

BROADMOOR TIF PROJECT ANALYSIS





ACKNOWLEDGEMENTS

This Project Analysis was prepared for the City of Pasco by Stowe Development & Strategies, LLC in association with ECONorthwest and Gordon Thomas Honeywell Governmental Affairs.

The Project Analysis represents a thorough and comprehensive evaluation of a future Tax Increment Financing program and establishment of a Tax Increment Area for a significant and large development opportunity in the west side of Pasco, called the Broadmoor Development. The production of this report would not have been possible without the participation, collaboration, and guidance from the following individuals and groups.

Pasco City Council

- Mayor Blanche Barajas, District 1
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City of Pasco Staff

- Dave Zabell, City Manager
- Adam Lincoln, Deputy City Manager
- Darcy Buckley, Finance Director
- Rick White, Community & Economic Services Director
- Steve Worley, Public Works Director
- Dan Ford, City Engineer
- Mike Gonzalez, Economic Development Manager

Legal and Financial Consultants

- Eric Ferguson, City Attorney
- William Tonkin & Lee Marchisio, Foster Garvey P.C., Bond Counsel
- Dave Trageser, DA Davidson, Bond Underwriter
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An aerial photograph of a coastal area. On the left, a river or estuary flows into the water. The land is a mix of marshy areas, some developed with buildings, and a large highway bridge crossing a body of water at the bottom. The image is divided into several rectangular sections by white lines.

ACKNOWLEDGEMENTS

Continued

Broadmoor Project Development Team

- Dale and Kathy Adams, Broadmoor Properties (property owner)
- Timothy Ufkes, Senior Vice President/Director. National Multi Housing Group, Marcus & Millichap
- Brian Mayer, First Vice President, National Retail Group, Marcus & Millichap
- Jason Mattox, Principal Civil Engineer/Survey Department Manager/Operations Manager, PBS

Tax Increment Financing Consultants

- Bob Stowe, Stowe Development & Strategies (TIF Project Manager)
- Morgan Shook, ECONorthwest
- Briahna Murray, Gordon Thomas Honeywell Governmental Affairs

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TIF Check List

Page 36	Name and contact information for members of the financing team;	✓
Pages 2 to 4, & 15	Comprehensive description of the Tax Increment Area, including land ownership and leasing or sale arrangements;	✓
Pages 4 to 9	A description of the Project being undertaken, in connection with the Tax Increment Area;	✓
Pages 6, 18 to 21, 26, 28 to 35	Proposed budget for the Project, including the available funding sources, expected costs, and plan of finance;	✓
Page 38	An estimated timeline for the Project;	✓
Pages 5, 6, & 15 to 19	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;	✓
Pages 4 to 6 & 15 to 17	Description of Tax Increment Area taxpayer base, and, if possible, a breakdown by property / industry type;	✓
Pages 20 & 26, 27	Description of the expected bond structure;	✓
Pages 26, 27, & 32 to 35	Description of the specific revenue pledge and revenues that will support the debt to be issued;	✓
Page 29	Calculations showing the Issuer's projected debt service coverage, based on current and expected pledged revenues;	✓
Page 27	Calculations demonstrating compliance with the Issuer debt limitations;	✓
Appendices	Five years of the most recent historical and one year of projected financial statements for the Issuer, identifying the specific revenues that will be pledged towards supporting debt service payments;	✓
Pages 32 to 36	Description of potential project risk factors.	✓

Source: Stowe Development & Strategies, 2022 based on Office of State Treasurer May 31, 2022 Memo

About Pasco: Pasco is a thriving community of more than 80,000 residents that has seen substantial growth and development over the last two decades. Pasco's economy is booming. Two Amazon industrial centers comprising of more than 2 million square feet are under construction in Pasco. Due to the surrounding agricultural region, several major food processing companies have a presence in Pasco, including Lamb Weston, Reser's Fine Foods, Twin Cities Foods, Simplot, and Grimmway.

Figure 1. Columbia River Cable Bridge



Source: Broadmoor Development, Marcus Millichap

By utilizing tax increment financing, the Port of Pasco is facilitating Darigold building its largest ever mild drying plant in Pasco, cementing the region's status as one of the Northwest's leading centers for food processing. Recently the City has become a player in the booming Washington wine industry with companies like Gordon Brothers Cellars, Fidelitas Winery, Kamiak Vineyards and Preston Premium Wines.

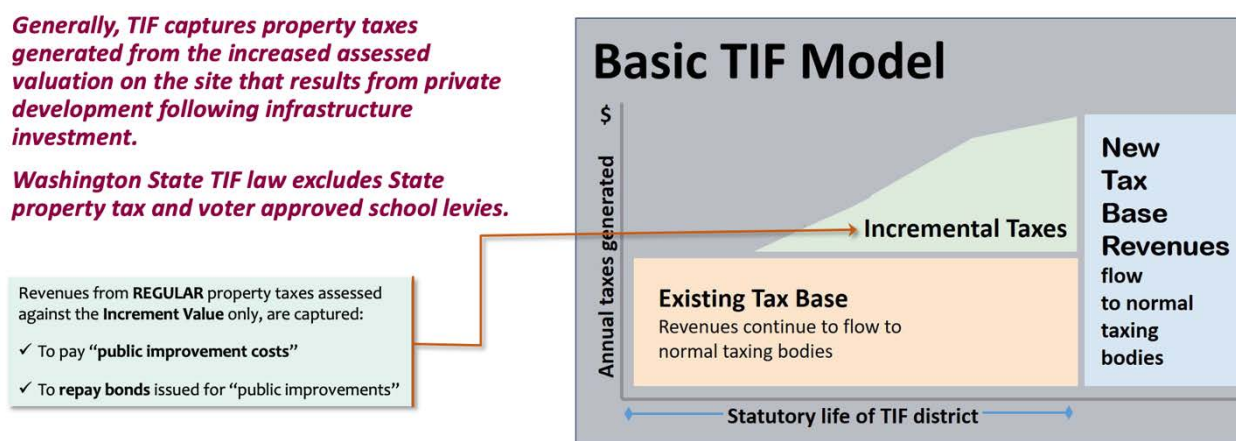
The local economy benefits from the nearby Tri-Cities Airport, Interstate 182, U.S. Highway 395, State Route 12, and the Port of Pasco, providing access to shipping along the Columbia River. Pasco hosts several major events for the Tri-Cities area, using its historic downtown as a regional gathering place. Downtown Pasco is home to the area's largest farmer's market and hosts the Fiery Foods Festival, the Cinco de Mayo Celebration, the Sacajawea Blue Grass Festival, and Heritage Days. The City has a seemingly limitless variety of recreational activities and is an outdoor enthusiast's dream. Pasco has 24 public tennis courts, 20 soccer fields, seven baseball fields, eight softball fields, a professional indoor rodeo arena, 15+ miles of hiking/biking paths, and a multipurpose outdoor stadium with a 10-lane all-weather running track capable of hosting state-level football and track events. The City is also recognized for strong schools served by the Pasco School District, including Pasco High School and Chiawana High School. Pasco offers residents a great mix of culture, education, employment and recreation that promotes a positive lifestyle and encourages future growth.

Introduction/Summary

Tax Increment Financing (TIF) is a powerful economic development tool that was adopted into law in Washington State in 2021. 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.

In general, our State's TIF is a financing option that allows a public agency (city, county, or port) to fund publicly-owned infrastructure determined necessary to encourage the envisioned private development within a TIA designated by the public agency. As private development occurs (a result of the public agencies investment in the identified public improvements), property values rise, and the public agency uses the increased property tax generated by that development to pay for the public improvement projects. After the project costs are paid, the public agency retires the TIA. There are also inherent risks that are paired with the opportunity with any real estate development that can dramatically impact the revenues that are projected from a development within a TIA. This Project Analysis provides for a comprehensive examination of both the opportunities and risks associated with the proposed TIA.

Figure 2: Basic TIF Model



The City of Pasco started planning for the Broadmoor area by developing a Master Plan in 2017 for a 1600-acre site which is situated in the geographical center of the Tri-Cities (Pasco, Kennewick and Richland). This area has unprecedented potential for development and ability to support the areas growth projections. This master planning effort involved an analysis of a variety of land use designations, roadway alignments and relevant best practices related to land use planning. Over the last several years, the City has worked with the largest property owner in the Broadmoor area (Broadmoor Properties) on a large-scale mixed-use development of 671 acres within the Broadmoor Master planning area, now called the Broadmoor Development. Both the City and Broadmoor Properties recognize the development of this site represents a once-in-a-lifetime opportunity to provide significant housing, office, retail and placemaking elements while achieving the goals of the Pasco community and region.

Figure 3: Broadmoor Vacant Property Map



Source: Broadmoor Properties Map Recreated by Stowe Development & Strategies, June 2022

The Broadmoor Development is currently vacant land, and as such, needs significant infrastructure such as roads and utilities. In 2019, the City of Pasco began working with property owners in the Broadmoor area to fund and construct over 12,000 linear feet of new sewer trunk line to serve the area at a project cost of just under \$7 million through a Utility Local Improvement District (ULID) Assessment. Remaining infrastructure needs exceed \$70 million, of which a range between \$33 to \$39 million is proposed to be funded with TIF. The property tax revenue estimates generated from the anticipated private development within the TIA are sufficient to support the public improvement costs at the end of the projected term of the TIA (25-years), requiring the City to make interim gap funding contributions while the development stabilizes as indicated in Figure 14. It is also important to recognize that any debt the City issues in anticipation of TIF revenues, the City will still be responsible for this debt from other revenue sources, regardless if the anticipated development occurs. The City of Pasco has undertaken a comprehensive analysis of evaluating: (i) the nexus between the proposed infrastructure improvements and the envisioned developments (AKA the “But-For-Requirement”); (ii) various private development scenarios that would occur following the City’s infrastructure investment along with financial mitigation options that could be implemented if development is less than or takes longer than what is projected in the various scenarios; (iii) any impacts and proposed measures regarding affordable housing, local business community, local schools and local fire service.

The Broadmoor Development and the ability to achieve the City's community goals would not be possible without TIF. The City of Pasco is enthusiastic to showcase how TIF can be used strategically for a project site that meets the letter and spirit of Washington State's new legislation and achieves significant benefits for the Pasco community.

Proposed Private Development

The Broadmoor Development is a unique and large-scale development of over 451 gross acres of vacant land that is available now for development. There is another 220 acres that is currently being leased for sand and gravel operations until May 2025; after which it will become available for redevelopment following reclamation. For purposes of evaluating the Broadmoor Development, we have excluded any development potential of the sand and gravel operations and reduced the gross acres by 25 percent to account for circulation, open space, and landscaping which generates a net area of 328 acres. At completion, the Broadmoor Development will include the following land uses: single family residential, multi-family residential, mixed-use, and commercial.

Broadmoor Properties, LLC (property owner) own and are currently marketing each of the parcels for sale. Most parcels are either closed, under contract, under letter of intent, or under discussions between Broadmoor Properties and prospective developers. All of the developers that have been identified to date who have either purchased property or in discussions to purchase property, are experienced developers for that particular product type. Development permits are under review on multiple parcels by the City, however building permits have yet to be issued. Developers are anxiously awaiting for the adoption of the TIA before proceeding to construction.

The consultant team, in collaboration with the City and Broadmoor Properties, LLC has generated several development program scenarios from which to evaluate potential property tax revenue from the TIA as well as other tax revenue that is generated from the expected Broadmoor development. Market absorption projections were based on discussion with interested developers, Broadmoor Properties, LLC and general knowledge of the real estate industry. The three Development Program scenarios created can be categorized as follows:

Figure 4: Broadmoor Development Area Map



Source: Broadmoor Properties Map Recreated by Stowe Development & Strategies, June 2022

Figure 5: Broadmoor Development Possible Conceptual Development Renderings

Aggressive Development Program. Key development assumptions include:

- Absorption rate of 300 multi-family units to be constructed each year starting in 2023 for a 16-year build-out;
- Commercial development starting in 2024 and mostly completed by 2030;
- Reduced gross development area by 25 percent to account for internal circulation, open space and landscaping;
- Absorption rate of 60 single family homes per year for a 4-year build-out.

Moderate Development Program. Key development assumptions include:

- Absorption rate of 150 multi-family units to be constructed each year starting in 2023 for a 25-year build-out;
- Reduced highest multi-family density from 45 units per acre to 30 units per acre (reduction of 817 multi-family units);
- Commercial development starting in 2025 and most completed by 2031;
- Reduced gross development area by 25 percent to account for internal circulation, open space and landscaping;
- Absorption rate of 40 single family homes per year for a 6-year build-out.

Conservative Development Program. Key development assumptions include:

- No development after 2030;
- Absorption rate of 150 multi-family units to be constructed each year and starting in 2023 and ending in 2030;
- Commercial development starting in 2024 and most completed by 2030;
- Reduced gross development area by 25 percent to account for internal circulation, open space and landscaping;
- Absorption rate of 60 single family homes per year for a 4 -year build-out.

The following product types and market values are assumed in each of the above Development Program scenarios and



Source: Broadmoor Development, Marcus Millichap

are based on multi-family properties and cost estimates in Franklin County and the region to approximate the new improvement value.

- Multifamily housing: \$375,000 per unit for denser product and \$250,000 for less dense product
- Senior housing: \$200,000 per unit
- Single family detached housing: \$600,000 per unit
- Commercial (retail/personal services): \$200 per square foot
- Retail warehousing: \$165 per square foot
- Medical office: \$400 per square foot

Assessed property tax values for each Development Program have been projected at the following 5-year periods (nominal values per year – not discounted values). The City has determined that the Moderate Program is the most likely to occur for purposes of this analysis. A summary of assessed property tax values at 5-year intervals is shown in Figure 6.

Figure 6: Summary of Nominal Year Assessed Values and TIF Allocation Revenues

Incremental Assessed Value	2023	2028	2033	2038	2043	2048
Tax Year						
Aggressive	\$0	\$1,130,730,000	\$1,681,980,000	\$1,811,970,000	\$1,952,010,000	\$2,102,870,000
Moderate	\$0	\$763,400,000	\$1,470,220,000	\$1,620,620,000	\$1,761,900,000	\$1,898,070,000
Conservative	\$0	\$553,440,000	\$825,660,000	\$889,470,000	\$958,210,000	\$1,032,270,000

TIF Allocation Revenues	2023	2028	2033	2038	2043	2048
Tax Year						
Aggressive	\$0	\$2,790,000	\$4,050,000	\$4,270,000	\$4,490,000	\$4,720,000
Moderate	\$0	\$1,880,000	\$3,540,000	\$3,810,000	\$4,050,000	\$4,260,000
Conservative	\$0	\$1,360,000	\$1,990,000	\$2,090,000	\$2,200,000	\$2,310,000

Source: ECONorthwest Calculations

Infrastructure Needs

The City has identified improvements that are necessary for the development and improvements that are to be supported by TIF. These TIF improvements were strategically located to support the development type or product that were identified as needing the improvements most, or in other words, those proposed developments that would not be financially viable without these improvements.

The proposed improvements are illustrated in the Appendices section of this report. The TIF public improvements include arterial street construction and associated infrastructure (water, sewer, storm), and key intersections and ramp improvements to Interstate 82 that provides access and primarily supports the commercial and mixed-use land uses within the Broadmoor Development.

The total cost for the TIF improvements is estimated to be a range between \$33 to \$39 million. The higher amount allows for additional infrastructure improvements that are under consideration based on private development needs. The City will finalize the TIF infrastructure and projected cost as part of the TIA adoption ordinance by the Pasco City Council. For purposes of the Project

Analysis, we have assumed the larger scope and amount of \$39 million for the proposed TIF infrastructure. The owner of Broadmoor Development is dedicating approximately 29.3 acres of land for the TIF improvements resulting in an average value range between \$6.4 and \$12.7 million in project benefit. Additionally, the owner of the Broadmoor Development and/or future developers of the site will be funding and constructing additional public improvements at an estimated cost of \$39 million to \$45 million along with dedicating an additional 34 acres of land to support those public improvements. The City's TIF infrastructure will start construction in 2023 and is expected to be largely completed that same year. Design is currently occurring and is expected to be publicly bid in late 2022 or early 2023. Where integral to the TIF funded improvements, infrastructure funded and constructed by private development will begin in 2023 and be closely coordinated with the TIF projects. For developer funded projects not integrated directly into the TIF improvements, they will be constructed as development occurs on each individual parcel.

The TIF improvements are described below.

Corridors

1. Sandifur Parkway – Bedford Street to Proposed Road 105

- Widen the existing Sandifur Parkway from Bedford Street to Broadmoor Blvd;
- Fully construct Sandifur Parkway from Broadmoor Blvd east to proposed Road 105, including but not limited to, as much as 7-lanes of roadway and frontage improvements including curb/gutter, stormwater, sidewalk, street lighting and landscaping on the north side and curb/gutter and stormwater on the south side.
- Construction of public utilities within the roadway prism will be included within this corridor from Broadmoor to Road 105.

2. Broadmoor Boulevard – Interstate 182 to Burns Road

- Road widening of the existing road, west side only to, include the addition of 7-lanes of asphalt roadway, curb/gutter, stormwater, multi-use pathway, and streetlights from Interstate 182 to Buckingham Road;
- Road widening of the existing road, west side only to include the addition of 5-lanes of asphalt roadway, curb/gutter, stormwater, multi-use pathway, street lighting, and landscaping from Buckingham Road to Burns Road;
- Utility adjustments of existing utilities is included in this corridor from Interstate 182 to Burns Road.

3. Buckingham Drive – Broadmoor to Road 105

- Fully construct Buckingham Drive from Broadmoor Blvd west to proposed Road 105 including but not limited to 3-lanes of new roadway improvements including curb/gutter, utilities, stormwater within the roadway prism, and sidewalk, street lighting and landscaping on the south side of the roadway.

4. Road 105 – Sandifur Parkway to Buckingham Drive

- Fully construct Road 105 from Sandifur Parkway north to proposed Buckingham Drive including but not limited to 3-lanes of new roadway improvements including curb/gutter, utilities, stormwater within the roadway prism, and sidewalk, street lighting and landscaping on the east side of the roadway.

5. Road 103 – Sandifur Parkway to Buckingham Drive

- Fully construct Road 103 from Sandifur Parkway north to proposed Buckingham Drive including but not limited to 3-lanes of new roadway improvements including curb/gutter, utilities, stormwater within the roadway prism, and sidewalk, street lighting and landscaping on the west side of the roadway.

Interstate Associated Improvements

6. Interchange Improvements - Interstate 182 at Road 100

- Construction of an additional (Broadmoor Blvd) eastbound off-ramp lane, a loop ramp for north bound Broadmoor Blvd traffic and roundabout to replace the signal at the ramp terminals.

Figure 7: Interstate Improvements



Source: City of Pasco, 2022

Intersections

7. Burns Road / Broadmoor Boulevard

- Full improvements to the existing intersection to include signalization, widening, curb/gutter, sidewalk with ADA ramps, street lighting, striping, and landscaping;
- Utility extension and/or adjustments of existing utilities;
- This intersection will have participation in cost from other developers through a participation technical memorandum, prepared by the City's consultant.

8. Buckingham Drive / Broadmoor Boulevard

- Full improvements to the existing intersection including signalization, widening on the west side, curb/gutter, stormwater, sidewalk with ADA ramps, street lighting, striping, and landscaping;
- Utility extension and/or adjustments of the existing utilities will be included within this intersection;
- Signalization improvements provided by Broadmoor Properties, LLC.

9. Sandifur Parkway / Broadmoor Boulevard

- Full improvements to the existing intersection including signalization, widening, curb/gutter, sidewalk with ADA ramps, street lighting, striping, and landscaping;
- Utility extension and/or adjustments of existing utilities.

10. Extended Sandifur Parkway / Proposed Road 108

- Construction of a "core" roundabout that includes all of the asphalt necessary to extend 2 feet past the proposed final toe-of-curb/gutter. This effort will also include temporary gravel shoulder drainage swale, as well as striping and lighting, and full construction of a center truck apron and landscaped feature and entry delineators including curb/gutter and internal surfacing as determined;
- Frontage improvements including curb/gutter, sidewalk, stormwater, and landscaping will be completed by adjacent parcel owners at the time of development;
- Construction of domestic water main, sanitary sewer main, and irrigation main improvements.

11. Extended Sandifur Parkway / Proposed Road 103

- Construction of a full intersection including signalization, widening, curb/gutter, stormwater, sidewalk with ADA ramps, street lighting, striping, and landscaping;
- Construction of domestic water main, sanitary sewer main, and irrigation main improvements will be included within this intersection;
- Signalization provided by Broadmoor Properties, LLC.

12. Extended Sandifur Parkway / Road 105

- Construction of a core intersection, including but not limited to, as much as 3-lanes of asphalt road surface (curb-to-curb);
- Construction of domestic water main, sanitary sewer main, and irrigation main improvements will be included within this intersection;
- Traffic control determined at time of design.

But-For-Requirement

Washington State's TIF law requires its local government sponsor to make the following findings: The public improvements proposed to be paid or financed with tax allocation revenues are expected to encourage private development within the increment area and to increase the assessed value of real property within the increment area; (ii) Private development that is anticipated to occur within the increment area as a result of the proposed public improvements will be permitted consistent with the permitting jurisdiction's applicable zoning and development standards; (iii) The private development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future without the proposed public improvements; and, (iv) The increased assessed value within the increment area that could reasonably be expected to occur without the proposed public improvements would be less than the increase in the assessed value estimated to result from the proposed development with the proposed public improvements. These findings (specifically Sections i, ii, and iv) are commonly referred to as the "But-For Requirement". The name comes from the assertion that private development would not occur but-for the use of TIF. This requirement is a foundational element of TIF which directs public tax dollars generated by the development to only those projects that need it; thereby, avoiding a gift of tax dollars in the form of infrastructure funding paid for by the local government that should have been funded by the developer. Although TIF is new to Washington State governments, the But-For-Requirement and associated analysis is not. Many local governments that have invested

in infrastructure as part of economic development projects have examined the public agencies return on its infrastructure investment from the generation of on-going tax revenues associated with new development. Additionally, most local governments' infrastructure demand exceeds its revenue capacity, forcing local governments to make priority decisions regarding infrastructure projects that get funded with tax dollars and determining which projects can be paid for by developers. The But-For-Requirement for TIF formalizes the analysis and requires the local government sponsoring TIF to provide convincing evidence showing that tax dollars from the TIA are necessary to make the development possible.

If a proposed development would occur without TIF, public tax dollars should not be used because it will cost taxpayers more than it should for the resulting development or growth. However, if TIF is used to encourage a development that would not otherwise happen, the tax base can be increased. A larger tax base helps pay for needed services and can control the growth of new taxes. The But-For-Requirement is critical as a means to determining the proper use for public tax dollars.

The following criteria has been developed to evaluate the Broadmoor Development and provide sufficient evidence to support or deny TIF for projects based on the But-For-Requirement.

Lack of Growth and/or History of Development: One measure to determine if TIF is appropriate is to evaluate if there has been any growth in the region that is similar with the type of development desired or envisioned. There is no project in the Tri-Cities that is remotely close to the scope and scale of the Broadmoor Development. The commercial development that has occurred in the City of Pasco did so based on locations where key infrastructure (streets, water, sewer) were already in place. Broadmoor Development's planned commercial buildings would likely not be built in today's economic environment without the proposed TIF Infrastructure.

Figure 8: Park Place Apartments



Source: Marcus Millichap

In terms of multi-family construction, the City of Pasco has not yet seen any development above 3-stories. Construction costs for multi-family developments above three-stories, due to construction standards/requirements are significantly higher and require higher rents than the market is currently able to support. There is only multi-family development above three-stories in the Tri-Cities area.

Constructed in 2021, the Park Place Apartments, situated in Richland, WA, has 106 units among 4-stories with one level of below grade parking (less than 30 parking spaces). Some retail is also provided under the 106 residential units and within two separate one-story buildings.

The average construction costs for newer multi-family housing in the Tri-Cities ranges from \$260 to \$350 per square foot depending on the type of unit being constructed. The average rents in the Tri-Cities is \$1.90 to \$2.30 per square foot, which provides sufficient revenue to support a cost per square foot of between \$180 to \$220, resulting in the likely scenario that development above three-

stories will not occur until rents are higher or construction costs decrease. Rents have been rising in the region, with nominal rents increasing 20% in the past decade according to CoStar (a commercial real estate data firm). With continued tight vacancies, it is likely that upward pressures on prices will continue fueling the demand for new housing units in the near future at market clearing prices for new construction. Adding in any of the cost of the infrastructure proposed to be funded by TIF to the construction cost of the development would only make any of the proposed five, six, and seven-story and mixed-use construction for the Broadmoor Development project even more unlikely, counteracting price gains in apartment rents.

Developer Commitment: Another measure to evaluate if TIF should be used is from the lack of any private vertical development commitment to build a project without the infrastructure first being in place. Stated differently, the private sector will only build the project if the TIF infrastructure is built and funded with public tax dollars. Over the last year the City has been working with Broadmoor Properties (property owner) and prospective purchasers/developers of two key sites along Broadmoor Boulevard, comprising of over 50 acres of commercial development. Both private developments have confirmed as part of purchase and sale agreements with Broadmoor Properties that their development will not occur unless the proposed TIF improvements are publicly funded and constructed. Other discussions with developers interested in commercial and mixed-use type development envisioned for the Broadmoor Development site have echoed a similar requirement.

Impact of Financial Feasibility | Residual Land Value Analysis

Another way to evaluate the But-For-Requirement is to examine how the cost of the public infrastructure impacts the financial viability of real estate. To inform the evaluation of this condition, ECONorthwest completed an economic analysis that reflects the developer's decision-making process and cash flow equation. The findings from this analysis bear on the "but-for" test by including information on the impact of financial returns. The central question is: How does the public provision of the infrastructure solve for a value deficit to support real estate investment? In other words, could development happen if the private development was required to self-fund the proposed public improvements.

To understand the potential for development under TIF (and without TIF), ECONorthwest employed an Excel-based financial model that used the Residual Land Value methodology. The model considered the prototypes, entitlement limits, open space and right-of-way needs, and the financial market conditions (e.g., rents, operating and construction costs, and investment return requirements). Residual land value (RLV) is an estimate of what a developer would be able to pay for land given:

- The property's income from rental or sales revenue;
- The cost to build as well as to operate the building;
- The investment returns needed to attract capital for the project.

In other words, it is the budget that developers have remaining for land after all other development constraints have been analyzed.

The RLV approach has several advantages:

- It does not rely on land prices as an input. Rather, observed land prices can be compared with the model outputs to help calibrate the model and ensure it reflects reality;
- It can assess the impacts of changes to the development code and accompanying development incentives because these policies principally affect land value, especially in the short run.

Each of the development concepts was analyzed using this RLV approach. The results from this method describe a general analysis of prototypes in the Broadmoor area and do not consider the many potential unique conditions that could be a factor in development feasibility (e.g., increased predevelopment costs, low land basis from longtime land ownership, unique financing, etc.).

For these reasons, a RLV analyses should be thought of as a strong indicator of the relative likelihood of feasibility, rather than an absolute measure of return to the investor or developer. Though the RLV estimate is relevant for developers seeking to purchase land for new development, it is also applicable for understanding the development decisions of those that already own land. In the case where the property owners have owned the land for many years such that the mortgage/debt is now paid off, an RLV estimate of \$0 would reflect a set of development constraints that could be feasible. The Broadmoor area has experienced recent land transactions which helps the analysis compare and understand the value of maximum and base entitlements.

For the Broadmoor area, ECONorthwest used the following methodology to compare the budget remaining for land between prototypes built under multiple hypothetical base entitlements and prototypes built under the proposed maximum entitlements. To complete this analysis, ECONorthwest:

1. Compiled financial inputs such as rent, operating costs, and development costs for each type of development product.
2. Defined the available building areas of the prototypes (for this analysis a mixed-use/multi-family and commercial retail center are used as examples of projects that have not been built in the study area and could be supported with TIF investments).
3. Used the pro forma to calculate the revenue from the leasable square feet and then removed the vacancy and operating costs (such as taxes, insurance, maintenance, management, select utilities) to arrive at an annual net operating income (NOI).
4. Derived the value from each NOI by dividing by the respective return on cost threshold
5. Summed those values to arrive at a total value for each development concept.
6. Calculated the total development costs by applying the cost per square foot values to the gross square feet for each product type
7. Summed those values to a total hard cost and calculated the soft cost, contingency, and developer fee to arrive at the total development cost.
8. Calculated the land budget (also known as the RLV) by subtracting the total development cost from the total value
9. Divided the total land budget by the site square feet to arrive at a residual land value per square foot.
10. Compare RLV of a baseline scenario where the project is not encumbered with a pro-rata share of the \$39 million in TIF infrastructure to one where they are encumbered with it.

The TIF improvements are estimated to cost \$39 million and are concentrated at the southern end of the site. The owner of the Broadmoor Development (and/or future developers of the site) will be funding and constructing additional public improvements at an estimated cost of \$39 million to \$45 million along with dedicating an additional 32 acres of land to support those public improvements (these values are in addition to the \$39 million in proposed TIF projects).

Currently, land values in the area are about \$1 per square foot of land as assessed by the Franklin County Assessor. These values reflect the current use of the land without any of the contemplated TIF projects. Raw land that has sold in the immediate area in recent time has ranged between \$2 to \$9 per square foot on land, depending on where these parcels are located and the relative proximity to the TIF improvements (higher values where sites are already served by infrastructure and lower where there is a deficit). The summary below compares three different land value perspectives from both the purchase price and the RLV analysis.

- **Current Land Value:** This is the range of sales prices of recent raw land sales within the TIA that are closer to the sites most impacted by needed improvements that could be funded by TIF.
- **Baseline RLV:** This RLV estimates what the current land value might be under considering projected revenues and costs.
- **Impacted RLV:** This RLV estimates the effect of the land having to account for the \$39 million in infrastructure costs on top of the other \$39-\$45 million in infrastructure costs that would be borne by the project.
- **Impact on Feasibility:** In the RLV analysis, financial feasibility is expressed as a land value. From a developer's perspective, it frames what they can pay for land. The percent change refers to the change in the absolute value of the baseline to impacted RLV. A negative value in this case, means that the additional cost of the TIF infrastructure (allocated on per square foot basis of the building lot) proportionally reduces the land budget for the development.

Figure 9: Summary of RLV Analysis

Use	Prototype	Current Land	Baseline RLV	Impacted RLV	Impact on Feasibility
Mixed Use Multifamily	4 story, 100 units	\$5.00-\$5.50	-\$1.10	-\$3.80	-245%
Commercial	20,000 sqft retail	\$5.00-\$5.50	\$2.70	-\$0.10	-104%

Source: ECONorthwest Calculations

Figure 9 summarizes the results of the RLV analysis. The table shows the type of prototype analyzed and some basic parameters of their development conditions. The Baseline RLV shows the land residual if the project does not have to bear the cost of the TIF infrastructure. In this case, the values are lower than where land is trading in the area and reflect financial conditions that may not support development in the near future and are uncertain given current macroeconomic conditions. This also is congruent with the observation that no development has taken place in the area, in part due to the deficit of infrastructure.

In comparison, the Impacted RLV (with the incorporation of the pro rata share of the TIF infrastructure is more negative and reflects an added value that the land must bear for the cost of the infrastructure – approximately adding almost \$3 of negative land value due to the need to provide the infrastructure. This in theory lowers the value of land and may put pressure on financial

viability of development, ultimately impacting either the rate, quality, or timing of development and is reflected in the impact on feasibility. In the case of a mixed-use project (retail and multi-family), there is a 245% reduction in the RLV and 104% reduction for a commercial retail project. The ultimate impact of this reduction and the magnitude on these types of projects is the inability to secure land at market prices, and therefore enable their production. This type of RLV analysis is not intended to be definitive with respect to the “but-for” test and should be understood as reflecting the challenging conditions that development in the area currently faces along with the added challenge of supporting needed infrastructure. In summary, these additive figures demonstrate that any development scenario is would be very challenging without the TIF infrastructure investments.

Expected Development Without TIF Improvements:

Because the Interstate 182 interchange is near capacity and commercial and mixed-use development would likely not invest in the Broadmoor Development without the proposed TIF infrastructure improvements, the development forecast is significantly limited. Without TIF improvements, development of approximately 240 single family homes (market absorption of 60 homes per year) and 410 multi-family homes (market absorption of 205 homes per year) would likely be built based on development interest. These homes gain access to their development from Burns Road and would not necessitate the development of any improvements funded by TIF. The projected assessed value of these developments with the use of TIF is provided in Figure 10 below.

Figure 10: Comparison of Assessed Value Growth Between TIF Scenarios and No TIF

Incremental Assessed Value	2023	2028	2033	2038	2043	2048
Tax Year						
Aggressive	\$0	\$1,130,730,000	\$1,681,980,000	\$1,811,970,000	\$1,952,010,000	\$2,102,870,000
Moderate	\$0	\$763,400,000	\$1,470,220,000	\$1,620,620,000	\$1,761,900,000	\$1,898,070,000
Conservative	\$0	\$553,440,000	\$825,660,000	\$889,470,000	\$958,210,000	\$1,032,270,000
No TIF	\$0	\$323,500,000	\$348,500,000	\$375,440,000	\$404,450,000	\$435,710,000

Source: ECONorthwest calculations, 2022

Summary of “But-For-Requirement”

Based on the above criteria, the proposed Broadmoor Development could not occur without the identified TIF infrastructure improvements. Additionally, the assessed values from projected private development without any TIF improvements would be less than the increase in assessed values from private development with the TIF improvements. It is important to reiterate that the Broadmoor Development still requires additional infrastructure investment beyond those improvements identified to be funded with TIF. In fact, private development will be responsible for infrastructure improvements estimated between \$39 million to \$45 million compared to the \$39 million identified for the TIF improvements (see Risk Assessment and Mitigation Plan below). Additionally, land valued between \$5.5 million and \$ 10.6 million will be dedicated by Broadmoor Properties to the City for its infrastructure improvements.

Tax Increment Area

The TIA includes the entire Broadmoor Development site of approximately 671 acres. With the exception of the gravel and sand operation parcels, the entire site is vacant. The assessed valuation of the TIA in 2022 is approximately \$30 million (Figure 12), well below either the \$200 million assessed valuation threshold or 20 percent of the City of Pasco's total assessed valuation of \$6,502,962,700 (0.46% of total valuation).

Tax Increment Revenue Projections

Overview of TIF Allocation Revenues

Following guidance issued by the Washington State Department of Revenue, the analysis estimates the apportionment of taxes to the TIA. These revenues are available to the sponsoring local jurisdiction for funding of the identified public infrastructure projects (that are named in the ordinance). Under the TIF legislation, only certain regular levies are available to the TIA. Using 2022 levy rates in the Broadmoor TIA, only \$2.62 of the \$8.80 total levy, approximately 30%, would be available (Figure 11).

Figure 11: Overview of Levy Rates and TIF Levy Rate Allocation

	Current 2022 Levy Taxes	Exempt: State Schools	Exempt: Excess and Other Levies	Available for TIF allocation
Total	\$8.7952	\$2.8043	\$3.3671	\$2.6238
State				
Part 1	\$1.8229	\$1.8229		\$0.0000
Part 2	\$0.9814	\$0.9814		\$0.0000
Franklin County				
Regular_Current Expense	\$0.9046			\$0.9046
Regular_Veterans Aid	\$0.0113			\$0.0113
Regular_Mental Health	\$0.0250			\$0.0250
Bond Fund_Courthouse	\$0.0638		\$0.0638	\$0.0000
Port of Pasco				
General Fund	\$0.2177			\$0.2177
Bond Fund	\$0.0000		\$0.0000	\$0.0000
City of Pasco	\$1.4653			\$1.4653
Pasco School District				
Pasco Enrichment	\$1.4557		\$1.4557	\$0.0000
Pasco Bond	\$1.8476		\$1.8476	\$0.0000
Pasco Building			\$0.0000	\$0.0000

Source: ECONorthwest and Franklin County Assessor

Since these are regular levies, the taxes must conform with the constitutional 1% limit as well as the \$5.90 aggregate limits. Both parts of the State School levy as well as local school district excess levies are excluded. In addition, any taxes levied by port districts for the purpose of making payment on bonds would be excluded.

Broadly, TIF in Washington allocates a portion of incremental property taxes to the TIA based on the amount of assessed value added to the TIA. This means that each taxing district in the TIA will receive that portion of its regular property taxes produced by the rate of tax levied by the taxing district based on the assessed value of real property located in the area for taxes imposed in the year that the TIA was created. This amount will flow to the member districts for the period that the TIA is in place. The local government that created the TIA will receive a portion of the regular property taxes levied by each taxing district based off the increment value within the increment area. For the local government that created the TIA, this includes their own portion of their regular levy. Property taxes from the TIA begin on the calendar year following the passage of the ordinance. The county treasurer will distribute these funds to the agency that created the TIA.

TIA Allocation Revenue Modeling

New incremental development in the TIA will drive future growth in incremental assessed value. These values will then be multiplied by the levy rate in the respective years to estimate the amount of TIA allocation revenues. To accomplish this, there are four separate analyses that must be completed:

- **Forecast incremental TIA assessed value.** Based on the development program, the future assessed value is estimated by assigning market-based improvement prices based on the land use and size of the proposed development.
- **Forecast jurisdiction assessed value.** Outside of growth in the incremental assessed value in the TIA, it is necessary to forecast growth in the City's overall assessed value (not counting the incremental growth in the TIA).
- **Forecast highest lawful levy.** For each taxing jurisdiction in the TIA, future levies must be estimated. To do so, the amount of new construction, other add-on value, 101% limit factor, total levy limit, and the maximum allowable levy must be taken into consideration. From that interplay, it is possible to estimate what the given levy will be for any respective jurisdiction in the future.
- **Forecast levy rates.** Once the levy and assessed value are known in future years, it is possible to calculate the levy rate (divide levy by thousands of assessed value). TIA allocations are made by multiplying the levy rate by the incremental TIF assessed value.

To model TIA allocation property tax revenues, a 25-year cash flow model was created to reflect development over time and applied the appropriate property tax base productivity and property tax rates to estimate the stream of future property tax revenues. Additional assumptions in the forecast modelling include:

- The City's assessed valuation growth is assumed to grow at a rate of 1.5% a year.
- Once new built structures are placed on the tax assessments, these properties are also assumed to grow at a real rate of 1.5% a year (inflation adjusted) after their initial assessment.
- Outside of new construction growth within the tax increment area, new construction within the City is limited to no more than 1.2% of the City's assessed value base.

TIA Allocation Results

Assessed Value in the TIA.

Figure 12 identifies the parcels in the TIA and their current valuation. Based on 2022 values for 2023 taxes, the district has approximately \$30 million in real property assessed value. The \$30 million figure is below the assessed value cap of the lesser of 20% of the city's assessed value or \$200 million.

Figure 12: Current Parcels in TIF District and 2023 Valuation

Parcel	2023 Land Assessed Value	2023 Improvement Assessed Value	2023 Total Assessed Value
115210046	\$4,001,300	\$0	\$4,001,300
115210039	\$1,522,400	\$0	\$1,522,400
115210038	\$1,856,300	\$0	\$1,856,300
115210037	\$2,217,200	\$0	\$2,217,200
115210048	\$344,100	\$0	\$344,100
115210045	\$1,843,600	\$0	\$1,843,600
115210044	\$2,947,200	\$0	\$2,947,200
115210043	\$1,455,300	\$0	\$1,455,300
115210040	\$2,939,300	\$0	\$2,939,300
115210042	\$1,023,500	\$0	\$1,023,500
115210041	\$668,700	\$0	\$668,700
115210036	\$1,477,700	\$0	\$1,477,700
115210035	\$1,329,000	\$0	\$1,329,000
115210034	\$2,780,500	\$0	\$2,780,500
115210033	\$1,223,800	\$0	\$1,223,800
115210032	\$1,232,300	\$0	\$1,232,300
115210031	\$1,234,800	\$0	\$1,234,800
Total	\$30,097,000	\$0	\$30,097,000

Source: Franklin County Assessor, 2022

Assumptions on Incremental Assessed Value Growth

Using assumptions identified in the Development Program for the Aggressive, Moderate, and Conservative growth scenarios, future assessed values of those improvements are estimated and serve as a foundation for the expected TIA allocation revenues.

TIA Allocation Revenues

The following table (Figure 13) summarizes the present value of 25 years of TIA allocation revenues that would flow to the Broadmoor TIA created by the City of Pasco (first year of revenues is 2025). The revenues are discounted at a rate of 4.5% to approximate the City's cost of capital (debt and issuance costs). Figure 13 shows that the Aggressive scenario can accommodate approximately a present value of \$50.9 million in debt, whereas the Moderate scenario can accommodate \$42.3 million in debt and Conservative scenario can accommodate \$25 million in debt.

Figure 13: Present Value of TIF Allocation Revenues

Jurisdiction	Aggressive	Moderate	Conservative
City	\$28,390,000	\$23,630,000	\$13,940,000
County	\$18,250,000	\$15,190,000	\$8,980,000
Port District	\$4,220,000	\$3,510,000	\$2,080,000
Total	\$50,860,000	\$42,330,000	\$25,000,000

Source: ECONorthwest calculations, 2022

Figure 13A summarizes the incremental assessed value and respective levy rates from 2023 to 2048 where the TIA is assumed to be in place for the Moderate Scenario as an illustration of how the base value, increment value, and levy rate are forecasted to grow under the development assumptions. Subsequently, the total property taxes for the contributing tax levies are shown with allocated TIF revenues and the remaining portion that would continue to flow to the taxing jurisdiction split out from each other.

Figure 13A: TIF Allocation Revenues – Moderate Scenario

City of Pasco													
Assessment Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Base Value	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000
Increment Value	\$0	\$0	\$150,588,381	\$306,221,473	\$551,095,153	\$763,398,629	\$936,894,594	\$1,025,273,701	\$1,245,609,229	\$1,384,588,893	\$1,470,221,781	\$1,499,156,778	\$1,528,653,112
Levy Rate	\$1.40758	\$1.40073	\$1.39397	\$1.38736	\$1.38095	\$1.37468	\$1.36849	\$1.36233	\$1.35624	\$1.35017	\$1.34411	\$1.33802	\$1.33193
Total Property Tax	\$42,364	\$42,158	\$251,869	\$466,594	\$802,596	\$1,090,802	\$1,323,322	\$1,437,760	\$1,730,162	\$1,910,071	\$2,016,589	\$2,046,177	\$2,076,144
Tax Allocated to TIF	\$0	\$0	\$209,915	\$424,839	\$761,034	\$1,049,428	\$1,282,134	\$1,396,758	\$1,689,343	\$1,869,435	\$1,976,135	\$2,005,907	\$2,036,057
Tax Allocated to City	\$42,364	\$42,158	\$41,954	\$41,755	\$41,562	\$41,374	\$41,188	\$41,002	\$40,819	\$40,636	\$40,454	\$40,270	\$40,087

Franklin County													
Assessment Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Base Value	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000
Increment Value	\$0	\$0	\$150,588,381	\$306,221,473	\$551,095,153	\$763,398,629	\$936,894,594	\$1,025,273,701	\$1,245,609,229	\$1,384,588,893	\$1,470,221,781	\$1,499,156,778	\$1,528,653,112
Levy Rate	\$0.90821	\$0.90380	\$0.89941	\$0.89506	\$0.89073	\$0.88640	\$0.88208	\$0.87780	\$0.87353	\$0.86928	\$0.86505	\$0.86084	\$0.85665
Total Property Tax	\$27,334	\$27,202	\$162,509	\$301,027	\$517,684	\$703,351	\$852,965	\$926,407	\$1,114,367	\$1,229,755	\$1,297,845	\$1,316,436	\$1,335,296
Tax Allocated to TIF	\$0	\$0	\$135,440	\$274,088	\$490,876	\$676,674	\$826,417	\$899,988	\$1,088,077	\$1,203,592	\$1,271,810	\$1,290,527	\$1,309,513
Tax Allocated to County	\$27,334	\$27,202	\$27,069	\$26,939	\$26,808	\$26,678	\$26,548	\$26,419	\$26,291	\$26,163	\$26,035	\$25,909	\$25,782

Port of Pasco													
Assessment Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Base Value	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000
Increment Value	\$0	\$0	\$150,588,381	\$306,221,473	\$551,095,153	\$763,398,629	\$936,894,594	\$1,025,273,701	\$1,245,609,229	\$1,384,588,893	\$1,470,221,781	\$1,499,156,778	\$1,528,653,112
Levy Rate	\$0.21009	\$0.20907	\$0.20805	\$0.20705	\$0.20604	\$0.20504	\$0.20404	\$0.20306	\$0.20207	\$0.20108	\$0.20010	\$0.19913	\$0.19816
Total Property Tax	\$6,323	\$6,292	\$37,592	\$69,634	\$119,752	\$162,701	\$197,310	\$214,298	\$257,778	\$284,469	\$300,220	\$304,521	\$308,883
Tax Allocated to TIF	\$0	\$0	\$31,330	\$63,402	\$113,550	\$156,529	\$191,168	\$208,187	\$251,696	\$278,417	\$294,198	\$298,527	\$302,919
Tax Allocated to Port	\$6,323	\$6,292	\$6,262	\$6,232	\$6,201	\$6,171	\$6,141	\$6,111	\$6,082	\$6,052	\$6,023	\$5,993	\$5,964

City of Pasco													
Assessment Year	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Base Value	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000
Increment Value	\$1,558,721,556	\$1,589,373,092	\$1,620,618,910	\$1,652,470,411	\$1,684,939,216	\$1,710,213,304	\$1,735,866,504	\$1,761,904,501	\$1,788,333,069	\$1,815,158,065	\$1,842,385,436	\$1,870,021,217	\$1,898,071,536
Levy Rate	\$1.32583	\$1.31973	\$1.31363	\$1.30754	\$1.30146	\$1.29539	\$1.28933	\$1.28328	\$1.27725	\$1.27123	\$1.26523	\$1.25925	\$1.25328
Total Property Tax	\$2,106,503	\$2,137,263	\$2,168,435	\$2,200,029	\$2,232,053	\$2,254,379	\$2,276,907	\$2,299,641	\$2,322,585	\$2,345,744	\$2,369,120	\$2,392,719	\$2,416,542
Tax Allocated to TIF	\$2,066,599	\$2,097,543	\$2,128,899	\$2,160,676	\$2,192,883	\$2,215,392	\$2,238,102	\$2,261,018	\$2,284,144	\$2,307,484	\$2,331,041	\$2,354,819	\$2,378,821
Tax Allocated to City	\$39,903	\$39,720	\$39,536	\$39,353	\$39,170	\$38,987	\$38,805	\$38,623	\$38,441	\$38,260	\$38,080	\$37,900	\$37,720

Franklin County													
Assessment Year	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Base Value	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000
Increment Value	\$1,558,721,556	\$1,589,373,092	\$1,620,618,910	\$1,652,470,411	\$1,684,939,216	\$1,710,213,304	\$1,735,866,504	\$1,761,904,501	\$1,788,333,069	\$1,815,158,065	\$1,842,385,436	\$1,870,021,217	\$1,898,071,536
Levy Rate	\$0.85248	\$0.84833	\$0.84420	\$0.84009	\$0.83600	\$0.83193	\$0.82788	\$0.82385	\$0.81984	\$0.81585	\$0.81188	\$0.80792	\$0.80399
Total Property Tax	\$1,354,429	\$1,373,838	\$1,393,528	\$1,413,503	\$1,433,766	\$1,447,813	\$1,462,004	\$1,476,338	\$1,490,819	\$1,505,448	\$1,520,225	\$1,535,152	\$1,550,232
Tax Allocated to TIF	\$1,328,772	\$1,348,306	\$1,368,120	\$1,388,219	\$1,408,605	\$1,422,775	\$1,437,087	\$1,451,543	\$1,466,145	\$1,480,893	\$1,495,790	\$1,510,836	\$1,526,034
Tax Allocated to County	\$25,657	\$25,532	\$25,408	\$25,284	\$25,161	\$25,039	\$24,917	\$24,795	\$24,675	\$24,555	\$24,435	\$24,316	\$24,198

Port of Pasco													
Assessment Year	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Base Value	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000	\$30,097,000
Increment Value	\$1,558,721,556	\$1,589,373,092	\$1,620,618,910	\$1,652,470,411	\$1,684,939,216	\$1,710,213,304	\$1,735,866,504	\$1,761,904,501	\$1,788,333,069	\$1,815,158,065	\$1,842,385,436	\$1,870,021,217	\$1,898,071,536
Levy Rate	\$0.19720	\$0.19624	\$0.19528	\$0.19433	\$0.19338	\$0.19244	\$0.19151	\$0.19057	\$0.18965	\$0.18872	\$0.18780	\$0.18689	\$0.18598
Total Property Tax	\$313,309	\$317,799	\$322,354	\$326,974	\$331,662	\$334,911	\$338,194	\$341,510	\$344,859	\$348,243	\$351,661	\$355,115	\$358,603
Tax Allocated to TIF	\$307,374	\$311,893	\$316,476	\$321,126	\$325,841	\$329,119	\$332,436	\$335,774	\$339,152	\$342,563	\$346,009	\$349,490	\$353,005
Tax Allocated to Port	\$5,935	\$5,906	\$5,877	\$5,849	\$5,820	\$5,792	\$5,764	\$5,736	\$5,708	\$5,680	\$5,652	\$5,625	\$5,597

Debt Service Payments and Coverage

Assuming the City issues \$39 million in debt sometime in late 2022 or early 2023 to fund the infrastructure projects, it will need to service that debt with available resources regardless if the anticipated private development occurs. However, given the nature of TIF, incremental revenues early in the TIF period may not be sufficient to service the debt as private development construction will be in progress it will take time to build incremental assessed values contributions that ultimately determine the TIF allocation revenues estimated in this report. Figure 14 summarizes potential debt service payments (assuming equal debt service) relative to the different TIF tax allocation revenue scenarios that would flow to the City. Until private development catches up and matches the City's debt service payment, it will need to cover these early deficits by using revenues identified in this Project Analysis (see Additional Incremental Tax and Impact Assessment and Mitigation Sections below) or structure their debt payments in line with their revenue stream.

Figure 14: Summary Equal Debt Payments and TIF Revenue Allocations

TIF Allocation Revenues													
Tax Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Aggressive													
TIF Revenues	\$0	\$0	\$680,000	\$1,480,000	\$2,300,000	\$2,790,000	\$3,160,000	\$3,580,000	\$3,860,000	\$3,970,000	\$4,050,000	\$4,100,000	\$4,140,000
TIF Debt Service	\$0	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000
Surplus/Deficit	\$0	(\$2,630,000)	(\$1,950,000)	(\$1,150,000)	(\$330,000)	\$160,000	\$530,000	\$950,000	\$1,230,000	\$1,340,000	\$1,420,000	\$1,470,000	\$1,510,000
Tax Year	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Aggressive													
TIF Revenues	\$4,180,000	\$4,220,000	\$4,270,000	\$4,310,000	\$4,350,000	\$4,400,000	\$4,440,000	\$4,490,000	\$4,530,000	\$4,580,000	\$4,620,000	\$4,670,000	\$4,720,000
TIF Debt Service	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000
Surplus/Deficit	\$1,550,000	\$1,590,000	\$1,640,000	\$1,680,000	\$1,720,000	\$1,770,000	\$1,810,000	\$1,860,000	\$1,900,000	\$1,950,000	\$1,990,000	\$2,040,000	\$2,090,000
Tax Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Moderate													
TIF Revenues	\$0	\$0	\$380,000	\$760,000	\$1,370,000	\$1,880,000	\$2,300,000	\$2,500,000	\$3,030,000	\$3,350,000	\$3,540,000	\$3,590,000	\$3,650,000
TIF Debt Service	\$0	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000
Surplus/Deficit	\$0	(\$2,630,000)	(\$2,250,000)	(\$1,870,000)	(\$1,260,000)	(\$750,000)	(\$330,000)	(\$130,000)	\$400,000	\$720,000	\$910,000	\$960,000	\$1,020,000
Tax Year	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Moderate													
TIF Revenues	\$3,700,000	\$3,760,000	\$3,810,000	\$3,870,000	\$3,930,000	\$3,970,000	\$4,010,000	\$4,050,000	\$4,090,000	\$4,130,000	\$4,170,000	\$4,220,000	\$4,260,000
TIF Debt Service	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000
Surplus/Deficit	\$1,070,000	\$1,130,000	\$1,180,000	\$1,240,000	\$1,300,000	\$1,340,000	\$1,380,000	\$1,420,000	\$1,460,000	\$1,500,000	\$1,540,000	\$1,590,000	\$1,630,000
Tax Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Conservative													
TIF Revenues	\$0	\$0	\$270,000	\$640,000	\$970,000	\$1,360,000	\$1,800,000	\$1,870,000	\$1,950,000	\$1,970,000	\$1,990,000	\$2,010,000	\$2,030,000
TIF Debt Service	\$0	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000
Surplus/Deficit	\$0	(\$2,630,000)	(\$2,360,000)	(\$1,990,000)	(\$1,660,000)	(\$1,270,000)	(\$830,000)	(\$760,000)	(\$680,000)	(\$660,000)	(\$640,000)	(\$620,000)	(\$600,000)
Assessment Year	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Conservative													
TIF Revenues	\$2,050,000	\$2,070,000	\$2,090,000	\$2,110,000	\$2,130,000	\$2,160,000	\$2,180,000	\$2,200,000	\$2,220,000	\$2,240,000	\$2,270,000	\$2,290,000	\$2,310,000
TIF Debt Service	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000	\$2,630,000
Surplus/Deficit	(\$580,000)	(\$560,000)	(\$540,000)	(\$520,000)	(\$500,000)	(\$470,000)	(\$450,000)	(\$430,000)	(\$410,000)	(\$390,000)	(\$360,000)	(\$340,000)	(\$320,000)

Source: ECONorthwest calculations, 2022

Jobs Analysis

Figure 15: Broadmoor Development Possible Conceptual Development Rendering



Source: Broadmoor Development, Marcus Millichap

The job analysis considers two sources of employment tied to the Broadmoor TIA. First, the construction of the development program will create jobs in the construction industry. These jobs will occur during the construction and are therefore “one-time” events. In contrast, once the buildings are constructed, commercial-oriented buildings will be occupied by firms and workers engaged in different sectors of the economy. These jobs are “on-going”, meaning they are permanent on the condition of occupation within the TIA. The following sections summarize these job estimates, and the methods used to derive them.

Construction Employment

Construction of the development over the anticipated build-out period would create temporary construction jobs within the region and state. The jobs estimated in Figure 1 are derived by using the 2022 value of construction investment for the Development Program Scenarios (Aggressive, Moderate, Conservative) and interpolating them into the Washington State Office of Financial Management’s Input/Output model. The model relates spending in an industry sector to the number of jobs that would be directly supported by that same investment. While the model estimates the number of jobs generated in the state of Washington, it is likely that most of these workers would come from the immediate Tri-Cities region. The region is rapidly growing in population, meaning many of these jobs would be additive to existing jobs within the region. Ultimately, the income earned by workers would bring additional spending to the City that would not have otherwise occurred. ECONorthwest estimates the total number of construction jobs based on the spending by scenario. The number of jobs at any given time would vary depending on how development buildings are phased and developed. As expected, the scale of the investment in the

Aggressive scenario produces the largest amount of construction jobs, in this case, 6,600 construction jobs.

Figure 16: Construction Jobs

	Aggressive	Moderate	Conservative
Construction Jobs	6,600	5,650	1,880
Investment (millions)	\$1,867	\$1,600	\$533

Source: ECONorthwest calculations and Office of Financial Management Input/Output Model, 2022.

On-going Employment

Based on the types of uses and square feet of building area, ECONorthwest estimated the potential number of jobs the development would support when built. These numbers are derived from ratio estimates building area to number of employees. The U.S. Energy Information Administration releases data from the 2018 Commercial Buildings Energy Consumption Survey (CBECS) that provides building characteristics information for commercial buildings in 2018 in the U.S. (the latest year of data). The data contain the average building square foot per worker by building use. Using the amount of planned development square footage by building use at full buildout of the scenarios, these ratios can be applied (less a vacancy rate of 5 percent) to estimate the number of on-going jobs. The Moderate scenario, by measure of having more commercial space than either of the other scenarios has the largest number of on-going jobs at 1,170.

Figure 17: On-going Jobs

Employment Uses	Jobs: Aggressive	Jobs: Moderate	Jobs: Conservative	Mean SqFt/Work
Retail Warehousing	130	130	130	1,589
Commercial	340	400	150	992
Medical Office	640	640	0	573
Total Jobs	1,110	1,170	280	

Source: 2018 CBECS, Table B1. Summary table: total and means of floorspace, number of workers, and hours of operation, 2018 (Release date: September 2021)

Impact Assessment and Mitigation

Affordable Housing: The Broadmoor Development will provide additional single family and multi-family housing options as part its development program. As the property is vacant, no residential housing will be displaced from the development. It is expected that as additional housing is built, demand is lowered and housing costs are reduced over the long-term and become more affordable. The increased number of units stemming from this development will help house the growing population base, meeting the demand with supply. Without additional housing in the Tri-Cities region, affordability will only become increasingly challenging. Additionally, the City has partnered with the County to ensure affordability levels for units that the market cannot support.

The City of Pasco has developed the Community Housing Improvement Program (CHIP) for the purpose of expanding affordable home ownership opportunities by offering financial assistance for low to moderate income home buyers in Pasco with priority given to targeted neighborhoods. The Pasco City Council formed the Pasco Housing Authority in 1942 to provide for safe affordable housing options. In 1981, Franklin County officials approached the Pasco City Council with a proposition to form a joint housing authority designed to meet the needs of not only low-income

individuals within City limits, but those in the rest of Franklin County, as well. A joint housing authority was born and named the Housing Authority of the City of Pasco and Franklin County (HACPFC).

HACPFC works to provide housing and housing assistance to more than 600 families. The U.S. Department of Housing and Urban Development provides Public Housing subsidy for 280 units owned by and managed by HACPFC. HACPFC owns, and serves as landlord for, 68 housing units not subsidized by HUD. The rent is kept affordable for families earning between 50% and 80% of median income for the Tri-Cities area. In 2014, HACPFC constructed a 38-unit tax credit property named Varney Court.

HACPFC also administers 318 Housing Choice Vouchers (HCV). The HCV program provides rental assistance to extremely low-income individuals and families who rent from local landlords in the Tri-Cities area. Through an agreement with the Kennewick Housing Authority (KHA), Housing Choice Voucher holders from HACPFC and KHA may search for a suitable unit in either agency's jurisdiction. Both the City and the HACPFC will look for opportunities to encourage the development of affordable housing units throughout the City, including the Broadmoor Development.

More recently, following the adoption of the 2018-2038 Comprehensive Plan (October 2020), staff began utilizing a variety of local, regional, and state resources and guidance to identify practical housing policy solutions. While some of these efforts were initiated prior to 2021, the alignment of them have been emphasized over the past year. Over the past 12 months, the City of Pasco has adopted significant zoning reforms that have eliminated restrictive zoning policies while also increasing housing opportunities that improve mobility options.

In January 2022, the Pasco City Council completed its efforts, under Engrossed Second Substitute House Bill 1923 (HB 1923) to increase residential building capacities. The City of Pasco was one of 52 communities that were awarded funding from the Washington State Department Commerce to address housing capacities. The City selected three code amendments that increased lot size flexibility (cluster zoning/lot size averaging), allowed accessory dwelling units citywide, and re-allowed missing middle housing on residentially zoned parcels. These changes effectively increased the residentially zoned land that allows for attached and multi-family housing from 10 percent to 78 percent on all residential parcels. Additionally, density and flexibility incentives were added into the code itself allowing more housing near public transit, parks, schools, hospitals, and civic facilities.

In the fall of 2021, the City of Pasco was one of five cities selected, after a national call for applications to participate in the Housing Solutions Lab. The Lab was hosted by the New York University Furman Center's Housing Solutions Lab, with support from Lincoln Institute of Land Policy. Cities were selected that have a demonstrated interest in developing or refining a comprehensive local housing strategy, including evidence of recent steps taken that indicate its commitment to addressing housing challenges. Throughout the program, city staff learned and evaluated our existing policies, and identified gaps to be addressed to help with the development of a balanced housing policy framework. Following the completion of the Housing Solutions Lab, City staff embarked on an effort to further housing with phased effort to update its zoning code to increase flexibility and choices to meet demands. The updates to the zoning code will provide practical parameters and guidance for the creation and/or redevelopment missing middle housing, multifamily housing, and small lot residential housing.

The Association of Washington Cities recognized the City of Pasco for increasing housing access and opportunities at its 2022 annual conference with a municipal excellence award.

Local Business Community: The local business community is expected to experience positive impacts in terms of commercial sales from new residents living and working within the Broadmoor Development. Although there will be significant commercial development within the Broadmoor Development, the demand for goods and services is expected to positively spill over to businesses throughout the City. Because the land is vacant and miles away from other commercial centers and the downtown, commercial gentrification is not expected to be an issue.

In addition to the new residents, between 280 and 1,100 on-going jobs will be introduced depending on which Development scenario occurs. Likewise, between 1,880 and 6,600 construction jobs will be introduced based on private investment for the vertical development that would be between \$533 million to \$1.8 billion based on the specific Development Program growth scenario. These new jobs supported by significant private investment will benefit other businesses in the City of Pasco as well as the Tri-Cities area.

Local School Districts: The Pasco School District will significantly benefit from additional property taxes generated by new construction in the TIA from the Broadmoor Development. Their existing property taxes are preserved under the law. School district Enrichment and Capital Levies are excess levies, and the districts periodically ask voters to maintain existing levels of purchasing power via voted ballots. Bond levies ask voters to approve bonds to expand or improve their facilities. The effect of growth in the tax base coming from TIF will have two implications. First, it increases the tax base of the district, meaning that lower overall tax rates are needed to fund a similar level of service. Second, it increases the proportion of the tax base that is commercial which leverages the relative voting power of residential households to support school expenditures backed by these excess levies (voter approved or otherwise). The City also collects impact fees on behalf of the Pasco School District to accommodate student growth associated with new development.

Local Fire Service: State law requires a mitigation plan if the TIA will impact at least 20 percent of the assessed value of an impacted fire district. Local fire service is provided by the City of Pasco and therefore there is no impact to another taxing district. Additionally, the total assessed value of the City of Pasco is \$8,065,205,843 along with a Fire Department Budget of \$9,270,268, resulting in only a 0.1 percent impact on local fire service. Increased revenues from the Broadmoor Development are expected to be sufficient, to provide at a minimum, the City's existing levels of services to the area.

Financing Plan/Duration of TIA

The City anticipates issuing Limited Term General Obligation (LTGO no-voted debt) tax exempt bonds to pay for the TIF infrastructure projects in the amount not to exceed \$39 million. The City anticipates issuing the debt in 2022 or early 2023 to coincide with the public infrastructure and private development timelines.

The City plans the LTGO bonds to be structured with a 25-year amortization and a 10-year par call. Additionally, the City is not currently expecting to capitalize interest during the first three years of the financing when TIF revenues alone are not expected to be sufficient to cover debt service. Instead, the City plans to pay any difference between debt service and TIF revenues from non-TIF revenues. The City will reimburse itself for any feasibility studies, including engineering design work to accurately project costs that occurred prior to the expected adoption of the Ordinance designating a TIA in October 2022. The City also plans to reimburse itself for any non-TIF revenue sources that are needed to meet the City's debt service payments associated with the TIF Infrastructure.

Debt Capacity

The maximum limit for LTGO non-voted debt cannot exceed 1.5 percent of the value of taxable property within the City. Based on an assessed value of \$8,065,205,983 in 2022, the City has \$23.9 million in total non-voted debt. As shown below, the City has sufficient capacity for the issuance of the proposed \$39 million LTGO bonds related to the TIF public improvements and is expected to have approximately \$58 million, or 48 percent of its debt capacity available after the proposed issuance.

Figure 18: Debt Capacity

2021 Assessed Valuation for 2022 Collections	8,065,205,983
Non-Voted Debt Capacity (1.5% of AV)	120,978,090
Less: Outstanding Non-Voted Debt	23,920,000
Voted Debt Capacity	-
Non-Voted Debt Capacity	97,058,090
Less: Financing Proposed	39,000,000
Projected Remaining Non-Voted Capacity	\$58,059,090
Projected Remaining Non-Voted Capacity %	48%

Source: City of Pasco, August 2022.

The estimated terms of indebtedness, including principal amount of \$39 million for the TIF infrastructure improvements, interest rate and maturity schedule are shown in Figure 19 below. For the purposes of this analysis, it is assumed that the entire issuance will be tax exempt.

Figure 19: Debt Service Schedule

Payment No./year	Principal	Interest	Principal Balance	Total Payment
			39,000,000	
1 - 2024	875,122	1,755,000	38,124,878	2,630,122
2 - 2025	914,503	1,715,620	37,210,375	2,630,122
3 - 2026	955,655	1,674,467	36,254,720	2,630,122
4 - 2027	998,660	1,631,462	35,256,060	2,630,122
5 - 2028	1,043,599	1,586,523	34,212,461	2,630,122
6 - 2029	1,090,561	1,539,561	33,121,900	2,630,122
7 - 2030	1,139,637	1,490,485	31,982,263	2,630,122
8 - 2031	1,190,920	1,439,202	30,791,343	2,630,122
9 - 2032	1,244,512	1,385,610	29,546,831	2,630,122
10 - 2033	1,300,515	1,329,607	28,246,317	2,630,122
11 - 2034	1,359,038	1,271,084	26,887,279	2,630,122
12 - 2035	1,420,195	1,209,928	25,467,084	2,630,122
13 - 2036	1,484,103	1,146,019	23,982,981	2,630,122
14 - 2037	1,550,888	1,079,234	22,432,093	2,630,122
15 - 2038	1,620,678	1,009,444	20,811,415	2,630,122
16 - 2039	1,693,608	936,514	19,117,807	2,630,122
17 - 2040	1,769,821	860,301	17,347,986	2,630,122
18 - 2041	1,849,463	780,659	15,498,523	2,630,122
19 - 2042	1,932,689	697,434	13,565,835	2,630,122
20 - 2043	2,019,660	610,463	11,546,175	2,630,122
21 - 2044	2,110,544	519,578	9,435,631	2,630,122
22 - 2045	2,205,519	424,603	7,230,112	2,630,122
23 - 2046	2,304,767	325,355	4,925,345	2,630,122
24 - 2047	2,408,482	221,641	2,516,863	2,630,122
25 - 2048	2,516,863	113,259	(0)	2,630,122

Above Debt Service Schedule based on 4.5 percent interest rate

Source: City of Pasco, August 2022

Early Outreach to Impacted Taxing Districts

While Washington State law requires formal notice to be provided to the Franklin County Commissioners, Franklin County Treasurer, Franklin County Assessor, and impacted taxing districts upon approval of the Tax Increment Area (TIA), the City of Pasco has engaged these stakeholders earlier in the process. This early outreach has allowed the City to collect feedback focused on the logistics of implementing TIF.

The taxing districts whose property tax levy would be impacted by TIF include the City of Pasco, Franklin County, and the Port of Pasco. As approved in Washington State, TIF ensures that each of these taxing districts will remain whole and continue to collect the same amount of tax revenue

as though the Broadmoor development did not occur. The levy rate from each of these jurisdictions will be applied to the increased assessed valuation within the TIA and remitted to the pay the bonds associated with constructing the public infrastructure to support the site. Alternatively, if TIF revenues exceed estimates then excess revenues will be distributed to these taxing districts. Other taxing districts in the region, including Benton-Franklin County Transit and Pasco School District, may experience indirect impacts and are being contacted as well.

The City has held initial discussions with the Franklin County Administrator, Franklin County Treasurer and Franklin County Assessor, and the Port of Pasco Commissioners. Simultaneous to the submittal of the project analysis, the City is meeting with each county commissioner, the Pasco School District and Benton-Franklin Transit. Additionally, the City is participating in meetings with the Department of Revenue to ensure that the TIA analysis provided herein utilizes assumptions consistent with the Department's interpretation of state law.

The City intends to provide the formal notice once the City Council approves the ordinance establishing the TIA in October 2022.

Additional Incremental Taxes

The City's LTGO bonds will be backed the City's full faith and credit, meaning bond holders can make a legal claim against the general revenue of the City if a default occurs. However, the City can use any unrestricted revenue sources it has available to satisfy its debt obligations. Washington state tax policy has conditions that allow governments that grow their tax bases to collect additional revenues. This relationship creates a mutually reinforcing benefit of housing and commercial development with additional tax revenues. New land development represents a direct financial investment in land preparation and building structures. Those structures are then occupied by residential neighborhoods and businesses that increase the lands' productive economic capacity. That economic value generates taxable bases at the land, business operation, and transaction levels, represented in land value, retail sales, business income, etc. State tax policy allows government jurisdictions to tax these bases to fund needed public services and infrastructure.

Outside of the TIF allocations and the base value of property tax that would flow to TIF jurisdictions, the development and occupation of buildings in the Broadmoor TIA will generate other incremental taxes to those jurisdictions. Tax revenues can be differentiated into three categories:

- **One-time Revenues.** These revenues are tied to construction. Specifically, they include the retail sales tax on construction (materials and labor), which is taxable under Washington state law.
- **Recurring Revenues.** These revenues are derived from the occupation of structures by residents and businesses. Specific revenues include retail sales tax, and utility taxes.
- **Capital Restricted Revenues.** These revenues are restricted to capital and include real estate excise taxes.

City of Pasco

The City of Pasco is the local service provider for police, fire, public works, community development, parks, and other local services. To support these services, the City collects a range of general and restricted taxes, these include the following.

Sales & Use Taxes

- **Local Option Sales Tax:** Of the 8.7 percent sales tax currently collected in the City of Pasco, a 1 percent “local” share of the tax accrues to the local jurisdictions. In incorporated areas, the city receives 85 percent of the 1 percent local tax and Franklin County receives 15 percent (less administrative costs collected by the Department of Revenue). This tax is levied on businesses in the area, and on construction activity and some transactions related to housing and business, such as certain online purchases and the delivery of personal and business goods.
- **Criminal Justice Sales Tax:** A 0.1 percent sales tax is levied by the County for criminal justice programs. Ten percent of revenue goes directly to the County and the remaining 90 percent is distributed to the County and cities within the county on a per capita basis.
- **Public Safety Sales Tax:** A 0.3 percent sales tax is levied by the County for public safety programs like expansion of county jail, construction of new police station and hiring of new public safety officers. Sixty percent of the revenue goes directly to the County and the remaining 40 percent is distributed to cities on a per capital basis.

Utility Taxes

The analysis uses current utility taxes rates for water, sewer, electricity, natural gas, cable, and telephone utility purchases. These taxes are only collected by cities in Washington. The analysis creates effective purchasing estimates of these utilities based on land use types and applies the appropriate tax policy to estimate tax. The City of Pasco imposes utility taxes (currently 8.5 percent) on the following services but only 6 percent is allocated to the City’s General Fund revenues:

- Cable television
- Electricity
- Garbage
- Irrigation
- Natural gas
- Sewer
- Storm drain
- Telephone
- Water

State Shared Motor Vehicle Fuel Tax & Liquor Board/Taxes

Local governments receive a gas tax distribution that is unrestricted for street purposes from the State. The distribution is determined using a formula that is heavily weighted towards population. ECONorthwest used a proxy of this formula to derive these revenues to the City. Cities also receive pro rata payments from Liquor Excise Tax & Liquor Board Profits.

Real Estate Excise Tax (REET)

Real estate transactions are subject to a 0.5 percent tax on the value of the transaction. REET revenues are placed in the capital restricted funds to finance capital projects. REET revenues are uncertain given volatility in the real estate market. Since REET is based on the total value of real estate transactions in a given year, the amount of REET revenues the City receives can vary substantially from year to year based on the normal fluctuations in the real estate market. During years when the real estate market is active, revenues are higher, and during softer real estate markets, revenues are lower. For the purposes of this analysis, it is assumed that all new completed projects would be sold and then 5 percent of all property value would turn over (re-sold) in any given year.

Franklin County

Broadmoor TIF is in Franklin County. The County is also the regional service provider for a range of human and health services, criminal justice, and other regional services. To support these services, the County collects a range of general and restricted taxes, including the following.

Sales & Use Taxes

Local Option Sales Tax: A 0.15 percent tax rate on retail sales – full option split with the cities in the county.

- Criminal Justice Sales Tax: A 0.1 percent tax rate on retail sales – shared with cities in the county.
- Juvenile Corrections Facilities Sales Tax: A 0.1 percent tax rate on retail sales dedicated to correctional facilities.
- Public Safety Sales Tax: A 0.3 percent tax rate on retail sales dedicated to public safety uses. 40 percent of the revenues are shared with the cities on a per capita basis.
- Mental Health Sales Tax: A 0.1 percent tax rate on retail sales dedicated to mental health expenditures.

Tax Base Productivity Assumptions

It is assumed that each housing unit will house on average 2.45 persons and that the development will be 90 percent occupied (to account for times when homes sit vacant). Construction costs represent the average per square foot cost for different building types based on recent construction comparable projects (note: these costs are different from what a project is assessed at for property tax purposes. In some cases, the investment cost may be lower than the actual construction cost).

These below costs are subject to retail sales taxes:

- Retail Warehouse: \$150 per square foot
- Commercial: \$250 per square foot
- Medical Office: \$250 per square foot
- Multi-family Unit: \$350,000 per unit
- Single Family Unit: \$600,000 per unit
- Senior Housing Unit: \$170,000 per unit

Taxable retail sales are based on assumed comparable businesses:

- Retail Warehouse: \$550 per square foot
- Commercial: \$250.00 per square foot
- Medical Office: \$25.00 per square foot
- Multi-family Unit: \$2,500 per unit
- Single Family Unit: \$5,000 per unit
- Senior Housing Unit: \$1,000 per unit

Summary of Additional Tax Results

Based on the approximate timing of the new development of the Development Program scenarios, the Aggressive Scenario is estimated to generate approximately \$53.8 million in tax revenues for the City and \$23.8 million for the County over the same 25-year period of the TIF district. These figures represent a 25-year cash flow (2023-2048) of tax revenues to the respective taxing jurisdiction in 2022 dollars (e.g., all future tax revenues have been discounted at 4.5% back to 2022 values). The Moderate and Conservative are respectively less (Figure 20).

Figure 20: Summary of additional tax benefits (present value, 2022\$)

AGGRESSIVE SCENARIO		
Revenue Source	City	County
Sales Tax on Construction	\$11,230,000	\$6,310,000
Ongoing Sales Tax	\$31,050,000	\$17,440,000
Criminal Justice	\$360,000	\$40,000
Utility Taxes	\$6,000,000	N/A
State Shared	\$200,000	N/A
REET	\$4,980,000	N/A
Total Incremental Revenues	\$53,820,000	\$23,790,000

MODERATE SCENARIO		
Revenue Source	City	County
Sales Tax on Construction	\$9,790,000	\$5,500,000
Ongoing Sales Tax	\$30,660,000	\$17,230,000
Criminal Justice	\$290,000	\$30,000
Utility Taxes	\$5,220,000	N/A
State Shared	\$160,000	N/A
REET	\$4,150,000	N/A
Total Incremental Revenues	\$50,270,000	\$22,760,000

CONSERVATIVE SCENARIO		
Revenue Source	City	County
Sales Tax on Construction	\$5,460,000	\$3,070,000
Ongoing Sales Tax	\$25,010,000	\$14,050,000
Criminal Justice	\$180,000	\$20,000
Utility Taxes	\$3,120,000	N/A
State Shared	\$100,000	N/A
REET	\$2,450,000	N/A
Total Incremental Revenues	\$36,320,000	\$17,140,000

Source: ECONorthwest calculations, 2022

Figure 20A summarizes these values on an annual basis for the City of Pasco to illustrate how these revenues occur during both construction and occupancy of the building structures.

Figure 20A: Summary of Additional Tax Benefits for Moderate Scenario for City of Pasco (Annual)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Sales Taxes													
Construction	\$0	\$1,280,000	\$1,300,000	\$2,020,000	\$1,710,000	\$1,370,000	\$770,000	\$2,010,000	\$1,110,000	\$630,000	\$60,000	\$60,000	\$60,000
On-going	\$0	\$0	\$10,000	\$20,000	\$1,310,000	\$1,350,000	\$1,390,000	\$1,870,000	\$2,460,000	\$2,520,000	\$2,800,000	\$2,850,000	\$2,900,000
Criminal Justice	\$0	\$0	\$0	\$10,000	\$10,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$30,000
Utility Taxes	\$0	\$0	\$40,000	\$80,000	\$140,000	\$190,000	\$230,000	\$260,000	\$310,000	\$350,000	\$370,000	\$370,000	\$380,000
State-shared	\$0	\$0	\$0	\$0	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
REET	\$0	\$0	\$40,000	\$80,000	\$140,000	\$190,000	\$230,000	\$260,000	\$310,000	\$350,000	\$370,000	\$370,000	\$380,000
Total	\$0	\$1,280,000	\$1,390,000	\$2,200,000	\$3,310,000	\$3,130,000	\$2,650,000	\$4,420,000	\$4,220,000	\$3,880,000	\$3,630,000	\$3,700,000	\$3,770,000

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Sales Taxes													
Construction	\$60,000	\$70,000	\$70,000	\$70,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
On-going	\$2,960,000	\$3,010,000	\$3,070,000	\$3,130,000	\$3,190,000	\$3,240,000	\$3,300,000	\$3,370,000	\$3,430,000	\$3,490,000	\$3,560,000	\$3,620,000	\$3,690,000
Criminal Justice	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Utility Taxes	\$390,000	\$400,000	\$410,000	\$410,000	\$420,000	\$430,000	\$430,000	\$440,000	\$450,000	\$450,000	\$460,000	\$470,000	\$470,000
State-shared	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
REET	\$390,000	\$400,000	\$410,000	\$410,000	\$420,000	\$430,000	\$430,000	\$440,000	\$450,000	\$450,000	\$460,000	\$470,000	\$470,000
Total	\$3,840,000	\$3,910,000	\$3,990,000	\$4,060,000	\$4,070,000	\$4,140,000	\$4,220,000	\$4,290,000	\$4,370,000	\$4,440,000	\$4,520,000	\$4,600,000	\$4,680,000

Risk Assessment and Mitigation Plan

TIF is a powerful tool available to local governments for encouraging development. Using local property tax revenues to finance certain public improvements can encourage and generate the desired or envisioned private development; however, using TIF has risks. The largest risks are that: 1) the expected private development does not occur; occurs slower than expected; and/or, the type of development and its magnitude is less than expected (including both the infrastructure that will be funded, built, and dedicated by the private sector to the City and the envisioned vertical development); and, 2) The cost projected for the infrastructure improvements is higher than projected. These risks impact the expected revenues to be generated within the TIA or the costs for the identified public infrastructure improvements. If risks are not mitigated, a local government must then use other sources of revenue to pay for the public improvements. The City will be obligated to pay for the TIF infrastructure even if little or no private development materializes. As stated previously in this report, the City anticipates issuing LTGO bonds which will be backed by the City's full faith and credit, meaning bond holders can make a legal claim against the general revenue of the City if a default occurs.

Other related risks include over-investment of infrastructure funding by TIF which can waste limited tax dollars for other uses. Local governments can guard against and potentially avoid the over-investing and under-investing by carefully evaluating the local market conditions and performing the analysis associated with the But-For-Requirement identified in this report. When TIF is used correctly, the growth and development pay for the infrastructure investments that encouraged it.

For purposes of this Project Analysis, the City has identified the Moderate Development Program as the likely scenario that will occur. Based on the Moderate Development Program, the TIA is projected to generate approximately \$50 million (present value) in additional tax revenue over a 25-year TIF period (2023-2048). This value far exceeds the projected infrastructure cost of \$39 million. The City will need to fill the financial gap (e.g., the difference between TIF allocation revenues and debt payments) that is projected to occur in the first six years for a total gap of \$9,220,000 with other sources of revenue that are identified below. This amount can then be repaid back from increased TIF revenues after the proposed private development stabilizes in later years or from additional local taxes coming from the development. Notwithstanding these projections,

the City has prepared a mitigation plan to respond to: 1) less development occurring than projected as programmed in the Conservative Development scenario; and 2) further safeguard against economic or development issues outside of the City's control, **if only two commercial lots** were developed.

The following mitigation plan has been created to respond to various development and financial risks related to the Broadmoor Development:

Development Mitigation

Development Program Sensitivity Analysis: Three different private development program scenarios (Aggressive, Moderate, and Conservative) have been developed and evaluated to identify potential TIF revenues and sufficient mitigation measures should development not occur (worst case) or occur at a different speed and magnitude.

Infrastructure Agreement: The City of Pasco has executed a Letter of Understanding (LOU) with the owner of the Broadmoor Development regarding the infrastructure investments that each party will make to incentivize and encourage private development. City management will bring forward an agreement between the City and the owner of the Broadmoor Development that further memorializes the infrastructure improvements and expected development timing. This agreement will provide for an additional safeguard that private development is anticipated to occur based on the conservative development program being relied upon by the City.

Additional Infrastructure Assurances: Several factors provide assurances that private development will fund and construct the infrastructure proposed outside of the public improvements funded by TIF:

- The land to be sold by Broadmoor Properties, LLC has a projected value over \$155 million, providing sufficient resources to support the remaining infrastructure costs. Land value is expected to rise once the TIA is adopted by the Pasco City Council and development initiates.
- The projected construction cost for the proposed vertical development is between approximately \$650 million (Conservative) to \$1.3 billion (Aggressive). This level of investment is orders of magnitude larger than the contemplated TIF infrastructure of \$39 million.
- Residential development typically has a greater ability to support infrastructure expenses based on sales and rents versus commercial and mixed-use properties.
- Broadmoor Properties, LLC real estate brokers believe the Pasco market is underserved with upscale mixed-use luxury apartments and further believe rents will rise sufficiently to support construction cost in the near future. This property in particular is unique to the region in that it is elevated and within close proximity to the Columbia River and city views to the south and west. From a view perspective, these units will be among the most desirable in the region.
- We have conservatively estimated the number of units as part of each development scenario with a high of 45 units per acre to a low of 28 units per acre. In comparison, you would likely see 80 to 120 units per acre with a 5-story wood construction on top of a concrete podium with parking plus other amenities. This conservative density estimate allows for surface parking if rents are insufficient to support the envision 5 over 1 or 5 over 2 mixed-use podium development.

- To further mitigate the City's exposure related to the timing and scope of private development and the projected TIA property tax revenues, the City will schedule the timing of any bond debt issuance to coincide with certain development milestones (e.g., property closings, entitlements obtained, etc.) that near term developments will move forward providing for greater development certainty and additional tax revenue beyond property taxes to help pay for any debt service.

Financial Mitigation

The following mitigation plan is proposed to provide multiple levels of financial protection to fill any financial gaps that occur in the early years of the TIA until private development and TIF revenues stabilize or should the expected private development occur slower than planned.

Level 1:

Moderate Development Scenario: Based on the Moderate Development Program, it is projected the City will receive a present value of \$50 million in incremental tax revenues generated by the proposed development. A portion of these incremental taxes can be used to support any infrastructure debt service gap in TIF revenues. In a Moderate scenario, TIF allocation revenues would not cover debt service payments (presented as equal payments) over the course of the bond and additional incremental revenues would be needed to service the debt. This comparison is shown in the figure below.

The additional taxes would cover 3 of the 5 years where deficits might be expected. In such a case, the two deficit years would need temporary cash flow coverage from other funds (e.g., reserves as described below) until either incremental taxes or TIF revenue allocations could be used to repay them. The total value of these shortfalls is \$2,210,000 (note: only values up to 2035 are shown since no shortfalls are expected afterward).

Figure 21: Comparison of Debt Payment Surplus/Deficits and Other Additional Taxes

TIF Allocation Revenues													
Assessment Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Surplus/Deficit	\$0	(\$2,630,000)	(\$2,250,000)	(\$1,870,000)	(\$1,260,000)	(\$750,000)	(\$330,000)	(\$130,000)	\$400,000	\$720,000	\$910,000	\$960,000	\$1,020,000
Additional Tax Revenues	\$0	\$1,280,000	\$1,390,000	\$2,200,000	\$3,310,000	\$3,130,000	\$2,650,000	\$4,420,000	\$4,220,000	\$3,880,000	\$3,630,000	\$3,700,000	\$3,770,000
Gap	\$0	(\$1,350,000)	(\$860,000)	\$330,000	\$2,050,000	\$2,380,000	\$2,320,000	\$4,290,000	\$4,620,000	\$4,600,000	\$4,540,000	\$4,660,000	\$4,790,000

Source: ECONorthwest Calculations, 2022

Level 2:

Conservative Development. Based on the Conservative Development Program, (no development after 2030), it is projected the City will receive a present value of \$36 million in incremental tax revenues generated by the proposed development. A portion of these incremental taxes can be used to support any infrastructure debt service gap in TIF revenues. In a Conservative scenario, TIF allocation revenues would not cover even debt service payments over the course of the bond and additional incremental revenues would be needed to service the debt. This comparison is shown in the figure below.

The additional taxes would cover 18 of the 20 years where deficits might be expected. In such a case, the two deficit years would need temporary cash flow coverage from other funds (e.g., reserves as described below) until either incremental taxes or TIF revenue allocations could be used to repay them. The total value of these shortfalls is \$2,750,000.

Figure 22: Comparison of Debt Payment Surplus/Deficits and Other Additional Taxes

TIF Allocation Revenues													
Assessment Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Surplus/Deficit	\$0	(\$2,630,000)	(\$2,360,000)	(\$1,990,000)	(\$1,660,000)	(\$1,270,000)	(\$830,000)	(\$760,000)	(\$680,000)	(\$660,000)	(\$640,000)	(\$620,000)	(\$600,000)
Additional Tax Revenues	\$0	\$910,000	\$1,330,000	\$2,570,000	\$3,090,000	\$3,600,000	\$2,400,000	\$2,460,000	\$2,330,000	\$2,370,000	\$2,410,000	\$2,450,000	\$2,500,000
Gap	\$0	(\$1,720,000)	(\$1,030,000)	\$580,000	\$1,430,000	\$2,330,000	\$1,570,000	\$1,700,000	\$1,650,000	\$1,710,000	\$1,770,000	\$1,830,000	\$1,900,000

TIF Allocation Revenues													
Assessment Year	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Surplus/Deficit	(\$580,000)	(\$560,000)	(\$540,000)	(\$520,000)	(\$500,000)	(\$470,000)	(\$450,000)	(\$430,000)	(\$410,000)	(\$390,000)	(\$360,000)	(\$340,000)	(\$320,000)
Additional Tax Revenues	\$2,540,000	\$2,590,000	\$2,630,000	\$2,680,000	\$2,730,000	\$2,780,000	\$2,830,000	\$2,880,000	\$2,930,000	\$2,980,000	\$3,030,000	\$3,090,000	\$3,140,000
Gap	\$1,960,000	\$2,030,000	\$2,090,000	\$2,160,000	\$2,230,000	\$2,310,000	\$2,380,000	\$2,450,000	\$2,520,000	\$2,590,000	\$2,670,000	\$2,750,000	\$2,820,000

Source: ECONorthwest Calculations, 2022

Level 3:

Limited Taxes on Commercial. If only **two** of the commercial developments that are expected to occur first within each development program, the City will receive sales and utility taxes from these projects which can be used to off-set any infrastructure debt service gap of local property tax revenues from the TIA. On a present value basis, these revenues amount to \$26 million over the TIF time frame.

The additional taxes would cover 4 of the 25 years where deficits might be expected. The total value of these shortfalls is \$10,480,000. In such a case, the remaining 21 years would need **temporary** cash flow coverage from other funds (e.g., reserves as described below). Future year excess additional taxes or TIF revenue allocations would not be available to repay these cash flow shortfalls given the extent and timing of the deficits.

Figure 23: Comparison of Debt Payment Surplus/Deficits and Other Additional Taxes

TIF Allocation Revenues													
Assessment Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Surplus/Deficit	\$0	(\$2,630,000)	(\$2,630,000)	(\$2,530,000)	(\$2,490,000)	(\$2,440,000)	(\$2,440,000)	(\$2,430,000)	(\$2,430,000)	(\$2,430,000)	(\$2,430,000)	(\$2,430,000)	(\$2,420,000)
Additional Tax Revenues	\$0	\$0	\$340,000	\$1,490,000	\$1,750,000	\$1,790,000	\$1,820,000	\$1,860,000	\$1,890,000	\$1,930,000	\$1,960,000	\$2,000,000	\$2,030,000
Gap	\$0	(\$2,630,000)	(\$2,290,000)	(\$1,040,000)	(\$740,000)	(\$650,000)	(\$620,000)	(\$570,000)	(\$540,000)	(\$500,000)	(\$470,000)	(\$430,000)	(\$390,000)

TIF Allocation Revenues													
Assessment Year	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Surplus/Deficit	(\$2,420,000)	(\$2,420,000)	(\$2,420,000)	(\$2,420,000)	(\$2,410,000)	(\$2,410,000)	(\$2,410,000)	(\$2,410,000)	(\$2,410,000)	(\$2,400,000)	(\$2,400,000)	(\$2,400,000)	(\$2,400,000)
Additional Tax Revenues	\$2,070,000	\$2,110,000	\$2,150,000	\$2,190,000	\$2,230,000	\$2,270,000	\$2,310,000	\$2,350,000	\$2,400,000	\$2,440,000	\$2,490,000	\$2,530,000	\$2,580,000
Gap	(\$350,000)	(\$310,000)	(\$270,000)	(\$230,000)	(\$180,000)	(\$140,000)	(\$100,000)	(\$60,000)	(\$10,000)	\$40,000	\$90,000	\$130,000	\$180,000

Source: ECONorthwest Calculations, 2022

Level 4:

Reserves. The City has approximately \$49,000,000 in reserves that are not allocated to any specific operating or capital expense that can be used for payment of debt service for its infrastructure obligations for the Broadmoor Development if property tax revenue from the TIA is insufficient. The City's policy is to maintain 60 days of average operating expenditures within its General Fund. The City's current reserve balance is approximately \$36,500,000 above this policy threshold allowing for funds to be used if property tax revenues from the TIA are insufficient with minimal reserve policy impact to the City's other funds and operations.

The revenue sources in Level 4 exceed the projected cost of the TIF infrastructure. The City's reserves are the last line of defense against lower TIF revenues than projected.

Additional Mitigation Measures

Debt Issuance Timing. The City will reduce its financial exposure related to the timing and scope of private development by strategically timing the issuance of LTGO bond debt to coincide with certain development milestones (e.g., property closings, entitlements obtained, etc.) that near term

developments will move forward (if infrastructure improvements are made by the City) providing for greater development and TIA revenue certainty.

Public Infrastructure Cost Containment. Municipal agencies have vast experience with building horizontal infrastructure (streets, water, sewer, etc.). The City of Pasco is no exception and takes pride in its ability to provide conservative construction estimates, create clear construction bid documents, and effectively manage the construction delivery process. The cost estimates for the TIF public infrastructure improvements are currently based on 30 percent design levels and include a 30 percent contingency at this time to buffer any volatility in the construction industry. Construction costs will be further refined with either the 60 percent or 90 percent design level in the coming months. The City plans to support the design costs for all of the identified TIF infrastructure projects (with repayment from future TIF funds) up to receiving public bids and contract(s) awarded prior to the issuance of debt providing for additional certainty of costs.

There are other risks that a municipal government faces regularly such as: construction delays which increase costs for public infrastructure improvements; economic slowdown or recession; higher borrowing costs; and lower levy rates within the TIA than anticipated. The City of Pasco has been successful in addressing these secondary type risks by using conservative estimates and adherence to prudent fiscal and construction management policies. The City will continue these same practices as it implements the proposed TIA and the associated infrastructure improvements.

Pasco TIF Team

City of Pasco

- Dave Zabell, City Manager
- Adam Lincoln, Deputy City Manager
- Darcy Buckley, Finance Director
- Rick White, Community & Economic Services Director
- Steve Worley, Public Works Director
- Dan Ford, City Engineer
- Mike Gonzalez, Economic Development Manager

Tax Increment Financing Consultants

- Bob Stowe, Stowe Development & Strategies (TIF Project Manager)
- Morgan Shook, ECONorthwest
- Briahna Murray, Gordon Thomas Honeywell Governmental Affairs

Legal & Financial Advisors

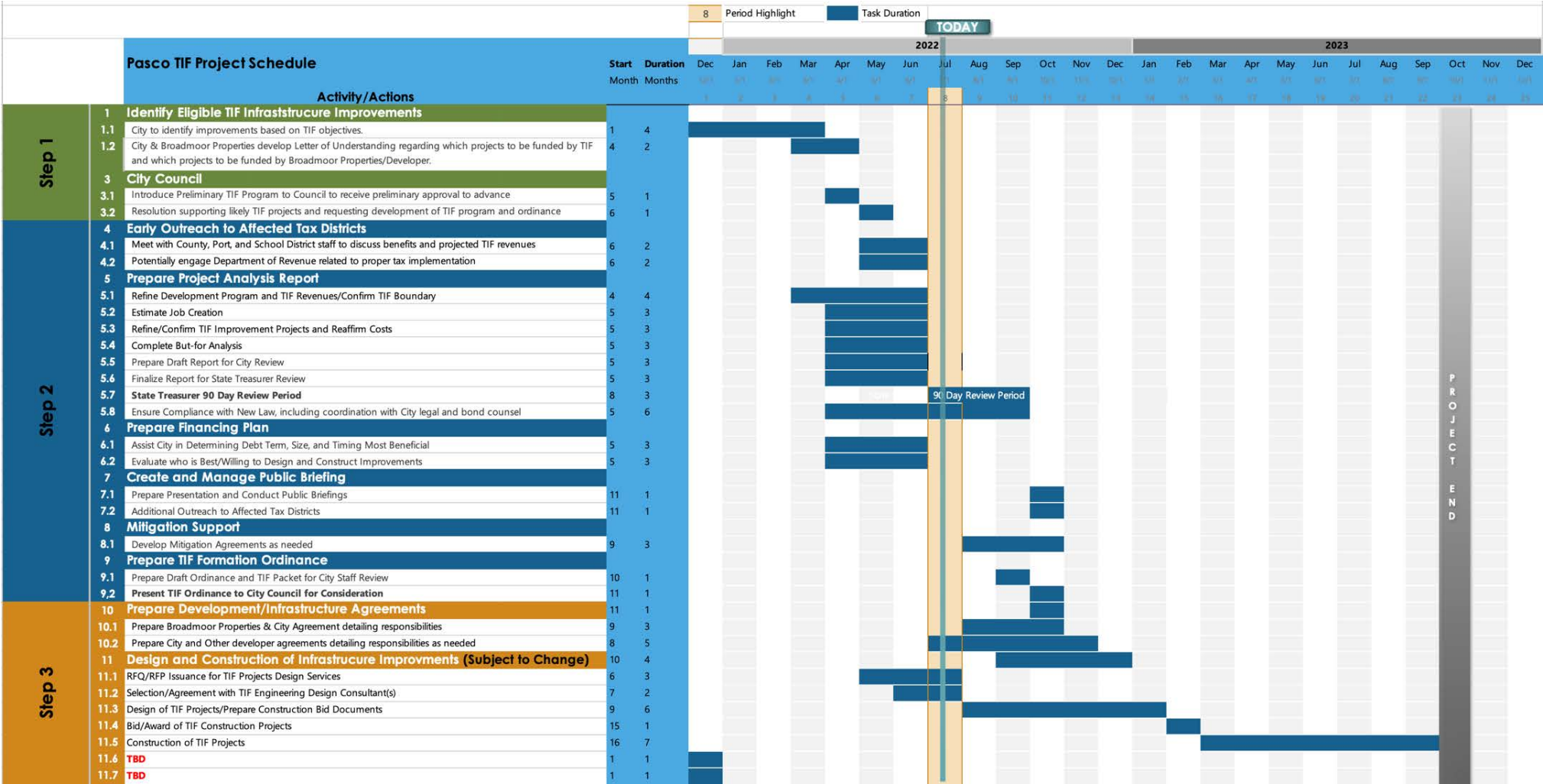
- Eric Ferguson, City Attorney
- William Tonkin & Lee Marchisio, Foster Garvey P.C., Bond Counsel
- Dave Trageser, DA Davidson, Bond Underwriter
- Scott Bauer, Northwest Municipal Advisors, Financial Advisors

Future TIF Actions

There are a number of actions that will occur before the Pasco City Council formally considers the formation of a TIA for the Broadmoor Development Project. First, is to receive and review feedback offered by the Office of the State Treasurer related to this Project Analysis. Second, based on any feedback, the TIF team will evaluate and make appropriate adjustments to its proposed TIF program. Third, it will conduct two separate public briefings on the proposed TIA for the Broadmoor Development Project and provide formal notice in the local newspaper. The City will continue to engage its local partners including Franklin County and the Port of Pasco, as discussions continue. There are also a number of planning, engineering, finance, and legal activities that will occur to advance the proposed public infrastructure and private development for the Broadmoor Development. Below is an expected schedule for the future TIF actions.

Timeline

Figure 24: Timeline



Source: Stowe Development & Strategies, 2022

Findings | Bottom Line

The envisioned Broadmoor Development would not be viable without the City's intervention to provide the identified infrastructure via the establishment of a TIA. This city has demonstrated an extremely strong nexus between the proposed development and the proposed infrastructure. The City is conservatively estimating the potential revenues that will be generated by the formation of a TIA and has sufficient resources to pay for infrastructure debt service should the expected TIA revenues not materialize.

There are no negative impacts to affordable housing, the local business community, the local school districts, or to local fire districts. The Broadmoor Development will provide for significant jobs and investment into the local and regional economy. Each taxing district will benefit from increased taxes generated by the development, even with the financial support provided by property taxes within the TIA due to the scope and magnitude of the expected development.

Based on all of the above findings and information contained in this Project Analysis, the Broadmoor Development and its proposed TIA meets both the spirit and the letter of Washington's State's new law. Furthermore, there is no better project to demonstrate the power and appropriateness of TIF than Pasco's Broadmoor Development.

Appendices

- Office of State Treasurer May 31, 2022 Memo
- TIF Infrastructure Improvements
- State Audit Report Summary
 - 2016 - <https://egov-pasco.com/weblink/DocView.aspx?id=769076&dbid=0>
 - 2017 - <https://egov-pasco.com/weblink/DocView.aspx?id=792162&dbid=0>
 - 2018 - <https://egov-pasco.com/weblink/DocView.aspx?id=855058&dbid=0>
 - 2019 - <https://egov-pasco.com/weblink/DocView.aspx?id=948969&dbid=0>
 - 2020 - <https://egov-pasco.com/weblink/DocView.aspx?id=954279&dbid=0>
- Pasco City Council Resolution Declaring its intent to form a Tax Increment Area in the Broadmoor Area
- Consultant Team Bio's



Office of State Treasurer Letter





TO: City of Pasco

FROM: Jason Richter, Deputy State Treasurer

DATE: May 31, 2022

RE: Information Needed for OST Review of TIF Project Analysis

RCW 39.114.020 requires a Project Analysis to be submitted to the Office of the State Treasurer (OST) for review and comment. To assist OST in performing its review, we ask the Issuing Jurisdiction to ensure that the materials listed below are included in their Project Analysis:

1. Name and contact information for members of the financing team;
2. Comprehensive description of the Tax Increment Area, including land ownership and leasing or sale arrangements;
3. A description of the Project being undertaken, in connection with the Tax Increment Area.
4. Proposed budget for the Project, including the available funding sources, expected costs, and plan of finance;
5. An estimated timeline for the Project;
6. 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;
7. Description of Tax Increment Area taxpayer base, and, if possible, a breakdown by property / industry type;
8. Description of the expected bond structure;
9. Description of the specific revenue pledge and revenues that will support the debt to be issued;
10. Calculations showing the Issuer's projected debt service coverage, based on current and expected pledged revenues;
11. Calculations demonstrating compliance with the Issuer debt limitations;
12. Five years of the most recent historical and one year of projected financial statements for the Issuer, identifying the specific revenues that will be pledged towards supporting debt service payments;
13. Description of potential project risk factors.

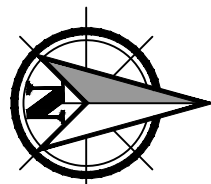
OST requests Issuing Jurisdictions provide final or near-final draft Project Analysis. Please note that substantial revisions to the Project Analysis may result in delays and necessary extensions to OST's

review. Providing all of these requested items will help OST perform its review as quickly as possible. If you have any questions, please do not hesitate to contact us.

TIF Infrastructure Improvements



BROADMOOR - IMPROVEMENTS






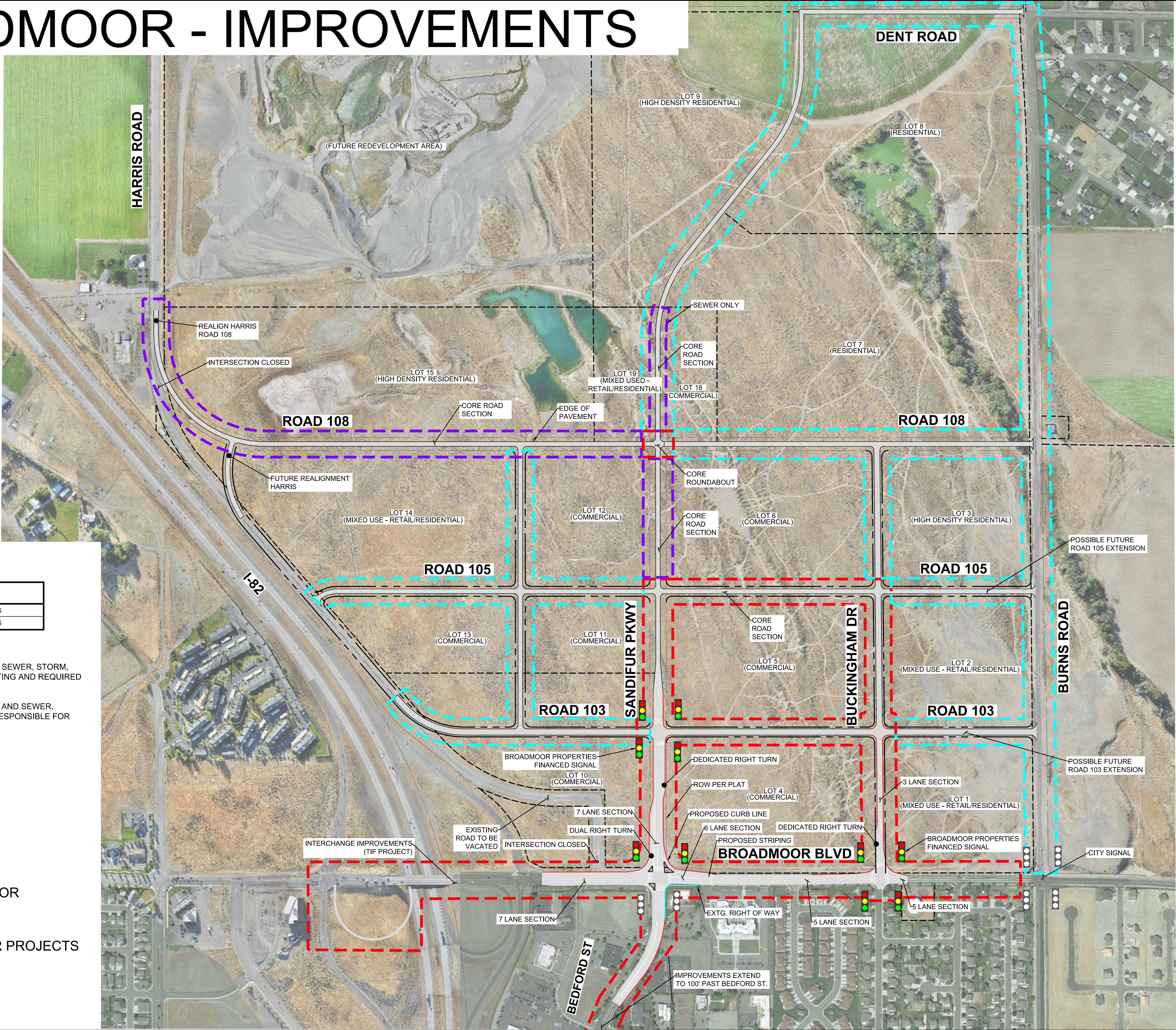
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DEDICATED RIGHT-OF-WAY TABLE	
CITY TIF PROJECTS	29.3 ACRES
BROADMOOR PROPERTIES/DEVELOPER	33.9 ACRES

- NOTES:
- FULL BUILD ROADS TO INCLUDE STREET WATER, SEWER, STORM, CURB, GUTTER, SIDEWALK, LANDSCAPING, LIGHTING AND REQUIRED SIDEWALK FURNITURE.
 - CORE ROADS TO ONLY INCLUDE STREET WATER AND SEWER. BROADMOOR PROPERTIES/DEVELOPER TO BE RESPONSIBLE FOR STORM.

-  NEW SIGNAL
-  EXISTING SIGNAL
-  TIF PROJECTS (CITY)
-  1ST PHASE OF BROADMOOR PROPERTIES PROJECT
-  REMAINING BROADMOOR PROPERTIES/DEVELOPER PROJECTS



State Audit Reports



OFFICE OF THE TREASURER REPORT*	2017 Total	2018 Total	2019 Total	2020 Total	2021 Total	2022 - Budgeted Total
Beginning Cash Available for Debt Service	22,484,159	22,586,901	26,838,971	54,039,616	52,289,555	57,645,923
Operating Revenue Available for Debt Service						
Operating Revenue	49,705,779	53,049,409	60,596,166	62,236,539	73,795,716	82,493,491
Operating Expenditures	46,216,719	47,712,016	48,680,035	50,994,626	56,654,356	71,289,394
Operating Income (Loss)	3,489,060	5,337,393	11,916,131	11,241,913	17,141,360	11,204,097
Total Revenue Available for Debt Service	25,973,219	27,924,294	38,755,102	65,281,529	69,430,915	68,850,020
Debt Service (General Obligation)						
GO Debt Obligation	1,183,106	1,167,300	1,298,413	2,377,995	1,893,922	3,780,250
TIF GO Debt Obligation	-	-	-	-	-	-
Total Debt Service	1,183,106	1,167,300	1,298,413	2,377,995	1,893,922	3,780,250
Other Inflows (Outflows)	(3,386,318)	(1,067,056)	15,023,991	(13,104,639)	(11,784,992)	(23,121,950)
Ending Cash Available for Debt Service	22,586,901	26,857,238	53,779,093	52,176,890	57,645,923	45,728,070

Footnotes:

Report includes financial information for City's General Fund, Economic Development Fund, and Capital Improvement Fund (Real Estate Excise Taxes).

General Fund includes minimal level of grant revenues that are offset by corresponding expenses in the same year.

Cash balances presented do not include proceeds from previously issued bonds.

Pasco City Council TIF Resolution



RESOLUTION NO. 4179

A RESOLUTION OF THE CITY OF PASCO, WASHINGTON, DECLARING ITS INTENT TO FORM A TAX INCREMENT AREA IN THE BROADMOOR AREA

WHEREAS, for many years the City has been studying, evaluating, designing and completing key infrastructure improvements to enable a mixed use development within the Broadmoor area; and

WHEREAS, Broadmoor Properties, LLC owns over 400 acres of property that is being planned for mixed use development and is in need of substantial infrastructure improvements to support the desired development; and

WHEREAS, the Broadmoor area has the opportunity, if built, to serve as a significant economic engine for the Pasco community providing for increased tax revenues to support City services and providing significant employment opportunities for the residents of the City; and

WHEREAS, the Washington State Legislature, during its 2021 legislative session, enacted Engrossed Substitute House Bill 1189 as Chapter 207, Laws of 2021, titled "AN ACT Relating to tax increment financing" and codified as RCW 39.114, which authorizes local governments, including cities, to carry out tax increment financing of public improvements needed to support vital private economic development projects; and

WHEREAS, Tax Increment Financing (TIF) is a program that allocates revenues generated from the increased assessed valuation of properties improved by the development that are within a designated tax increment area (TIA) to pay for public improvements that are needed to support the private development; and

WHEREAS, City management has identified the key preliminary TIF infrastructure improvements in **Exhibit A** (*shown as City TIF Projects*) that have been identified at this time as outside of a developer's ability to fund and achieve the desired development based on market conditions necessary to accommodate commercial and mixed-use tenants; and

WHEREAS, the key preliminary TIF Projects have been estimated to cost approximately \$24 million to \$30 million to construct; and

WHEREAS, Broadmoor Properties, LLC will be dedicating approximately 24.3 acres of land for the identified TIF Projects resulting in an average value range between \$5,292,540 to \$10,585,080 in project benefit; and

WHEREAS, City management and Broadmoor Properties, LLC have developed and agreed upon the infrastructure responsibilities as shown in **Exhibit A** for each party necessary to achieve the desired development; and

WHEREAS, City management anticipates bringing forward for Council consideration an agreement between the City and Broadmoor Properties, LLC that memorializes the infrastructure improvement responsibilities provided in **Exhibit A**; and

WHEREAS, the TIF law requires the City to prepare a Project Analysis when considering forming a TIA which includes the following key items:

- Boundaries and duration of the increment area.
- A description of the expected private development within the increment area, including a comparison of scenarios with and without proposed public improvements (*AKA the “But-for” analysis – the development would not occur “but-for” the public improvements*).
- A description of the public improvements, estimated public improvement costs, and the estimated amount of bonds or other obligations expected to be issued.
- Assessed value of real property within the increment area and an estimate of the increment value and tax allocation revenues expected.
- Estimate of the job creation reasonably expected to result from the public improvements and the private development.
- An assessment of any impacts and necessary mitigation to address impacts on the following:
 - Affordable and low-income housing
 - Local business community
 - Local school districts
 - Local fire service; and

WHEREAS, the Project Analysis is expected to be completed by the end of May 2022 and then submitted to the State Treasurer as required by TIF law, allowing the Treasurer 90 days to review the analysis; and

WHEREAS, the City will conduct public briefings on the proposed TIA to inform the community and other public agencies about the anticipated benefits and impacts associated with the development; and

WHEREAS, the City Council will consider adoption of an Ordinance in September 2022 creating a TIA following any comments by the State Treasurer and testimony resulting from the public briefings; and

WHEREAS, the City has created several preliminary development scenarios based on the type and timing of development that may occur within the proposed Broadmoor TIA in which even the most modest development scenario and timing would generate revenues (**Exhibit B**) sufficient to support the necessary infrastructure improvements needed to support the private development; and

WHEREAS, the City anticipates issuing LTGO (no-voted) tax exempt bonds to pay for the identified infrastructure projects based on the additional TIA revenues from the Broadmoor development; and

WHEREAS, LTGO bonds pledge the City's tax revenues as a guarantee to receive the best possible tax-exempt terms, and the City can pay debt service associated with these bonds with any non-restricted tax revenue such as sales tax; and

WHEREAS, to mitigate the City's exposure related to the timing and scope of private development and the projected TIA property tax revenues, the City will schedule the timing of any bond debt issuance to coincide with certain development milestones (e.g., property closings, entitlements obtained, etc.) that near term developments will move forward (if infrastructure improvements are made by the City) providing for greater development certainty and additional tax revenue beyond property taxes to help pay for any debt service; and

WHEREAS, as part of the above-mentioned Project Analysis, the City will refine the projected TIA revenues, conduct a "but-for" analysis, coordinate with the other taxing entities, and complete other items required by law.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PASCO, WASHINGTON:

That the City Council directs the City Manager to develop a TIF program for the Broadmoor area and prepare an Ordinance for Council's consideration to form a TIA in accordance with state law.

Be It Further Resolved that the City Council supports the preliminary infrastructure projects that are identified as described in **Exhibit A** and recognizes that such projects may be refined as part of the City's TIF Analysis.

PASSED by the City Council of the City of Pasco, Washington, the 2nd day of May, 2022.



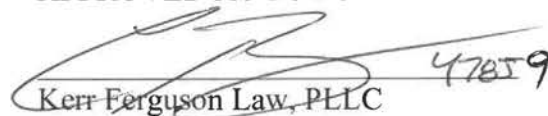
Blanche Barajas
Mayor

ATTEST:



Debra Barnham, CMC
City Clerk

APPROVED AS TO FORM



Kerr Ferguson Law, PLLC
City Attorney

Broadmoor Area Tax Increment Financing (TIF) Projects

Corridors

1. Sandifur Parkway – Bedford Street to Road 108

This work will consist of:

- Road widening of the existing road from Bedford Street to Broadmoor Blvd.
- Full road construction, including but not limited to, as much as 7-lanes of roadway and frontage improvements on the north including curb/gutter, stormwater, sidewalk, street lighting and landscaping and Curb/gutter and stormwater on the south side from Broadmoor Blvd. to Road 103.
- Construction of a core road, including but not limited to, as much as 3-lanes of asphalt road surface (toe-to-toe of curb) from Road 103 to Road 108.
- Construction of domestic water main, sanitary sewer main, and Irrigation main improvements will be included within this corridor from Broadmoor to Road 108.

2. Broadmoor Boulevard – Interstate 182 to Burns Road

This work will consist of:

- Road widening of the existing road, west side only, including the addition of as much as 7-lanes of asphalt roadway, curb/gutter, stormwater, multi-use pathway, and the relocation of existing streetlights from Interstate 182 to Sandifur Parkway.
- Road widening of the existing road, west side only, including the addition of as much as 7-lanes of asphalt roadway, curb/gutter, stormwater, multi-use pathway, street lighting, and landscaping from Sandifur Parkway to Buckingham Road.
- Road widening of the existing road, west side only, including the addition of as much as 5-lanes of asphalt roadway, curb/gutter, stormwater, multi-use pathway, street lighting, and landscaping from Buckingham Road to Burns Road.
- Utility adjustments of the existing utilities will be included in this corridor from Interstate 182 to Burns Road.

3. Road 108 – Harris Road to Sandifur Parkway

This work will consist of:

- Construction of a core road, including but not limited to, as much as 3-lanes of asphalt road surface (toe-to-toe of curb) from Harris Road to Sandifur Parkway.
- Construction of domestic water main, sanitary sewer main, and Irrigation main improvements will be included within this corridor from Harris Road to Sandifur Parkway.

Interstate Associated Improvements

4. Interchange Improvements - Interstate 182 @ Road 100

This work will consist of:

- Improvements to the existing interchange including construction of an eastbound off-ramp and intersection along with restriping.
- A second phase shall include bike/ped facilities connecting north to south.

Intersections

5. Burns Road / Broadmoor Boulevard

This work will consist of:

- Full improvements to the existing intersection including signalization, widening, curb/gutter, sidewalk with ADA ramps, street lighting, striping, and landscaping.

- Utility extension and/or adjustments of the existing utilities will be included within this intersection.
- This intersection will have participation in cost from other developers through a separate participation technical memorandum, prepared by the City's consultant.

6. Buckingham Drive / Broadmoor Boulevard

This work will consist of:

- Full improvements to the existing intersection including signalization, widening on the west side, curb/gutter, stormwater, sidewalk with ADA ramps, street lighting, striping, and landscaping.
- Utility extension and/or adjustments of the existing utilities will be included within this intersection.
- The signalization will be provided by Broadmoor Properties, LLC.

7. Sandifur Parkway / Broadmoor Boulevard

This work will consist of:

- Full improvements to the existing intersection including signalization, widening, curb/gutter, sidewalk with ADA ramps, street lighting, striping, and landscaping.
- Utility extension and/or adjustments of the existing utilities will be included within this intersection.

8. Sandifur Parkway / Road 108

This work will consist of:

- Construction of a "core" roundabout that includes all the asphalt necessary to extend 2' past the proposed final toe-of-curb/gutter. This effort will also include temporary gravel shoulder drainage swale as well as striping and lighting as well as the full construction of a center truck apron and landscaped feature and entry delineators including curb/gutter and internal surfacing as determined.
- Frontage improvements including curb/gutter, sidewalk, stormwater, and landscaping will be completed by the parcel owner at the time of development.
- Construction of domestic water main, sanitary sewer main, and Irrigation main improvements will be included within this intersection.

9. Sandifur Parkway / Road 103

This work will consist of:

- Construction of a full intersection including signalization, widening, curb/gutter, stormwater, sidewalk with ADA ramps, street lighting, striping, and landscaping.
- Construction of domestic water main, sanitary sewer main, and Irrigation main improvements will be included within this intersection.
- The signalization will be provided by Broadmoor Properties, LLC.

10. Road 108 / Road 103

This work will consist of:

- Construction of a core intersection, including but not limited to, as much as 3-lanes of asphalt road surface (toe-to-toe of curb).
- Construction of domestic water main, sanitary sewer main, and Irrigation main improvements will be included within this intersection.
- Stop control determined at time of design.

Consultant Team Bio's



Bob Stowe - Principal



Bob Stowe is the principal and founder of Stowe Development & Strategies — a company he formed in 2016 to help public sector clients succeed with their economic and community development interests. With 34 years of experience in progressive community transformations, Bob is one of the Northwest's most innovative and entrepreneurial real estate and community developers. He uses sound long- range fiscal planning skills and has achieved enviable results in leading redevelopment efforts from the dream stage to construction. This is true for projects large and small, straightforward and complex.

Bob's understanding and experience with tax increment financing, master plan development, transit oriented development, placemaking, negotiation of purchase and sale agreements, development agreements, public benefit agreements, and his ability to create public private partnerships make him an ideal public sector development partner.

Bob has been responsible for leading, managing, coordinating, and implementing a wide variety of complex and multi-faceted projects including, downtown revitalization plans, civic center plans and development, master plans, public-private partnerships, and transit-oriented developments to name a few.

Bob was the City Manager for the City of Bothell, Washington from 2005 to 2016 where he was the architect and leader of Washington's largest and most successful publicly-led downtown revitalization. Under Bob's leadership, this project utilized a Local Infrastructure Financing Tool award (AKA TIF light) as part of the funding package that stimulated private investment of over \$300 million; a very big step in achieving the City's 25-year goal of \$650 million. The fact that nearly half that goal was reached in just a few years, during the Great Recession, and with leverage from public/private collaboration, made it all the more remarkable.

Bob guided the development of approximately \$150 million in public sector improvements (relocation of a state highway, creation of new streets, storm water system, parks, environmental clean-up, etc.) identified as necessary to achieve the revitalization vision. The massive public development plan and schedule also needed to align with private sector purchase of surplus land from the City, environmental remediation, public streets to be developed by the private sector, and on-site mixed-use development. Precise scheduling, communication and the ability to respond to changing conditions were skills that Bob successfully delivered on this project.

Before arriving in Bothell, Bob was the City Manager for the City of Mill Creek for nine years and helped lead development of the award-winning Mill Creek Town Center in the early 2000s. His first downtown transformation project began with the revitalization of Downtown Dayton, Washington in the late 1980s.

The hallmark of Bob's effort is his commitment to create well designed and environmentally sustainable places where people want to live, work, and come together to celebrate. Bob has tackled the most difficult and complex projects, achieving the redevelopment and economic dreams of several communities with his failure is not an option approach.

EDUCATION

- MBA, Albers School of Business & Economics, Seattle University (with honors).
- BA, Urban and Regional Planning, Eastern Washington University.

Morgan Shook - Director/Partner



Morgan Shook is a Senior Policy and Economic Analyst working in real estate, land use, and transportation economics, and finance. He has deep expertise in economic, market and financial analytics that he brought to bear in business, enterprise, and policy settings.

Morgan has worked for a range of government, business, and non-profit clients to advance their missions that in diverse set areas and topics.

Morgan has worked on every form of tax increment financing in Washington including Community Revitalization Financing, Local Infrastructure Financing Tool, Local Revitalization Financing LRF, Landscape Conservation and Local Infrastructure Program, as well as the recently passed Tax Increment Financing bill in the 2021 legislative session.

Before joining ECONorthwest, Morgan worked in biotechnology development at the Institute for Systems Biology, and health disparities research at the University of Chicago. Morgan recently served on the Seattle Planning Commission.

EDUCATION

- M.U.R.P., Portland State University
- B.S. Molecular Biology, University of Puget Sound
- Certificate in Commercial Real Estate Development, University of Washington Extension

Areas of Expertise

- Economic Development
- Affordable Housing
- Land Use Planning
- Market & Feasibility Analysis
- Infrastructure & Finance Funding
- Transit-Oriented Development

Briahna Murray – Vice President



Briahna Murray has lobbied the Washington State Legislature on behalf of public agency and nonprofit clients for over 15 years. She was one of the key lobbyists intimately involved in the advocacy for House Bill 1189, authorizing tax increment financing in Washington State. She is familiar with the legislative intent behind the new statutory language and is prepared to advise clients on how to use tax increment financing in a manner consistent with what was intended by state policymakers.

More broadly, her clients have formally recognized her exceptional service, professionalism, responsiveness, and advocacy. She takes an information-driven, bi-partisan and professional approach to lobbying and advocacy. Briahna's knowledge of public policy issues and her ability to strategically navigate Washington State government is an invaluable combination. Through her advocacy for public agencies, she has developed expertise in advocating for issues intersecting with state budgets, tax and finance, growth management, transportation, criminal justice, housing, human services, and more. Briahna is respected and well-liked by legislators from across the entire state of Washington and from both political parties.

Briahna graduated cum laude from Seattle University School of Law, where she also served as a member of Seattle University Law Review. Briahna graduated summa cum laude from Pacific Lutheran University with a Bachelor of Arts in Political Science and English-Writing. She now lives in Tacoma, Washington.



Prepared by:



In association with:

