



2024 ANNUAL REPORT West Quadrant TIF

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2024 Annual Report

WEST QUADRANT TAX INCREMENT FINANCING DISTRICT



City of Spokane
Department of Planning & Economic Development
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0. Executive Summary

The West Quadrant Tax Increment Financing (WQTIF) district was established by the City and County of Spokane to capture some of the tax revenue growth flowing from the Kendall Yards development into public improvements in and around the area. Formed under a Washington State program called Community Revitalization Funding (CRF), the WQTIF captures a small percentage of new property taxes in the district and allocates them for public improvements and permanent affordable housing in parts of the West Central, Emerson/Garfield, and Riverside neighborhoods.

QUICK FACTS:

- The TIF is split into two parts— the Kendall Yards subarea and the Neighborhood Improvements area.
- TIF revenue is generated only by growth in property values—any value added since 2007.
 - 100% of Kendall Yards TIF revenue is issued to the City for public improvements inside Kendall Yards.
 - Revenue generated outside Kendall Yards is split between the County and City:
 - 70% of Neighborhoods Area TIF revenue is issued to the City for public improvements outside Kendall Yards.
 - 30% of Neighborhoods Area TIF revenue is reserved by the County for public improvements around the County Courthouse.
- Per State law, funds can only be spent on public improvements and permanent affordable housing.
- TIF revenue is not “new money,” in that it does not increase the rate at which property taxes are charged in the district. The TIF reserves a portion of taxes to be spent in the district and not elsewhere in the City or County.
- Funding for the City’s share of Neighborhood Improvements revenue is prioritized/recommended by the Neighborhood Project Advisory Committee (NPAC) and approved by City Council.
- In 2024, the following TIF revenues are anticipated:

Kendall Yards Subarea:	\$397,158
Neighborhood Improvements (City):	\$657,341
Neighborhood Improvements (County):	\$281,717
- Current projections show that revenues are likely to continue growing through the life of the TIF.

1. Document Purpose

This report provides an overall summary and status report for the West Quadrant Tax Increment Financing district (WQTIF) located in the City of Spokane, Spokane County, Washington State. The WQTIF provides for a portion of property tax revenue generated in the district to be used to defray the cost of public improvements in the district. The following document provides details as to the extent, operation, and current financial status of the TIF, commensurate with the requirements of the City.

The following document is more in-depth than usually required. As general practice, the City has issued a more detailed report every few years as knowledge and understanding of the TIF changes over time, as well as to support and inform new stakeholders and decision makers that arise. This report was created, in part, to assist new members of the City's Neighborhood Projects Advisory Committee (NPAC) in understanding the WQTIF and in the execution of their duties as committee members. However, the document also contains useful information for other decision makers and stakeholders in the City and County as they seek to explore the health and usefulness of this important program.

2. Introduction to the West Quadrant TIF

The area of the City currently known as "Kendall Yards" has been undergoing a transformation over the decades, as the influence and impact of the railroads have lessened and the prominence of reuse and urban densification has progressed. As far back as 1915, the Kendall Yards area was historically used as a switching yard and siding for what later became known as the Union Pacific Railroad. The area was cleared of rails in the 1970s, leaving 77 acres of land vacant and contaminated from 30 years of railroad use. It sat this way for 30 years, until in 2001 serious efforts began to reclaim and revitalize the area via the largest EPA Brownfield Revolving Loan issued to date. It took some time and at least one change in ownership, but eventually the Kendall Yards seen today was developed—a mixed-use planned development.

As typically happens with any significant reclamation and redevelopment project, the impacts of the Kendall Yards project are wide reaching. At the time serious planning for Kendall Yards began, the City identified a significant amount of public infrastructure that would be required to serve the new Kendall Yards development, including new streets and sidewalks, utilities and trees, parks, and trails. To help pay for this infrastructure, the West Quadrant TIF was envisioned. During the study and preparation necessary to form a TIF, the City and County also identified that the area around Kendall Yards would likewise be expected to grow and increase in value because of the project, and thus the TIF concept grew to encompass the areas around Kendall Yards as well.

Ultimately, the City and County came to an agreement and both adopted the West Quadrant TIF in May 2007. The resulting TIF provides for a portion of new property taxes paid in the district to be paid to the City and County for the installation of certain public infrastructure in the district.

The official West Quadrant TIF boundary is shown on **Figure 1** on the following page. Also shown on that map, are the TIF's two parts: the Kendall Yards subarea in green and the Neighborhood Improvements area in blue. In general, TIF revenue generated in the Kendall Yards subarea is spent in that area and TIF revenue generated by the Neighborhood Improvements area is spent everywhere else in the TIF.

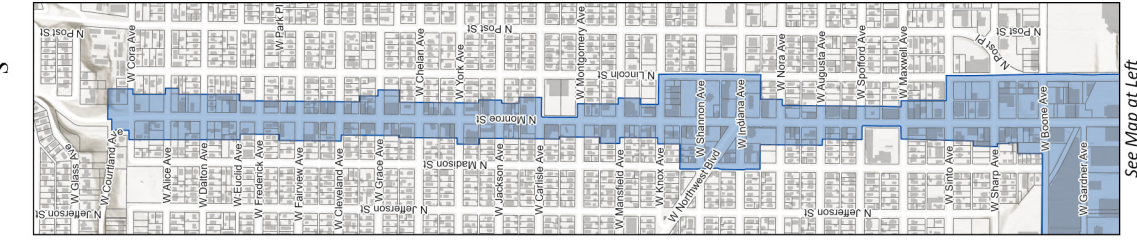
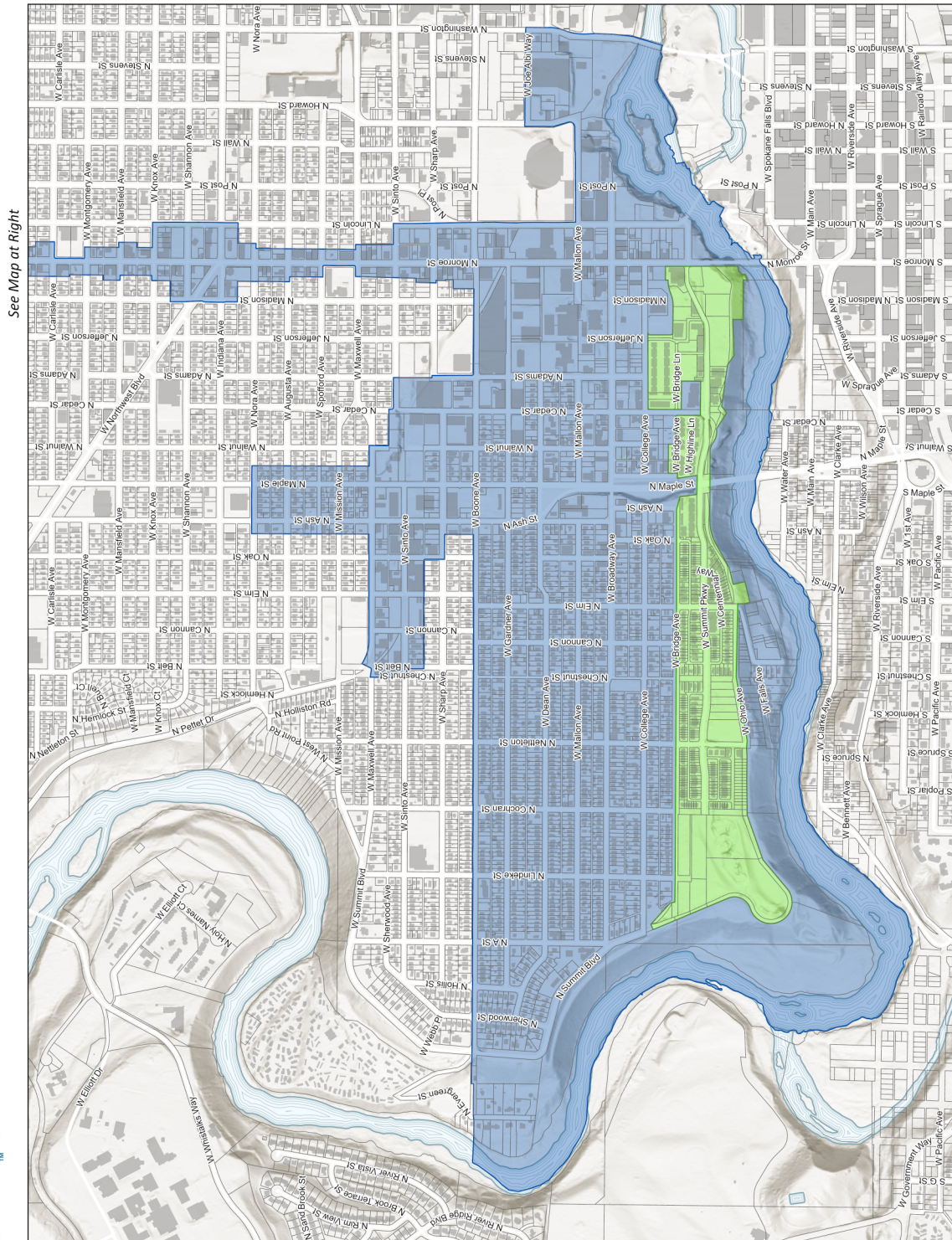
Figure 1: Map of the West Quadrant TIF and Subareas
West Quadrant TIF and the Kendall Yards Subarea
 City of Spokane Department of Planning & Economic Development



- Kendall Yards Subarea
- Neighborhood Improvements Area



0 0.13 0.25 0.5 Miles
 Both Maps at Same Scale



See Map at Right

See Map at Left

Enabling Ordinances, Resolutions, and Contracts

The West Quadrant TIF was formed by both City Ordinance and County Resolution, requiring legislative actions and contract agreements between the two parties as well as the developer of the Kendall Yards project. The following list provides the primary legislative instruments that implement and guide the operation of the West Quadrant TIF:

- ORD C34032:** Original City Ordinance, forming the TIF, adopted May 14, 2007
- RES 7-0393¹:** Spokane County Resolution, forming the TIF, adopted May 8th, 2007
- OPR 2007-0399:** Agreement between City and Kendall Yards, signed May 14, 2007
- OPR 2007-0399:** Intergovernmental Agreement between City and County, signed May 14, 2007
- RES 2007-0101:** City Resolution creating the NPAC, adopted September 17, 2007
- ORD C35879:** City Ordinance amending the TIF, adopted December 12, 2020

3. The Basics: Tax Increment Financing

Tax Increment Financing (TIF) is one of several funding programs in Washington State available to Cities and Counties for economic development. TIF is a funding mechanism by which local jurisdictions can redistribute tax revenue within designated areas with the intent of developing public infrastructure in that area. Per State law, any public infrastructure constructed by TIF revenues must be used to finance public improvements that encourage economic growth and development in the TIF area. In other words, TIFs seek to develop public improvements that result in greater private development, which in turn increases the taxable value of properties and uses in the area.

What TIF Is:

- A method of allocating future taxes to a specific part of a city, county, etc.
- A way to help pay for public improvements and facilities whenever significant private development is occurring.
- A way to highlight and focus public investments on a specific area.
- A program that can result in greater economic development through investment in the public realm.

What TIF is NOT:

- “Free money” that the City would otherwise not have access to.
- A way to shortcut the responsible use of public funds or to sidestep public trust responsibilities.
- A way to help private developers over the existing residents of an area.

The Tax Increment

The term Tax Increment refers to the portion of new property taxes collected in the TIF boundary. Depending on the TIF program that was used to create the TIF, a portion of tax revenue growth is allocated to the TIF while the amount of taxes collected at the start of the TIF continue to be collected and used as they were before.

In general terms, the “increment” is the new property values a growing area contains over and above those that existed before the TIF was in place. For example, say there is a TIF district with \$100 million in property values in its first year. By the second year those property values have risen 10 percent to \$110 million. In this scenario the tax

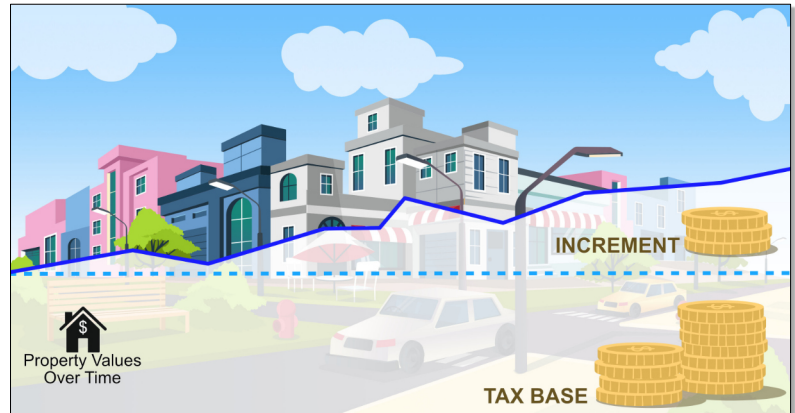
¹ This is a resolution of the Board of County Commissioners, Spokane County. For a copy, contact the County government.

base is \$100 million, and the increment is \$10 million. TIF revenues are generated only by a portion of taxes charged on that increment.

Additionally, not all property taxes charged against the increment will provide revenue to the TIF. Depending on the program utilized and local agreements, only a *percentage* of the increment funds the TIF. Not all property taxes pay into the TIF either. For example, state school levies are exempt from TIF funding.²

Tax increment financing works by taking a portion of the increment and reserving some of the taxes paid on that value for developing public infrastructure in the area in which it was generated. In normal situations, tax revenue generated in one part of a City or County can be used to pay for services and infrastructure anywhere in the jurisdiction. However, TIF allocates a portion of funds generated by one place to be spent there and not in other parts of the City. While the taxes would be collected anyway, TIF allows for revenue generated in a place to stay in that place.

Figure 2: Basic Tax Increment Explained



Source: City of Spokane, Planning & Economic Development

Enabling Programs in Washington State

The State of Washington has authorized seven TIF programs, including the latest TIF program that was adopted in 2021. These seven TIF programs differ by the source of funding, what kinds of tax can be used, and the requirements for the use of those funds. The West Quadrant TIF is authorized under a program called Community Revitalization Funding (CRF).

CRF is guided by the Revised Code of Washington (RCW), Section RCW 39.89. Under CRF, 75 percent of the property tax increment is used to fund the TIF accounts, with the remaining 25 percent of the tax increment distributed according to the normal tax levies. Though some TIF types available in Washington state also collect a portion of other taxes like sales tax, under CRF retail sales taxes do not provide any revenue to the TIF, only property taxes.

Allowed Expenditures under Community Revitalization Funding

Under CRF, the recipients of TIF revenues can spend those funds only on “public improvements.” Public improvements are defined by the RCW 39.89.020 and include planning, construction, and maintenance of:

- Streets and roads
- Water and sewer systems
- Sidewalks and streetlights
- Parking, terminal, and dock facilities
- Park and ride facilities of a transit authority
- Park facilities and recreational areas
- Stormwater and drainage management systems, and
- Permanently affordable housing.

Public improvements are, with one important exception, owned by the ‘local government’. The only exception to this is the recently-added provision that TIF can pay for permanent affordable housing, which is deed-restricted to

²See later in this report for these details as they pertain directly to the WQTIF.

maintain affordability and may or may not be owned by local government. The code defines permanently affordable housing very specifically, stating:

“Permanently affordable housing” means housing, regardless of ownership, for which there is a legally binding, recorded document in effect that limits the price at which the owner may sell or restricts the occupancy of the unit to a qualified, low-income household, for a period of at least 40 years for a property used for shelter or rental housing, or for a period of at least 25 years for a property to be owned by a low-income household. These documents include, but are not limited to, affordability covenants, deed restrictions, and community land trust leases.” (RCW 39.89.020.6)

Essentially, permanently affordable housing is not required to be owned by the local government but is otherwise restricted through deeds or covenants to remain affordable for between 25 and 40 years. This corresponds to the fact that most Cities and local governments do not own, build, or maintain housing. Private developers build housing; Cities and Counties simply regulate that housing. Furthermore, development of permanently affordable housing requires cooperation between government and non-profit service providers to be successful. To help foster this cooperation, the State legislature added permanently affordable housing to the list of public improvements, allowing Cities like Spokane to use TIF revenues to help non-governmental entities build and maintain that housing.

Uses and Functions of TIF Funds

TIF funds are a useful revitalization tool whenever a local government wishes to hold taxes collected in one location for exclusive use in that location. However, the funds are not generally sufficient to build 100 percent of the envisioned improvements. The adopting Ordinance for the West Quadrant TIF (ORD C34032) states this outright. After listing the various improvements and the total estimated costs of more than \$63 million, the Ordinance states:

“The City estimates that only a portion of such estimated Public Improvement Costs will be financed using community revitalization financing.” (ORD C34032, p. 7)

Accordingly, it is not expected that the TIF revenues would fund *all* the expected public improvements in the district, rather the TIF revenues would be used in cooperation with other funding sources to complete these projects. Likewise, it is possible not all the envisioned improvements would be completed by the end of the TIF in 2032³.

This begs the question, what is the use of the TIF funds if they cannot pay for 100 percent of the improvements? Public projects often require multiple funding sources to be successful. Typical funding sources range from the City’s operating budget, state and federal grants, and various other programs. TIF revenues can be helpful in providing matching funds required by many grants—state and federal grants typically require the City to offer up a matching amount to qualify. Also, there is value in having some funding available when searching for other sources of funds to pay for a project. Similarly, while the TIF cannot always fund an entire project, the use of TIF revenues does not prevent the local government from spending other monies when completing a project.

Finally, its critical to remember the core function of a TIF. TIF revenues aren’t used to simply build improvements. Rather, the intent of a TIF is to impel more economic development, which then increases the tax base, resulting in both a better neighborhood and more tax revenue than would be seen without the TIF.

This is easiest to understand through a hypothetical example. Say a major development is set to begin in the middle of an established but underserved/aging neighborhood. Without the TIF, economic development in the area might only occur within the big project. However, by using TIF to capture some of the tax growth from that development

³See the end of this report for an important note on the termination date of the West Quadrant TIF.

and using the money to build improvements in the neighborhood around it, the whole neighborhood benefits. With more projects undertaken because of the availability of TIF revenues, the property values around the big project increase more than they would otherwise. Property owners find it easier to obtain financing and, if they so wish, they can sell their homes for more.

TIFs aren't perfect—they require careful monitoring and guidance to ensure that the negative effects of growth are managed. Increasing property values can have many benefits, but they can also lead to negative effects like displacement and gentrification. Cities and Counties that enact TIFs should monitor their performance over time and consider policies and regulations to avoid these impacts⁴.

4. The Details: Tax Revenue and Expenditures for the WQTIF

Each TIF is formed individually, differing in the amount of revenue collected, funding distribution, and the improvements to be implemented. The following sections deal with the West Quadrant TIF in particular and should not be considered true for all other TIFs in the state.

Project Improvements in the West Quadrant TIF

The West Quadrant TIF was originally passed with a range of project areas described in Ordinance C34032. These project areas outlined the general locations in which TIF funds could be used and the types of improvements expected in those locations. The project areas were split into three groups, one for improvements expected in the Kendall Yards subarea (see **Figure 1** earlier in this report), a second set for the “neighborhood projects” in the areas outside Kendall Yards, and a few projects that the County would oversee and implement around the County campus and courthouse complex. These project areas each included a general location where they would be implemented, an overall list of the types of improvements that would be built (i.e. streetscapes and landscaping), and an expected overall cost for those improvements in 2007 dollars.

However, upon adopting the Ordinance amending the TIF (ORD C35879), the City expanded the list of possible Neighborhood Improvement expenditures to any location in the Neighborhoods area and for any improvements that met the definition of public improvements in RCW 39.89. As amended, the project area list for the West Quadrant TIF includes the following project areas⁵:

Kendall Yards Subarea Public Improvements

- Street and road improvements, including paving, landscaping, signals, and irrigation.
- Water system improvements, including fire service lines, fire hydrants, domestic water service.
- Sewer system improvements, including sanitary sewer interceptors, sewer mains, service lines, manholes, fixtures, and appurtenances.
- Stormwater and drainage improvements, including storm drains, storm sewer, treatment vaults, swales, and other appurtenances.
- Sidewalks, planters, bike racks, trash receptacles, and other street furnishings.
- Streetlights.
- Park and recreational improvements, including extension of the Centennial trail, other trails and paths, plazas, parks, and landscaping.

⁴ The City of Spokane will be considering anti-displacement policies citywide in the upcoming 2026 Comprehensive Plan Update.

⁵ These improvements are only summarized here. For the full list of project areas, contact City staff for a copy of Ordinance C35879.

Neighborhood Public Improvements

- Any improvements meeting the RCW 39.89.020 definition of public improvements.

County Public Improvements

- Parking facilities in the vicinity of the County Courthouse, including surface lots, street parking improvements, covered parking improvements, and or parking structures.
- Sidewalks and street furnishings adjacent to the County Courthouse campus.
- Streetlights adjacent to the County Courthouse campus.
- Recreational and park facilities adjacent to the County Courthouse campus.

Fund Distribution

Because the TIF projects are separated into three groups, the funds generated by the TIF are likewise allocated to three different accounts, as follows:

Kendall Yards Subarea: All TIF revenue generated by properties inside Kendall Yards is allocated to a City account to pay for public improvements inside Kendall Yards.

Neighborhood Public Improvements: Of TIF revenue generated by properties outside Kendall Yards, 70 percent is allocated to a City account to pay for public improvements outside Kendall Yards.

County Public Improvements: Of TIF revenue generated by properties outside Kendall Yards, 30 percent is held by the County to pay for their public improvement projects.

Of these three accounts, the City manages only the first two (Kendall Yards and Neighborhood Public Improvements). For more information on the County Public Improvements or the funds provided by the TIF to the County, interested persons should contact the County directly.

How the TIF is Funded Through Increment Taxes

While the increment tax revenue generated by the TIF is divided among the three improvement areas, all funds generated in the TIF are fed from the same tax levies. Generally, property owners pay property taxes according to any number of levies and bonds applicable to their location. In the case of the West Quadrant TIF, only the following levies pay into the TIF:

- City of Spokane (General)
- City of Spokane Emergency Medical Services
- Conservation Futures
- County of Spokane (General)

All remaining levies, even those that are enacted after the initial TIF year, are distributed just the same as if the TIF didn't exist and do not provide any revenue to the TIF. For example, the two School levies currently assessed in the TIF district ("State Schools Part 1" and "State Schools Part 2") receive 100 percent of the revenue they would if the TIF didn't exist. Likewise, City of Spokane Bonds that are assessed within the TIF district receive their revenues fully without any part of that money going to the TIF. In summary, tax-paying properties in the TIF (those that aren't tax exempt for some reason) currently pay \$9.66 for every \$1,000 in taxable value each year in property taxes. Of that \$9.66, only \$3.17 is used when calculating what amount will fund the TIF.

As of the 2024 tax year, the following levies and bonds are assessed in all parts of the West Quadrant TIF. As shown by **Table 1** on the following page, only five of those levies provide revenue to the TIF.

It is important to note that the TIF does not directly affect the property tax an individual property owner would pay. The overall tax rate is unaffected by the TIF—even if the TIF was not in existence, a property owner in the district would still pay \$9.66 per \$1,000 of property value. Also, TIF revenue is only calculated against the increment, not the total property value involved.

Table 1: Tax Levies and Bonds Assessed in the West Quadrant TIF

Levy	Rate per \$1,000 of Property Value	Provides Revenue to the TIF?
County (General)	\$0.70	Yes
Conservation Futures	\$0.03	Yes
City of Spokane (General) 1	\$0.20	Yes
City of Spokane (General) 2	\$1.95	Yes
City of Spokane EMS	\$0.49	Yes
State School Part 1	\$1.40	No
State School Part 2	\$0.75	No

Bond	Rate per \$1,000 of Property Value	Provides Revenue to the TIF?
City of Spokane Bond	\$0.09	No
City of Spokane Bond 2015	\$0.21	No
School District 81 Enrichment	\$2.25	No
School District 81 Bond	\$1.58	No

TOTAL Levy Rate	\$9.66	-
Levies/Bonds that DON'T Pay Into the TIF	\$6.48	-
Levies that Pay Into the TIF	\$3.18	-

Source: Spokane County Assessor's Annual Report, 2024, Spokane County

Notes: The TIF does not modify the tax levies or bonds in any way. Likewise, the amount of each levy or bond may change from year to year, though those changes are not because of the TIF.

As a further complication, Community Revitalization Funding limits the amount of increment tax revenue that can go to the TIF. Only 75 percent of the increment provides tax revenue to the TIF. Tax on the remaining 25 percent bypasses the TIF and is distributed normally to the other tax accounts.

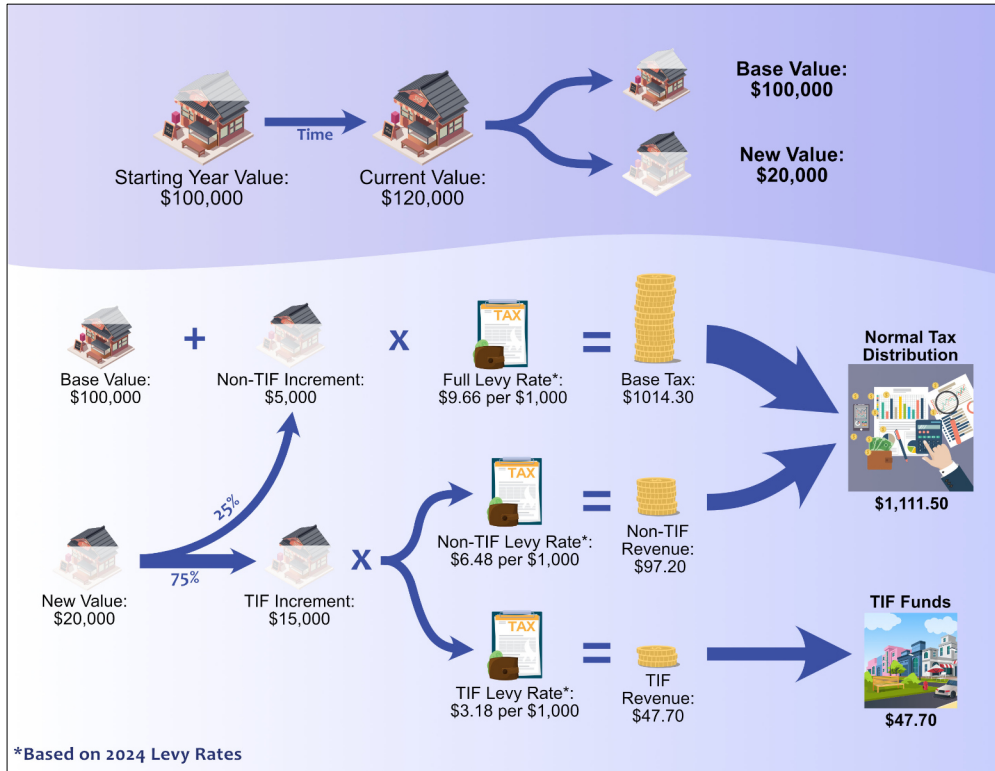
This is somewhat easier to capture in a graphic. The graphic on the following page, **Figure 3**, provides a depiction of how the property taxes of a hypothetical property in the TIF would be calculated and distributed. In this example, the property was worth \$100,000 at the beginning of the TIF but is now worth \$120,000. As shown in **Figure 3**, a hypothetical property that has gained \$20,000 in value during the life of the TIF would generate approximately \$48 in TIF revenues this year. Naturally, as property values increase district-wide, the amount of revenue fed to the TIF increases over time as well. Also, as the TIF revenues are based only on increases in value, the revenue feeding into the TIF is minimal during the early years (when increases are small) and grows steadily. The tax revenue captured by the TIF is much greater during the last few years the TIF is in force.

A welcome benefit of basing revenues off property value increases alone is the fact that accomplishing the intended mission of a TIF, fostering greater economic development in the district, has the ancillary benefit of also increasing the revenues realized by the TIF. This is a self-reinforcing loop, wherein successful investment of TIF funds in local public improvements raises property values, which raises TIF revenue, allowing the local government to utilize even more TIF revenue to invest in public improvements—and so on, and so on.

As a result of these two factors, any TIF will generate very little revenue in the beginning. However, as the TIF begins to invest in local improvements and the overall values in the district increase, the TIF will generate more and more funds over time and can grow to be a significant source of project funds. As most TIFs are centered around a major development project (such as Kendall Yards in the West Quadrant TIF), the natural growth fostered by the large development can further improve the financial performance of the TIF.

Conversely, only a small portion of the overall property taxes generated by properties in the district are distributed to the TIF. Most property taxes continue to be apportioned as they would if the TIF didn't exist. In the case of the West Quadrant TIF, only 4.1 percent of the total property tax paid in the district is distributed to the TIF. The remaining 95.9 percent of taxes are distributed just as they would be without the TIF in place. This means that the

Figure 3: Tax Apportionment in a TIF (Sample)



Source: City of Spokane, Planning & Economic Development

effect the TIF might have on other programs and improvements paid through property taxes is minimal. A TIF operating under CRF regulations is unlikely to have significant adverse effects on existing services and utilities, as it only allocates a small percentage of the overall tax revenue in an area to the TIF.

City/County Split for Neighborhood Improvements

TIF revenues collected in the Neighborhood Improvements area (the area outside Kendall Yards) is further split upon collection between the City’s TIF account and the County. According to the implementing Ordinance (ORD C34032), 70 percent of TIF revenues in the Neighborhood Improvements area is distributed to the City’s TIF account. The remaining 30 percent remains with the County to help fund the public improvements described for the County Courthouse Campus. **Figure 4** at right depicts the distribution of every thousand dollars of property taxes collected in the Neighborhoods area in 2024.

For every \$1,000 in property taxes collected in the Neighborhood Improvements Area, the City nets only \$28.70 for the implementation of those neighborhood improvements. However, as the entire district has gained significant value since the inception of the TIF, combined total revenues have begun to accumulate to a useful level.

Figure 4: Tax Revenue Distribution Example



Source: City of Spokane, Planning & Economic Development

5. The Neighborhood Projects Advisory Committee

The Neighborhood Projects area is the subarea in which the City has the most leeway to guide future projects and to determine where and when money will be issued for public improvements. To that end, upon the establishment of the TIF in 2007, the City Council at the time also formed the Neighborhood Projects Advisory Committee (NPAC).

The NPAC is an official Committee of the City, with eight volunteer members appointed by the Mayor and confirmed by the City Council. Two residents of each neighborhood in the TIF are appointed to the Committee—two from Riverside, two from Emerson/Garfield, and two from West Central. Each neighborhood is represented by a primary and an alternate member. Alternate members are asked to attend every meeting, but only the primary member is a voting member of the Committee. If the primary member is not in attendance, the alternate member votes in their place. This situation was established early in the life of the NPAC to avoid situations where action is required but, for whatever reason, some members are unable to attend a formal meeting in order to do so.

The final two NPAC members are “at-large members.” According to the Council Resolution establishing the NPAC (RES 2007-0101), at-large members should have professional knowledge and experience in “economic development, finance, and/or real estate.” These two members do not have to live within the TIF boundary, but under City committee rules they must live in the City of Spokane.

In addition to the eight NPAC members, a City staff liaison is assigned from the Planning & Economic Development department to arrange and prepare meetings, issue the agenda and minutes for the Committee, assist the NPAC in their deliberations and interactions with City departments and the Council, and forward recommendations made by the NPAC to the City Council for final consideration. The Staff Liaison is also responsible for drafting the annual report and providing any requested updates to Council or Mayor during the year. Since 2019, the Staff Liaison has been Kevin Freibott, Senior Planner (kfreibott@spokanecity.org).

The NPAC is charged with assisting the City in “prioritizing Neighborhood Public Improvements in the neighborhood areas that surround the Kendall Yards development.”⁶ Accordingly, all requests for the use of Neighborhood Improvement funds go first before the NPAC. NPAC hears the item and typically makes a recommendation to City Council as to whether to fund the request. NPAC also approves the annual report (including this one) and provides oversight and tracking of TIF performance, project completion, and some public engagement activities such as attendance at local. The NPAC is an advisory body, and thus has no direct approval authority over City funds. Rather, they issue recommendations which are then forwarded to City Council for final approval. Ultimate budget and funding authority at the City lies with the City Council.

NPAC Functions and Process

The NPAC holds a standing meeting monthly on the first Wednesday of each month. All NPAC meetings are open to the public and noticed under the requirements of the Washington Open Public Meetings Act. Ever since the COVID epidemic, NPAC meetings have been held in a hybrid in-person/online format.

While the NPAC has a standing meeting set for each month, the meeting is frequently canceled when there is insufficient new business to consider. Cancellations are made by email announcement and online on the NPAC website (see the end of this report for web links).

⁶City Council Resolution 2007-0101

Projects Recommended by the NPAC

The NPAC has recommended several public improvement projects throughout the life of the TIF. The following table (**Table 2**) lists all prior and current project recommendations by the NPAC and their current status. Following the table, each project is described in brief as well. For more details on these past projects, readers are encouraged to contact the Staff Liaison to the NPAC, listed above.

Table 2: Past Projects Considered by the NPAC by Year, Amount, and Status

Project Name	Year ¹	Amount	Funding Status	Project Status
Pedestrian Pathway Under Monroe Bridge	2012	\$96,000	Approved and expended.	Complete
North Monroe Streetscape Improvements	2013	\$10,000	Approved and expended.	Complete
Riverfront Park Pedestrian Bridge	2019	\$500,000	Approved and expended.	Complete
Dutch Jake’s Park Renovation	2019	\$77,000	Approved and expended.	Complete
Sportsplex (Podium) Project	2019	\$511,000	Recommended, but request withdrawn before approval.	Complete (w/o TIF funds)
Ash/Dean Street Reconversion	2022	\$180,000/ \$150,000	Approved but not yet transferred to project.	Underway
West Central Infrastructure Project	2022	\$300,000	Approved but not yet expended.	Underway
Habitat for Humanity, et al.	2023	\$500,000	Approved but not yet expended.	Underway
NATIVE Project Treatment Center	2023	\$190,000	Recommended by NPAC, awaiting City Council consideration.	Underway

Source: City of Spokane, Department of Planning & Economic Development, 2024.

Notes: ¹ As these projects are complex and span multiple years, the listed year is approximate.

Pedestrian Pathway Under Monroe Bridge (2012)

The NPAC recommended and City Council ultimately approved up to \$96,000 to construct a dedicated pedestrian pathway under Monroe Street Bridge during the rebuild of that facility. This project comprised an important link in the Centennial Trail. Construction was completed in 2014.

North Monroe Streetscape Improvements (2013)

The NPAC was presented with various options for funding (in part) the City’s rightsizing and streetscape improvements as part of the North Monroe project. Ultimately, the NPAC voted to recommend the use of \$10,000 in TIF funds to help study alternatives and options for the North Monroe improvements. This work was completed in 2016.

Riverfront Park Pedestrian Bridge – North Span (2019)

The NPAC recommended to City Council the use of up to \$500,000 in TIF funds for the emergency reconstruction of the north span pedestrian bridge in Riverfront Park—the portion of the bridge spanning the north branch of the Spokane River between Snxw Mene? Island and the north bank. This bridge not only provides a trail connection through Riverfront Park and the TIF district, but also carries a large 60,000-volt power transmission line that powers many commercial and residential uses on the north bank. The use of TIF funds was authorized by City Council and was transferred to the bridge project budget in 2019. The construction has since been completed.

Dutch Jake’s Park Renovations (2019)

As part of the larger rebuild and renovations to Dutch Jake’s Park in West Central, the Spokane Parks and Recreation Department requested \$77,000 in TIF funding to help pay for streetscape and sidewalk improvements in the park. The NPAC recommended use of the funds and the City Council approved their use in 2019. The \$77,000 was transferred from the TIF account to Parks shortly thereafter. This project has since been completed.

Sportsplex Project⁷ (2019)

The Mayor's office requested the use of up to \$511,000 in TIF funds to help defray costs related to public utility infrastructure in the street, needed to serve the upcoming Sportsplex project. NPAC voted in 2019 to recommend use of the funds, split over two years (\$200,000 in 2020 and \$311,000 in 2021). However, before City Council could consider approving those funds, the Mayor's office at the time withdrew their request. No TIF funds were expended on this project as a result, and construction of the facility has been completed since by the use of other funding sources.

Ash/Dean Street Reconversion (2022)

The NPAC was asked to consider recommending \$150,000 in TIF funds for the conversion of parts of Ash Street and Dean Street from their current one-way configuration back to their original two-way condition. NPAC recommended approval of the funds as well as an additional \$30,000 to pay for possible landscaping in the island to be installed in Ash Street. Ultimately, City Council approved the use of the \$180,000 (Resolution RES 2023-0013) but the City was unable to implement any landscaping. Accordingly, only \$150,000 in approved TIF funds are expected to be transferred to the project budget in 2024.

West Central Infrastructure Project (2022)

REACH West Central, a local non-profit seeking to foster greater economic development and neighborhood improvements in the West Central neighborhood of Spokane, requested that NPAC recommend the use of up to \$300,000 in TIF funds to be issued to REACH to conduct pre-engineering and preference planning work in West Central, meant to identify and design projects for full implementation in the near future. During consideration of this item by the NPAC, the City identified some roadblocks to issuing public funds to a non-governmental entity like REACH and the proposal was modified to ask the City to undertake the study directly. NPAC recommended the use of the funds to City Council and City Council ultimately approved a resolution authorizing the funds and the preparation of such a study (RES 2023-0019). Now known as the West Central Infrastructure Project, the study is underway and expected to be completed in 2024. The City has secured the services of Kittelson & Associates to help prepare the study.⁸

Habitat for Humanity/A Better Way/Greenstone Affordable Housing (2023)

Following State law amendments to TIF funding guidelines adding permanently affordable housing to the list of possible public improvements that could be funded by TIF revenues, Habitat for Humanity in partnership with A Better Way and Greenstone Homes requested that the NPAC consider their request for up to \$500,000 in TIF funds to be used to defray the costs of purchasing homes in West Central, which would then be converted to Permanently Affordable Housing, renovated to current standards, and sold or rented to deserving individuals. NPAC recommended the use of the TIF funds and City Council approved their use (RES 2023-0042). Contract preparation has been completed, but as of the date of this report Habitat for Humanity has not yet requested payment. Their request for the funding transfer is expected in 2024.

NATIVE Project Treatment Center (2023)

The NATIVE Project, a local social services non-profit located in West Central, asked for approval of the use of up to \$105,000 in TIF funds to install public infrastructure adjacent to their site on Maxwell Avenue, including: water and sewer connections, sidewalks and streetscape, and other public improvements adjacent to their construction of a new youth treatment center in West Central. The NPAC voted to recommend approval, and the item is now being prepared for City Council approval. Since the NPAC vote, the applicant has identified some additional public improvements that are required to complete the project. Following this update by the NATIVE Project, the NPAC voted to amend their recommendation, increasing the amount to \$190,000. As of the publication of this report, City staff is preparing to present the NPAC's recommendation to City Council for their consideration.

⁷Since renamed "The Podium."

⁸Updates on this project can be found at <https://my.spokanecity.org/projects/west-central-infrastructure-project/>

NPAC Future Project Priorities

For the past four years NPAC has recommended the City focus TIF efforts on the West Central Neighborhood area. However, as the TIF serves parts of three neighborhoods, this focus may shift as more funding has been spent/authorized in West Central than the other two neighborhoods combined.

The NPAC discussed the prioritization of TIF funds and their desire for future project implementation, commensurate with their responsibilities under RES 2007-0101, during their May and June meetings in 2024. For reference, their previous recommendations for fund prioritization were discussed, including:

- Continued efforts to ask the Spokane County Commissioners to approve the TIF amendments made in 2020.
- A closer direct relationship with the Neighborhood Councils whose neighborhoods overlap the TIF district.
- Projects consistent with adopted neighborhood plans.
- A focus on sidewalk conditions and pedestrian safety.
- A focus on West Central project implementation.

The NPAC reaffirms their previous advice (above) and recommends the following new priorities for future funding:

1. Continue focusing on West Central project implementation, including implementing the upcoming recommendations and designs of the West Central Infrastructure project (expected Summer 2024).
2. Continue to focus on projects that enhance the pedestrian/bicycle environment and improve safety for residents and visitors to the district.
3. Focus on implementing more permanently affordable housing projects, building on the momentum of recent changes to TIF regulation and the WQTIF Ordinance allowing for funding of affordable housing projects (e.g., the Habitat for Humanity project approved in 2023).
4. Prioritize projects that meet more than one neighborhood goal (i.e. economic development and pedestrian safety) over single-goal projects.
5. Conduct the planning and implementation needed for the Maxwell Employment Center, a key economic driver in the West Central Neighborhood that remains unplanned and largely unimplemented 20 years after it was designated in the Comprehensive Plan.
6. Foster a renewed focus on public improvements in Emerson/Garfield, namely along the North Monroe corridor—an area that has seen limited investment from the TIF but which has the potential to become a safer, more economically beneficial part of the overall district.
7. Design and implement TIF support for small businesses and neighborhood-scale and/or non-profit projects over large “mega” projects.

6. Overall TIF Revenues

While there are many factors that can influence the performance and success of a TIF such as the West Quadrant TIF, its useful to consider and track certain significant factors over time. These include the taxable property values in the district, the levy rates charged against those values, and the actual revenue generated by the TIF.

As discussed in earlier sections of this report, both the Levy rates and the overall taxable property values influence the revenues that feed into the TIF. While Levy rates cannot be directly affected by the TIF, the economic development seen in the TIF district *can* be affected, primarily through the investment of TIF revenues on public improvements.

Taxable Property Values in the TIF

Each year, the County Assessor issues a report outlining the status and growth of all taxing districts in the County, including the two tax districts that comprise the West Quadrant TIF district. The Neighborhood Improvements portion of the TIF is designated as Tax Code Area (TCA) 12. The Kendall Yards subarea is TCA 13. The tax levies charged in those two TCAs are identical, even though the way TIF funds are distributed differs.

In addition to providing the levies charged in each TCA, the County Assessor’s report includes the total taxable property values in those TCAs, allowing for straightforward calculation of the expected revenue each part of the West Quadrant TIF will receive.

The TIF was adopted in 2007, so that year’s values were used as the base value against which growth is measured. However, as one year’s taxes are assessed against the previous year’s values the TIF generated zero revenue in 2008. Since that time, development of Kendall Yards has begun and several significant projects have been undertaken outside Kendall Yards by others, resulting in significant property value increases in many parts of the TIF. The change in taxable property values is shown below in **Table 3**.

Table 3: Taxable Values in the West Quadrant TIF Over Time (2008 to 2023)

TIF Subarea	TCA	Base Year Value (2008)	Current Value (2023)	Increment Value (Change Since 2008)
Neighborhood Area	12	\$198,534,222	\$592,721,435	+ \$394,187,213
Kendall Yards	13	\$8,513,690	\$175,228,296	+ \$166,714,606
TOTAL	-	\$207,047,912	\$767,949,731	+ \$560,901,819

Source: City of Spokane, Department of Planning & Economic Development, 2024.

Overall, the West Quadrant TIF has grown in taxable property value by more than \$560 million, resulting in substantial increases in TIF revenues. Because the Kendall Yards subarea began as a large open space with very limited existing development, and as more than two-thirds of the subarea has since been redeveloped with a mix of uses and numerous residential projects, the TIF district has clearly changed in taxable value significantly since 2008. However, areas outside of Kendall Yards haven’t missed out. In fact, the increment value is far greater outside Kendall Yards than within it, increasing in taxable value by almost \$400 million where Kendall Yards has grown in value by more than \$166 million.

Growth, like so many other factors, is hardly linear. High growth years are often followed by low growth years, though the overall trend is generally upward in the district since 2008. The chart on the following page, **Figure 5**, depicts the taxable property values in the TIF, categorized by subarea, between 2008 and 2023.

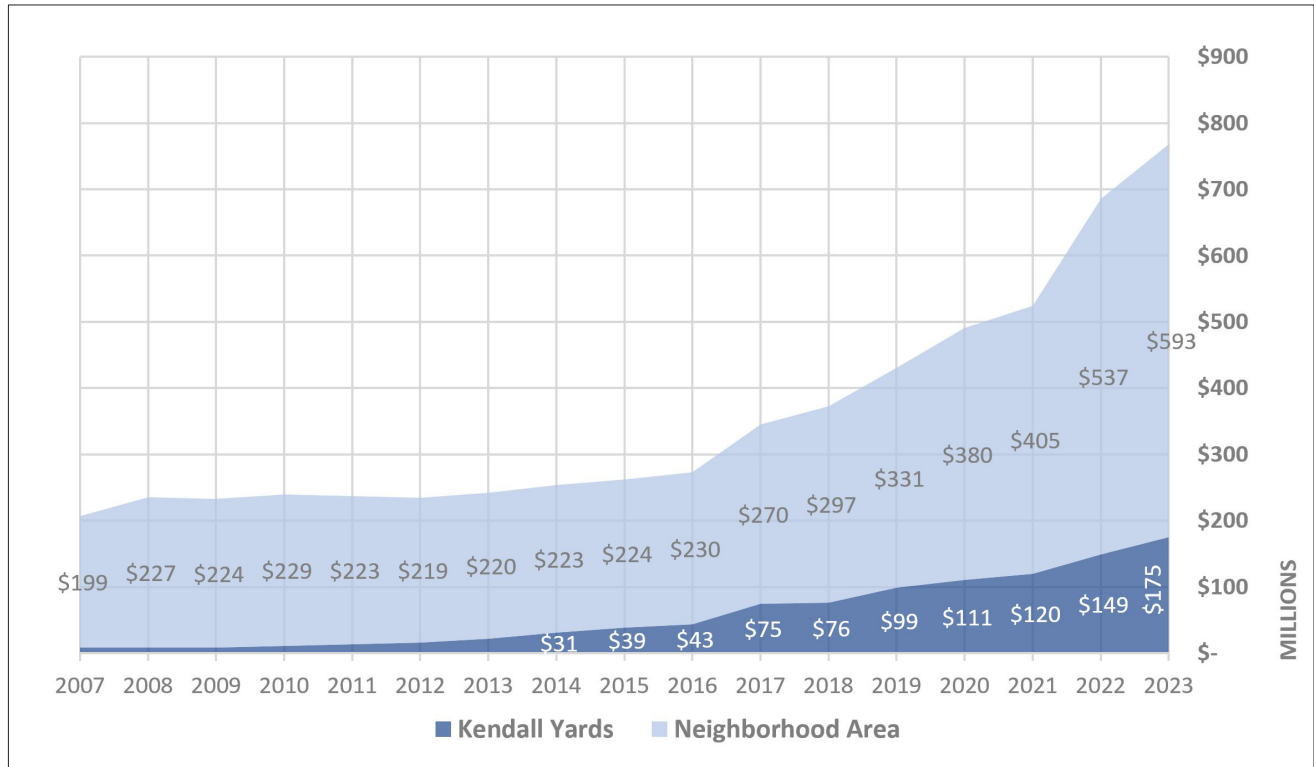
Growth Trends in the Neighborhood Projects Area

Overall, the Neighborhood Projects Area has increased in value by 198 percent since the inception of the TIF, comprising a rise in taxable value of more than \$394 million. That growth has not been steady over time, with generally low annual growth early on and much higher growth since 2017. The overall average annual growth in the area was 7.44 percent, however the average for the first eight years was only 1.61 percent per year where the last eight years the value has grown an average 13.27 percent per year.

Growth Trends in Kendall Yards

Taxable value growth in Kendall Yards is somewhat simpler to track and understand, as the area was almost entirely undeveloped at the beginning of the TIF. That said, construction (like taxable value) does not follow a straight-line

Figure 5: Taxable Property Values Over Time by District (2007 to 2023)



Source: Spokane County Assessor’s Annual Reports, 2018-2024, Spokane County. Data was assembled from the Assessor’s report by City Staff.

Notes: The area of each shape represents the total taxable value in that district. They are stacked such that the height of the curve along the Y axis represents the combined total taxable value for both subareas combined. Labels indicate value of that area only—some labels removed for legibility. The County Courthouse Improvements and Neighborhood Improvements both receive a share from the same subarea, thus the County Courthouse is not listed here.

growth trend. Accordingly, some years showed significant growth in value while others were more modest. The first two years of the Kendall Yards growth were functionally zero, as construction had not started yet.

Overall, the Kendall Yards subarea has averaged 22.01 percent growth per year. This is significantly higher than the average seen in the Neighborhood Improvements area (see previous section). However, as Kendall Yards began with only about \$8 million in taxable value, that higher percentage growth has not resulted in more revenue than in the Neighborhood Projects area (see **Table 3** above).

When the first eight years of the Kendall Yards subarea are compared to the last eight years, average growth has been largely similar—21.84 percent annually in the first eight years and 22.18 percent in the last eight. Development of the Kendall Yards project is not complete, so this growth is expected to continue.

Factors in Taxable Property Value Growth

Many different factors combine to determine the way taxable property values may change over time. These include:

- New private development of structures and improvements.
- Private redevelopment/update of previous structures.
- Tax exempt developments and when they become taxable.
- Reassessment of an area by county assessor.
- Inflation and other macro-scale economic changes.

New Development

Of the factors listed above, the first two (private development and redevelopment) are often the most effective at changing the overall taxable property values in the district. It stands to reason that building new improvements will raise taxable values more than other factors. However, new development is also the factor over which Cities and Counties enjoy the least direct control. Cities and Counties don't build homes, businesses, or places of employment—private developers do⁹. Cities and Counties can seek to improve taxable values by installing public improvements that make an area more attractive for private development, but they cannot impel or require that development to occur.

Tax Exemptions

Tax exemptions are one of the relatively few tools available to local government when trying to increase the likelihood of private development. Perhaps the most significant exemption available in Spokane is the Multi-Family Tax Exemption (MFTE), wherein new developments and renovations of vacant buildings can apply for multi-year exemptions of their property taxes provided they are creating four or more residential units. The longer-term exemptions are available to affordable projects.

However, by exempting the property value for taxation (wholly or in part), the property concerned does not generate revenue for the TIF for however long the exemption lasts. The benefits of new, affordable multi-family housing cannot be understated—especially in the City of Spokane, where the need for such housing is very high—but these projects can delay new construction from entering the tax base affect the bottom line for the TIF. Of course, once these properties are no longer tax exempt, they begin to contribute to the taxable value and the TIF revenue. Some of the largest recent jumps in taxable value in the Neighborhood Improvements area have occurred because one or more large housing projects have come into the tax base as new construction as their MFTE expires.

County Assessor Reassessment

While it would be ideal from a tax revenue standpoint for the County to reassess each property on the rolls every year for new improvements or changes in value, the reality is that there is no way to do that efficiently or with current resources. As a result, the County assesses changes in value by small areas in a six-year rotation schedule. New construction is often evaluated within a year of completion, but older properties may maintain their value for years after a major renovation or expansion if the assessor's staff is unable to get to that part of the City in a timely manner. As a result, there can be a time lag between physical improvement to the area and a resulting increase in taxable values.

Inflation and Economic Conditions

While the relationship between economic downturn and property values is hardly clear cut, a major economic event like the recession of 2008 can have significant effects on the taxable values in an area. In the case of the WQTIF and the 2008 downturn, the national economic situation had the effect of disincentivizing development city-wide, essentially flattening taxable property value growth for five years (or more).

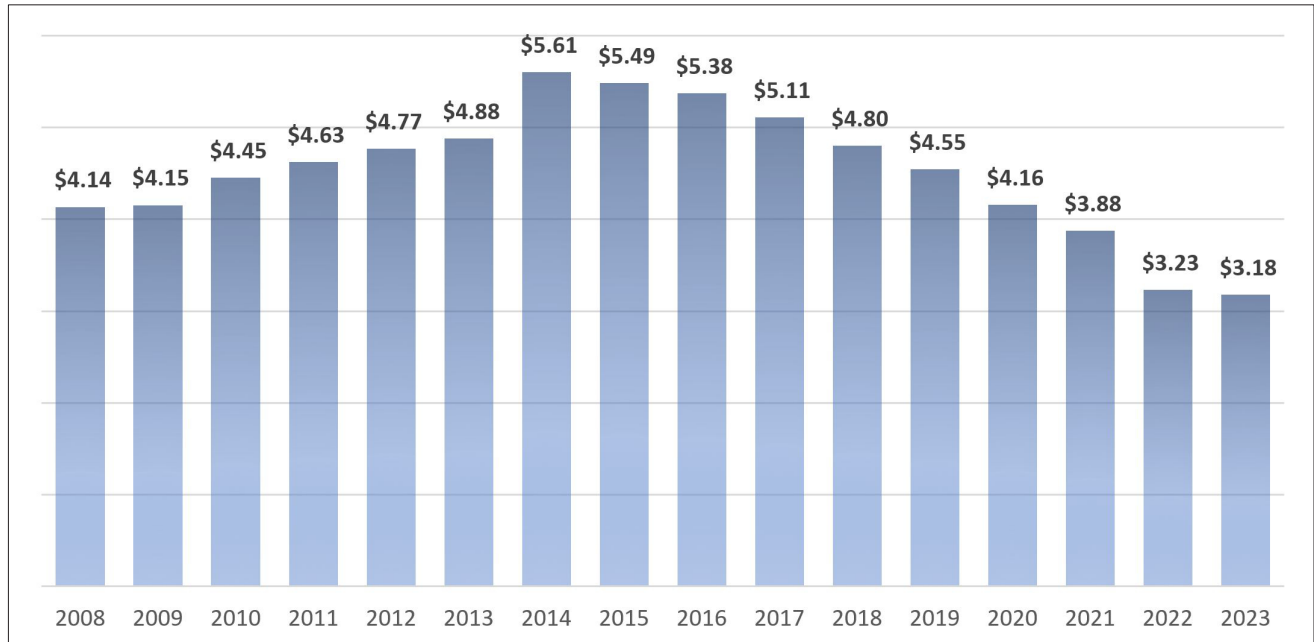
Conversely, when inflation is high the Federal Reserve has been known to raise interest rates to reverse the growth in inflation. It's not always clearly defined, but increased interest rates can cause developers to hold off on major developments, slowing the growth of taxable value in the district. This may be part of why taxable value in the TIF grew slower between 2022 and 2023 than the previous year.

Changing Levy Rates in the TIF

Aside from the taxable property values in the district, the levy rates assessed against those values can change over time. **Table 1** early in this report provides a list of the current levy rate paid by property owners in both Kendall Yards and the Neighborhood Improvements area. However, that levy rate has not stayed constant since the inception of the TIF. Changes to individual rates can be made by the County to comply with legal requirements (such as caps on annual growth imposed by legislation) and new taxes might be adopted that must contribute to the TIF.

⁹When Cities and Counties do build, they usually build public projects that do not generate property tax. Thus, they cannot build their way into a successful TIF.

Figure 6: Year by Year Levy Rate for TIF Revenue (per \$1,000 value) - 2008 to 2024



Source: Spokane County Assessor’s Annual Reports, 2018-2024, Spokane County. Data was assembled from the Assessor’s report by City Staff.

For clarity, it’s easiest to consider only those levies and bonds that provide a portion to the TIF. When added together, one can track the change in levy rates feeding revenue to the TIF over time, as shown in **Figure 6** above.

As with new development of taxable improvements, Cities and Counties have less control over levy rates than other factors. While they can issue new bonds and taxes, not all new taxes will feed revenue to the TIF. Furthermore, changes to the tax structure are much more visible to the public and can require significant time and expenditures to achieve successfully.

In the case of the West Quadrant TIF, however, overall property tax revenue has grown precipitously. It is reasonable to assume, then, that while levy rates have fallen, value growth has been sufficient to overcome those lower rates and is generating significant revenues for the TIF.

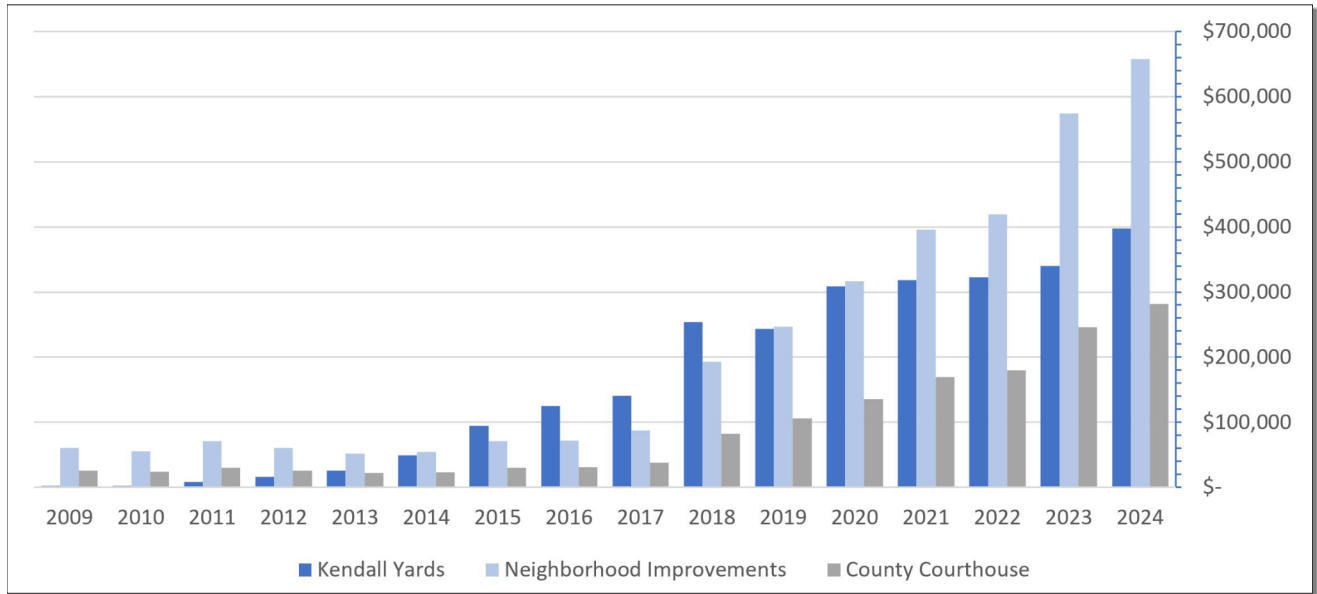
TIF Revenues Over Time

As the taxable value and levy rates have been variable over time, TIF revenue has shown changes year to year as well. Sometimes these changes have been significant, while other times the TIF seems to progress evenly. Overall, however, the TIF is healthy and revenues continue to trend upward. Each year’s revenue is provided in **Figure 7** on the following page. These revenues are divided by the eventual destination of the funds, being the Kendall Yards account, the City’s TIF account for Neighborhood Improvements, and County revenue for the Courthouse Improvements.

Note that the amounts listed in **Figure 7** represent the revenue collected, not the current balance of those accounts. As the County funds are held by the County and as the City has no direct control or oversight of those funds, those seeking more information on the County’s share of TIF revenues are asked to contact the County directly for more information.

The data shown in **Figure 7** indicates that annual revenue has grown in all three areas. Kendall Yards did not generate any revenue in the first two years of the TIF, as no construction had been completed by then. However, since that time it has grown, with the most significant jump between 2017 and 2018. Revenues in the neighborhoods area has grown more steadily, but some large increases have been seen, namely between 2017 and

Figure 7: Historic Annual Revenues by Subarea - 2009 to 2024 v



Source: Spokane County Assessor’s Annual Reports, 2018-2024, Spokane County. Data was assembled from the Assessor’s report by City Staff.

Note: For specific estimates, see **Appendix A** of this report.

2018 and again between 2022 and 2023. These can be explained in part by large projects becoming taxable again after a period of tax exemption.

Table 4 at right shows the latest projected revenues for all three areas in 2024. These projections are based on the County Assessor’s report of 2023 property values and 2024 levy rates. However, as the revenue received for each area is dependent on when and if property owners pay their taxes, actual annual revenues can differ somewhat from these projections.

Table 4: Projected 2024 TIF Revenue by Improvement Area

TIF Subarea	2023 Combined Taxable Property Value	Projected 2024 TIF Revenue
Neighborhood Improvements	\$592,721,435	\$657,341
Courthouse Improvements		\$281,717
Kendall Yards	\$175,228,296	\$397,158
TOTAL	\$767,949,731	\$1,336,216

Source: Spokane County Assessor’s Annual Reports, 2018 - 2024, Spokane County. Data was assembled from the Assessor’s report by City Staff.

Note: Projected revenue is approximate. Actual revenue will vary due to the amount of taxes actually paid by property owners and the date of their final payment.

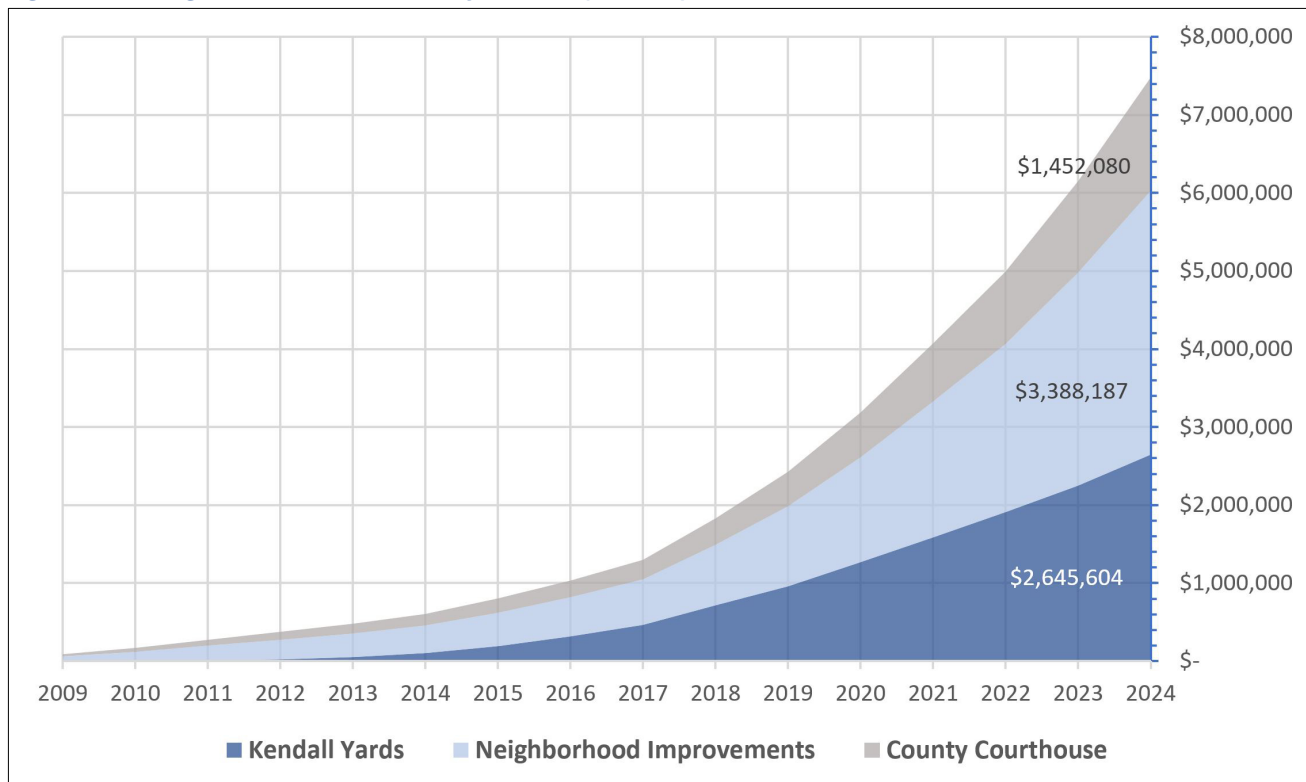
According to the County reporting, the TIF can expect to realize more than \$1.3 million in 2024. This includes almost \$400,000 for improvements in Kendall Yards and more than \$657 thousand for Neighborhood Improvements. The County can expect to realize \$281,000 in 2024 for their projects. However, note that this does not equate to all new funds for project improvements. In the case of the Kendall Yards funds, 100 percent of funds received each year are used to pay back bonds taken out earlier in the TIF’s term. As new projects are completed in Kendall Yards, the cost of those improvements is added to new bonds, resulting in a running zero balance in that account. As for the Courthouse Improvements, the City has no knowledge of the County account or whether funds are made immediately available for those projects.

When it comes to the Neighborhood Improvements, the City of Spokane has chosen a pay-as-you-go system, wherein revenue received in any year is added to a special account and then transferred out whenever project funds are approved by City Council or in the annual budget. That account’s current balance is described later in this report.

Running Total—TIF Revenues

By their nature, TIFs generally achieve much higher revenues at the end of their life than at the beginning. However, that isn't to say that appreciable amounts can be realized by a TIF in a growing area. The WQTIF is one such TIF. Relatively early in the life of the TIF, sufficient revenues were captured that some significant projects have been realized. **Figure 8** below provides a running total of the revenues captured by the three subareas of the WQTIF. Note that **Figure 8** provides only revenues—the expenditures in those areas are not shown. Thus, while the figure indicates more than \$3.3 million in revenue for the Neighborhood Improvements, the account balance does not stand at \$3.3 million because some funds have been spent. See the next section for details on current account balance.

Figure 8: Running Total, Gross Revenues by Subarea (Stacked)



Source: Spokane County Assessor’s Annual Reports, 2018-2024, Spokane County. Data was assembled from the Assessor’s report by City Staff.

Notes: This figure provides revenues only. Labels on the chart indicate the running total of revenue projected for each subarea, provided 2024 meets expectations.

7. Neighborhood Projects Area Financial Details

For the purposes of tracking and managing any Neighborhood Improvements TIF revenues, the City places all tax increment revenues for those improvements into a single account. **Table 5** on the following page provides the current balance of the Neighborhood Improvements account as well as an accounting of the current balance of encumbered funds from approved and recommended projects.

As discussed in Section 5 above, some projects have been recommended by the NPAC and approved by the City Council, but those funds have not yet been transferred out of the TIF account. Accordingly, while the account currently stands at more than \$2 million, almost \$949,000 of that is earmarked for previously approved projects. Additionally, the Native Project is expected to be approved for funding this year. Considering those encumbrances and the annual revenue, and provided no other projects are approved or funded this year, the account will end the year at about \$1.7 million.

Table 5: Neighborhood Improvements Account Details

Description	Amount (Dollars)
Current Fund Balance (Account 3501)	\$2,025,549
Unspent Encumbered Funds ¹	(\$948,930)
Expected New Encumbrances ²	(\$105,000)
Projected 2024 Revenue	\$657,341
Projected TOTAL by Year's End³	\$1,733,855

Source: City of Spokane, Department of Planning & Economic Development

Note: ¹The amount of approved funding that has not yet been spent or transferred to project budgets.

²Current estimates of projects that have been recommended by NPAC but not yet approved by City Council.

³Provided no more projects are approved during 2024 and that all encumbered funds are spent. New project approvals would reduce this amount while unspent encumbered funds would raise it.

8. Kendall Yards Subarea Financial Details

Unlike the Neighborhood Improvements portion of the TIF, the revenues generated by the Kendall Yards subarea are used to pay off bonds taken by the City to pay for improvements in the subarea in advance. This is allowed with Community Revitalization Funds subject to certain requirements. In this case, the City has used 100 percent of TIF revenues to pay bonds taken to reimburse the developer for the construction of public improvements in the subarea.

The Kendall Yards subarea provides three options for reimbursement of public improvement costs. These options are outlined in the Amended and Restated Reimbursement Agreement adopted in August 2011. Briefly, those options are:

- 1. The Developer constructs improvements pursuant to a City payment obligation.** The developer constructs the improvements with an explicit agreement that the City will pledge TIF revenues to reimburse the developer for eligible costs. This option includes the requirement for public bidding.
- 2. City Acquisition of improvements.** In this option, the developer privately finances and completes the improvements as a private construction project and subsequently offers the completed improvements for sale. The City has the discretion as to whether to purchase any or all of the improvements offered. TIF revenues would be pledged to payment of the purchase price. This option includes the requirement for contractors to pay prevailing wage but does not require a public bid process.
- 3. City constructs improvements.** With this option, the City would design, bid, and construct the improvements, issuing bonds to finance the cost. TIF revenues would be pledged to the repayment of the bonds.

The Kendall Yards developer is expected to complete improvements associated with the Kendall Yards 7th Addition final plat later this month and offer the qualifying improvements to the City, pursuant to option “2” above, “City Acquisition of Improvement.”

A total of six prior “additions” were accepted by the City in the past. As a result, and according to the current method of paying for those additions used by the City (i.e. bonds) the standing balance of the Kendall Yards subarea account is functionally zero. In other words, as revenue is received from the Kendall Yards Subarea portion of the TIF, all those funds go to pay for the previously approved improvements. When repayment is requested for new improvements, such as the upcoming request for the “7th Addition,” the City will likely take out new/increased bonds to pay for those improvements and use future TIF revenues to pay off the debt. The table at right provides the current balance of the Kendall Yards account, which is very nearly zero, as well as the expected revenue for 2024 (see **Table 6** on the following page). All 2024 revenue is expected to be used to pay off the debt on previous (and any new) additions.

Table 6: Kendall Yards Subarea Account Details

Description	Amount (Dollars)
Current Fund Balance (Account 3500) ¹	\$3,906
Projected 2024 Revenue	\$397,158
Projected TOTAL by Year's End²	\$0

Source: City of Spokane, Department of Planning & Economic Development

Note: ¹Balance as of March 29, 2024

²Any accumulated balance is used each month to pay off debt on bonds for the subarea. Thus, the balance is typically zero month to month.

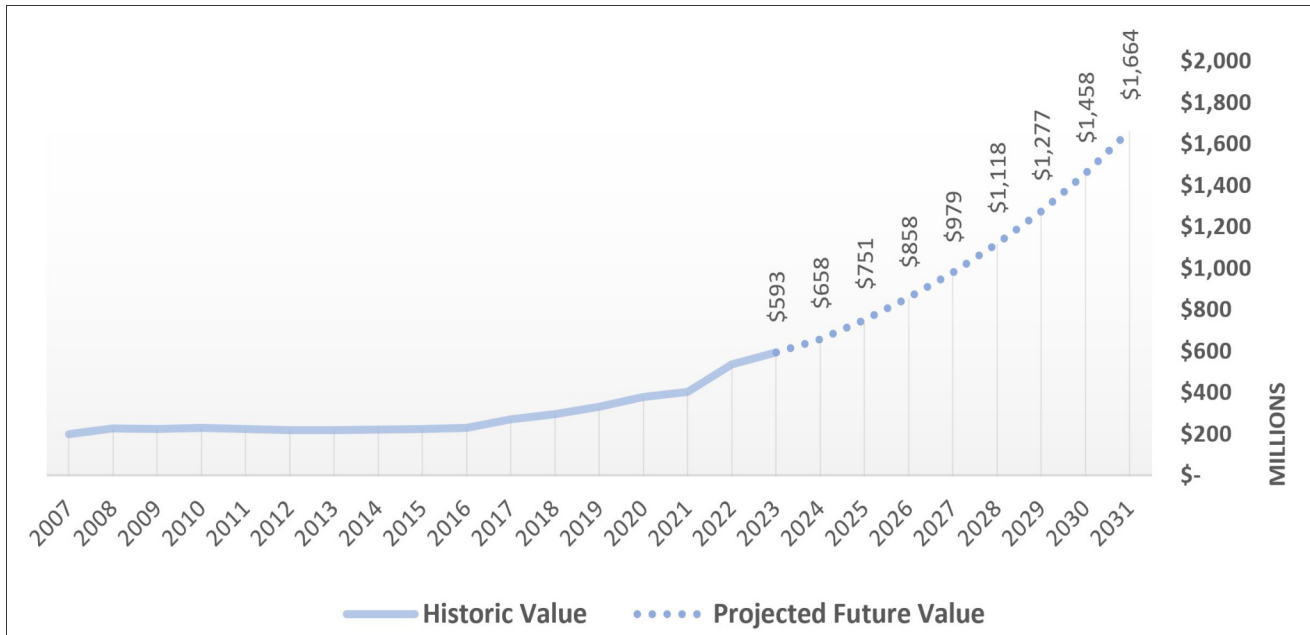
9. Future Revenue and Value Projections

This final section of the report attempts to provide some gross projections for future taxable value and revenues for the West Quadrant TIF. While it can be useful to consider the future when planning for possible future projects and investments, the nature of the TIF and the highly variable nature of property values and tax rates makes forecasting the future especially difficult. While specific numbers are provided below, the conclusions and predictions made here should be considered with a grain of salt. If the 2008 economic downturn and the COVID epidemic taught us anything, it is that the future is notoriously difficult to predict. Accordingly, the following numbers are provided for discussion purposes only and should not be relied upon for the securing of bonds or other financial instruments.

Neighborhood Improvements Area Projections (City)

As depicted in **Figure 4** earlier in this report, taxable property values in the Neighborhood Improvements Area have seen significant growth since 2016. That growth has likewise resulted in greater TIF revenues for the Neighborhood Improvements Area. The area began the TIF at \$198.5 million in taxable value but has since grown to nearly \$600 million in 2023. The taxable value is expected to grow into the future as well, as depicted in **Figure 9** below. Because growth in the area was functionally flat between 2007 and 2016, the projection shown in **Figure 9** is based solely on growth seen since 2016.

Figure 9: Taxable Property Values Over Time and Projection - Neighborhood Improvements Area



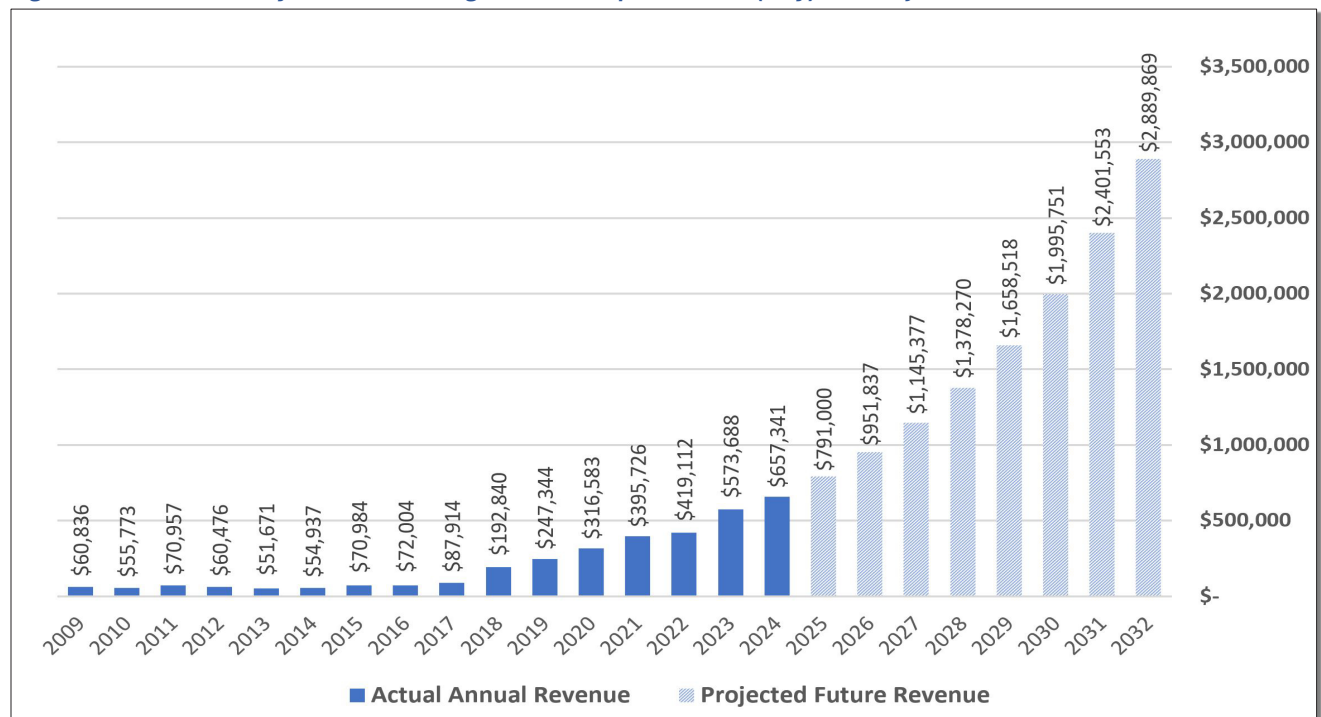
Source: Spokane County Assessor's Annual Reports, 2018 - 2024, Spokane County. Data was assembled from the Assessor's report by City Staff.

Notes: The future projection depicted above assumes a 14.2 percent per annum growth curve, generated by conducting an exponential trend analysis of total taxable property values reported for TIA 12 from 2016 to 2023.

Throughout the entire life of the TIF, the Neighborhoods area has grown in value an average of 7.2 percent per year. However, growth since 2016 has been much more robust. To accommodate this higher recent growth, and an expectation that growth will continue at that approximate rate into the future, the projection shown in **Figure 9** expects an average annual growth rate of 14.2 percent. True growth will differ from that year to year, especially as there remain a few highly valuable structures on tax exempt status for a time (e.g. the Wonder Building remodel). When those large projects lose their tax exempt status they can create a large jump in taxable value that skews the resulting projections. Similarly, actions by the County Assessor such as value corrections following a reevaluation of the district can skew the growth in a negative direction. As such, the projection in **Figure 9** should be considered a median growth curve—actual growth may be greater or less than this.

Just as taxable value is expected to rise over time, so too is the TIF Revenue generated by the Neighborhoods area and new investment. Figure 9 below provides the same kind of forecast as in Figure 8, however this time the projection considers the actual revenue received by the City for the Neighborhood Improvements over the life of the entire TIF. Because the increment was much smaller at the beginning of the TIF (as it always is) the semi-flat growth in taxable value from that era has much less effect on the trend created by historic data. Accordingly, the projection in **Figure 10** below utilizes the entire history of the TIF to generate the trend.

Figure 10: TIF Revenue by Year for the Neighborhood Improvements (City) and Projection



Source: Spokane County Assessor’s Annual Reports, 2018 - 2024, Spokane County. Data was assembled from the Assessor’s report by City Staff.

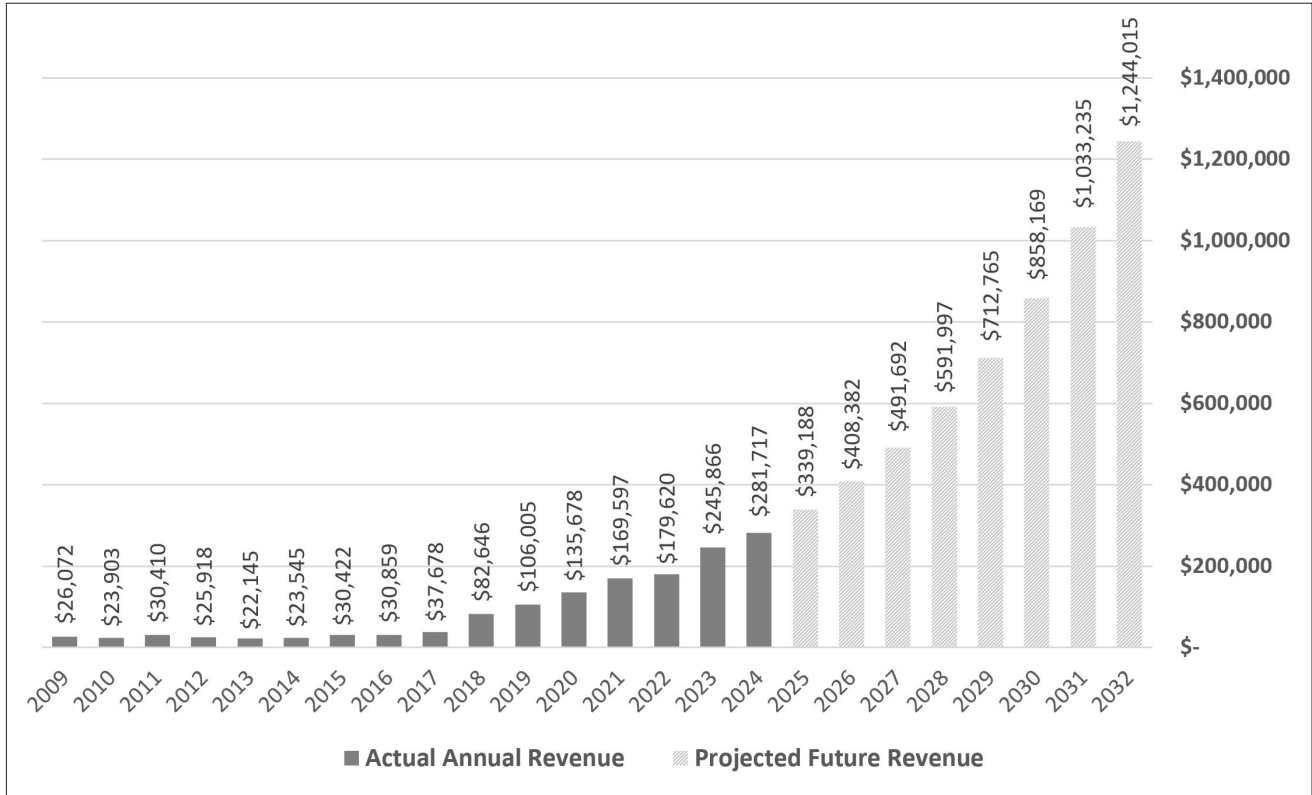
Notes: The future projection depicted above assumes a 20 percent per annum growth curve, generated by conducting an exponential trend analysis of total taxable property values reported for TIA 12 from 2016 to 2023.

By simply assuming future growth will conform to the average annual growth rate seen in revenues since 2007, **Figure 10** estimates that the City will receive ever-increasing annual revenues for Neighborhood Improvements through 2032. Of course, this curve can increase in slope if significant projects are completed within the district and those projects are not tax exempt. A large residential and office project has been expected on the former YWCA site on the north bank of the river. While that project proposal has been significantly scaled back of late, any significant development of that site has the potential to increase taxable property values in that location and thus provide significant additional revenue to the TIF.

County Courthouse Improvements Projections (County)

Forecasting future County Courthouse revenues is similar to those for the Neighborhood Improvements. Both funds receive revenues from the same property tax area, the Neighborhoods Area. Thus, to see the change in taxable value for the County improvements, one need only refer to Figure 9 above. As for the historic and possible future revenues for County improvements, **Figure 11** below provides more detail.

Figure 11: TIF Revenue by Year for the Courthouse Improvements (County)



Source: Spokane County Assessor’s Annual Reports, 2018 - 2024, Spokane County. Data was assembled from the Assessor’s report by City Staff.

Notes: The future projection depicted above assumes a 20 percent per annum growth curve, generated by conducting an exponential trend analysis of total taxable property values reported for TIA 12 from 2016 to 2023.

Just as with the Neighborhood Improvements, TIF revenues for the Courthouse Improvements are expected to continue to grow at a healthy rate each year. While \$281,717 is expected this year, by the original termination date of the TIF (2032) the County is expected to receive more than \$1.2 million. The same caveats discussed above for the Neighborhood Projects apply here, as both accounts are fed by the same taxable district.

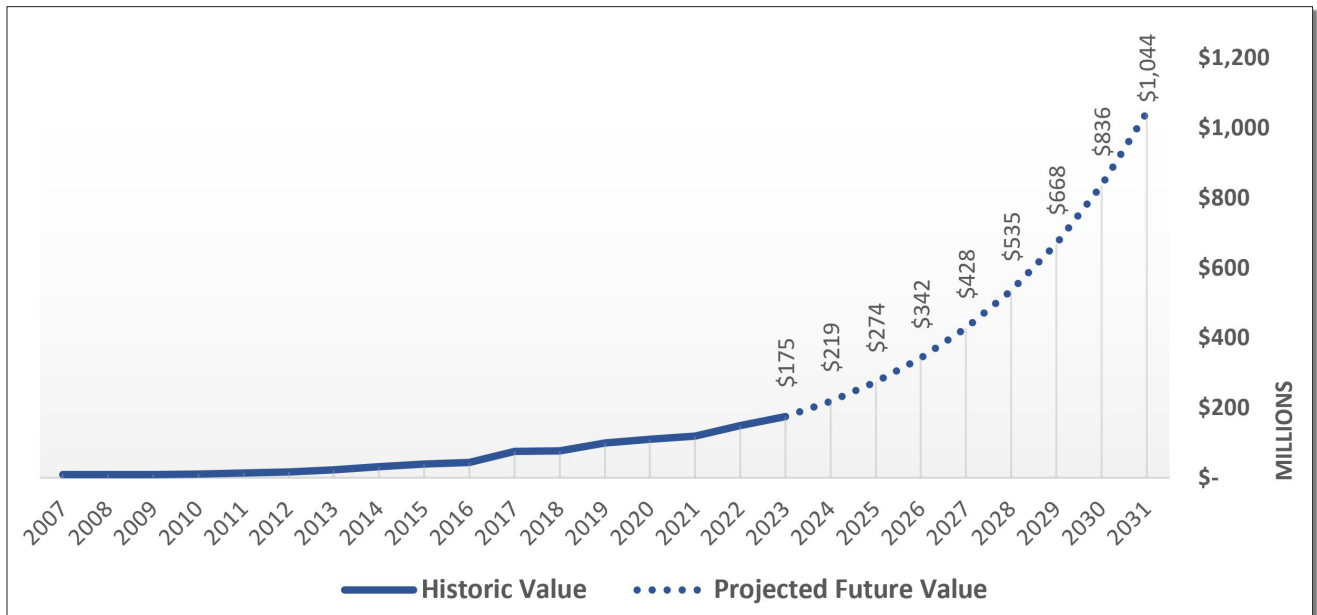
By the end of 2024 the County is expected to have received more than \$1.4 million in TIF revenues to date. However, the City is not privy to whether those funds have been used by the County and for which projects. Readers are encouraged to contact the County directly for those details.

Kendall Yards Subarea Projections

Forecasting future performance in the Kendall Yards subarea is especially difficult, as the primary driver for new taxable value is the developer who is currently building out all improvements (both taxable and non-taxable) in the subarea. In other words, the speed of construction and the phasing of future construction projects by the developer of Kendall Yards has, by far, the largest effect on future revenues in the subarea. Likewise, construction is not linear—there will always be years of more construction followed by one or more years where little occurs. Because of this, along with the relatively small area of the Kendall Yards subarea, it is impossible to use simple forecasting methods like those discussed for the Neighborhood Improvements area above to estimate the future

revenue in Kendall Yards with any certainty. However, given the larger numbers, it is possible to forecast future taxable value based on past performance. Accordingly **Figure 12** below provides the historic rise in total taxable values in Kendall Yards as well as an approximate forecast based on that performance. Because no new taxable value was created in Kendall Yards until 1010, the following forecast is based upon an exponential trend from 2009 to 2023—the first two years are discounted when creating the trend shown below.

Figure 12: Taxable Property Values Over Time - Kendall Yards Subarea



Source: Spokane County Assessor’s Annual Reports, 2018 - 2024, Spokane County. Data was assembled from the Assessor’s report by City Staff.

Notes: The future projection depicted above assumes a 25 percent per annum growth curve, generated by conducting an exponential trend analysis of total taxable property values reported for TIA 12 from 2009 to 2023.

While individual years will most certainly be above or below the projected value over time, this is the best available projection of future taxable property values in the Kendall Yards subarea using data available to the City. The developer, Greenstone Homes, may be able to provide more detail as to the expected growth in construction values over time, but such information would be proprietary, thus the City has not and will not likely ask for that information.

Using the curve shown in **Figure 12**, the expected overall taxable property values in Kendall Yards may exceed \$1.044 billion by the year 2032. If the 2024 levy rates are applied to this amount, those that provide revenue to the TIF (currently \$3.18 per \$1,000 in value), the revenue that year might exceed \$3.3 million. However, levy rates have fallen over the last few years and there is no sure way to know what they might do in the future. Accordingly, this is a gross estimate and should not be relied upon for planning purposes.

10. Conclusions and a Note for the Future

In conclusion, the West Quadrant TIF has grown into a significant tool for economic development in the district, generating more than \$1.3 million this year alone (all areas). The City of Spokane has funded many projects with TIF funds and more are expected in the near future. Kendall Yards continues to move towards completion, adding to the revenue available in that subarea for the construction of public improvements. Property values in the rest of

the district have likewise grown over time, growing more outside Kendall Yards than within. Lastly, financial trends appear to indicate that the TIF will continue to collect increasing revenues in the future.

This isn't to say that there isn't some uncertainty for the future—especially regarding changes made to the TIF in 2020 that have yet to be addressed by Spokane County. In 2020 the City Council adopted ordinance ORD C35879, amending the TIF. In addition to expanding the list of possible Neighborhood Improvements to any project meeting the definition of “public improvements,” the City ordinance made other updates to the TIF, including:

- Extending the expiration year from 2032 until 2045;
- Requiring all revenues generated by the Kendall Yards subarea after 2032 to be used for Neighborhood Improvements; and
- Requiring that half (50%) of all expenditures after 2032 be used for permanently affordable housing.

Under this revised ordinance, not only would the TIF be extended an additional 13 years, but the revenues generated in the Kendall Yards subarea would substantially increase the amount of funds available for Neighborhood Improvements after 2032.

While the City has adopted these changes, it is important to note that the Board of County Commissioners (BOCC) has not acted on these amendments as of the date of this report. Until such time as the BOCC acts, the future of TIF revenues after 2032 is unclear. Because of this discrepancy, and until such time as more information is known about the situation, annual reporting continues to focus on the original timeline for the TIF, 2007 to 2032.



West Quadrant TIF Website:
<https://my.spokanecity.org/projects/west-quadrant-tax-increment-finance-district/>

Neighborhood Project Advisory Committee Website:
<https://my.spokanecity.org/bcc/committees/west-quadrant-tax-increment-financing-neighborhood-project-advisory-committee/>



Report Preparation

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ASSESSOR REVENUE PROJECTIONS BY YEAR

Actual revenue may vary based on actual tax collected and other factors.

NEIGHBORHOOD AREAS CALCULATIONS	<-----ACTUAL PROJECTED----->					
	2009	2020	2021	2022	2023	2024
Base Year TAV (2008)	\$198,534,222					
Base TAV + Increase	\$226,554,112	\$331,109,011	\$379,853,023	\$404,504,774	\$536,761,501	\$592,721,435
Real Value Increase (Increment over base)	\$28,019,890	\$132,574,789	\$181,318,801	\$205,970,552	\$338,227,279	\$394,187,213
TCA 12 Levy Rate (per \$1,000 value)	0.00413554640	0.00454849319	0.00415711766	0.00387584031	0.00323078427	0.00317635281
West Quadrant Increment Revenue*	\$86,908	\$452,262	\$565,323	\$598,732	\$819,555	\$939,058
Neighborhood Increment Revenue†	\$60,836	\$316,583	\$395,726	\$419,112	\$573,688	\$657,341
Running Total Neighborhood Inc. Revenue	\$60,836	\$1,342,320	\$1,738,046	\$2,157,158	\$2,730,847	\$3,388,187
County Increment Revenue‡	\$26,072	\$135,678	\$169,597	\$179,620	\$245,866	\$281,717
Running Total County Increment Revenue	\$26,072	\$575,280	\$744,877	\$924,496	\$1,170,363	\$1,452,080
Assessed Value Growth Rate by % (year to year)	14.11%	11.60%	14.72%	6.49%	32.70%	10.43%
Running Average % AV Growth Rate	14.11%	4.55%	5.34%	5.42%	7.24%	7.44%
Increment Revenue Growth Rate (year to year)		27.99%	25.00%	5.91%	36.88%	14.58%

* 75% of Levy Rate x Real Value Increase - TIF generates revenue based on 75% of the additional real taxable value in the TIF boundary.

† 70% of West Quadrant Increment Revenue - Neighborhood project funds represent 70% of the overall revenue generated by the TIF.

‡ 30% of West Quadrant Increment Revenue - The remaining 30 percent of revenue generated by the TIF is issued to the County.

KENDALL YARDS SUBAREA CALCULATIONS	2009	2020	2021	2022	2023	2024
KY Base Year TAV (2008)	\$8,513,690					
KY Base TAV + Increase	\$8,518,690	\$99,059,842	\$110,566,538	\$119,510,827	\$148,888,294	\$175,228,296
KY Real Value Increase (Increment over Base)	\$5,000	\$90,546,152	\$102,052,848	\$110,997,137	\$140,374,604	\$166,714,606
TCA 13 Levy Rate (per \$1,000 value)	0.00413554640	0.00454849319	0.00415711766	0.00387584031	0.00323078427	0.00317635281
KY Increment Revenue*	\$16	\$308,886	\$318,184	\$322,655	\$340,140	\$397,158
KY Running Total Increment Revenue	\$16	\$1,267,466	\$1,585,651	\$1,908,306	\$2,248,446	\$2,645,604
KY Assessed Value Growth Rate by % (year to year)	0.06%	29.95%	11.62%	8.09%	24.58%	17.69%
KY Running Average % AV Growth Rate						
KY Increment Revenue Growth Rate (year to year)		26.70%	3.01%	1.41%	5.42%	16.76%

* 75% of Levy Rate x Real Value Increase = Increment share for Kendall Yards Subarea

TAX LEVY RATES BY YEAR (per \$1,000 value)

Type	2020	2021	2022	2023	2024
County	1.16528768	1.07514687	0.99655548	0.72254863	0.70268652
Conservation Futures	0.03913874	0.03592595	0.03329393	0.02637509	0.02564963
City Spokane	2.92147884	2.66057043	2.48554325	1.98186055	1.95337279
City Spokane EMS	0.42258793	0.38547441	0.36044765	0.50000000	0.49464387
Levy Applied to TIF	4.54849319	4.15711766	3.87584031	3.23078427	3.17635281

ACTUAL REVENUE AND EXPENDITURES - NP Area	2009	2020	2021	2022	2023	2024
Total Revenue	(80,192.26)	(311,064.63)	(391,396.28)	(412,693.32)	(558,972.75)	
Total Expenditures	-	0.52	6.59	13.25	1,077.65	
Income/Expenditure Balance Year to Year	(80,192.26)	(311,064.11)	(391,389.69)	(412,680.07)	(557,895.10)	
Fund Balance by End of Year	(80,192.26)	(674,686.60)	(1,066,076.29)	(1,478,756.36)	(2,036,651.46)	

ACTUAL REVENUE AND EXPENDITURES - Kendall Yards	2009	2020	2021	2022	2023	2024
Total Revenue	-	(313,091.73)	(317,507.19)	(337,059.26)	(336,866.15)	
Total Expenditures	-	298,883.82	329,526.61	340,027.37	333,102.59	
Income/Expenditure Balance Year to Year	-	(14,207.91)	12,019.42	2,968.11	(3,763.56)	
Fund Balance by End of Year	-	(14,987.53)	(2,968.11)	0.00	(3,763.56)	



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