

# Draft Plan of Finance 2020-2024 and Tax Levy Briefing

October 22, 2019

# Topics

- Draft Plan of Finance
- Capital Planning and Funding: Airport
- Capital Planning and Funding: Non-Airport
- Tax Levy Background and Update
- Appendix

# Draft Plan of Finance 2020-2024

2020 Preliminary Budget

October 22, 2019



# The Draft Plan of Finance

- Provided to the Commission to inform the budget process and capital investment decisions
- Developed based on a sustainable financial model
  - Detailed five-year business forecasts
  - Financial targets that allow the Port to withstand downside risk and maintain strong access to financial markets
    - Debt service coverage targets
    - Minimum operating fund balances

# Airport and Non-Airport Capital Are Funded Separately

- Airport

- Relies on its own operating cash flow from airline cost recovery and non-aeronautical businesses
- Unique funding sources:
  - Airport grants
  - Passenger Facility Charge (PFC)
  - Customer Facility Charge (CFC)
- Cost Per Enplaned Passenger (CPE) is a critical affordability metric

- Non-Airport

- Includes Northwest Seaport Alliance (NWSA), Maritime and Economic Development
- Relies on a combination of:
  - Operating cash flow and revenue bonds paid from operating cash flow
  - Tax levy after payment of other tax levy uses and general obligation bonds paid from the tax levy

# Capital Improvement Plan (CIP) and Funding Airport

2020 Preliminary Budget

October 22, 2019

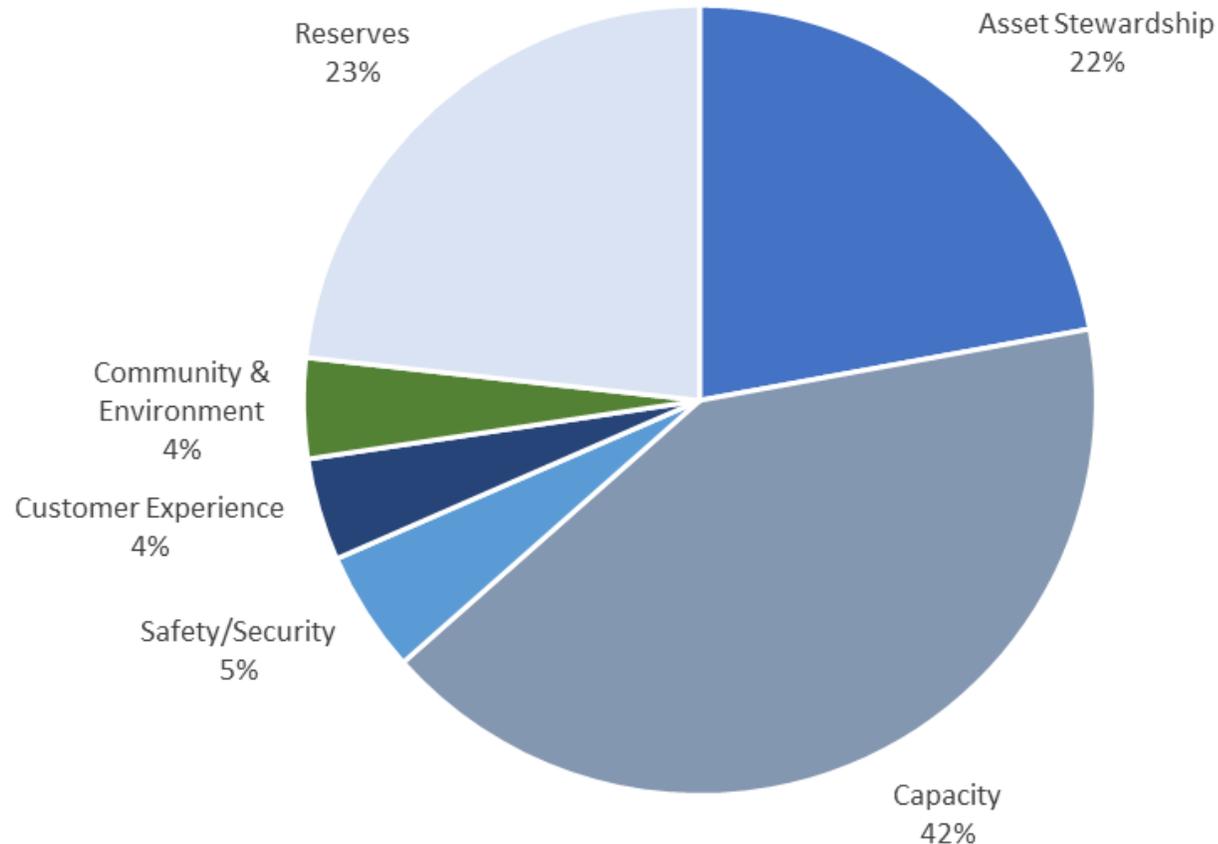


# Airport CIP

	<b>2020-2024 (\$ million)</b>
Airport CIP	
International Arrivals Facility	\$ 216.1
North Satellite Terminal	250.3
Baggage Optimization	264.3
Other Existing Projects	987.6
Proposed New Projects	233.2
SAMP Planning/Design <sup>(1)</sup>	291.5
CIP Reserves	680.0
TOTAL	\$ 2,923.0
Allocated Central Services CIP	35.1
Total Airport Funded CIP	\$ 2,958.1
<sup>(1)</sup> Sustainable Airport Master Plan	

- **The Airport is self-funding and is prohibited from supporting Non-Airport businesses due to FAA regulations**
- The costs of aeronautical investments that support the airlines are recovered through airline fees – much of the Airport’s \$2.9 billion CIP is aeronautical
- 35% of the CIP is authorized for construction
- CIP does not include SAMP projects beyond the \$291 million for planning and design

# Airport CIP - \$2.9 Billion Investment



- Many projects support multiple goals
- Investments to improve capacity and asset stewardship will also improve the customer experience
- All projects include an environmental framework that enhances outcomes

# Airport Capital Funding

Aviation Funding Sources	<b>2020-2024 (\$ million)</b>
Operating Cash <sup>(1)</sup>	\$ 652.4
Tax levy <sup>(2)</sup>	3.5
Grants	111.3
Passenger Facility Charge (PFC)	26.1
Customer Facility Charge (CFC)	18.2
Existing revenue bond proceeds	625.3
Future bond proceeds	1,521.3
<b>Total Airport Funding</b>	<b>\$ 2,958.1</b>
<small>(1) Includes airport income available after payment of revenue bond debt service.</small>	
<small>(2) Highline Schools noise insulation.</small>	
<small>Note: totals may not add due to rounding</small>	

- Operating revenues generated at the Airport and revenue supported bonds fund 95% of Airport CIP
- Grants, PFCs and CFCs pay the rest (additional PFCs and CFCs pay a portion of revenue bonds)
- A small amount of the tax levy is used for capital investment in the Highline schools

# Capital Improvement Plan (CIP) and Funding Non-Airport

2020 Preliminary Budget  
October 22, 2019



# Background

- The Port's Non-Airport businesses include:
  - Maritime
  - Economic Development (EDD)
  - Port's share of the Northwest Seaport Alliance (NWSA)
- These businesses share funding from:
  - Non-Airport cash flow (after payment of revenue bond debt service)
  - Available tax levy funds
  - Bonds paid from:
    - Net cash flows - Revenue bonds
    - Tax levy - General Obligation (G.O.) bonds

# Non-Airport CIP

	<b>2020-2024 (\$ million)</b>
Non-Airport CIP	
Maritime & Economic Development CIP	\$ 440.3
NWSA - 50% Share (North & South Harbor)	184.1
NWSA - Reserve & Port Projects <sup>(1)</sup>	46.8
TOTAL	\$ 671.2
Allocated Central Services CIP	8.1
<b>Total Non-Airport Funded CIP</b>	<b>\$ 679.3</b>
<small>(1) Includes North Harbor channel deepening and other 100% Port legacy costs in North Harbor.</small>	
<small>Note: totals may not add due to rounding</small>	

- \$184 million is the Port’s 50% share of NWSA CIP
  - Includes T5 and other North and South Harbor projects
  - Will be presented to Managing Members on October 29
- Port also has “legacy” projects for NWSA facilities, e.g. channel deepening

# Maritime and Economic Development CIP \$440 million

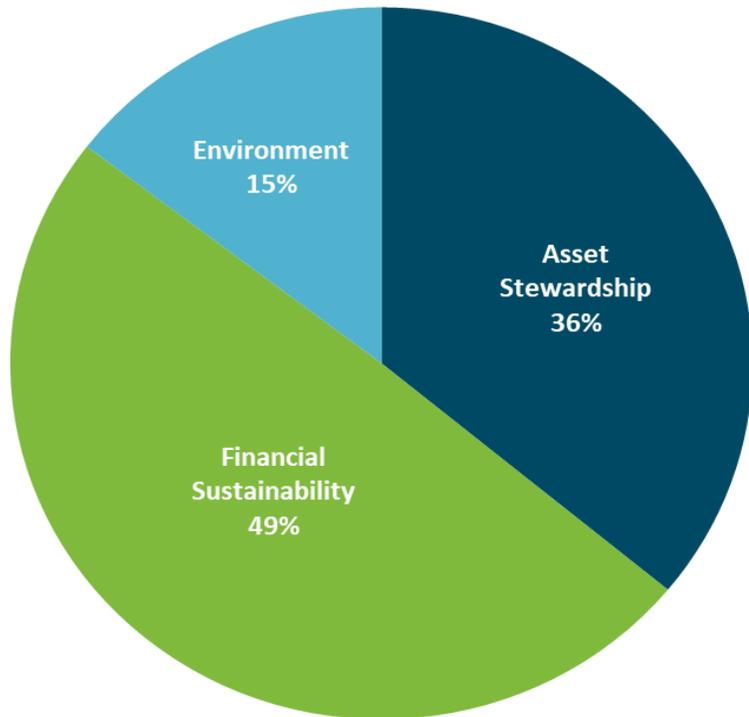


Chart does not include CIP Reserve/Small Projects/Projects Underway or non MD/EDD Projects

- Many projects support multiple goals
- New cruise terminal is the major driver of financial sustainability
- Habitat restoration and shore power are key investments in environmental sustainability

# Non-Airport CIP Comparison

\$ million	2019-2023	2020-2024	
Maritime	\$ 270.9	\$ 366.9	Includes new projects, e.g. T46 north berth
Economic Development	<u>62.7</u>	<u>73.5</u>	
Subtotal	<b>\$ 333.6</b>	<b>\$ 440.4</b>	
Allocated Central Service	10.9	8.1	
NWSA – Port 50% share and Port related projects	273.2	230.9	Major projects at Husky and T-5 will be completed
Strategic Reserve <sup>(1)</sup>	<u>50.0</u>	<u>0.0</u>	No known needs at this time
<b>TOTAL</b>	<b>\$ 667.7</b>	<b>\$ 679.3</b>	

(1) \$16 million (net) membership affirmation payment to NWSA is now accounted for in 2020-2024 tax levy *non-capital* uses.

Note: totals may not add due to rounding

# Non-Airport Capital Funding Plan

Non-Airport Funding Sources	2020-2024 (\$ million)
Operating Cash <sup>(1)</sup>	\$ 214.8
Grants	3.7
Harbor Development Fund <sup>(2)</sup>	96.2
Tax levy <sup>(3)</sup>	54.2
Future revenue bond proceeds	118.5
Future G.O. bond proceeds	192.0
<b>Total Non-Airport Funding</b>	<b>\$ 679.3</b>

(1) Includes non-airport income available after payment of revenue bond debt service.  
 (2) Assumes \$50 million transfer from the Tax Levy Fund to the Harbor Development Fund in Q4-2019.  
 (3) Assumes 3% annual levy increase from 2020-2023.  
 Note: totals may not add due to rounding

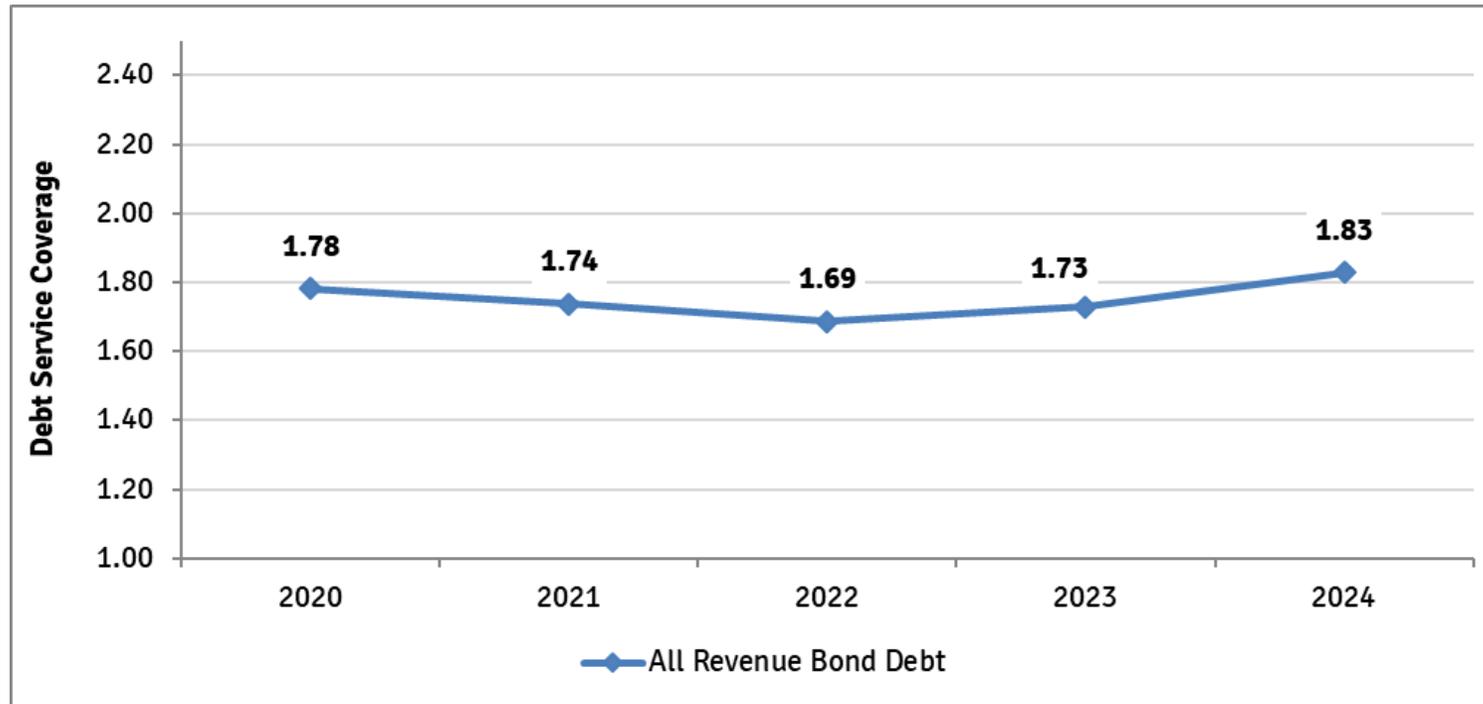
- Harbor Development Fund assumes an additional \$50 million contribution in 2019
- Future revenue bonds can be issued beginning in 2023 based on new revenues from capital investments

# Non-Airport Capital Funding Capacity

- The current forecast indicates the ability to fully fund the CIP
- Additional funding is available if the Port maximizes the use of G.O. bonds
  - Staff recommends that additional G.O. bonds be considered only if there are compelling needs
  - Additional G.O. bonds reduces flexibility to adjust the levy policy in the future

# Port-wide Revenue Bond Debt Service Coverage Forecast

- Represents net income from Airport and Non-Airport businesses divided by all revenue bond debt service
- Provides a measure of financial sustainability and is critical to investors and rating agencies



# 2020 Finance Initiatives

- Issue Revenue bonds as needed to fund a portion of the Airport CIP
- Monitor existing debt for opportunities to refund at lower costs
  - 2010 Revenue Bonds are likely candidates
- Update Commercial Paper program
- Manage variable rate debt credit renewals

# Tax Levy Background and Update

2020 Preliminary Budget

October 22, 2019



# Tax Levy

- Washington State ports are permitted to levy a tax on property within the port's district
- The levy amount must be approved annually by the Commission and is part of the budget process
- The Port may approve a levy amount up to the maximum allowable within statutory limits
  - The maximum levy for 2020 is \$106.3 million
  - The 2019 levy is \$74.2 million
  - Proposed 2020 levy is \$76.4 million (a 3% increase)

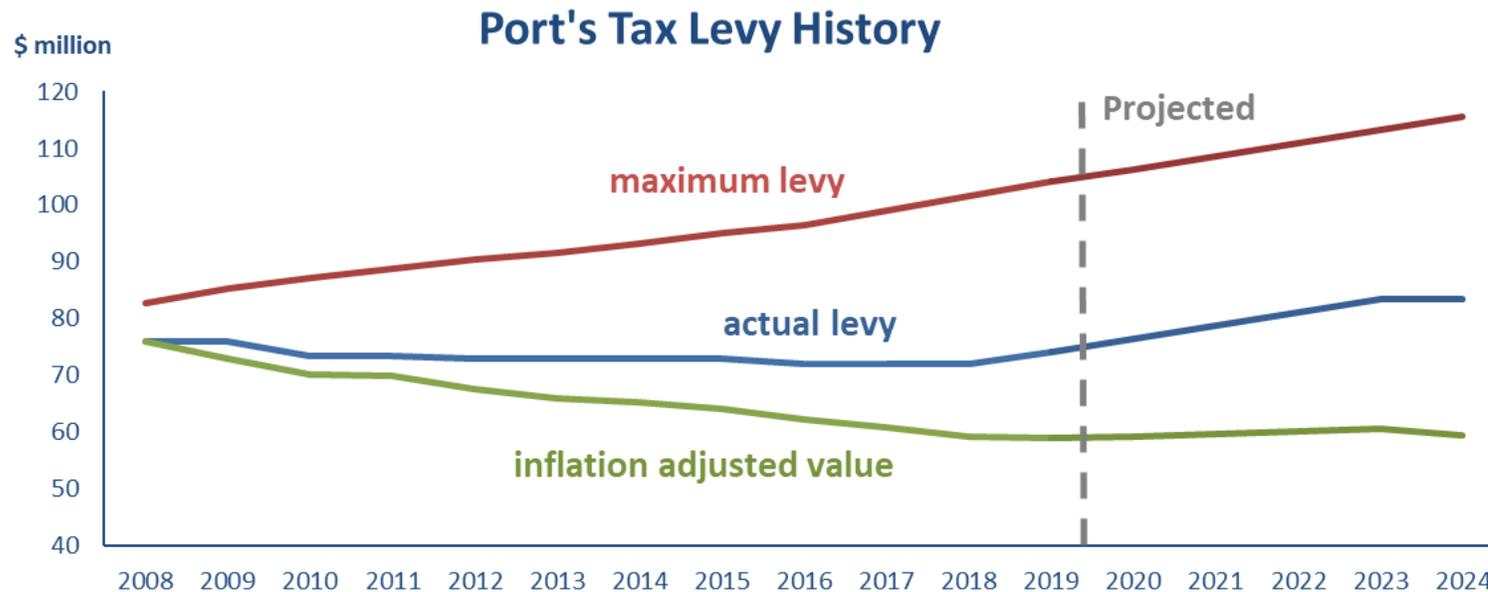
# Tax levy Uses

- Investments in maritime infrastructure
- Environmental sustainability
- Regional transportation mobility
- Community: workforce development, partnership grants, Airport communities and tourism



# Tax Levy Strategy

- In 2019, the Commission approved a 3% inflationary levy increase to support investments in the Seattle Harbor
- Funding assumed that the levy would increase 3% per year through 2023, then 0% in 2024
- 2019 tax levy increased to \$74.2 million compared to \$72.0 million in 2018
- Over the prior decade, inflation reduced the purchasing value of the tax levy



# Tax Payer Impact

	2018	2019	2020 preliminary
Tax Levy (\$ million)	72.0	74.2	76.4
Estimated millage rate (\$/1000)	0.135	0.123	0.120
Median home value (\$) <sup>(1)</sup>	509,000	582,000	611,000
Estimated median home Port tax (\$)	68.7	71.6	73.3

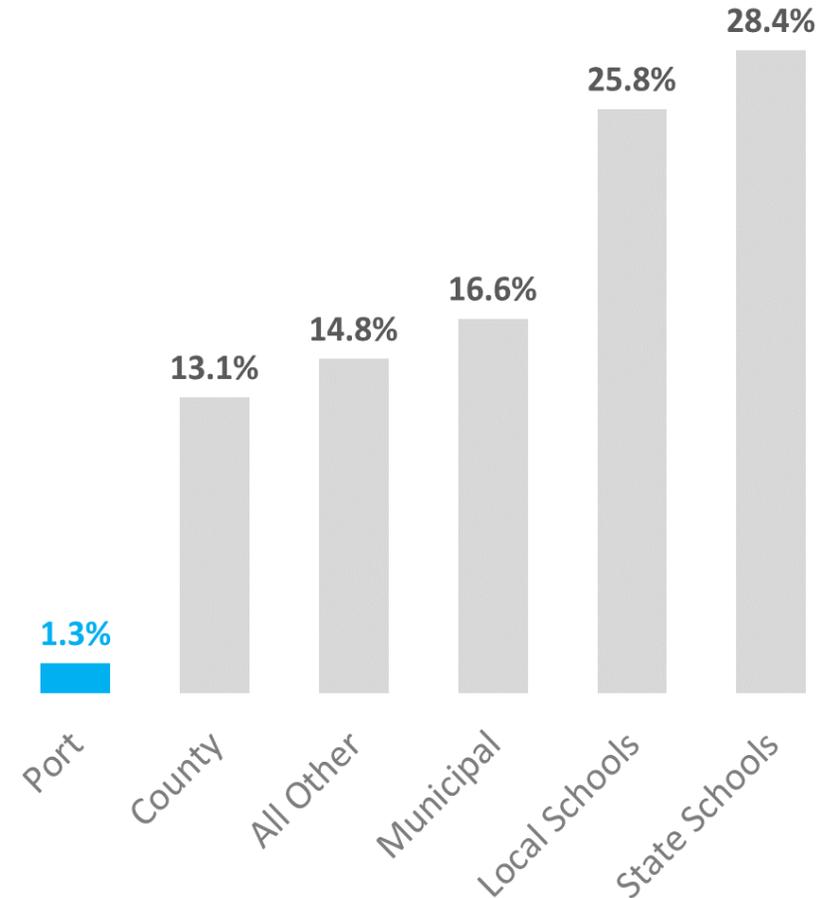
(1) 2018 and 2019 per King County Assessor; 2020 based on estimated 5% growth in assessed value

**Preliminary estimate indicates that the median home owner will see an increase payment of Port property tax of \$1.74 in 2020.**

# Overall Taxpayer Impact - 2019

Only 1.3% of King County Taxes go to the Port

- Of the \$5.6 billion of property taxes paid in King County, 1.3% goes to the Port
- In 2019, the median homeowner paid \$6,687 in total property tax with **\$72 going to the Port**



# 2019 Tax Levy Update

(\$ million)

## SOURCES OF TAX LEVY FUNDS

2019 Beginning Levy Fund Balance

Annual Tax Levy

Environmental Grants & Other Reimbursements

Investment Income

**Total Sources**

2019	
\$	51.6
	74.2
	2.8
	1.3
<b>\$</b>	<b>129.9</b>

## USES OF TAX LEVY FUNDS

G.O. bond debt service (Existing)

Environmental Remediation Expense

Community Programs

Harbor Development Fund Deposit

Non-Airport Capital Investments

Strategic Reserve

**Total Uses**

\$	43.4
	6.9
	6.1
	50.0
	10.9
	2.0
<b>\$</b>	<b>119.3</b>

**Projected Ending 2019 Levy Fund Balance**

\$	10.6
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- Current estimate: \$10.6 million of levy will be available for future funding
- In addition to the tax levy, Commission established:
  - Harbor Development fund (HDF) for T-5 redevelopment
    - Staff recommends an additional deposit of \$50 million
  - Transportation Infrastructure fund (TIF) paid for \$6.5 million in regional mobility efforts in 2019
- Further details on TIF and HDF can be found in Appendix

# Tax Levy Sources and Uses 2020-2024

(\$ million)

## SOURCES OF TAX LEVY FUNDS

	2020-2024
Beginning Balance	\$ 10.6
Tax Levy Collection	403.0
Environmental Receipts	33.3
<b>Total Sources</b>	<b>\$ 446.9</b>

## USES OF TAX LEVY FUNDS

G.O. Bond Debt Service	\$ 240.1
Non-Capital Uses	152.6
Capital Investments	54.2
<b>Total Uses</b>	<b>\$ 446.9</b>

<b>2024 Projected Ending Balance</b>	<b>\$ 0.1</b>
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- Assumes 3% increase 2020-2023, 0% in 2024
- Assumes insurance recoveries for environmental remediation
- Assumes the use of \$192 million of G.O. bonds to fund capital projects
  - In addition to \$54 million of levy cash
  - G.O. bond debt service includes the new bonds

# 2020-2024 Tax Levy Uses – Non Capital Investments

<b>(\$ million)</b>	<b>2020-2024</b>
G.O. bond debt service (Existing)	\$ 185.1
G.O. bond debt service (New)	55.0
Total G.O. bond debt service	\$ 240.1
Non-Airport Environmental Expense	\$ 88.4
NWSA Membership Interest Contribution	16.0
Economic Development Programs	14.3
Environmental Grants (ACE) and Energy and Sustainability	1.0
Duwamish Valley Community Equity Program	1.5
Sustainable Aviation Fuels and Air Emissions Program	5.0
South King County Fund	10.0
Highline Schools Noise Projects	3.5
City of SeaTac Safety Enhancements	7.0
Local Community Advertising Program (Spotlight)	6.0
Total Other Non-Capital Uses	\$ 152.6
<b>TOTAL NON-CAPITAL TAX LEVY USES</b>	<b>\$ 392.7</b>

- G.O. Bond Debt Service - \$240M
- Environmental Remediation and Improvements
- Membership Interest Contribution to the NWSA
- Port Community Programs
  - Workforce development
  - South King County Fund
  - City of Seatac safety
  - Economic Development Partnership grants

Additional levy dollars above this total are available for new capital investments

# 2020-2024 Tax Levy Uses – Capital Investments

<b><u>(\$ million)</u></b>	<b><u>2020-2024</u></b>
Tax Levy Cash	\$ 54.2
G.O. Bond Proceeds	192.0
<b>TOTAL</b>	<b>\$ 246.2</b>
<b><u>Capital Investments:</u></b>	
Environment and Community	\$ 39.9
Fishing and Maritime Industries	109.3
T5 and North Harbor	88.5
CIP Reserves	8.5
<b>TOTAL CAPITAL TAX LEVY USES</b>	<b>\$ 246.2</b>

- Funding from both levy cash and G.O. bond proceeds
- Investments focus on Maritime Industries
- Supports investments in
  - T91 and Fishermen’s Terminal
  - T5 and North Harbor container terminals
  - Habitat restoration, shorepower, central waterfront amenities
- New Projects, e.g. T46 North Pier could be levy funded

# Appendix

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# Port's Taxing Authority

**Port taxing limitations: Port is limited by the most restrictive – currently the 1% limit**

- **1% limit**

- The maximum levy is increased each year by the 1% limit factor
- Based on prior year's maximum
- Increased by the lessor of 1% or inflation plus an addition for new construction
- The maximum levy for 2020 is estimated to be ~\$106.3 million

- **45 cent limit**

- The amount of the tax levy in any given year is limited to 45 cents per \$1000 of assessed value
  - (Port 2020 rate is estimated to be 12 cents based on a \$76.4 million levy)
- For 2020, this limit is ~\$286.6 million
- Excludes the amount needed to pay G.O. bond debt service of \$39.8 million

# 2019 Levy Status

## SOURCES AND USES OF TAX LEVY

(\$ million)

### SOURCES

2019 Beginning Fund Balance  
Annual Tax Levy  
Environmental Grants & Other Reimbursements  
Investment Income

#### Total Sources

<i>2019 Budget</i>	<i>2019 Est./Act</i>	<i>Budget Variance</i>
\$ 46.5	\$ 51.6	\$ 5.2
74.2	74.2	-
2.1	2.8	0.7
-	1.3	1.3
<b>\$ 122.7</b>	<b>\$ 129.9</b>	<b>\$ 7.2</b>

### USES

G.O. bond debt service (Existing)  
Environmental Remediation Expense  
Capital Expenditures - Maritime  
Capital Expenditures - EDD  
NWSA North Harbor Spending  
Strategic Reserve  
Harbor Development Fund Deposit  
Airport Community Ecology (ACE) Fund  
Energy and Sustainability Policy Directives  
Workforce Development  
Economic Development Partnership Program  
Tourism Grants  
Local Community Advertising Program  
Workforce Development Pilot Program - Airport  
South King County Fund  
Sustainable Aviation Fuels and Air Emissions Programs  
City of SeaTac Safety Enhancements  
Highline Schools Noise Projects

#### Total Uses

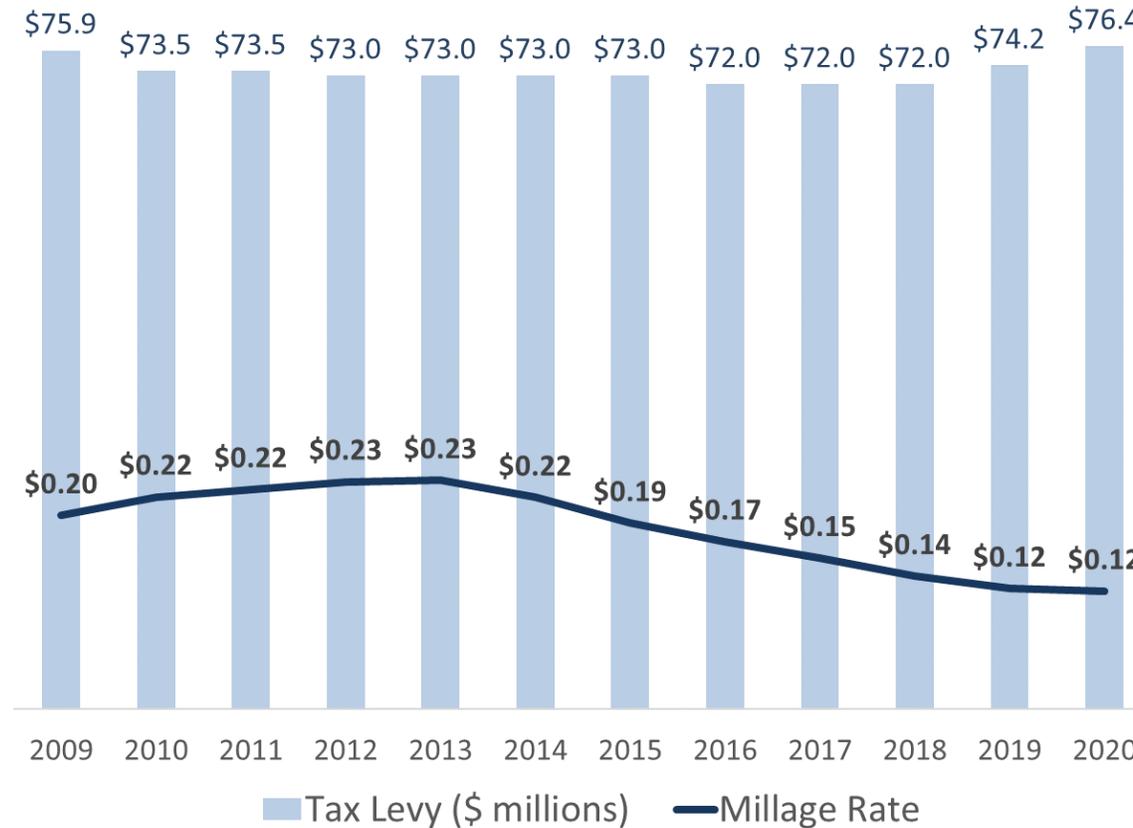
\$ 43.4	\$ 43.4	\$ (0.0)
6.9	6.9	0.1
10.7	4.1	6.6
5.6	1.5	4.1
16.5	5.3	11.2
20.0	2.0	18.0
-	50.0	(50.0)
0.5	0.3	0.2
0.3	0.4	(0.1)
1.7	1.7	-
1.0	1.1	(0.1)
0.2	0.2	-
0.4	0.9	(0.6)
0.2	0.1	0.1
0.8	-	0.8
0.4	-	0.4
1.4	1.4	-
1.1	-	1.1
<b>\$ 111.0</b>	<b>\$ 119.3</b>	<b>\$ (8.3)</b>

#### Estimated Ending Tax Levy Fund Balance

\$ 11.7	\$ 10.6
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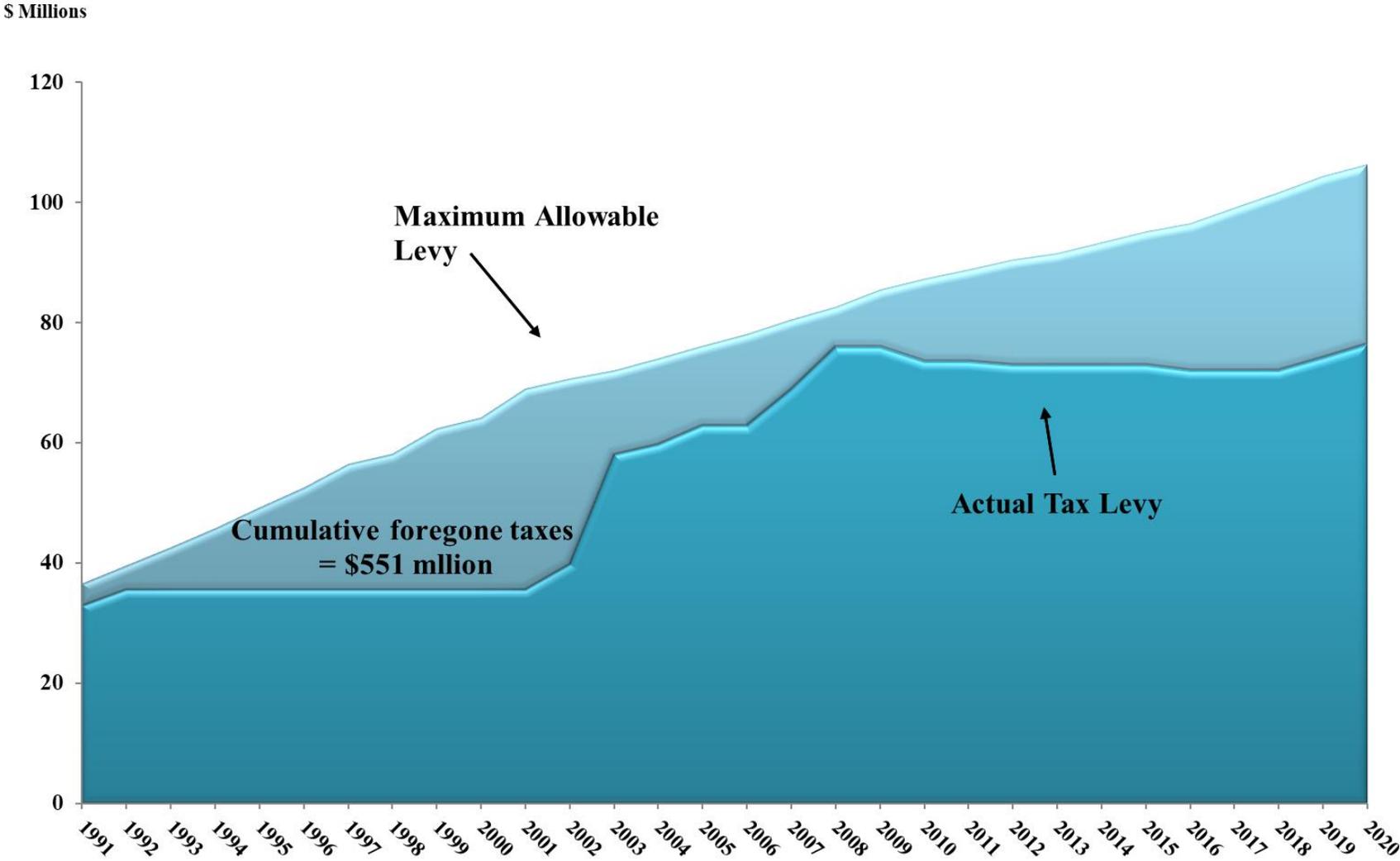
Totals may not foot due to rounding

# 2009-2020 Tax Levy & Millage Rate (1)



(1) Millage rate represents the amount per every \$1,000 of a assessed valuation

# Actual vs. Maximum Allowable Levy



# Transportation and Infrastructure Fund (TIF)

<b>TIF (\$ million)</b>	<b>2020-2024</b>	<b>Post 2024</b>
Beginning Balance	\$ 66.7	\$ 30.4
Transportation Investments	36.3	29.4
Ending Balance	\$ 30.4	\$ 1.0

<b>Transportation Investments (\$ thousand)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2020-2024</b>	<b>Post 2024</b>
Seattle Heavy Haul Network	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 10,000	\$ 8,000
Fast Corridor I	225					225	-
Fast Corridor II	345	-	730			1,075	-
N Argo Express Access - Pub Ex	200					200	-
East Marginal Way Phase 2	250					250	-
Safe and Swift	8,500	7,500				16,000	-
Highway 509 Contribution	-			4,285	4,285	8,570	21,430
<b>TOTAL</b>	<b>\$ 11,520</b>	<b>\$ 9,500</b>	<b>\$ 2,730</b>	<b>\$ 6,285</b>	<b>\$ 6,285</b>	<b>\$ 36,320</b>	<b>\$ 29,430</b>

# Harbor Development Fund (HDF)

<b>SOURCES AND USES OF HARBOR DEVELOPMENT FUND</b>		
(\$ million)		
<b><u>SOURCES</u></b>	<b><u>2019</u></b>	<b><u>2020-2024</u></b>
Beginning Balance	\$ 66.8	\$ 96.2
2019 Deposit from Tax Levy fund	50.0	-
Investment Earnings	1.5	-
<b>Total Sources</b>	<b>\$ 118.3</b>	<b>\$ 96.2</b>
<b><u>USES</u></b>		
T-5 Modernization (Port 50% share)	\$ (22.0)	\$ (96.2)
<b>Ending HDF Balance</b>	<b>\$ 96.2</b>	<b>\$ -</b>

- HDF created in 2017, included initial \$65 million deposit
- Staff recommends additional \$50 million contribution from tax levy in 2019
- \$96 million available to fund much of the Port's share of T-5 modernization costs
  - Port's share of 2020-2024 T-5 modernization costs is ~\$131 million
  - Additional amounts not funded with HDF will be paid from tax levy cash or G.O. Bonds

# Tax Levy Cash Flows for Non-Capital Uses

(\$ million)	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>TOTAL</u>
G.O Bond Debt Service	\$ 39.8	\$ 52.3	\$ 53.1	\$ 53.1	\$ 41.8	\$ 240.1
NWSA Membership Interest Contribution	5.5	5.5	-	5.0	-	16.0
Environmental Remediation Expense	8.2	6.7	19.6	33.3	20.7	88.4
Energy and Sustainability Fund	0.3	0.3	-	-	-	0.5
Airport Community Ecology Fund	0.5	-	-	-	-	0.5
Economic Development Programs	2.7	2.7	2.7	2.7	2.7	13.3
Tourism Grants	0.2	0.2	0.2	0.2	0.2	1.0
Duwamish Valley Community Equity Program	0.3	0.3	0.3	0.3	0.3	1.5
Local Community Advertising Program	1.1	1.2	1.2	1.2	1.2	6.0
South King County Fund	1.5	2.1	2.1	2.1	2.1	10.0
Sustainable Aviation Fuels and Air Emissions Programs	-	1.3	1.3	1.3	1.3	5.0
City of SeaTac Safety Enhancements	1.4	1.4	1.4	1.4	1.4	7.0
Highline Schools Noise Projects	3.5	-	-	-	-	3.5
<b>Total Non-Capital Tax Levy Uses</b>	<b>\$ 64.9</b>	<b>\$ 73.8</b>	<b>\$ 81.8</b>	<b>\$ 100.6</b>	<b>\$ 71.6</b>	<b>\$ 392.7</b>

# Levy & G.O. Bond Funded Capital Investments

(\$ million)							
Status	CIP Description	2020	2021	2022	2023	2024	Total
<b>Maritime and Economic Development Projects</b>							
5	T117 Restoration <sup>(1)</sup>	-	10.3	0.3	0.3	0.3	11.2
5	P66 BHICC Interior Modernize	10.4	0.0	-	-	-	10.4
4	FT Gateway Building	1.0	10.0	10.0	0.8	-	21.8
4	FT Docks 3,4,5 Fixed Pier Improvements	2.5	-	-	-	-	2.5
4	FT Maritime Innovation Center	0.7	5.0	4.0	0.5	-	10.1
4	T91 Uplands Development	0.8	4.8	14.0	14.0	5.3	38.8
3	T91 Berth 6 & 8 Redevelopment	0.4	10.0	24.6	-	-	35.0
3	P66 Shore Power	0.7	13.2	3.0	-	-	16.9
3	T91 Pier Stormwater Imp Ph 1	-	1.1	-	-	-	1.1
3	Central Waterfront Bridge Elevator Modernization	0.7	0.8	-	-	-	1.5
2	Economic Development CIP Reserve	0.5	0.5	0.8	0.8	-	2.5
2	Maritime CIP Reserve	1.0	1.0	2.0	2.0	-	6.0
<b>Subtotal - Levy Funding MD &amp; EDD CIP</b>		<b>18.5</b>	<b>56.6</b>	<b>58.6</b>	<b>18.3</b>	<b>5.6</b>	<b>157.7</b>
<b>NWSA North Harbor and POS-related (JV) Projects</b>							
	Terminal 5 Modernization <sup>(2)</sup>	-	-	19.0	15.5	-	34.5
	Other North Harbor Projects <sup>(3)</sup>	3.7	4.8	4.6	3.8	5.5	22.5
	Channel Deepening and other POS-related Projects (JV)	2.5	0.5	0.2	27.3	1.0	31.5
<b>Subtotal - NWSA North Harbor and POS-related (JV) CIP</b>		<b>6.3</b>	<b>5.3</b>	<b>23.8</b>	<b>46.6</b>	<b>6.5</b>	<b>88.5</b>
<b>Total Levy &amp; G.O. Bond Funding of Non-Airport CIP</b>		<b>24.8</b>	<b>61.9</b>	<b>82.4</b>	<b>65.0</b>	<b>12.1</b>	<b>246.2</b>
<p>(1) Net of existing environmental funds</p> <p>(2) Net of funding from Harbor Development Fund</p> <p>(3) Net of TIGER capital grant and general fund funding</p>							

New projects appropriate for tax levy/G.O. bonds include:

- T46 North Pier
- T91 NW Fender
- Jack Block Park Pier

# Non-Airport Operating Cash Flow Available for Capital

(\$ million)	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>TOTAL</u>
Cash Flow from NWSA	\$ 44.2	\$ 45.0	\$ 56.0	\$ 58.4	\$ 58.4	\$ 262.1
Maritime net income	6.3	11.1	13.6	22.1	24.2	77.4
EDD net income	(10.1)	(9.0)	(9.2)	(8.6)	(7.7)	(44.6)
Revenue bond debt service and adjustments <sup>(1)</sup>	(33.2)	(34.7)	(35.2)	(33.3)	(34.6)	(171.0)
<b>TOTAL</b>	<b>\$ 7.3</b>	<b>\$ 12.5</b>	<b>\$ 25.2</b>	<b>\$ 38.6</b>	<b>\$ 40.3</b>	<b>\$ 123.9</b>

(1) Adjustments include certain non-operating revenues and expenses and reimbursements for tax levy funded EDD expenses

# Current Credit Ratings

	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>
General Obligation Bonds	Aaa	AAA	AA-
First Lien Revenue Bonds	Aa2	AA-	AA
Intermediate Lien Revenue Bonds	A1	A+	AA-
Subordinate Lien Revenue Bonds	A2	A+	AA-
Passenger Facility Charge Revenue Bonds	A1	A+	A+
Fuel Hydrant Special Facility Bonds	A1	A	

## Noted Credit Strengths:

- Diverse asset and revenue base
- Airport's market position and enplanement levels
- Strong balance-sheet liquidity levels
- Conservative debt structure and healthy debt service coverage ratios
- Strong governance and management
- Long-range strategic and sustainability plans
- Vibrant and resilient area economy

# IDD Levy - Background

- Port can levy property tax within an Industrial Development District (IDD)
  - In addition to regular property tax
  - A port can form multiple districts
    - Coextensive with port district, or
    - Smaller area within the Port district
  - The Port already has two Industrial Development Districts
- Port can implement the levy twice - Port of Seattle implemented first round in 1963
- Purpose is to provide for harbor improvements or industrial development of marginal lands
  - Broadly defined
  - Includes areas of poor planning or declining tax receipts

# IDD Levy - Implementation

- Port may implement a second round based on a new formula
  - Maximum of \$1.8 billion over a period of up to 20 years
    - Average amount = \$88 million (for 20 years)
    - Maximum annual amount = \$287 million (45 cents for 6 years)
  - Port can establish a smaller IDD or collect a lesser amount, but cannot bank the unused capacity
- Process to implement
  - Publish notice by April 1 to begin collecting the next year
  - If within 90 days a petition of 8% of voters (voting in the most recent gubernatorial election) opposes, the Port must hold a special election to approve the levy

## IDD Levy Information: “Marginal lands” are defined to include property subject to the following (RCW 53.25.030) conditions:

1. An economic dislocation, deterioration, or disuse resulting from faulty planning.
2. The subdividing and sale of lots of irregular form and shape and inadequate size for proper usefulness and development.
3. The laying out of lots in disregard of the contours and other physical characteristics of the ground and surrounding conditions.
4. The existence of inadequate streets, open spaces and utilities.
5. The existence of lots or other areas which are subject to being submerged by water.
6. By a prevalence of depreciated values, impaired investments, and social and economic maladjustment to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered.
7. In some parts of marginal lands, a growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare.
8. In other parts of marginal lands, a loss of population and reduction of proper utilization of the area, resulting in its further deterioration and added costs to the taxpayer for the creation of new public facilities and services elsewhere.
9. Property of an assessed valuation of insufficient amount to permit the establishment of a local improvement district for the construction and installation of streets, walks, sewers, water and other utilities.
10. Lands within an industrial area which are not devoted to industrial use but which are necessary to industrial development within the industrial area.