

**REGULAR MEETING NOTICE/AGENDA OF THE
SPOKANE CITY COUNCIL**

**MEETING OF THURSDAY, MARCH 10, 2022
11:00 A.M. – STREAMED ONLINE**

A regular meeting of the Spokane City Council will be held at **11:00 A.M. on Thursday, March 10, 2022**. Council Members will be attending virtually and the meeting will be aired on CityCable5 and streamed live at www.facebook.com/spokanecitycouncil and my.spokanecity.org/citycable5/live.

The meeting will be conducted in a study session format. The physical meeting will not be open to the public and no public testimony will be taken. Discussion will be limited to appropriate officials, presenters and staff. The public is encouraged to tune in via the options above or by calling 408-418-9388 and using access code 2480 676 7327.

Agenda:

[NPAC Discussion on WQTIF](#) - Kevin Freibott (1 hour)

Hybrid Public Meetings Discussion - CP Beggs (30 min)

Executive Session

At any time during or after the regular Study Session Agenda, the City Council may choose to adjourn into Executive Session for the purpose of discussing privileged legal matters. This portion of the meeting would be closed to the public pursuant to RCW 42.30.110.



WQTIF Status and Current Funding Requests

Department of Planning and Economic Development

The current economic environment in Washington State remains in flux as the state and the nation adjust to the impacts and realities of the COVID-19 epidemic. As the City continues to explore avenues for economic development and improvement throughout the city, the status of the West Quadrant Tax Increment Financing District (WQTIF) has increasingly been a topic of discussion and possible source for public improvement funds. This briefing paper gives a status update on the TIF and introduces two current requests for TIF funding. This paper is intended to help inform City Council and other stakeholders prior to a Council Study Session on March 10, 2022.

Executive Summary

According to this briefing paper (see below), the following conclusions can be made:

- Until the County adopts the amended WQTIF ordinance passed by City Council in 2020, **the WQTIF cannot currently fund permanently affordable housing**, even in the face of recent and current legislative changes to the definition of “public improvements.”
- The **WQTIF is generating more than \$400,000 per annum** for neighborhood projects and **has a current balance of more than \$1,000,000.**
- The **WQTIF currently has two requests for funding, totaling \$800,000:** (1) a REACH West Central request for a planning & design study in West Central around four of the original projects described for the TIF and (2) a recent request for the development of affordable housing by Habitat for Humanity.

Overview

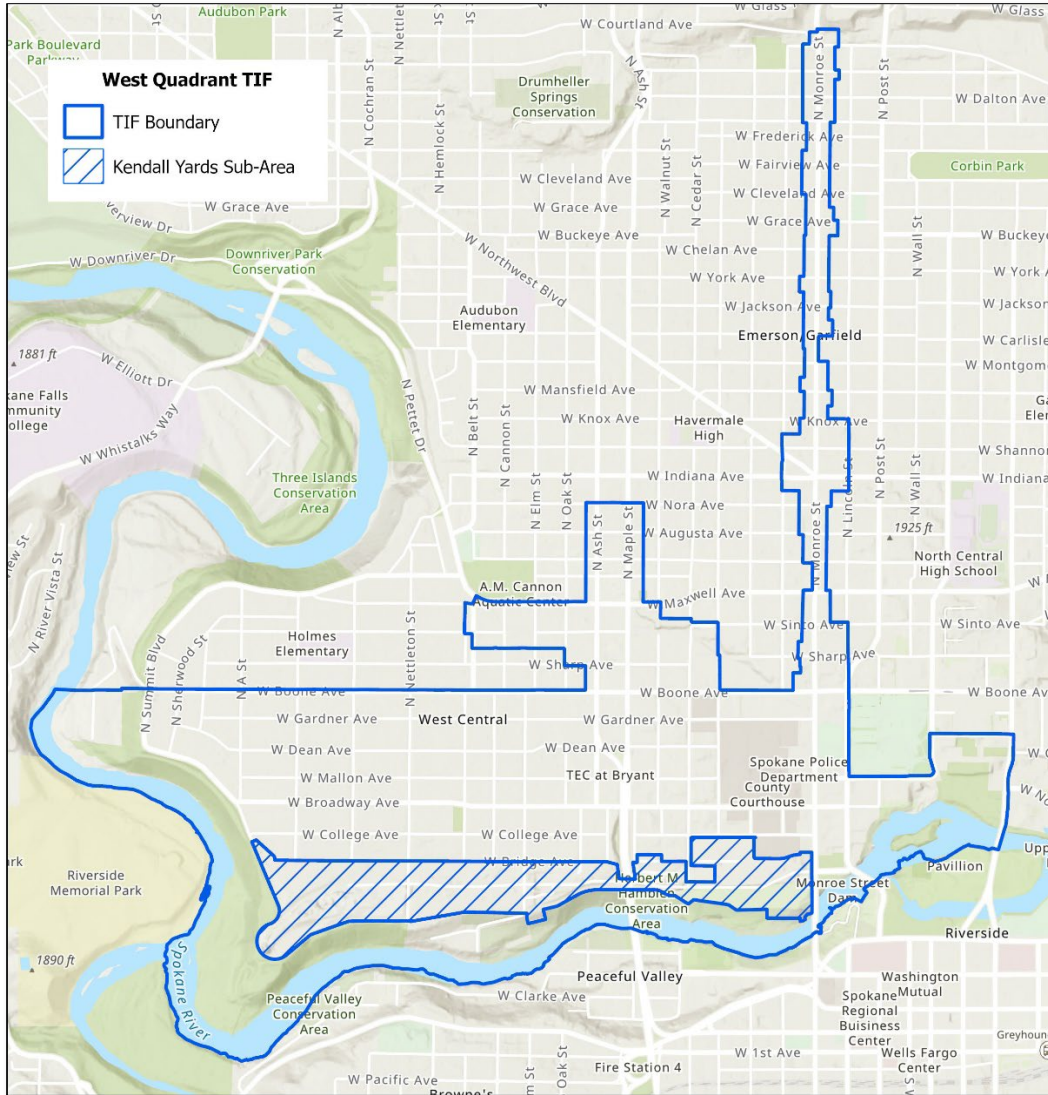
Tax Increment Financing (TIF) is a funding mechanism by which local jurisdictions can redistribute tax revenue within designated areas with the intent and result of developing public improvements in that area. Any public infrastructure constructed by these TIFs must be used to finance public improvements that encourage economic growth and development in the TIF area.

The WQTIF, which itself was catalyzed by the privately funded Kendall Yards developments along its southern boundary, is a TIF program under the Community Revitalization Finance (CRF) Act. Serving parts of three neighborhoods, the TIF is broken into two pieces, the “Kendall Yards Subarea” around the Kendall Yards developments, and the “Neighborhood Projects” area, comprising the remaining parts of the TIF.

Municipal Research and Services Center

RCW 39.89.010

ORD C34032



CRF programs utilize incremental property tax revenue to fund public improvements within the funding district. Upon establishment of the district and agreement by the agencies/jurisdictions involved, 75 percent of the property tax generated by any future increase in property values is used to fund the planned improvement projects. Of that 75 percent, three quarters goes to neighborhood projects and one quarter goes to the County for their projects. Funding must be directed to public improvements geared towards economic development.

RCW 39.89.010

Permanent Affordable Housing was added as an allowable expense in 2020.

The original adopting ordinance for the WQTIF outlined 28 individual target project areas and improvements that would be funded by the TIF, including:

ORD C34032

- Nine (9) improvement types in Kendall Yards, to be funded by revenue from that subarea only;
- Fourteen (14) improvement types and locations in the greater "neighborhood projects area", funded by revenue outside Kendall Yards; and

- Four (4) areas of “County projects” centered on the County Campus and Courthouse area; also funded by a share of revenue generated outside the Kendall Yards area.

Housing Development

None of the project areas in the original ordinance mentioned affordable housing as an allowable expense, partially because such projects were not considered “public improvements” at the time.

In 2021 City Council adopted an amended TIF ordinance, which (among other things) expunged the neighborhood project descriptions and called instead for the funding of any projects that meet the State definition of “public improvements” within the TIF boundary. However, since the County is a party to this TIF and they have yet to act on the amended Ordinance, it has not taken effect. To date, the TIF cannot directly fund permanently affordable housing until such time as the County adopts the amended TIF language. However, it *can* fund public improvements that would support the development of housing, such as streetscape and utility connection improvements. These must occur in one of the 14 project areas described in the original ordinance.

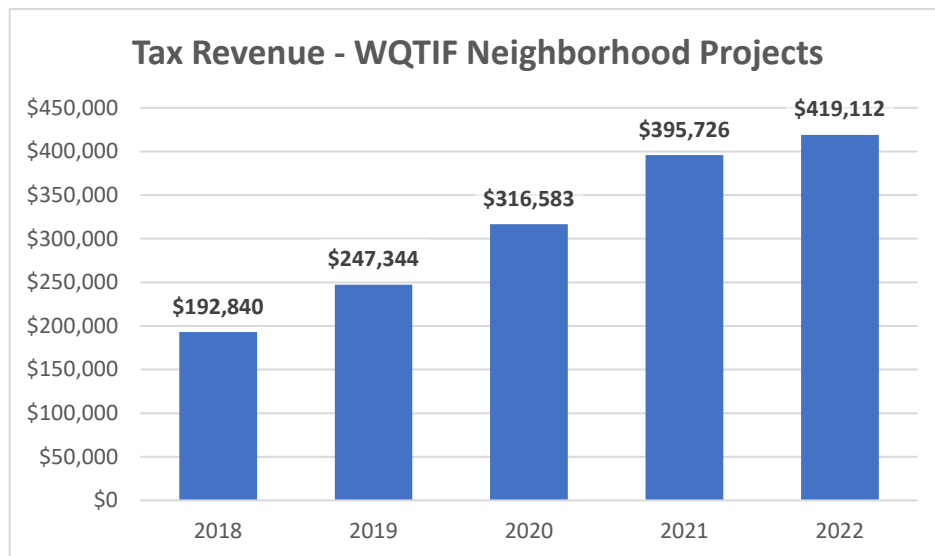
ORD C35879

Definition of public improvements: RCW 39.89.020(4)

Financial Status – Neighborhood Project Fund

As of the date of this report, the fund for neighborhood projects stands at a balance of \$1.07 million. This year (2022) the City anticipates that the neighborhood projects will receive an additional \$400,000, bringing the year end balance to \$1.4 million if no projects are funded this year. The following chart shows the annual tax revenue over the last five years for the neighborhood projects:

City of Spokane
Accounting, Cash
Report for March 3,
2022

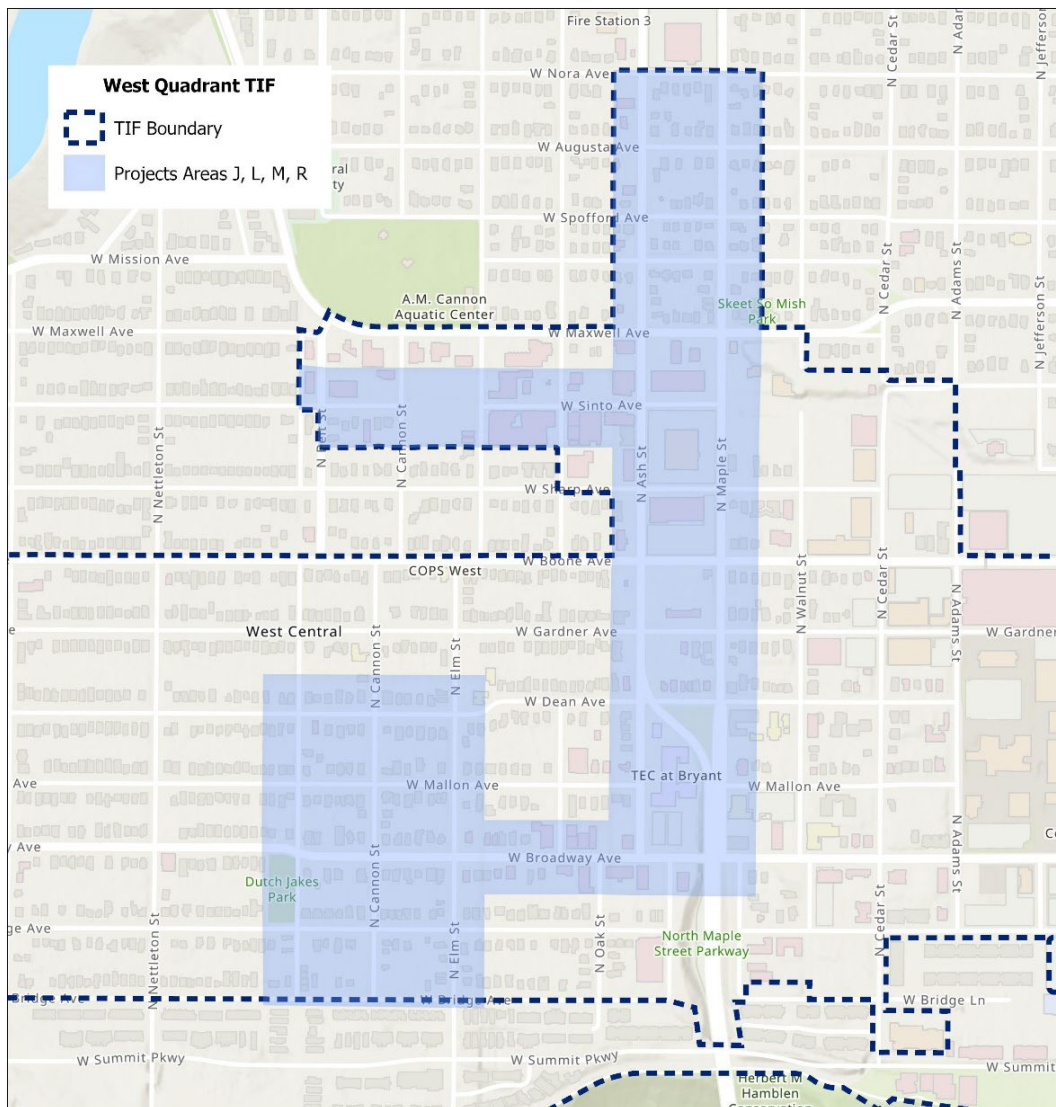


For the purposes of future anticipated growth, the City has used an annual percentage growth rate of 3 percent. This would indicate that we can expect next year’s revenue to be approximately \$430,000. However, many factors outside the City’s control or knowledge can affect that number. Also, the actual

revenue received each year is directly connected to the amount of real property tax paid by property owners in the TIF—if more people fail to pay all or part of their taxes, the actual revenue will go down by that amount.

REACH West Central Proposal

REACH West Central, a local non-profit local action group, has proposed that the City expend up to \$300,000 in TIF funds in order to develop a “community outreach, design, and feasibility analysis” for four of the identified TIF project areas in the West Central Neighborhood. While an earlier proposal asked that the funds to be granted directly to REACH to do the work, REACH has amended that request to indicate that they wish the City to implement the project with direct consultation with the West Central Neighborhood Council, residents, REACH, and other local agencies and bodies. The four project areas identified in the proposal conform to project areas J, L, M, and R in the original ordinance, and are shown generally in the following figure:



These projects have not received funding from the TIF in the past. Also, it is important to note that the study proposed by REACH would require significant staff time and/or the use of outside consultants to complete. Furthermore, as a design and planning study, multiple City departments would be involved, including Planning Services, Integrated Capital Management, Public Works, and Streets.

The Neighborhood Project Advisory Committee (NPAC), the citizen committee responsible for recommending and prioritizing expenditures of neighborhood projects funds, has discussed this proposal for the last few monthly meetings. As of yet, the NPAC has not voted on a recommendation regarding this proposal, though a vote is expected soon.

Habitat for Humanity Request

Very recently City staff received a request from Habitat for Humanity for \$500,000 to rehabilitate up to 10 homes in West Central as “permanent affordable homes.” The NPAC has not met to discuss this proposal and staff continues to analyze the request. However, on its surface it appears that this funding request cannot be funded by the West Quadrant TIF until the County adopts amendments to the TIF allowing permanent affordable housing to be funded by the WQTIF. It is anticipated that the NPAC will discuss this proposal at their next meeting, expected later in March 2022.

References

Municipal Research and Services Center (2018, May 23). *Tax increment financing (TIF) in Washington*. Retrieved online from mrcs.org/Home/Explore-Topics/Economic-Development/Financing-Economic-Development/Tax-Increment-Financing.aspx

RCW 39.89 *Community Revitalization Financing*. Retrieved online from <https://app.leg.wa.gov/RCW/default.aspx?cite=39.89>