	Generated Revenue Ratio
Arlington	21,059	164.3 acres	Water Sewer Recreation Transportation	\$2.18 million per year
Blaine	6,018	833 acres	Electrical Water Sewer Transportation	\$2.10 million per year
Chelan	4,392	785 acres	Water Reservoir	\$1.24 million per year
College Place	9,804	260 acres	Transportation Parking	\$1.37 million per year
Kirkland	92,151	52.5 acres	Transportation Recreation	\$5.84 million per year
North Wenatchee	35,433	3000 acres*	Fire Damage	\$187,500 per year
Pasco	79,315	671 acres	Mixed Use	\$679,999 per year
Ridgefield	14,251	939 acres	Employment	\$28,216,282 per year
Port of Ridgefield	14,251	1282 acres	Utilities Transportation	\$1,260,000 per year
Port of Everett	111,337	460 acres	Economic	\$28,216,282 per year

*report did not designate exact acreage for the TIF district.

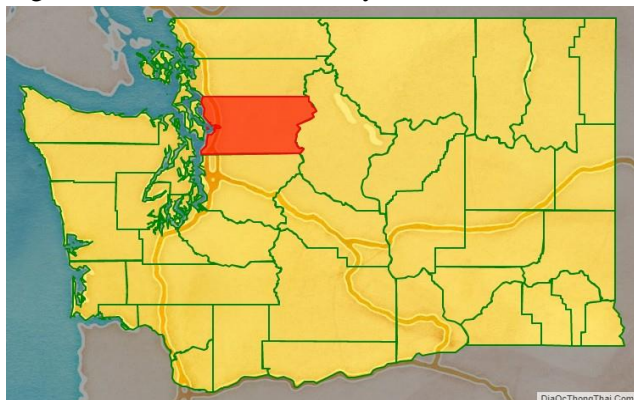
3.2 TIF Case Study Analysis

Snohomish County Proposals

In order to gauge the issuance of debt and the rate of return from tax revenues towards that debt for the City of Snohomish, we took the opportunity to analyze other TIF proposals in nearby cities

within Snohomish County. In these proposals we focused on the types of projects that would encompass TIA's and with that, we wanted to know the amount of debt issued, the AV of the TIA, and the projected date of repayment for full reimbursement.

Figure 3.1 - Snohomish County



3.2.1 Arlington

The proposal aims to fund a portion of the cost of improvements along the Smokey Point Boulevard corridor; a community recreation facility; along with water/sewer capacity Improvements. The public improvements are expected to support private development and/or redevelopment in five identified areas within the City, consisting of primarily industrial/warehouse projects and a smaller amount of residential development. The three projects are expected to generate significant job growth in the City and provide additional housing, specifically for low-income residents.

Table 3.2 Tax Allocation Revenues

- Total cost of the 3 improvement projects is estimated to be at 33.4 million dollars,
- Another 8 transportation projects costing \$73.4 million as a part of Arlington's CIP that will be included in the TIA that will receive funding from other sources
- The City intends to issue Limited Tax General Obligation ("LTGO") bonds, to fund about \$28.1 million of project costs for the 3 improvement projects
- Expects to fund the balance of the project costs through grants, city reserves, and an inter-fund loan from the City's water/sewer fund.
- The 2024 AV of the total TIA is projected to be \$199.49 million, just under the \$200 million limit
- With a conservative revenue calculation the city of Arlington would be able to fully reimburse its \$28.1 million debt service between the years 2031 and 2033

Year	Full Buildout
1	\$ 848,918
2	1,091,466
3	1,334,014
4	1,576,562
5	1,819,111
6	2,061,659
7	2,304,207
8	2,425,481
9	2,425,481
10	2,425,481
11	2,425,481
12	2,425,481
13	2,425,481
14	2,425,481
15	2,425,481
16	2,425,481
17	2,425,481
18	2,425,481
19	2,425,481
20	2,425,481
21	2,425,481
22	2,425,481
23	2,425,481
24	2,425,481
25	2,425,481
Total	\$ 54,694,595

3.2.2 Port of Everett

The goal of the project proposal is to:

- Create economic opportunities and quality jobs and expand the tax base.
- Increase quality of life for residents, businesses, and visitors.
- Remediate, protect and enhance the environment at the waterfront.
- Foster openness, accountability, and transparency with community members, neighbors, and partners.
- Increase economic activity at the marina area and improve public access to the waterfront property.

Construction spending would translate into an estimated 2,879 direct Full-Time Equivalent (FTE) jobs over the construction period. Direct jobs would pay an estimated average of \$63,100 per FTE for wages and benefits. The total estimated economic impacts (direct, indirect, and induced) from the construction phase are 4,406 FTE positions and \$257.8 million in labor income (2023 dollars). Through the construction period, the project is expected to contribute \$54.5 million at the federal level, and \$9.8 million in state and local tax revenues.

Projects include:

- Infrastructure improvements- electrification, parking, and EV charging
- Waterfront access, renovation and/or expansion to docks, jetties, and boat launches, channel dredging,
- Creation of a new port administration building, public art installations, and various environmental improvements

The Port plans to spend an estimated \$90.7 million (2023 dollars) on a variety of projects within the Port's proposed tax increment area:

- \$22.2 million will be funded by tax increment revenues(see table below)
- \$22.1 million will be covered through a combination of grant funding (\$12.0 million), intergovernmental agreements with local government partners (\$7.0 million), and contributions from private developers (\$3.1 million)
- Funding options for the remaining \$56.0 million of Public Improvements can be compiled from a combination of Port reserves, the sale of Port assets, ongoing Port revenues, or future non-TIA debt issuance

3.2.3 Kirkland

Three public infrastructure projects to be financed by the TIA in order to encourage private development in the area. The total cost of these projects is estimated to be \$58,000,000 in projected year-of-expenditure dollars and are scheduled to begin construction between 2023 and 2028.

- The AV of the TIA in 2022 is approximately \$130,747,600
- NE 85th Street and I-405 Sewer Main Capacity Enhancements, cost \$16,000,000
- Forbes Lake Park Development, cost \$12,000,000
- 124th Avenue NE Roadway Widening: NE 84th Lane to NE 90th Street, cost \$30,000,000
- 0,000
- Kirkland would begin receiving tax allocation revenues in 2025, beginning at \$624,000 and maxing out between \$4.925 million and \$11 million in the year 2047 to total between \$89.67 million and \$146,056,000 over the life of the TIA(see figure below.)
- Estimates for TIF revenue collection project the city's debt service to be fully reimbursed between the years 2034

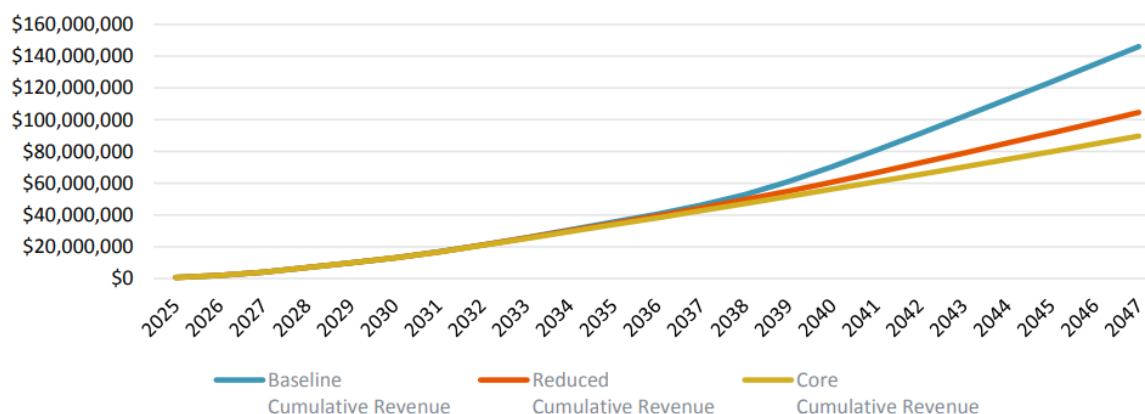


Figure 3.3

3.2.4 Comparative Insights

Comparing the TIF proposals from the City of Arlington, City of Kirkland, and Port of Everett reveals several key insights that can inform the City of Snohomish's approach to implementing its own TIF strategy. One common thread among the three proposals is the use of LTGO bonds, which are backed by the full faith and credit of the issuing jurisdiction, to finance a portion of their TIF projects. This financing mechanism allows the jurisdictions to leverage future tax increment revenues to fund upfront infrastructure investments, while also obligating them to cover any potential shortfalls in TIF revenues with other general fund resources.

However, the proposals vary in terms of the mix of public improvements being funded and the reliance on TIF revenues versus other funding sources. Arlington's proposal focuses primarily on transportation, recreation, and utility infrastructure, with TIF revenues covering a significant portion of the total project costs. In contrast, Kirkland's proposal includes a more diverse set of projects, such as sewer main enhancements, park development, and roadway improvements, with TIF revenues playing a smaller role in the overall funding picture. The Port of Everett's proposal is the most expansive, with a wide range of infrastructure, public access, and environmental

improvements, but it also has the least reliance on TIF revenues, with only \$22.2 million of the \$90.7 million total cost being funded by tax increment financing.

Another notable difference among the proposals is the size of the TIF areas relative to the statutory limits. Both Arlington and Kirkland's TIAs have assessed values that are close to the \$200 million limit, which could constrain their ability to expand their TIF programs in the future. The Port of Everett's TIA, on the other hand, has a much lower assessed value relative to its overall tax base, providing more flexibility for future TIF projects.

The projected timelines for fully reimbursing TIF-related debt service also vary among the three proposals. Arlington anticipates a relatively short repayment period of 8-10 years, while Kirkland and the Port of Everett project longer repayment periods of 10-18 years, depending on the specific development scenario. These differences in repayment timelines could reflect variations in the expected pace and scale of development within each TIA, as well as the jurisdictions' risk tolerance and financial capacity to absorb potential revenue shortfalls.

As the City of Snohomish considers its own TIF strategy, it should carefully weigh these comparative insights and tailor its approach to its unique economic development goals, infrastructure needs, and financial capacities. Key considerations include selecting a mix of public improvements that will most effectively catalyze private investment within the TIA, balancing the use of TIF revenues with other available funding sources, and structuring the TIF program to allow for flexibility and risk mitigation over the long term. By learning from the experiences of its neighboring jurisdictions and adapting best practices to its own context, Snohomish can maximize the potential benefits of TIF while minimizing the risks and costs to its general fund.

In summary, all three proposals utilize LTGO bonds to finance a portion of their TIF projects and the proposals vary in terms of the mix of public improvements and the reliance on TIF revenues vs. other funding sources. Arlington and Kirkland's TIAs are closer to the \$200 million AV limit compared to the Port of Everett. The timelines for fully reimbursing debt service range from 8-18 years, with Kirkland and the Port of Everett projecting longer repayment periods compared to Arlington.

3.3 Interview Methodology

We interviewed officials within four jurisdictions that have researched or implemented tax increment financing within their districts. We were connected with these contacts through email communication from our client. We reached out to these interview contacts to schedule a one-hour semi-structured interview block, with the alternative to respond to email questions instead if convenient. We provided a list of eleven baseline questions prior to our interviews (see Appendix), with follow-up questions and comments as needed. If unable to schedule a time to meet virtually or in-person, we provided these questions for an email response.

The selection of interviewees from Wenatchee, Kirkland, Port of Everett, Snohomish, and Arlington is vital for understanding the implications and perspectives on TIF in Washington state.

These locations offer diverse yet relevant experiences and viewpoints on TIF's implementation and impact within different community and economic contexts, providing a comprehensive understanding of the subject matter.

Wenatchee's inclusion is pertinent due to its economic landscape, offering insights into applying TIF in environments similar to Snohomish. The city's reliance on agriculture and tourism industries, coupled with its regional significance, presents an opportunity to explore how TIF could influence its development and address specific economic needs. Kirkland represents an urban development context where TIF's role in supporting infrastructure and development projects can be explored in depth. As a rapidly growing city within the Seattle metropolitan area, Kirkland's experience can shed light on the potential benefits and challenges of using TIF to facilitate sustainable urban growth. The Port of Everett offers a perspective on how TIF impacts port districts and related industries and sheds light on the interface between TIF and maritime economic activities, which is crucial given the significance of port operations and trade in Washington's economy. Arlington's inclusion helps to understand TIF's effectiveness in smaller communities and its role in catalyzing economic development in less urbanized areas. This perspective is vital for assessing the scalability and adaptability of TIF across diverse community sizes and economic landscapes.

We interviewed officials in Snohomish's planning department to understand the city's infrastructure priorities and how TIF could be used to address these needs. A key focus was understanding how the city evaluates and prioritizes infrastructure projects, such as project costs, priority levels, alignment with TIF project requirements, and availability of alternative funding sources. Traffic infrastructure emerged as a high-priority area, given its significant visibility and impact on residents' daily lives. Additionally, they provided information on the city's approach to managing and maintaining stormwater infrastructure within designated districts, including using resident fees for funding.

Other areas of interest were the current state and future requirements for street improvements, pedestrian crossings, and improved wastewater collection systems, which could potentially benefit from TIF or alternative funding. The officials also highlighted the challenges associated with expanding and replacing aging drinking water pipes to accommodate new developments while maintaining affordable rates for residents, particularly low-income households. The interviews helped us understand Snohomish's infrastructure priorities, which informed our approach to designing the semi-structured interview questions and guide, which focused on aspects relevant to Snohomish.

Chapter IV: Data Analysis

The chapter details our analysis and findings from the interviews conducted with city officials from Wenatchee, Kirkland, and the Port of Everett and provides insights into the key themes and considerations involved in implementing TIF. We also present findings from interviews with City of Snohomish planning officials to understand the projects they are potentially looking to fund with TIF.

4.1 Interview Analysis

Engagement with stakeholders and community

One of the most critical factors emphasized by all three cities was the importance of early and ongoing engagement with overlapping taxing districts and the community. Wenatchee and Kirkland highlighted the need to educate taxing districts about how TIF works, address any concerns about impacts on their revenues, and secure their buy-in. This process involved proactive outreach, one-on-one meetings, and clear communication about the potential benefits of TIF for all parties. Port of Everett noted that their process went smoothly because they had already established trust and support from taxing districts based on the Port's prior successful development work.

Community outreach was also seen as crucial, particularly in Wenatchee and Kirkland. This process involved explaining how TIF aligns with existing community plans and priorities and how it can help fund projects that will benefit the public. Wenatchee held community meetings as part of their sub area planning process, while Kirkland engaged the community through their station area planning effort. By tying TIF to these larger planning initiatives, the cities could build public support and demonstrate that TIF is a tool to achieve already established goals, not a new development driver.

Engagement with stakeholders and community

Alignment with existing plans and development priorities was another common theme, and all three cities pursued TIF in areas where development was already happening or likely to occur based on zoning changes, infrastructure investments, and market demand. Identifying TIF boundaries involved looking at parcels with potential for redevelopment, proximity to planned public improvements, and ability to generate incremental revenue as summarize in Table 4.1. The cities emphasized that TIF is not a tool to spur development in areas with little growth potential but rather a way to capture and reinvest the value of already anticipated growth.

Table 4.1: Key Factors in Identifying TIF Boundaries

Factor	Description
Development potential	Parcels with potential for redevelopment based on zoning, market demand, etc.
Proximity to public improvements	Areas that will benefit from planned infrastructure investments
Ability to generate incremental revenue	Assessment of property value growth potential
Alignment with community plans	Consistency with comprehensive plans, subarea plans, etc.

Conservative Revenue Projections and Capital Planning

Another key theme was the need for conservative revenue projections and a cautious approach to bonding. All three cities acknowledged the risk of relying on TIF revenue if development doesn't occur as expected. Kirkland, in particular, is taking a wait-and-see approach before issuing any debt after two anticipated projects in their TIF area were canceled. Port of Everett also plans to have development underway and demonstrate an actual increment before bonding against the revenue stream. The cities stressed the importance of conservative assumptions, sensitivity analysis, and risk mitigation strategies in their TIF projections. Integrating TIF into capital planning and budgeting was another common challenge. The cities had to consider how TIF would fit into their overall infrastructure funding strategy, including grants, loans, developer contributions, and other sources. TIF was seen as one tool in the toolbox, not a complete solution. Wenatchee and Port of Everett emphasized the need for "skin in the game" by dedicating other city funds to the TIF area, not relying on incremental revenue. Kirkland noted the complexity of modeling different funding scenarios and the need to be cautious about over-promising infrastructure investments based on TIF alone. Table 4.2 shows the funding sources commonly used with TIF.

Table 4.2: Infrastructure Funding Sources Used in Conjunction with TIF

Source	Description
Grants	Federal, state, and local grant programs
Loans	Interfund loans, low-interest loans from county or state
Developer contributions	Investments in frontage improvements, utility extensions, etc.
City funds	Dedicated revenue from general fund, utility funds, impact fees, etc.

Statutory Limitations, Legislative Changes, and Administrative Complexity

The cities also contended with the statutory limitations and potential legislative changes surrounding TIF. The assessed value cap and timeframe for establishing a TIF area were critical factors in their planning process. Wenatchee and Kirkland pushed to enact their TIF ordinances before new legislative provisions took effect. Port of Everett also noted the importance of monitoring legislative developments that could impact TIF. The cities recognized that TIF is still a relatively new tool in Washington, and the legal framework will likely evolve. Implementing TIF was a common challenge due to its administrative complexity. All three cities relied on consultants to help with the technical analysis, financial projections, and legal documents required for TIF adoption. They also had to work closely with county assessors to understand the details of tax assessment and increment calculation. Ongoing administration of TIF also requires annual reporting, financial management, and coordination with taxing districts. The cities are still learning the details of TIF administration and building their internal capacity to manage the program.

City of Snohomish Planned Projects

During the interview, Snohomish city officials discussed several infrastructure projects and areas of concern that could potentially benefit from Tax Increment Financing (TIF) implementation. One of the primary issues is the water system, with many pipes dating back around 100 years that

require replacement. The city is currently conducting a rate study to address these infrastructure projects, which may increase user water rates. Similarly, the wastewater system's collection network also has many old pipes needing replacement despite the treatment plant being up-to-date. The city is also conducting a rate study for wastewater users, which could result in higher sewer rates.

Another significant concern is the inadequate pedestrian infrastructure, including sidewalks, trails, and crosswalks. Many of these are undersized, missing links, or in disrepair, and the cost of replacing all sidewalks is substantial. The city is actively seeking funding sources to address these issues. In the older part of town known as "The Avenues" (Ave. J through E), substantial infrastructure improvements are required, estimated at \$10 million. These improvements include water lines, sewer lines, storm system separation, sidewalks, ADA ramps, and road resurfacing.

The city has received partial funding for the North Sewer Trunk Line extension project, which will enable development in the North Lake sub-area. However, downstream improvements will be necessary to accommodate the increased capacity resulting from this development. In the Midtown district, the city is exploring ways to improve the Avenue D corridor, including adding roundabouts, removing the center turn lane, adding a planted median, improving pedestrian access, and slowing down traffic. These improvements aim to create a more inviting urban neighborhood and support economic development in the area. Additionally, a former county public works site in the Midtown district has recently been sold, presenting a significant opportunity for mixed-use development that could catalyze redevelopment along the Avenue D corridor.

City officials prioritized these projects based on emergency needs, development demands, and resident preferences. They also discussed the importance of considering the connection between the TIF increment area and the infrastructure improvements to ensure compliance with state requirements. Balancing these various needs and ensuring that the TIF increment area aligns with the proposed infrastructure improvements will be crucial for implementing TIF in Snohomish.

Comparative Analysis of Snohomish City Potential Projects with Other Cites

The City of Snohomish is exploring the Midtown area along the Avenue D corridor and the North Lake sub-area for potential TIF implementation. These projects align with the City's goals of catalyzing mixed-use development, improving infrastructure, and managing growth. In the Midtown area, Snohomish is focusing on redeveloping the Avenue D corridor, which currently features aging strip malls and infrastructure. The City envisions transforming the corridor into a vibrant, mixed-use neighborhood with improved streetscapes, pedestrian amenities, and traffic flow. This project shares similarities with Kirkland's TIF district in the station area, where the City aimed to leverage TIF to fund infrastructure improvements and support anticipated mixed-use development around the new transit station. Kirkland's TIF district was tied to specific anticipated developments (Google and LeeJohnson Chevrolet), which ultimately did not materialize. In contrast, Snohomish's Avenue D corridor project explores creating an environment conducive to

redevelopment and attracting private investment rather than relying on specific development projects. This approach aligns more closely with Wenatchee's TIF districts, which were designed to support broader redevelopment goals in targeted areas.

In the North Lake sub-area, Snohomish is exploring using TIF to fund downstream sewer system improvements needed to accommodate increased capacity from the planned North Sewer Trunk Line extension. This project aims to enable residential and commercial development in the sub-area, aligning with the City's growth management objectives. This focus on infrastructure improvements to support anticipated development is similar to the approach taken by the Port of Everett, which used TIF to fund utility upgrades and transportation enhancements in its waterfront redevelopment area. However, the Port of Everett's TIF district was part of a larger, long-term redevelopment plan for the waterfront area, with a clear vision and phasing strategy. Snohomish's North Lake sub-area project focuses more on the specific sewer infrastructure needs than a redevelopment plan. The City may benefit from developing a more detailed vision and phasing strategy for the sub-area, similar to the Port of Everett's approach.

One key difference between Snohomish and the other cities is the scale of the proposed TIF districts. Wenatchee, Kirkland, and the Port of Everett implemented TIF in larger, more defined areas with more precise boundaries and development potential. Snohomish's proposed TIF districts are smaller and more targeted, focusing on specific corridors or sub-areas. This targeted approach may allow Snohomish to address particular infrastructure needs better and catalyze development in these key areas, but it may also limit the overall impact and revenue potential of the TIF districts.

Summary of Findings

The interviews with Wenatchee, Kirkland, and Port of Everett demonstrate that TIF can be a helpful tool for funding infrastructure and catalyzing economic development. Still, it requires careful planning, stakeholder engagement, and financial management. Cities must have a clear vision and plan for the TIF area, realistic revenue projections, and a multi-source funding strategy. They must also navigate TIF's legal and administrative complexities, monitor legislative changes, and build strong partnerships with taxing districts and the community. By sharing their experiences and lessons learned, these cities offer valuable insights for other jurisdictions considering TIF as a tool for economic development. The City of Snohomish is exploring TIF projects along the Avenue D corridor and the North Lake sub-area in the Midtown area. These projects align with the City's goals of promoting mixed-use development, improving infrastructure, and managing growth. However, Snohomish may benefit from developing redevelopment visions informed by the comprehensive economic development plan with phasing strategies, expanding community engagement efforts, and learning from the experiences of other cities to maximize the potential benefits of TIF for its targeted redevelopment areas.

Limitations of Analysis

Given the recency of TIF's implementation in Washington, the case studies within the state that we have analyzed have limited data available to inform whether or not the TIF project implementation was ultimately successful. TIF has a longer history in other states, including California and Illinois, but these states have different contextual and legislative backgrounds which may not be directly applicable to projects within Washington borders. We have done our best to contextualize these case studies and address key differences in Washington's political and legislative landscapes, while also drawing parallels between the more recent state case studies that have less data. Statements in favor of establishing TIF's in other cities such as Kirkland, Wenatchee, etc. are more in favor of making use of a TIF because they had the TIA established long before and infrastructure work had begun. As such, Snohomish looking to fund infrastructure projects and improvements with long standing structures is less efficient and becomes an inverse work process.

This study's reliance on a limited number of case studies and interviews presents several limitations that should be acknowledged. While the insights gained from the experiences of Wenatchee, Kirkland, and Port of Everett provide valuable information about the implementation and outcomes of TIF projects in Washington state, they may not fully capture the diversity of experiences and perspectives across the state or in other jurisdictions. The small sample size limits the generalizability of the findings. It may not account for the full range of challenges, successes, and contextual factors that shape TIF implementation in different localities. This may limit the direct transferability of findings to Snohomish. Local economic, political, and social factors can significantly influence the outcomes of TIF projects, and what works in one city may not necessarily be effective or feasible in another. Differences in state laws, tax structures, development markets, and community needs may also limit the applicability of lessons learned from other cities. To address this limitation, future research could conduct more in-depth analyses of the specific contextual factors that shape TIF implementation and outcomes in different localities and develop a framework for adapting best practices to different local contexts.

Also, the semi-structured interviews conducted represent the perspectives of a limited number of stakeholders, primarily city officials and some community leaders. While these insights are valuable, they may not encompass all viewpoints or experiences related to TIF projects in these cities. The study would benefit from expanding the range of stakeholders interviewed to include a broader cross-section of the community, such as business owners, developers, residents, and representatives from overlapping taxing districts. This would provide a broader understanding of the impacts and perceptions of TIF projects among different groups and help identify potential conflicts or unintended consequences that may not be apparent from the perspectives of city officials alone. Insights from business owners and developers who have invested in TIF increment areas are not just valuable, they are essential to understanding the factors that influence private investment decisions, the perceived risks and benefits of TIF, and the ways in which TIF incentives shape development patterns and outcomes. These perspectives could help Snohomish better understand how to structure its TIF program to attract and support desired development and

economic growth. Engaging with residents and community members through interviews is not just important, it is crucial to understanding the broader social and quality-of-life impacts of TIF projects. These stakeholders, who are at the heart of these projects, could provide firsthand accounts of how TIF investments in infrastructure, amenities, and development have affected their neighborhoods, access to services, and overall well-being. They could also identify potential concerns or unintended consequences related to TIF projects, such as gentrification, displacement, or inequitable distribution of benefits, which may not be fully captured in the perspectives of city officials or business leaders. Expanding the interviews to include representatives from overlapping taxing districts, such as school districts, fire departments, and other local government entities, would provide important insights into the fiscal impacts of TIF and the challenges of coordinating TIF implementation across multiple jurisdictions. These stakeholders could share their experiences with TIF revenue sharing, service demand changes, and long-term financial planning in the context of TIF projects, helping Snohomish anticipate and address potential issues in its own TIF planning process. Additionally, interviews with cities such as Arlington that didn't go through with using TIF would have provided an extra dimension in understanding the challenges however the planned interviews with Arlington City Officials didn't materialize.

Chapter V: Recommendations

The research conducted for this report aimed to address the central question of how the City of Snohomish can effectively utilize tax increment financing (TIF) as a tool for supporting its infrastructure and economic development needs in a sustainable and appropriate manner. Through a combination of case study analysis, interviews with city officials, and an examination of the city's specific priorities and challenges, we have developed a set of criteria and recommendations to guide the city's consideration of TIF implementation as shown in Table 5.1 . These recommendations are grounded in the key research questions that have informed our analysis, including:

1. Identifying the types of projects and areas within Snohomish that are most suitable for TIF
2. Understanding the lessons learned and best practices from other cities in Washington that have successfully implemented TIF;
3. Outlining the necessary steps and considerations for the city to effectively implement TIF.
4. Assessing the potential effectiveness of TIF in supporting economic development and infrastructure improvements in a city of Snohomish's size and characteristics.

By addressing these questions and applying the insights gained from our research, we believe that the City of Snohomish can make informed decisions about the strategic use of TIF to support its long-term vision for a vibrant, sustainable, and economically thriving community

Criteria	Description
Alignment with existing plans and development priorities	<ul style="list-style-type: none"> · Consistency with comprehensive plans, subarea plans, and economic development objectives · Strong potential for redevelopment based on zoning, market demand, and infrastructure needs
Potential for catalytic impact and private investment	<ul style="list-style-type: none"> · Public improvements should spur significant private development and investment that would not occur otherwise. · Clear articulation of expected economic benefits, such as job creation, increased property values, and tax revenue generation
Feasibility of revenue generation and bond repayment	<ul style="list-style-type: none"> · Sufficient base of assessed value and realistic projection of incremental growth to generate necessary tax revenues · Thorough financial analysis to ensure projected TIF revenues and other funding sources can cover debt service and administrative costs
Stakeholder support and community benefit	<ul style="list-style-type: none"> · Engagement of key stakeholders, including overlapping taxing districts, property owners, businesses, and residents, to build support and address concerns · Public improvements and anticipated development should clearly benefit the community, such as improved infrastructure, housing options, job opportunities, and quality of life.
Capacity for implementation and administration	<ul style="list-style-type: none"> · Necessary staff expertise, resources, and systems in place to effectively manage the TIF district, including annual reporting, financial tracking, and compliance with state laws and regulations. · Clear plan for monitoring performance and making adjustments throughout the life of the TIF district

Based on our case studies, economic data, and interviews with city officials regarding the intended purpose of TIF, **we recommend that the City utilize tax increment financing to support and implement the City's infrastructure priorities.** The risks identified during our case study and interview analyses do not outweigh the benefits of implementation, particularly given the economic development priorities of the City. We will highlight each targeted district to provide guidance on how to effectively utilize TIF in that particular area, as well as our recommended target area.

5.1 Approaches by District

- Midtown
- North Corner Subarea
- Pilchuck District
- Historic District

These districts offer great potential for TIF implementation and based on the criteria mentioned above, we recommend that the City of Snohomish prioritize the following two areas for potential TIF implementation:

Midtown District - Avenue D Corridor:

The city has identified the Avenue D corridor as a priority for redevelopment, with a vision for creating a more pedestrian-friendly, mixed-use environment that supports economic growth and vitality. TIF could be used to fund key infrastructure improvements, such as streetscape enhancements, utility upgrades, and transportation improvements, that would make the area more attractive for private investment and development. The recent sale of the county public works site presents a significant opportunity for development that could spur further redevelopment along the corridor.

North Lake Sub-Area:

The planned extension of the North Sewer Trunk Line will enable additional residential and commercial development in the North Lake sub-area, aligning with the city's growth management objectives. TIF could be used to fund the necessary downstream improvements to the sewer system to accommodate the increased capacity and support the anticipated development. By proactively investing in this infrastructure, the city can unlock the development potential of the sub-area and ensure that growth occurs in a planned and coordinated manner.

5.2 Next Steps

Confirm which area of the City to include in the TIA: The city has several options and can operate within the confines of the legislative restrictions. A city can create up to two tax increment areas in any given time frame, as long as the combined value does not exceed \$200 million or 20% AV. Some districts have focused primarily on a single district while others have left the option open for another TIA.

Additional consultation as needed: From our interviews with different jurisdictions, we learned that each district had a different level of pre-proposal preparation, and were either able to complete

the project proposal in-house or hired outside consultants to facilitate this process. These consultants were able to forecast economic growth in the event a TIA was implemented.

Keep resident priorities in mind: The TIF projects that we've analyzed indicate that keeping the public informed about the process and working to further community-defined goals lead to more successful projects in the future. This has been completed by collecting prior survey results and feedback collected about specific proposed developments. Although the community does not have direct control over what projects are undertaken, many leaders reach out to community members to find areas of improvement that can increase the entire population's livelihood rather than creating benefits for a specific person or target audience. As private development occurs (as a result of the public agency's investment in the identified public improvements), property values rise, and the public agency uses the property tax generated by increased property values in the TIA to pay for the public improvement projects. After the project costs are paid, the public agency retires the TIA.

Community development is typically funded by state and federal grants/subsidies, incentives from utilities, philanthropic gift donations, and private capital. (Federal Reserve, 2023) This funding is not directly managed by governors and mayors, so it can easily be used for something different from what community leaders may advocate for. Due to this, it is important to consider funding sources that are in direct proximity to a community's leadership. The communication bridge in governance can hold a lot of weight on a community's future, so this research will also include findings on other funding sources that can be found or replicated in Snohomish.

Be upfront with affected taxing districts: Promoting strong relationships with local taxing districts can alleviate some of the political risks associated with TIF. Creating upfront and open dialogue about how TIF works and how it would affect these taxing districts is crucial to ensure that everyone is onboard.

Research alternative funding sources: Most TIF projects are not able to be completely financed through increment area tax revenues. Depending on the particular project that Snohomish decides to move forward with, other districts have utilized federal grant funds, state grants, and other financing methods to complete these development projects. Identifying key funding sources will also allow the City to present a stronger project proposal to the Treasurer's Office for feedback.

In considering these recommendations, the City of Snohomish should also take into account the lessons learned from other cities in Washington that have implemented TIF, as well as the specific legal and administrative requirements for establishing a TIF district under state law. This includes conducting a thorough project analysis, engaging in stakeholder outreach, and developing a clear plan for financing and implementation.

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Appendices

Appendix A: Reviewed Washington State TIF Proposals

Arlington
Blaine
Chelan
College Place
Federal Way
Grays Harbor
Kirkland
Lakewood
North Wenatchee
Pasco
Port of Everett
Port of Pasco
Port of Ridgefield
Port of Vancouver
Port of Walla Walla
Ridgefield
Wenatchee

Appendix B: Interview Questions & Adapted Responses

We provided a list of the following eleven baseline questions prior to our interviews:

1. What TIF project are you pursuing?
2. How did you determine the increment area?
3. What public improvements are you seeking?
4. What economic impact do you expect from this project?
5. Who conducted/is conducting your project analysis?
6. Have you/are you planning to conduct any additional public outreach on top of what is already required (two public briefings, notice in newspaper) by law?
7. Are you following a specific timeline for the proposal process?
8. What are the inherent risks of TIF in your jurisdiction?
9. If TIF were to be implemented, what measures or best practices would you recommend for effectively implementing, monitoring, and evaluating TIF projects?
10. Are there any changes or modifications needed to the existing laws or policies to better support the implementation of TIF in your jurisdiction or across the state?
11. What other funding sources and/or projects are linked to your TIF project?

These summaries are taken directly from email responses or adapted based on notes from our semi-structured interviews.

<i>City</i>	<i>of</i>	<i>Wenatchee,</i>	<i>WA</i>
Laura	Gloria,	City	Administrator

Responses adapted from meeting notes

1. What TIF project are you pursuing?

The City originally planned to establish two TIF districts. The first TIF district focuses on North Wenatchee redevelopment for parcels damaged by the Sleepy Hollow Fire in 2015, and was established in 2022. The City is also looking at implementing a TIF district in the city's downtown area in the near future. The City had these two projects in mind from the beginning since these were two nexus areas within the city that needed investment and development.

2. How did you determine the increment area?

The City focused on areas where TIF could be maximized. For the North Wenatchee District, the city focused on areas where active development had been planned, in order to grab any increases in assessed value before the development began. This process involved laying out city maps and drawing circles around potential areas, keeping in mind the \$200 million assessed value limit for tax increment areas. The city can have two TIF districts simultaneously but cannot exceed that number combined, so that would also need to be a factor if the city is considering more than one tax increment area.

3. What public improvements are you seeking?

North Wenatchee Avenue improvements:

- Extending McKittrick Street across and underneath the railroad track connecting Miller Street.
- Built connection for road/utilities to support current and future businesses.
- New underpass on Miller Street underneath railroad, so train crossings don't impede traffic flow.
- Pedestrian-friendly upgrades along North Wenatchee Avenue

South/Downtown improvements

- Still TBD, but community feedback on priorities have focused on pedestrian connections for one-way streets, road diets, narrowing four-lane highways to two lanes, and adding parking/bike lanes.

4. What economic impact do you expect from this project?

Based on previous studies during the development of the city's master plan, the city expects that within the North end of town, \$100 million in investment will net \$300 million in public assessed value.

5. Who conducted/is conducting your project analysis?

The City conducted the TIF analysis in-house over a period of two to three months. Much of the initial information was collected based on work that consultants had completed for the city's Master Plan, including the Downtown Reimagine Wenatchee study.

6. Have you/are you planning to conduct any additional public outreach on top of what is already required (two public briefings, notice in newspaper) by law?

Beyond the two public briefings held in October, the City had already engaged in significant community outreach through the development of the Reimagine Wenatchee study in 2015, which gathered community feedback from the public, downtown businesses, and other relevant stakeholders. Listing TIF as a possible funding option early on in this process allowed for significant buy-in from the community.

7. Are you following a specific timeline for the proposal process?

The State Treasurer's Office has a deadline of 60 days

8. What are the inherent risks of TIF in your jurisdiction?

One of the risks of TIF is the risk that development might fall through. If the city bonds \$10 million for a development project that ultimately doesn't happen, the city doesn't get paid back. The city would still collect the increased value but wouldn't get that expected jump in value from additional developments. The City was therefore incredibly conservative in its tax revenue projections and used the worst-case scenario to ultimately make decisions.

9. If TIF were to be implemented, what measures or best practices would you recommend for effectively implementing, monitoring, and evaluating TIF projects?

Identify the intended area and figure out which stakeholders will be impacted by this project. While the ordinance itself is councilmanic and doesn't require public input, that doesn't mean they shouldn't be involved, which would make the council's ability to make the decision easier. Making the process easy to understand is helpful, including data visualization and explanations to make the process digestible.

10. Are there any changes or modifications needed to the existing laws or policies to better support the implementation of TIF in your jurisdiction or across the state?

Not particularly. Most of the recent revisions to the TIF process have been more procedural and designed to provide more transparency, but don't appear to significantly restrict the process based on initial attempts.

11. What other funding sources and/or projects are linked to your TIF project?

The North Wenatchee District utilized a variety of funding sources including grants, interfund loans, borrowing from the utility district, and TIF revenues. For the Downtown District, the city is still deciding what developments will be funded, but they are currently only looking at federal direct spending requests and TIF revenues.

City of Kirkland, WA

Michael Olson, Finance Director

Sri Krishnan, Deputy Finance Director

Responses adapted from meeting notes

1. What TIF project are you pursuing?
2. How did you determine the increment area?

3. What public improvements are you seeking?
4. What economic impact do you expect from this project?
5. Who conducted/is conducting your project analysis?
6. Have you/are you planning to conduct any additional public outreach on top of what is already required (two public briefings, notice in newspaper) by law?
7. Are you following a specific timeline for the proposal process?
8. What are the inherent risks of TIF in your jurisdiction?
9. If TIF were to be implemented, what measures or best practices would you recommend for effectively implementing, monitoring, and evaluating TIF projects?
10. Are there any changes or modifications needed to the existing laws or policies to better support the implementation of TIF in your jurisdiction or across the state?
11. What other funding sources and/or projects are linked to your TIF project?

Port of Everett

Robert Marion, Director of Finance

Responses adapted from meeting notes

1. What TIF project are you pursuing?
2. How did you determine the increment area?
3. What public improvements are you seeking?
4. What economic impact do you expect from this project?
5. Who conducted/is conducting your project analysis?
6. Have you/are you planning to conduct any additional public outreach on top of what is already required (two public briefings, notice in newspaper) by law?
7. Are you following a specific timeline for the proposal process?
8. What are the inherent risks of TIF in your jurisdiction?
9. If TIF were to be implemented, what measures or best practices would you recommend for effectively implementing, monitoring, and evaluating TIF projects?
10. Are there any changes or modifications needed to the existing laws or policies to better support the implementation of TIF in your jurisdiction or across the state?
11. What other funding sources and/or projects are linked to your TIF project?

Appendix C: TIF Project Proposal Requirements

(Provided by the Washington State Treasurer's Office, these proposals involve specific required elements as well as recommended supplemental information.)

REQUIRED

As described in RCW 39.114.020 (2), in considering whether to designate an increment area, the legislative body of the local government must prepare a project analysis that shall include, but need not be limited to, the following:

- (a) A statement of objectives of the local government for the designated increment area;
- (b) A statement as to the property within the increment area, if any, that the local government may intend to acquire;
- (c) The duration of the increment area;
- (d) Identification of all parcels to be included in the area;
- (e) A description of the expected private development within the increment area, including a comparison of scenarios with the proposed public improvements and without the proposed public improvements;
- (f) A description of the public improvements, estimated public improvement costs, and the estimated amount of bonds or other obligations expected to be issued to finance the public improvement costs and repaid with tax allocation revenues;
- (g) The assessed value of real property listed on the tax roll as certified by the county assessor under RCW 84.52.080 from within the increment area and an estimate of the increment value and tax allocation revenues expected to be generated;
- (h) An estimate of the job creation reasonably expected to result from the public improvements and the private development expected to occur in the increment area; and
- (i) An assessment of any impacts and any necessary mitigation to address the impacts identified on the following:
 - (i) Affordable and low-income housing;
 - (ii) The local business community;
 - (iii) The local school districts; and
 - (iv) The local fire service

RECOMMENDED

In addition to the project analysis requirements described in RCW 39.114.020 (2), it is recommended that the following information be included in the project analysis to provide OST with the information needed for its review.

1. An estimated timeline for both the projected private development and the planned public improvements
2. Proposed budget for the public improvements, including the available funding sources, expected costs, plan of finance, and revenues available to pay bond debt service in addition to projected tax increment revenues
3. Description of the TIF area taxpayer base, and, if possible, a breakdown by property and/or industry type
4. Information on land ownership and leasing or sale arrangements for property included in the TIF area
5. Detailed assessed value growth and tax increment revenue projections that have been prepared in connection with the project, including a description of the assumptions used and the source of the projections
6. Description of the expected bond structure and related financing assumptions
7. Description of the specific pledge and revenues that will support the debt to be issued
8. Calculations demonstrating compliance with the local government's debt limitations
9. Calculations showing projected debt service coverage for the financing, based on projected tax increment revenues and any other revenues that are expected to be used towards the payment of project debt service
10. Description of potential risk factors for both projected private development and public improvements (e.g., permits, economic conditions, real estate market conditions, construction costs, project completion, environmental issues, etc.)
11. Five years of the most recent audited financial statements and one year of projected financial statements for the local government, identifying the specific revenues that are expected to be used towards supporting debt service payments
12. Name and contact information for members of the financing team

Appendix D: Additional TIF Proposals Reviews

Federal Way

The Project Analysis identifies numerous public improvement projects related to public parking, recreation, mobility, community building, public safety, and placemaking which are estimated to cost between \$72 million and \$170 million in total (2023 dollars). The City plans to fund these projects directly with tax increment revenues collected over time or in the near-term from the issuance of bonds to be repaid with tax increment revenues.

Lakewood:

TIF proposal is to fund a portion of the cost of the property acquisition and development of a Central Park in downtown Lakewood. The public improvements are expected to encourage private retail, commercial, and multi-family housing (including senior housing) development and/or redevelopment within the City's downtown core

The City has been planning for land use and public improvements for its downtown since at least 2018, when City Council approved the Downtown Plan.

North Wenatchee:

- Create a redevelopment strategy for the vacant and damaged parcels along this corridor that were impacted by the Sleepy Hollow Fire of 2015.
- Without public investment, the redevelopment goals are not feasible
- There is still a need for infrastructure funding to support redevelopment in this area
- 131,000,000 cost- 112,000,000 funded=19,000,000 unfunded
- Over a 25 year period the building would appraise at a value of around 50,000,000 and would bring in 4.46 million dollars worth of TIF revenue
- The public improvements will support approximately \$234 million of private investments over the next 10-15 years.
 - includes new job creation, sales tax, and an overall increase in economic development that benefits several agencies. .

Port of Walla Walla

- Goal/Project: fund a portion of the cost of developing the Burbank Industrial Park, Burbank Business Park, Dodd Road Industrial Park, Stearns Kelly Site, and Wallula Gap Business Park. The TIA is expected to include extensions and improvements to water and sewer systems, roads and highways, rail, sidewalks and lighting, pedestrian access, and high dock and barge slips. Additional elements include public administration annex buildings, property acquisitions, renewable energy projects, security improvements, and a public safety facility. The Port's proposed TIA includes 188 tax lots across 5,877 acres in Walla Walla County along the Columbia River, just outside of the Tri-Cities. The TIA is

expected to take effect on June 1, 2024, and 2025 will be the first year in which the Port expects to receive tax increment revenues

- Analysis: This project highlights the legal risks and necessities needed to ensure TIFs are effective for Snohomish. Ensuring the projects meet the requirements for TIFs “but for” clause is incredibly important and should serve as a base for what other legal implications will come with the funding of these projects.
- Outcome: While the Port demonstrates sufficient debt service coverage for its anticipated financings, there is still a \$159.7 million funding gap between the \$260 million projected total cost of the public improvements and the \$100.3 million amount projected to be generated from the combination of bond proceeds and surplus increment revenues. It is unclear how this difference will be funded

Ridgefield

- Goal/Project: “The 939 acres bounded by the TIA include much of the City’s vacant and developable land suitable for commercial and employment land uses.”
- Analysis: No outstanding decisions were made, but this project highlights many of the dangers that can be found in TIFs. The outstanding balance is substantial and relying on TIFs which can be unsuccessful quite easily would put much of the City’s finances at risk. Over 80% of the city's non-voting debt would be invested into a very high-stakes project that could do wonders or serious damage. The recommendation to revisit the risk factors is smart and should be heavily considered in the evaluation of this project.
- Outcome:” The City acknowledged that its projected tax increment revenues are expected to be insufficient to fully cover debt service payments in both the Baseline and the Alternate Development Scenarios, as shown in table 7.”
- “The proposed tax increment area (the “TIA”), centered around the intersection of I-5 and SR 501/Pioneer Street, is intended to help the City implement this vision. The 939 acres bounded by the TIA include much of the City’s vacant and developable land suitable for commercial and employment land uses”
- “The City acknowledged that its projected tax increment revenues are expected to be insufficient to fully cover debt service payments in both the Baseline and the Alternate Development Scenarios”

Ridgefield Tax-Increment Financing was also suspected to be inefficient in fully covering the debt service that the city would owe. This does not mean that the TIF revenues will not make a decent dent in the total debt service. The city projected *almost 50% of debt service* being covered by TIF revenues which we would say qualifies TIF for being an effective source of income.

Wenatchee

- Goal/ Project: “Improve the vacant and damaged parcels along the North Wenatchee Avenue corridor impacted by the 2015 Sleepy Hollow fire”

- Decisions: “The city will be relying on redevelopment and infrastructure improvements to attract additional private investment. The City expects to reimburse its expenditures, at least partially, with TIF revenue generated by the TIA and future state and federal grants; however, the availability, amount, and timing of grants have not yet been determined.”
- Analysis: Area is less than 4000 square feet and TIFs does not generate enough funding to close the gap, although some revenue was generated, it could only cover a fourth of the actual cost. In this project, TIFs were deemed useless even as a reimbursement project. The revenue did not generate nearly as fast as needed within the entire span of the project. It would have been to pay money at best that would have no significant impact on the outcome of the project.

“With only \$4.5 million of TIF revenues projected over the life of the TIA, these projections indicate that revenues will be insufficient to fully reimburse the City’s expenditures. In addition, a variety of factors outside of the City’s control could result in less private investment than expected in the TIA, delays in the construction of private development within the TIA, and/or lower-than-expected future assessed values within the TIA. If severe enough, any one of these items could materially impact the tax allocation revenues to be derived from the TIA”