



LYNNWOOD FINANCE COMMITTEE - regular Finance Committee meeting
City Hall, conference room 4
WEDNESDAY, JANUARY 15, 2025 3:30 PM

1. CALL TO ORDER
2. ROLL CALL
3. FINANCIAL REPORTS
 - 3.A [Sales Tax Report](#) - 20 minutes
Michelle Meyer, Finance Director
4. DISCUSSION ITEM
 - 4.A [City Center Tax Increment Financing Area - Progress report](#) - 20 minutes
Ben Wolters, Economic Development Manager, Bob Stowe, Consultant
 - 4.B [2025 Finance Committee Meeting Calendar](#) - 15 minutes
Michelle Meyer, Finance Director
 - 4.C [2025 Chairperson](#) - 10 minutes
Michelle Meyer, Finance Director
 - 4.D [2025 Finance Committee Topics of Interest](#) - 20 minutes
Michelle Meyer, Finance Director
5. ADJOURN

FINANCE COMMITTEE 3.A

CITY OF LYNNWOOD FINANCE COMMITTEE

TITLE: Sales Tax Report

DEPARTMENT CONTACT: Michelle Meyer, Finance

SUMMARY:

Review of Sales Tax Revenues through December 2024

PRESENTER:

Michelle Meyer, Finance Director

ESTIMATED TIME:

20

BACKGROUND:

The City receives Sales Tax revenue distributions on a monthly basis for sales that occurred two months prior. Detailed reports through October 2024 sales (revenues received through December 2024) will be reviewed.

SUGGESTED ACTION:

Review of Sales Tax detail for 2024

PREVIOUS COUNCIL ACTIONS:

The Finance Committee reviews monthly sales tax detail at each meeting.

DEPARTMENT ATTACHMENTS

Description:

[Lynnwood Sales Tax Analysis Through Dec 2024.pdf](#)



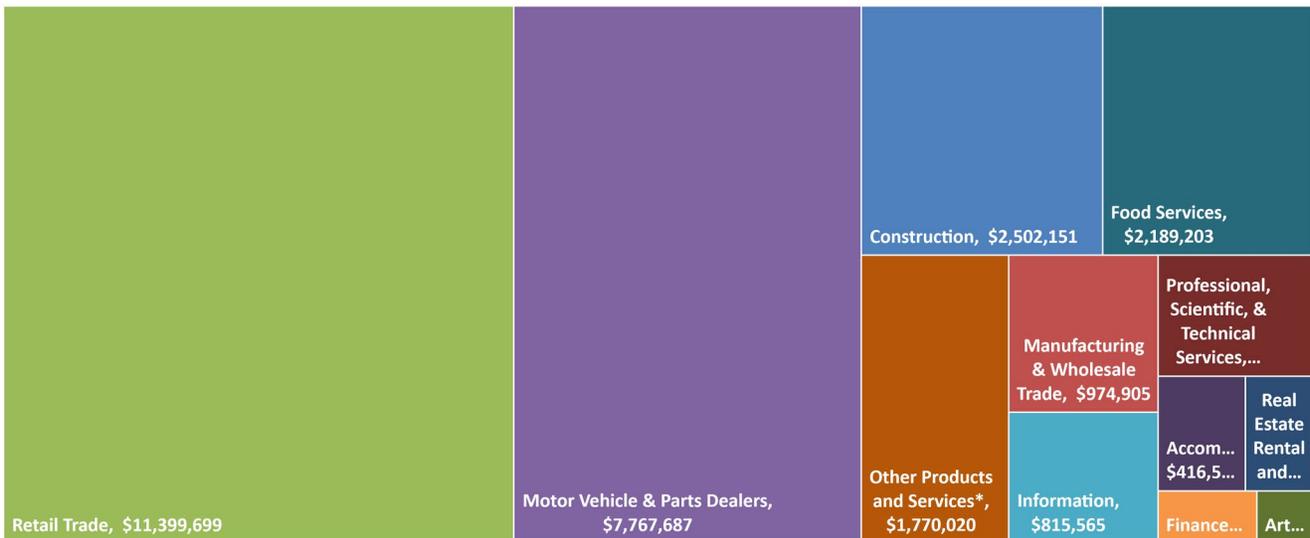
Sales Tax Analysis - Annual Summary
December 2024

Tax Categories	Jan - Dec 2021	Jan - Dec 2022	Jan - Dec 2023	Jan - Dec 2024
Construction	\$ 2,978,002	\$ 3,554,278	\$ 3,181,290	\$ 2,502,151
Manufacturing & Wholesale Trade	\$ 1,035,747	\$ 880,216	\$ 863,108	\$ 974,905
Retail Trade	\$ 10,961,967	\$ 11,397,502	\$ 11,781,875	\$ 11,399,699
Motor Vehicle & Parts Dealers	\$ 6,564,098	\$ 7,079,290	\$ 8,176,271	\$ 7,767,687
Information	\$ 647,707	\$ 644,075	\$ 751,353	\$ 815,565
Finance & Insurance	\$ 382,758	\$ 329,117	\$ 219,226	\$ 215,789
Real Estate Rental and Leasing	\$ 282,352	\$ 316,245	\$ 295,999	\$ 327,286
Professional, Scientific, & Technical Services	\$ 780,912	\$ 570,533	\$ 677,918	\$ 785,943
Arts, Entertainment, & Recreation	\$ 104,803	\$ 121,740	\$ 144,658	\$ 125,194
Accommodation	\$ 240,149	\$ 395,302	\$ 389,291	\$ 416,556
Food Services	\$ 1,615,836	\$ 1,868,419	\$ 2,154,728	\$ 2,189,203
Other Products and Services*	\$ 1,508,147	\$ 1,820,521	\$ 1,787,157	\$ 1,770,020
Total Sales Tax Collected**	\$ 27,102,478	\$ 28,977,238	\$ 30,422,874	\$ 29,289,998
Budgeted Sales Tax Collections	\$ 24,453,852	\$ 24,744,533	\$ 30,180,485	\$ 30,320,115
Realized Revenue as Compared to Budget	111%	117%	101%	97%

*Categories with small amounts of sales tax revenues have been combined

**Totals do not reflect deduction of admin fees paid to the State

YEAR TO DATE SALES TAX COLLECTION BY CATEGORY



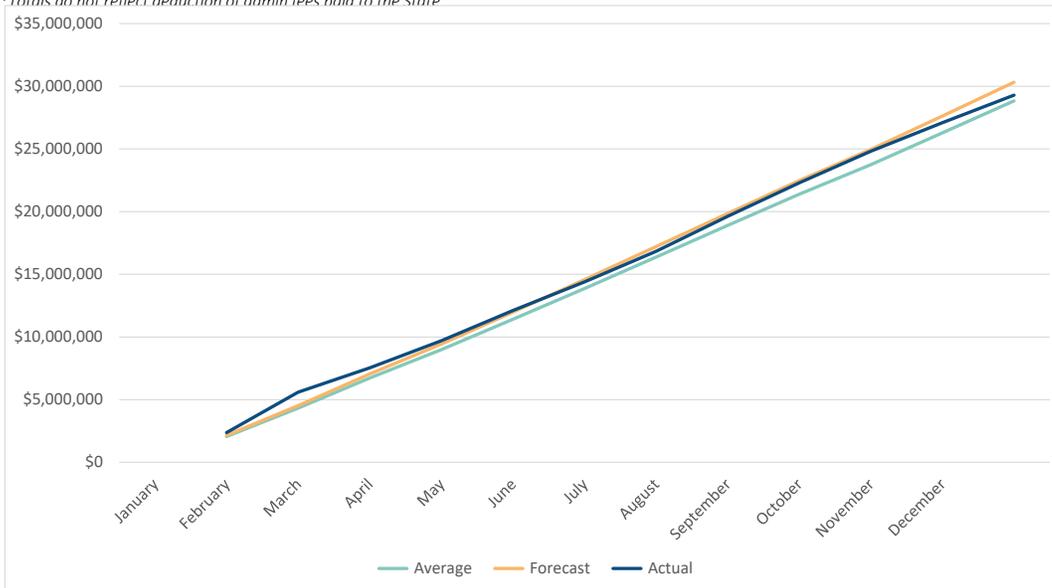


Sales Tax Analysis - Annual Summary
December 2024

	2021			2022			2023			3-Year Average Collection 2021 - 2023		Forecast 2024	Actual 2024	% Change 2023 - 2024
	Rate	Amount		Rate	Amount		Rate	Amount		Rate	Amount			
January		\$ 1,673,177	\$	1,901,554	\$	2,599,134	7.09%	\$	2,057,955	\$	2,150,617	\$	2,371,961	-9.58%
February		1,733,822		2,074,601		2,998,393	7.80%		2,268,939		2,366,224		3,222,618	6.96%
March		2,355,720		2,568,509		2,266,392	8.34%		2,396,874		2,527,223		1,942,924	-16.65%
April		2,267,311		2,271,016		2,250,419	7.87%		2,262,915		2,385,189		2,159,099	-4.23%
May		2,286,659		2,404,505		2,601,481	8.43%		2,430,882		2,555,588		2,412,731	-7.82%
June		2,456,345		2,631,081		2,257,083	8.52%		2,448,170		2,583,479		2,281,086	1.05%
July		2,405,512		2,485,667		2,638,901	8.71%		2,510,027		2,640,648		2,443,305	-8.01%
August		2,370,461		2,380,789		2,806,745	8.73%		2,519,332		2,646,757		2,798,530	-0.29%
September		2,348,178		2,485,667		2,636,686	8.64%		2,490,177		2,618,532		2,662,302	0.96%
October		2,191,649		2,380,789		2,500,321	8.17%		2,357,586		2,478,280		2,529,351	1.15%
November		2,296,275		2,734,291		2,583,228	8.80%		2,537,931		2,668,133		2,267,162	-13.94%
December		2,717,370		2,658,769		2,284,092	8.90%		2,553,410		2,699,445		2,198,929	-3.87%
Total Sales Tax Collected**		\$ 27,102,479	\$	28,977,238	\$	30,422,875					\$ 30,320,115	\$	29,289,998	
Percentage Increase(Decrease)				6.47%		4.75%								-3.72%

**Totals do not reflect deduction of admin fees paid to the State

YTD change

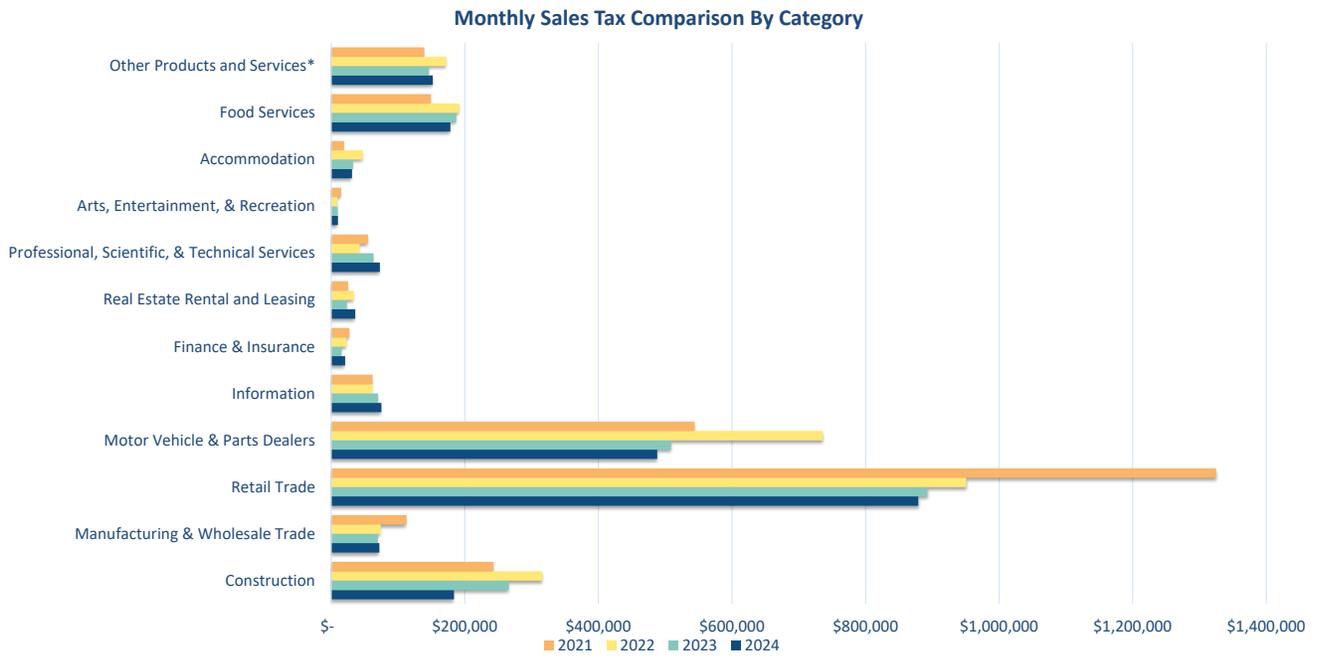




Sales Tax Analysis - Monthly Comparison
December 2024

Tax Categories	December 2021	December 2022	December 2023	December 2024	Change in Collections from Prior Year	
	\$	\$	\$	\$	\$	%
Construction	\$ 243,173	\$ 316,284	\$ 265,958	\$ 183,709	\$ (82,249)	(30.93%)
Manufacturing & Wholesale Trade	112,994	73,950	69,673	72,109	2,436	3.50%
Retail Trade	1,324,705	950,682	892,271	878,961	(13,310)	(1.49%)
Motor Vehicle & Parts Dealers	544,293	736,033	508,609	488,084	(20,525)	(4.04%)
Information	61,902	61,801	70,273	75,076	4,803	6.83%
Finance & Insurance	27,338	23,102	15,264	20,857	5,593	36.64%
Real Estate Rental and Leasing	25,237	33,810	23,292	35,842	12,550	53.88%
Professional, Scientific, & Technical Services	55,162	42,288	63,203	72,855	9,652	15.27%
Arts, Entertainment, & Recreation	14,741	9,141	9,693	10,037	344	3.55%
Accommodation	19,330	47,662	32,526	31,064	(1,462)	(4.49%)
Food Services	149,350	191,657	187,057	178,253	(8,804)	(4.71%)
Other Products and Services*	139,144	172,358	146,272	152,082	5,810	3.97%
Total Sales Tax Collected**	\$ 2,717,369	\$ 2,658,768	\$ 2,284,091	\$ 2,198,929	\$ (85,162)	-3.73%

*Categories with small amounts of sales tax revenues have been combined. **Totals do not reflect deduction of admin fees paid to the State





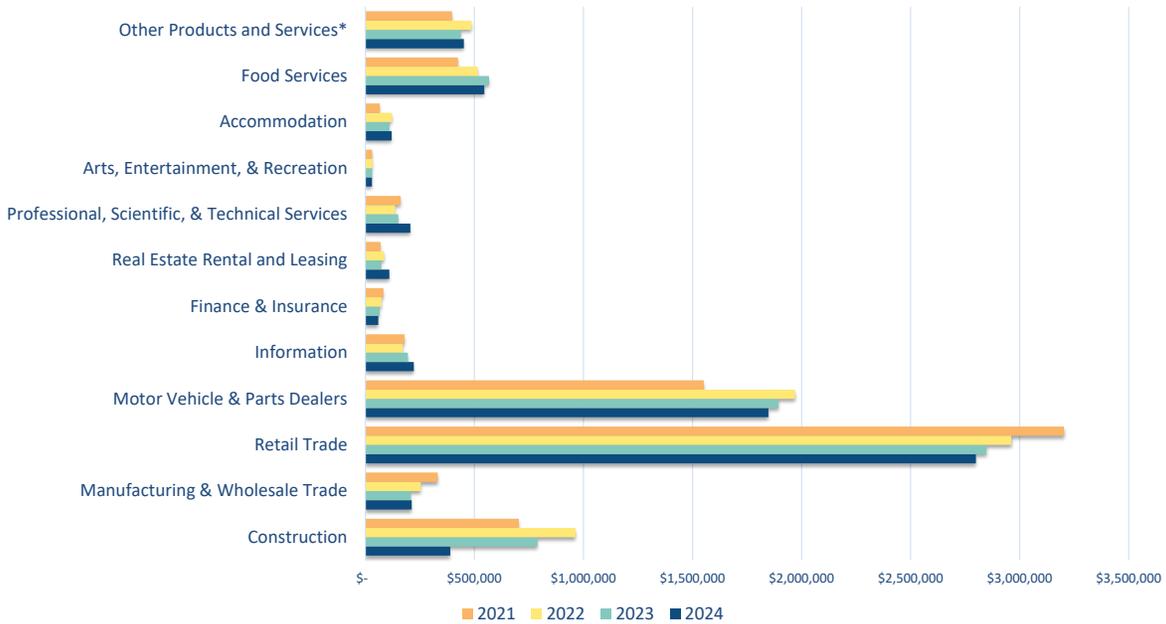
Sales Tax Analysis - Quarterly Comparison
2024 Quarter 4

Tax Categories	Quarter 4	Quarter 4	Quarter 4	Quarter 4	Change in Collections	
	2021	2022	2023	2024	\$	%
Construction	\$ 703,506	\$ 962,868	\$ 788,927	\$ 389,506	\$ (399,421)	(50.63%)
Manufacturing & Wholesale Trade	332,687	254,746	208,385	212,396	4,011	1.92%
Retail Trade	3,202,851	2,960,879	2,846,400	2,799,397	(47,003)	(1.65%)
Motor Vehicle & Parts Dealers	1,551,586	1,970,086	1,893,385	1,847,643	(45,742)	(2.42%)
Information	180,346	170,986	194,565	222,145	27,580	14.18%
Finance & Insurance	83,074	74,141	65,732	58,975	(6,757)	(10.28%)
Real Estate Rental and Leasing	70,005	85,955	72,211	110,303	38,092	52.75%
Professional, Scientific, & Technical	161,722	136,359	150,855	206,556	55,701	36.92%
Arts, Entertainment, & Recreation	31,353	32,995	31,521	30,014	(1,507)	(4.78%)
Accommodation	66,276	122,093	110,335	120,868	10,533	9.55%
Food Services	424,156	515,974	567,606	545,752	(21,854)	(3.85%)
Other Products and Services*	397,733	486,768	437,720	451,889	14,169	3.24%
Total Sales Tax Collected**	\$ 7,205,295	\$ 7,773,850	\$ 7,367,642	\$ 6,995,444	\$ (372,198)	(5.05%)

*Categories with less significant amounts of sales tax revenues have been combined

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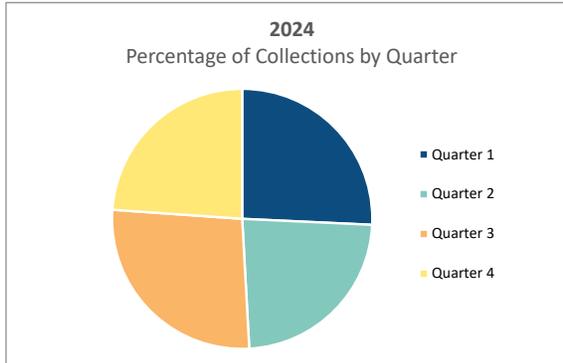
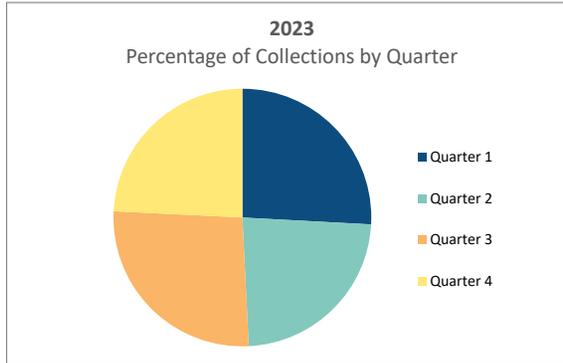
Quarterly Sales Tax Comparison By Category





Sales Tax Analysis - Quarterly Comparison
2024 Quarter 4

Total Gross Sales Tax Earned by Quarter				
	2023	2024		% Change
Quarter 1	\$ 7,863,920	\$ 7,537,503		-4.33%
Quarter 2	7,108,983	6,852,919		-3.74%
Quarter 3	8,082,332	7,904,136		-2.25%
Quarter 4	7,367,641	6,995,442		-5.32%
Total	\$ 30,422,876	\$ 29,290,000		



Financial Policy Comparison				
	Two most recent Quarters	Same period one year ago		% Change
Q4 2024	\$ 6,995,442			
Q3 2024	7,904,136			
Q4 2023		7,367,641		
Q3 2023		8,082,332		
Total	\$ 14,899,578	\$ 15,449,973		-3.69%



Sales Tax Analysis - Monthly Category Comparisons
December 2024

Sum of Accumulation Amount	Column Labels
Row Labels	Construction 2024
January	\$230,394
February	\$260,649
March	\$129,642
April	\$207,877
May	\$277,528
June	\$267,392
July	\$247,167
August	\$240,750
September	\$251,246
October	\$250,365
November	(\$44,567)
December	\$183,709
Grand Total	\$2,502,151



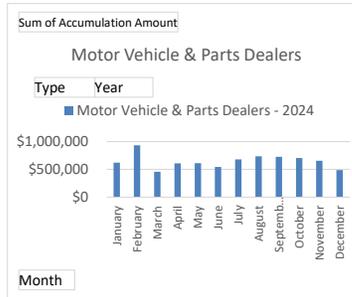
Sum of Accumulation Amount	Column Labels
Row Labels	Manufacturing & Wholesale 2024
January	\$62,020
February	\$75,409
March	\$61,810
April	\$92,119
May	\$65,921
June	\$69,359
July	\$82,770
August	\$192,476
September	\$60,625
October	\$75,502
November	\$64,784
December	\$72,109
Grand Total	\$974,905



Sum of Accumulation Amount	Column Labels
Row Labels	Retail Trade 2024
January	\$975,418
February	\$1,327,483
March	\$815,474
April	\$776,189
May	\$898,119
June	\$872,310
July	\$892,853
August	\$989,740
September	\$1,052,717
October	\$934,498
November	\$985,938
December	\$878,961
Grand Total	\$11,399,699



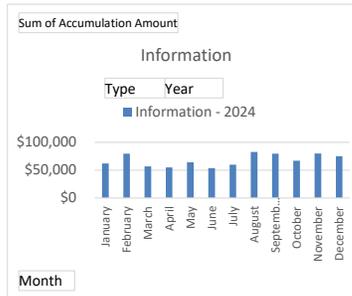
Sum of Accumulation Amount	Column Labels
Row Labels	Motor Vehicle & Parts Dealers 2024
January	\$621,865
February	\$933,351
March	\$457,203
April	\$609,106
May	\$612,111
June	\$543,604
July	\$678,682
August	\$736,612
September	\$727,511
October	\$705,611
November	\$653,948
December	\$488,084
Grand Total	\$7,767,687



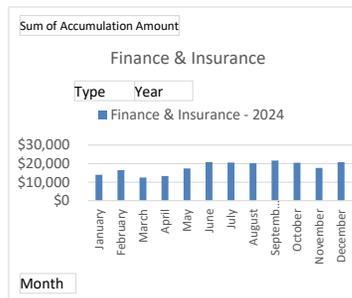


Sales Tax Analysis - Monthly Category Comparisons
December 2024

Sum of Accumulation Amount	Column Labels
Row Labels	Information 2024
January	\$61,909
February	\$79,509
March	\$56,764
April	\$55,002
May	\$64,283
June	\$53,714
July	\$59,798
August	\$82,644
September	\$79,797
October	\$67,083
November	\$79,986
December	\$75,076
Grand Total	\$815,565



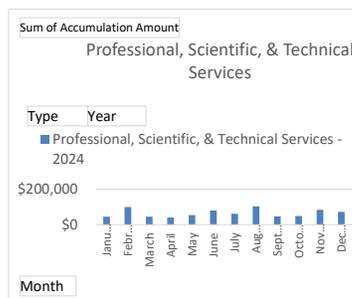
Sum of Accumulation Amount	Column Labels
Row Labels	Finance & Insurance 2024
January	\$13,981
February	\$16,449
March	\$12,451
April	\$13,332
May	\$17,394
June	\$20,852
July	\$20,504
August	\$20,191
September	\$21,659
October	\$20,482
November	\$17,636
December	\$20,857
Grand Total	\$215,789



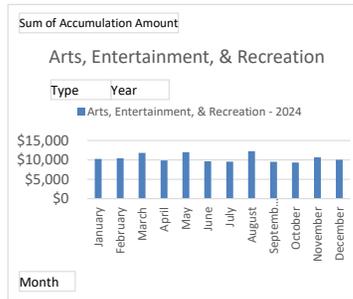
Sum of Accumulation Amount	Column Labels
Row Labels	Real Estate Rental and Leasing 2024
January	\$22,268
February	\$31,194
March	\$21,684
April	\$18,397
May	\$26,310
June	\$25,942
July	\$20,480
August	\$22,221
September	\$28,488
October	\$34,791
November	\$39,669
December	\$35,842
Grand Total	\$327,286



Sum of Accumulation Amount	Column Labels
Row Labels	Professional, Scientific, & 2024
January	\$45,116
February	\$100,104
March	\$45,550
April	\$40,980
May	\$54,405
June	\$80,214
July	\$61,782
August	\$104,152
September	\$47,086
October	\$49,649
November	\$84,052
December	\$72,855
Grand Total	\$785,943



Sum of Accumulation Amount	Column Labels
Row Labels	Arts, Entertainment, & Recreation 2024
January	\$10,231
February	\$10,417
March	\$11,822
April	\$9,846
May	\$11,980
June	\$9,615
July	\$9,528
August	\$12,255
September	\$9,487
October	\$9,337
November	\$10,639
December	\$10,037
Grand Total	\$125,194



Sum of Accumulation Amount	Column Labels
Row Labels	Accommodation 2024
January	\$33,165
February	\$22,736
March	\$25,383
April	\$26,162
May	\$29,785
June	\$28,036
July	\$33,516
August	\$45,182
September	\$51,724
October	\$49,282
November	\$40,523
December	\$31,064
Grand Total	\$416,556



Sum of Accumulation Amount	Column Labels
Row Labels	Food Services 2024
January	\$161,561
February	\$211,812
March	\$169,326
April	\$172,679
May	\$199,940
June	\$169,712
July	\$186,325
August	\$196,483
September	\$175,615
October	\$181,579
November	\$185,920
December	\$178,253
Grand Total	\$2,189,203



Sum of Accumulation Amount	Column Labels
Row Labels	Other Products and Services 2024
January	\$134,033
February	\$153,506
March	\$135,815
April	\$137,410
May	\$154,957
June	\$140,337
July	\$149,901
August	\$155,825
September	\$156,349
October	\$151,172
November	\$148,634
December	\$152,082
Grand Total	\$1,770,020



FINANCE COMMITTEE 4.A

CITY OF LYNNWOOD FINANCE COMMITTEE

TITLE: City Center Tax Increment Financing Area - Progress report

DEPARTMENT CONTACT: Ben Wolters, Development and Business Services

PRESENTER:

Ben Wolters, Economic Development Manager, Bob Stowe, Consultant

ESTIMATED TIME:

20

BACKGROUND:

Staff will update committee on progress to date and next steps for developing a potential Tax Increment Financing area to fund infrastructure for development of Public Facilities District Master Plan and City Center.

SUGGESTED ACTION:

Briefing and discussion

PREVIOUS COUNCIL ACTIONS:

Finance Committee Briefing - September 25, 2024

City Council Work Session Briefing - October 7, 2024

FUNDING:

TBD

DEPARTMENT ATTACHMENTS

Description:

[Lynnwood Step 1 Report November 13 2024.pdf](#)

[SDS Lynnwood TIF Schedule for 6-1 deadline - updated 1-3-25 draft.docx](#)

[CITY OF LYNNWOOD TIF - TIA Step 1 Report Summary 1-13-25.docx](#)

November 13, 2024

MEMORANDUM

TO: Ben Wolters, Economic Development Manager, City of Lynnwood

FROM: Bob Stowe, Stowe Development & Strategies

SUBJECT: CITY OF LYNNWOOD TAX INCREMENT FINANCING (TIF) STRATEGY

In August 2024, the City of Lynnwood selected Stowe Development & Strategies in association with ECONorthwest (SDS/ECO team) to conduct a tax increment financing (TIF) analysis for the purpose of spurring viable development supporting the envisioned development within the Public Facilities District (The District) and along 196th Street SW (City Center).

The purpose of this memorandum is to evaluate the viability of a TIF strategy for the City and help determine if additional study and analysis is warranted. This additional study (Step 2) involves the preparation of a Project Analysis that is submitted to the Office of the State Treasurer (OST) for review and comment. If the City decides to proceed to Step 2, and desires to have a tax increment area formed on June 1, 2025, it will need to provide a notice of its intention to form a tax increment area (TIA) to all the taxing districts that would be affected or part of the TIA no later than mid-November 2024 to comply with the noticing requirements of the TIF legislation adopted by the State earlier this year. This notice does not require that the City adopt or approve of a TIA, only that you intend to submit a Tax Increment Financing Project Analysis to the OST, in accordance with Chapter 39.114 RCW, in 90 or more days from the date of the notice. The notice would also inform the other taxing districts that the City has not yet determined if a tax increment area (TIA) will be formed and will use the Project Analysis as a resource in determining the merits of such an action. Additionally, before the City makes any decision to form a potential TIA, that you will provide copies of the Project Analysis to each of the taxing districts, conduct two public briefings and intend to conduct early outreach meetings with the various taxing districts. OST then has 90 days to review any Project Analysis. Because the City is evaluating two TIA options, it is recommended that the notice is based on a larger boundary that includes both options at this time.

Note: The key components of this memorandum were previously shared with the City and to preserve time available to consider a possible TIA formation in 2025, the City issued notices to the taxing districts on November 12, 2024 within the City Center in which a TIA may be formed.

KEY FINDINGS

TIA Size/Value: 53.8 Acres/Assessed Value of \$184 Million (Opt. 1)

TIA Levy Rate: \$2.6606

TIF Public Improvement Costs: Up to \$65.6 Million

TIA Private Development Value:

- Baseline Development Scenario 1: \$2 Billion (present value)
- Baseline Development Scenario 2: \$999 Million (present value)

TIF Revenues (Over 25 Years)

	With MFTE	Without MFTE
<u>Baseline TIA Option 1</u>		
• Present Value:	\$17 M	\$50.6 M
• Nominal Value:	\$46.6 M	\$109 M
<u>Baseline TIA Option 2</u>		
• Present Value:	\$7.7 M	\$26 M
• Nominal Value:	\$20.5 M	\$54.8 M

Table of Contents

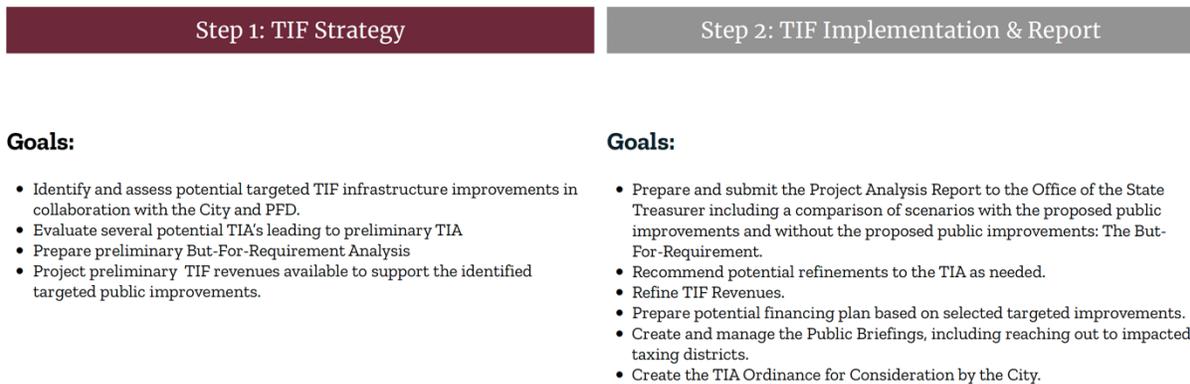
INTRODUCTION	4
TAX INCREMENT AREA	4
DEVELOPMENT VISION & POTENTIAL DEVELOPMENT PLAN	5
TIF “BUT-FOR” REQUIREMENT	7
TIA PUBLIC IMPROVEMENT NEEDS & COSTS	8
TAX INCREMENT REVENUE PROJECTIONS	9
TIA ALLOCATION REVENUE MODELING	11
PRIVATE DEVELOPMENT ASSUMPTIONS & RISK SHARING.....	11
TIA ALLOCATION REVENUES	12
POTENTIAL TIA DEBT SCENARIOS	15
ADDITIONAL INCREMENTAL TAXES	20
CITY OF LYNNWOOD.....	20
SUMMARY OF ADDITIONAL TAX RESULTS	21
NEXT STEPS.....	22
KEY TIF LAW CHANGES.....	23
STEP 2 ELEMENTS	23

Introduction

The TIF workplan includes a two-step approach designed to provide a predictable sequence of actions delivering a targeted and high value strategy and implementation plan. Below are the key elements of the two-step approach.

Figure 1: Two Step Approach

Our team’s two-step approach is design to provide a predicable sequence of actions to deliver a targeted and high value TIF Strategy and Implementation Plan.



Source: Stowe Development & Strategies, 2024

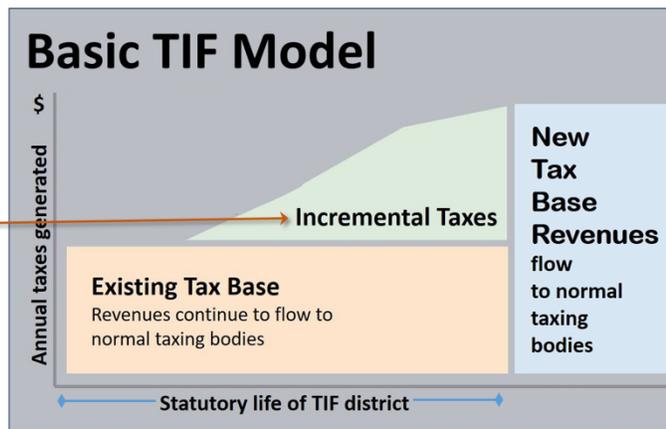
The SDS team received its direction during several City staff meetings to provide direction to create the best strategy moving forward when considering a TIF program for the City of Lynnwood.

Figure 2: Basic TIF Model

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

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

- Revenues from REGULAR property taxes assessed against the Increment Value only, are captured:
- ✓ To pay “public improvement costs”
 - ✓ To repay bonds issued for “public improvements”



Source: Stowe Development & Strategies, 2024

Tax Increment Financing (TIF) is a powerful economic development tool and was adopted into law in Washington State in 2021. The Washington State Legislature created the TIF authority through [House Bill 1189](#) (codified as Chapter 39.114 RCW) for a city, county, or port to create a tax increment area (TIA). TIFs are used throughout the United States to promote economic development.

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 (as a result of the public agencies investment in the identified public improvements), property values rise, and the public agency uses the property tax generated by that development in the TIA to pay for the public improvement projects. After the project costs are paid, the public agency retires the TIA.

There are several key limitations to TIF in this State which include the following:

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

A key element and consideration when forming a TIA is to evaluate the risks associated with such an action along with the development of a mitigation plan. 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, 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. 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 memorandum. When TIF is used correctly, the growth and development pay for the infrastructure investments that encouraged it.

A risk and mitigation plan will be developed during Step 2 along with other analysis identified in the Next Steps at the conclusion of this memorandum.

Private development interest will drive the City's actions; the City can proceed with the development plan and debt options identified here, or, because the City has up to five years after passing the TIA ordinance, may modify it as conditions may change. The City could choose not to issue any debt, especially if development interest substantially changes to a very low level. The City could also use a pay-as-you-go strategy for the infrastructure; however, doing so will likely delay the timing and reduce the scale of the private development. Finally, the City could also rescind or retire the TIA by ordinance prior to incurring debt.

Tax Increment Area

Several tax increment areas have been evaluated and considered as part of this Step 1 memorandum. The City has selected two tax increment area (TIA) options which may lead to a preferred TIA as part of a Step 2 study and Project Analysis. Both TIA options are located in the same vicinity – the City Center. The first TIA option covers approximately 53.8 acres as shown in Figure 3. The assessed valuation of this TIA for 2024 (based on 2023 certified values) is about \$187 million. The second TIA option area covers approximately 27.4 acres as shown in Figure 3A below. The assessed valuation of this TIA for 2024 (based on 2023 certified values) is about \$100 million.

Both TIA's are below the \$200 million assessed valuation threshold and 20 percent of the City's total assessed valuation of \$10,434,305,570, as it represents approximately 1.8% of the total for TIA Option 1 and 1 % of the total for TIA Option 2.

Figure 3: Potential Tax Increment Area Option 1

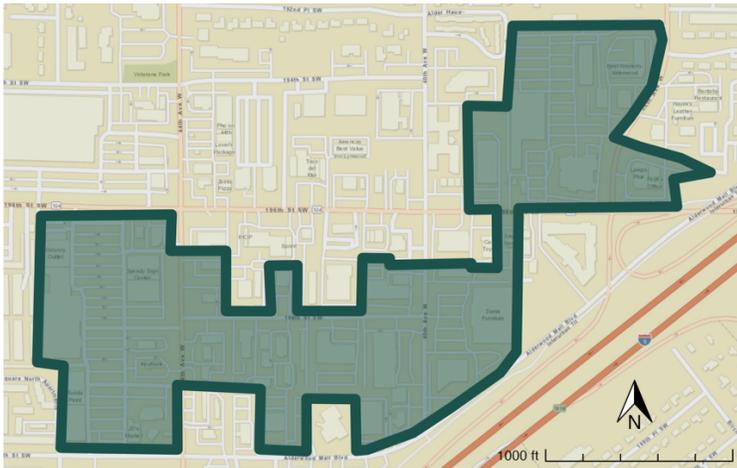
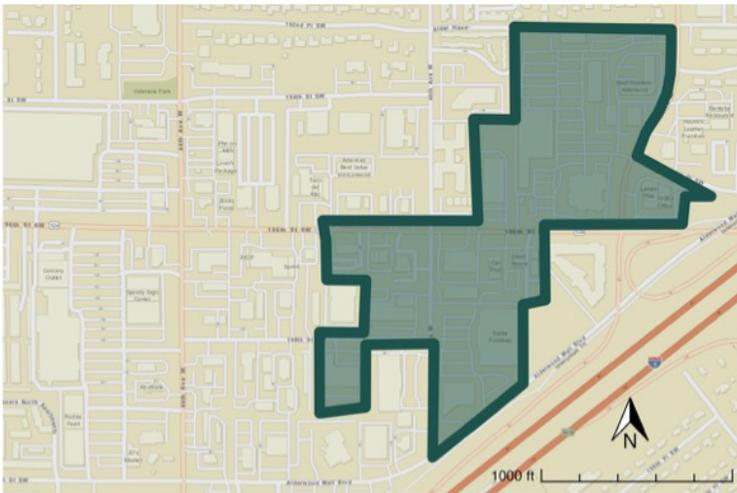


Figure 3A: Potential Tax Increment Area Option 2



Source: ECONorthwest; 2024

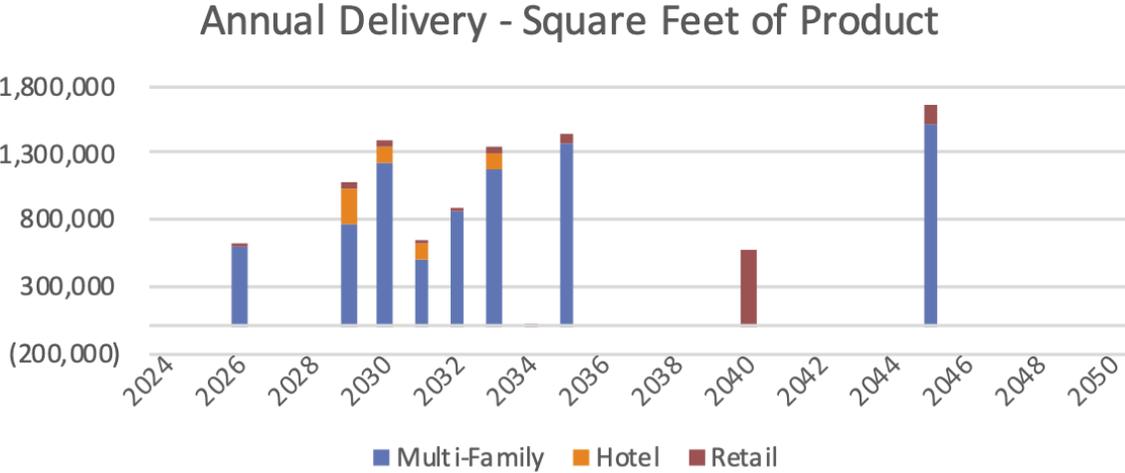
Development Vision & Potential Development Plan

The two TIA’s currently being evaluated represent a significant amount of private development at build-out which is projected over the next 15 plus years, turning Lynnwood’s City Center area into a vibrant commercial center that is a good place to live, work, and play. The two projects which are currently in the planning stages for development inside the City Center are “The District”, (property formerly known and operated by the Lynnwood Public Facilities District) and “Northline Village”. The transformation of the City Center is anticipated to be supercharged by these two projects, plus other private development that is expected to be generated if supporting public infrastructure is funded and constructed, providing over 4,000 new residential units, 750 hotel rooms, nearly 800,000 of retail.

TIA Option1 includes both the District and Northline Village developments plus other more speculative developments. TIA Option 2 is a smaller area and includes primarily the District plus some speculative development. Below is a summary of the development programs within each TIA option.

Figure 3: TIA Option 1

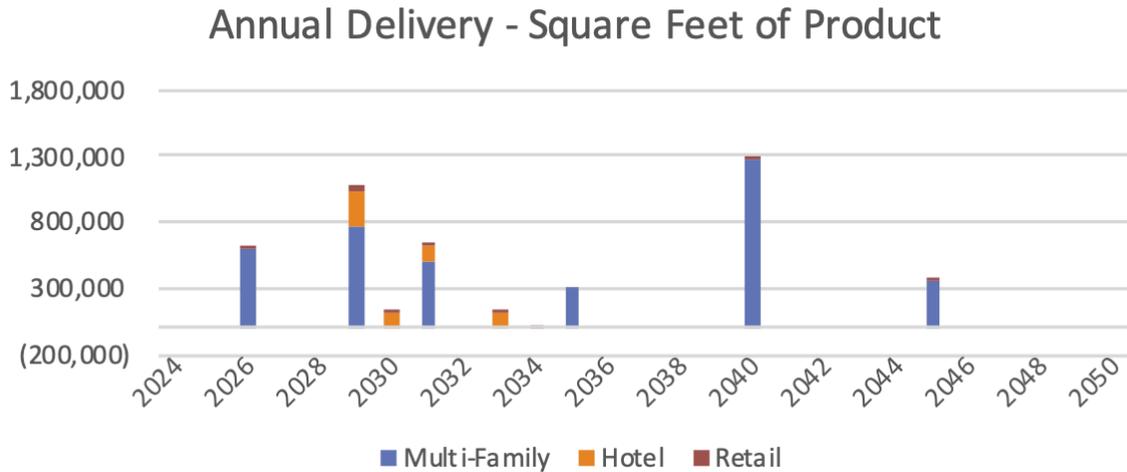
- Multi-Family: 4,230 units
- Hotel: 750 units
- Retail: 898,527 sqft
- \$2.0 B in market value



▪ Source: ECONorthwest;2024

Figure 3A: TIA Option 2

- Multi-Family: 2,003 units
- Hotel: 750 units
- Retail: 125,628 sqft
- \$999 M in incremental real market value



Source: ECONorthwest;2024

Below are the projected types of development by size and anticipated year of opening.

Figure 4: Development Type and Absorption

Product Type	TIA Option 1			TIA Option 2		
	Multi-Family	Hotel	Retail	Multi-Family	Hotel	Retail
Total Absorption	4,230	750	898,527	2,003	750	125,628
Unit	Units	Keys	Square Feet	Units	Keys	Square Feet
2024	0	0	0	0	0	0
2025	0	0	0	0	0	0
2026	316	0	4,200	316	0	4,200
2027	0	0	0	0	0	0
2028	0	0	0	0	0	0
2029	405	300	43,748	405	300	43,748
2030	645	150	30,609	0	150	9,840
2031	266	150	19,400	266	150	19,400
2032	449	0	12,840	0	0	0
2033	622	150	24,440	0	150	6,680
2034	0	0	22,200	0	0	22,200
2035	725	0	51,737	158	0	0
2036	0	0	0	0	0	0
2037	0	0	0	0	0	0
2038	0	0	0	0	0	0
2039	0	0	0	0	0	0
2040	0	0	564,674	672	0	14,280

Source: ECONorthwest;2024

TIF “But-For” Requirement

Washington State’s TIF law requires its local government sponsor to make the following findings:

- I) 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 public improvement projects necessary to support the proposed development. 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 agency’s return on its infrastructure investment from the generation of on-going tax revenues associated with new development. Additionally, for most local governments, infrastructure demand exceeds 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 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 City has identified nearly \$66 million (planning level costs) of public improvement needs to incentivize private development within the City Center and potential TIA. If \$66 million were required to be funded by private developers it would likely mean that only the most profitable developments would be supported and built or would not occur for the foreseeable future. During Step 2, we will further examine the But-For-Requirement achieving compliance with State law.

TIA Public Improvement Needs & Costs

The City has identified the following three key public improvements that are likely to incentivize private development with one or both of the TIA's that are part of this memorandum and study.

Public Improvements

194th St and 38th Ave Ring Road in the PFD District Master Plan

- Build two new streets along the north and west perimeters of the PFD property to provide access, circulation, and future connection to the 194th St extension for the PFD district redevelopment and nearby properties in Lynnwood's City Center.
- Estimated cost: \$18 million to design and construct.
- Potential Construction Start: 2026

42nd Ave Phase 1

- Construction of a new street and two intersections mid-block between 196th St and 198th St to provide improved access, circulation, and street frontage to support the future development and mobility needs of Lynnwood's City Center.
- Estimated Cost (Phase 1): \$38 million (right-of-way acquisition and construction)
- Potential Construction Start: 2028

City Center Park

- Town Square Park will be a 1.6-acre destination urban park for residents and visitors to the area surrounded by a growing, vibrant mixed use residential and commercial neighborhood.
- Estimated Cost: \$9.6 million (\$600K design and \$9 million for construction)
- Potential Construction Start: 2030

Total Public Improvement Costs: \$65.6 million

If sufficient TIF resources exist, the City may use TIF as a means to fund some or all of the costs associated with the needed public improvements or in combination with other sources of funds. Phasing details related to each public improvement will be influenced by the extent private development is ready to initiate immediately following those public improvements.

Tax Increment Revenue Projections

Overview of TIF Allocation Revenues

Following guidance issued by the Washington State Department of Revenue (June 29, 2022), the analysis estimates the apportionment of taxes to the TIA. These revenues are available to the sponsoring local jurisdiction for funding 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 latest tax rates available (tax year 2024), levy rates in the proposed TIA use \$2.66 of the \$7.64 total levy, approximately 34% of the total 2024 levy rate.

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. Those affected levies will be able to include an increment add-on value (similar to the new construction add-on value) as part of their levy for the years that TIF is in place. 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. The Project Analysis (Step 2) will also evaluate any impacts to taxing districts caused by the formation of a TIA.

The table below shows the Levy Rate Composition for 2024 Taxes.

Figure 5: TIA Levy Rates in Use

Levy Code Area 452	2024 Taxes Rates	Exempt: State Property Tax	Exempt: Excess and Other Levies	Available for TIF allocation
Total	\$7.64035	\$2.2516	\$2.7282	\$2.6606
State				
Part 1	\$1.46529	\$1.4653		\$0.0000
Part 2	\$0.78628	\$0.7863		\$0.0000
County				
Regular_Current Expense	\$0.48342			\$0.4834
Conservation Futures	\$0.02110			\$0.0211
Sound Transit				
Regular Levy	\$0.16483			\$0.1648
City of Lynnwood				
Regular Levy	\$0.45283			\$0.4528
City Bond			\$0.0000	\$0.0000
EMS (SCRFD)				
Regular Levy	\$0.34768			\$0.3477
School #15				
Enrichment	\$1.26638		\$1.2664	\$0.0000
Bond	\$0.36841		\$0.3684	\$0.0000
Capital	\$1.09342		\$1.0934	\$0.0000
South County Regional Fire Disitric				
Regular Levy	\$0.81770			\$0.8177
Bond Fund			\$0.0000	\$0.0000
Hospital District #2				
Regular Levy	\$0.04870			\$0.0487
Snolsle Library District				
Regular Levy	\$0.32430			\$0.3243

Source: ECONorthwest analysis of District Levy Rates, 2024

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.

Private Development Assumptions & Risk Sharing

The Baseline Development program described in the Development Opportunity and Vision section above was created by the City and the District.

It is important to note that private development projections include both planned developments (the District and Northline Village) and some speculative development projections that lie between the two planned development sites.

Understanding and accepting a certain level of risk is important as the City will be obligated for the repayment of any bond debt that is issued for the infrastructure improvements, regardless of the projected private development and property tax materialize.

Additional sensitivity analysis will be conducted as part of Step 2 to further help assess the risks and provide for greater certainty that the City will have sufficient resources to pay for the proposed infrastructure improvements prior to the issuance of any bonds. For example, additional analysis may include:

- Different interest rates for debt issuance
- Modifications to private development programs
- Timing of multiple debt issuances

- Using interest only debt for the first 4-5 years

The City and private developers are likely to engage in further discussions about potential risk sharing prior to any debt being issued by the City. This could include an agreement between the parties that private developers will financially backstop or secure a certain percentage of any annual debt not covered by TIF property tax revenue with a provision for payback in future years if TIF property tax revenue exceeds annual debt obligations.

The City will want to confirm with its legal counsel its ability to enter into such an agreement. Risk can also be mitigated by any arrangement that reduces the City's debt issuance or better aligns debt with the timing of development. The challenge with the latter is that TIF law requires the City to initiate construction of the public improvements within 5 years after the TIA is formed, unless cause is demonstrated for an alternative schedule, which is not defined in the law.

TIA Allocation Revenues

Using the private development assumptions identified in the Development Opportunity and Vision section above, future assessed values of the planned and speculative developments are estimated and serve as a foundation for the expected TIA allocation revenues. For example, a building is constructed in a certain year, the assessor assesses it, and the incremental assessed value is determined by subtracting that base value. This increment value is then multiplied by a forecast of the levy rate in the respective year to determine the TIA allocation revenues from all the affected TIF regular levies.

Additionally, TIA allocation revenues are shown with all of future private residential development occurring under the City's Multi-Family Tax Exemption (MFTE) program which provides property tax exemptions from ad valorem property taxation for multiple-unit housing along with a comparison of no private development utilizing the MFTE program. The City's MFTE program, if applied to the TIA's areas, would require that at least 20% of the residential units must be affordable to low-income or moderate-income households. Low-income is defined as 80% of the area median income (AMI), and moderate-income is defined as 80–115% AMI. No assumptions have been made regarding the City's 8-year MFTE program (requiring no affordable units) as part of the analysis at this time.

The following tables summarize the discounted value of 25 years of TIA allocation revenues that would flow to the City based on each of the identified development programs. The analysis assumed the TIA is created in 2025 using 2024 certified values. Due to the lagging nature of the property tax, the first year of calculated increment will be in 2026 for 2027 taxes. Therefore, TIA allocation revenues will run through the end of tax year 2051.

The revenues are shown in present value and nominal dollars for both TIA Option 1 and TIA Option 2. The present values are discounted at a rate of 5% to approximate the City's cost of capital (debt and issuance costs) to give some approximate value of the TIA cash flows. The nominal dollars are shown since this is ultimately the amount that the City can draw upon to service principal and interest on its debt payments. These values are shown in the figures below.

Figure 6: TIA 1 Baseline Allocation Revenues with 12-Year MFTE

	TIA Allocation Revenue	
	Present Value	Nominal Value
Lynnwood	\$2,890,000	\$7,915,000
Snohomish County	\$3,270,000	\$8,964,000
Sound Transit	\$1,050,000	\$2,882,000
EMS	\$2,220,000	\$6,080,000
Hospital	\$310,000	\$851,000
Fire District	\$5,220,000	\$14,300,000
Library	\$2,070,000	\$5,669,000
Total	\$17,030,000	\$46,660,000

Source: ECONorthwest calculations, 2024.

Figure 6A: TIA 1 Baseline Allocation Revenues without 12-Year MFTE

	TIA Allocation Revenue	
	Present Value	Nominal Value
Lynnwood	\$8,590,000	\$18,506,000
Snohomish County	\$9,720,000	\$20,922,000
Sound Transit	\$3,130,000	\$6,729,000
EMS	\$6,590,000	\$14,192,000
Hospital	\$920,000	\$1,990,000
Fire District	\$15,510,000	\$33,379,000
Library	\$6,150,000	\$13,240,000
Total	\$50,610,000	\$108,961,000

Source: ECONorthwest calculations, 2024.

Figure 7: TIA 2 Baseline Allocation Revenues with 12-Year MFTE

	TIA Allocation Revenue	
	Present Value	Nominal Value
Lynnwood	\$1,310,000	\$3,481,000
Snohomish County	\$1,480,000	\$3,946,000
Sound Transit	\$480,000	\$1,270,000
EMS	\$1,000,000	\$2,678,000
Hospital	\$140,000	\$374,000
Fire District	\$2,360,000	\$6,294,000
Library	\$940,000	\$2,494,000
Total	\$7,710,000	\$20,536,000

Source: ECONorthwest calculations, 2024.

Figure 7A: TIA 2 Baseline Allocation Revenues without 12-Year MFTE

	TIA Allocation Revenue	
	Present Value	Nominal Value
Lynnwood	\$4,410,000	\$9,287,000
Snohomish County	\$5,000,000	\$10,523,000
Sound Transit	\$1,610,000	\$3,386,000
EMS	\$3,390,000	\$7,137,000
Hospital	\$480,000	\$1,002,000
Fire District	\$7,980,000	\$16,790,000
Library	\$3,160,000	\$6,659,000
Total	\$26,030,000	\$54,786,000

Source: ECONorthwest calculations, 2024.

Potential TIA Debt Scenarios

If the City issues up to \$65.6 million (projected cost of the identified TIF public improvements) in LTGO debt in 2026 through 2030 it will need to service that debt with available resources, regardless of whether anticipated private development occurs or assessed values increase within either TIA option.

Due to the nature of TIF, incremental revenues in the early years of the TIF period are expected to be insufficient to cover debt service for both the City as private development will be under construction, and it will take time for incremental assessed values to grow and contribute to TIF allocation revenues as estimated in this report.

Level debt service associated with the three identified needed public improvements at a 5% interest rate over a term of 20 years, would require the following annual payments:

194th St and 38th Ave ring road in the PFD District Master Plan (Principal Cost of \$18 million)

- Level Debt Service: \$1,444,367

42nd Ave Phase 1 (Principal Cost of \$38 million)

- Level Debt Service: \$3,049,218

City Center Park (Principal Cost of \$9.6 million)

- Level Debt Service: \$770,329

The figures below summarizes potential debt service payments and projected surpluses or shortfalls for the City based on the private development assumptions within TIA Option 1 and TIA Option 2. Both options include TIF allocation revenues with MFTE (100 percent of all future residential units would be exempt from property tax for a period of 12 years) and without the City's MFTE program for all residential units; therefore providing a range of possible revenues subject to private development utilizing the program, as available.

TIA Option 1 includes all of the identified public improvement projects. For modeling purposes, TIA Option 2 includes only the debt service associated with the 194th St and 38th Ave Ring Road project. Until private development, particularly increases in assessed valuation within either TIA option, generates enough revenue to match both the City's debt service obligations, the City will need to cover these early deficits through other revenue sources.

Figure 8: TIA Option 1 Surplus/Shortfall Debt Service – Without MFTE

Tax Year	Option 1				
	TIF Allocation Revenues	TIF Debt Service	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	TIF Debt Service Coverage
2025	\$0	\$0	\$0	\$0	0.00
2026	\$306,000	\$1,444,367	-\$1,138,367	-\$1,138,367	0.21
2027	\$309,000	\$1,444,367	-\$1,135,367	-\$2,273,733	0.21
2028	\$312,000	\$4,493,585	-\$4,181,585	-\$6,455,318	0.07
2029	\$1,006,000	\$4,493,585	-\$3,487,585	-\$9,942,903	0.22
2030	\$1,822,000	\$5,263,914	-\$3,441,914	-\$13,384,817	0.35
2031	\$2,258,000	\$5,263,914	-\$3,005,914	-\$16,390,730	0.43
2032	\$2,761,000	\$5,263,914	-\$2,502,914	-\$18,893,644	0.52
2033	\$3,599,000	\$5,263,914	-\$1,664,914	-\$20,558,558	0.68
2034	\$3,659,000	\$5,263,914	-\$1,604,914	-\$22,163,472	0.70
2035	\$4,536,000	\$5,263,914	-\$727,914	-\$22,891,385	0.86
2036	\$4,584,000	\$5,263,914	-\$679,914	-\$23,571,299	0.87
2037	\$4,632,000	\$5,263,914	-\$631,914	-\$24,203,213	0.88
2038	\$4,681,000	\$5,263,914	-\$582,914	-\$24,786,126	0.89
2039	\$4,730,000	\$5,263,914	-\$533,914	-\$25,320,040	0.90
2040	\$5,408,000	\$5,263,914	\$144,086	-\$25,175,954	1.03
2041	\$5,465,000	\$5,263,914	\$201,086	-\$24,974,868	1.04
2042	\$5,522,000	\$5,263,914	\$258,086	-\$24,716,781	1.05
2043	\$5,580,000	\$5,263,914	\$316,086	-\$24,400,695	1.06
2044	\$5,639,000	\$5,263,914	\$375,086	-\$24,025,609	1.07
2045	\$6,843,000	\$5,263,914	\$1,579,086	-\$22,446,522	1.30
2046	\$6,915,000	\$3,819,547	\$3,095,453	-\$19,351,070	1.81
2047	\$6,988,000	\$3,819,547	\$3,168,453	-\$16,182,617	1.83
2048	\$7,061,000	\$770,329	\$6,290,671	-\$9,891,946	9.17
2049	\$7,135,000	\$770,329	\$6,364,671	-\$3,527,274	9.26
2050	\$7,210,000	\$0	\$7,210,000	\$3,682,726	0.00

Note: Debt Service supports all identified public improvements

Source: ECOnorthwest calculations, 2024

Figure 9: TIA Option 1 Surplus/Shortfall Debt Service – With MFTE

Tax Year	Option 1				
	TIF Allocation Revenues	TIF Debt Service	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	TIF Debt Service Coverage
2025	\$0	\$0	\$0	\$0	0.00
2026	\$4,000	\$1,444,367	-\$1,440,367	-\$1,440,367	0.00
2027	\$4,000	\$1,444,367	-\$1,440,367	-\$2,880,733	0.00
2028	\$4,000	\$4,493,585	-\$4,489,585	-\$7,370,318	0.00
2029	\$46,000	\$4,493,585	-\$4,447,585	-\$11,817,903	0.01
2030	\$76,000	\$5,263,914	-\$5,187,914	-\$17,005,817	0.01
2031	\$96,000	\$5,263,914	-\$5,167,914	-\$22,173,730	0.02
2032	\$109,000	\$5,263,914	-\$5,154,914	-\$27,328,644	0.02
2033	\$135,000	\$5,263,914	-\$5,128,914	-\$32,457,558	0.03
2034	\$159,000	\$5,263,914	-\$5,104,914	-\$37,562,472	0.03
2035	\$215,000	\$5,263,914	-\$5,048,914	-\$42,611,385	0.04
2036	\$217,000	\$5,263,914	-\$5,046,914	-\$47,658,299	0.04
2037	\$219,000	\$5,263,914	-\$5,044,914	-\$52,703,213	0.04
2038	\$222,000	\$5,263,914	-\$5,041,914	-\$57,745,126	0.04
2039	\$585,000	\$5,263,914	-\$4,678,914	-\$62,424,040	0.11
2040	\$1,219,000	\$5,263,914	-\$4,044,914	-\$66,468,954	0.23
2041	\$1,232,000	\$5,263,914	-\$4,031,914	-\$70,500,868	0.23
2042	\$2,021,000	\$5,263,914	-\$3,242,914	-\$73,743,781	0.38
2043	\$2,971,000	\$5,263,914	-\$2,292,914	-\$76,036,695	0.56
2044	\$3,479,000	\$5,263,914	-\$1,784,914	-\$77,821,609	0.66
2045	\$4,222,000	\$5,263,914	-\$1,041,914	-\$78,863,522	0.80
2046	\$5,205,000	\$3,819,547	\$1,385,453	-\$77,478,070	1.36
2047	\$5,260,000	\$3,819,547	\$1,440,453	-\$76,037,617	1.38
2048	\$6,254,000	\$770,329	\$5,483,671	-\$70,553,946	8.12
2049	\$6,320,000	\$770,329	\$5,549,671	-\$65,004,274	8.20
2050	\$6,386,000	\$0	\$6,386,000	-\$58,618,274	0.00

Note: Debt Service supports all identified public improvements

Source: EConorthwest calculations, 2024

Figure 10: TIA Option 2 Surplus/Shortfall Debt Service – Without MFTE

Tax Year	Option 2				
	TIF Allocation Revenues	TIF Debt Service	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	TIF Debt Service Coverage
2025	\$0	\$0	\$0	\$0	0.00
2026	\$306,000	\$1,444,367	-\$1,138,367	-\$1,138,367	0.21
2027	\$309,000	\$1,444,367	-\$1,135,367	-\$2,273,733	0.21
2028	\$312,000	\$1,444,367	-\$1,132,367	-\$3,406,100	0.22
2029	\$1,006,000	\$1,444,367	-\$438,367	-\$3,844,466	0.70
2030	\$1,150,000	\$1,444,367	-\$294,367	-\$4,138,833	0.80
2031	\$1,580,000	\$1,444,367	\$135,633	-\$4,003,199	1.09
2032	\$1,597,000	\$1,444,367	\$152,633	-\$3,850,566	1.11
2033	\$1,750,000	\$1,444,367	\$305,633	-\$3,544,933	1.21
2034	\$1,791,000	\$1,444,367	\$346,633	-\$3,198,299	1.24
2035	\$1,981,000	\$1,444,367	\$536,633	-\$2,661,666	1.37
2036	\$2,001,000	\$1,444,367	\$556,633	-\$2,105,032	1.39
2037	\$2,022,000	\$1,444,367	\$577,633	-\$1,527,399	1.40
2038	\$2,044,000	\$1,444,367	\$599,633	-\$927,765	1.42
2039	\$2,065,000	\$1,444,367	\$620,633	-\$307,132	1.43
2040	\$2,882,000	\$1,444,367	\$1,437,633	\$1,130,501	2.00
2041	\$2,912,000	\$1,444,367	\$1,467,633	\$2,598,135	2.02
2042	\$2,942,000	\$1,444,367	\$1,497,633	\$4,095,768	2.04
2043	\$2,973,000	\$1,444,367	\$1,528,633	\$5,624,402	2.06
2044	\$3,004,000	\$1,444,367	\$1,559,633	\$7,184,035	2.08
2045	\$3,273,000	\$1,444,367	\$1,828,633	\$9,012,669	2.27
2046	\$3,307,000	\$0	\$3,307,000	\$12,319,669	0.00
2047	\$3,342,000	\$0	\$3,342,000	\$15,661,669	0.00
2048	\$3,377,000	\$0	\$3,377,000	\$19,038,669	0.00
2049	\$3,412,000	\$0	\$3,412,000	\$22,450,669	0.00
2050	\$3,448,000	\$0	\$3,448,000	\$25,898,669	0.00

Note: Debt Service supports only the 194th St and 38th Ave Ring Road project

Source: ECOnorthwest calculations, 2024

Figure 11: TIA Option 2 Surplus/Shortfall Debt Service – With MFTE

Tax Year	Option 2				
	TIF Allocation Revenues	TIF Debt Service	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	TIF Debt Service Coverage
2025	\$0	\$0	\$0	\$0	0.00
2026	\$4,000	\$1,444,367	-\$1,440,367	-\$1,440,367	0.00
2027	\$4,000	\$1,444,367	-\$1,440,367	-\$2,880,733	0.00
2028	\$4,000	\$1,444,367	-\$1,440,367	-\$4,321,100	0.00
2029	\$46,000	\$1,444,367	-\$1,398,367	-\$5,719,466	0.03
2030	\$56,000	\$1,444,367	-\$1,388,367	-\$7,107,833	0.04
2031	\$75,000	\$1,444,367	-\$1,369,367	-\$8,477,199	0.05
2032	\$76,000	\$1,444,367	-\$1,368,367	-\$9,845,566	0.05
2033	\$84,000	\$1,444,367	-\$1,360,367	-\$11,205,933	0.06
2034	\$107,000	\$1,444,367	-\$1,337,367	-\$12,543,299	0.07
2035	\$108,000	\$1,444,367	-\$1,336,367	-\$13,879,666	0.07
2036	\$110,000	\$1,444,367	-\$1,334,367	-\$15,214,032	0.08
2037	\$111,000	\$1,444,367	-\$1,333,367	-\$16,547,399	0.08
2038	\$112,000	\$1,444,367	-\$1,332,367	-\$17,879,765	0.08
2039	\$474,000	\$1,444,367	-\$970,367	-\$18,850,132	0.33
2040	\$495,000	\$1,444,367	-\$949,367	-\$19,799,499	0.34
2041	\$500,000	\$1,444,367	-\$944,367	-\$20,743,865	0.35
2042	\$1,282,000	\$1,444,367	-\$162,367	-\$20,906,232	0.89
2043	\$1,445,000	\$1,444,367	\$633	-\$20,905,598	1.00
2044	\$1,937,000	\$1,444,367	\$492,633	-\$20,412,965	1.34
2045	\$1,963,000	\$1,444,367	\$518,633	-\$19,894,331	1.36
2046	\$2,139,000	\$0	\$2,139,000	-\$17,755,331	0.00
2047	\$2,162,000	\$0	\$2,162,000	-\$15,593,331	0.00
2048	\$2,389,000	\$0	\$2,389,000	-\$13,204,331	0.00
2049	\$2,414,000	\$0	\$2,414,000	-\$10,790,331	0.00
2050	\$2,439,000	\$0	\$2,439,000	-\$8,351,331	0.00

Note: Debt Service supports only the 194th St and 38th Ave Ring Road project

Source: EConorthwest calculations, 2024

Additional Incremental Taxes

Any City LTGO bond issued for public improvements will be backed the City's full faith and credit, meaning bondholders 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, occupied by residential neighborhoods and businesses, 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 (subject to rate, annual increase and other limitations) 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 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 Lynnwood

The City of Lynnwood is the local service provider for police, 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

Sales Tax - Of the 10.6% sales tax currently collected in the City on general retail purchases, a 1% "local" share of the tax accrues to local jurisdictions. The City receives 85% of the 1% local tax and Snohomish County gets 15%. 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 commercial goods. The current rate accruing to the City for the local option is 0.85%. The incremental growth of this revenue is based on pro-rata population growth in the TIF development. The City also receives a population pro rata share of 90% of the city allocation of Snohomish County's 0.1% criminal justice sales tax. Increase in the criminal justice tax is modeled on net increases in population due to development.

The sales tax relies on estimates of new construction value and consumer taxable retail sales spending. These assumptions are driven by valuation and use assumptions in the development program detailed below.

Utility Taxes

The City imposes utility taxes on gross purchases of electricity, water, wastewater, solid waste, telephones, cable, and natural gas. Current tax rates are used for this analysis. A generalized utility expenditure productivity factor (on a per person and employee basis) was used to generate estimates of utility purchases with the follow utility tax rates.

- Water 6%
- Wastewater: 6%
- Electric: 6%
- Natural Gas: 5%
- Solid Waste: 6%
- Cable/Internet: 6%
- Telephone/Mobile: 6%

State Shared Motor Vehicle Fuel Tax & Liquor Board/Taxes

Local governments receive a gas tax distribution 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% 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 each 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.

Summary of Additional Tax Results

Based on the approximate timing of the new development for both TIA Option 1 and TIA Option 2, the additional taxes the City would receive are identified below. These figures represent a 25-year cash flow of incremental tax revenues to the City in 2024 dollars (e.g., all future tax revenues have been discounted at 5% back to 2024 values). Nominal values are also provided.

Figure 8: TIA Option 1 Additional Taxes

	TIA Allocation Revenue	
	Present Value	Nominal Value
Property Taxes		
Sales Tax on Construction	\$11,840,000	\$18,790,000
Ongoing Sales Tax	\$20,900,000	\$54,450,000
Utility Taxes	\$1,680,000	\$3,700,000
REET	\$7,730,000	\$13,240,000
Hotel/Motel	\$2,780,000	\$6,020,000
Transportation Benefit District	\$3,860,000	\$8,632,000
Total Incremental Revenues	\$48,790,000	\$104,832,000

Figure 8A: TIA Option 2 Additional Taxes

	TIA Allocation Revenue	
	Present Value	Nominal Value
Property Taxes		
Sales Tax on Construction	\$5,850,000	\$8,910,000
Ongoing Sales Tax	\$5,040,000	\$11,470,000
Utility Taxes	\$860,000	\$1,855,000
REET	\$3,910,000	\$6,430,000
Hotel/Motel	\$2,780,000	\$6,020,000
Transportation Benefit District	\$1,280,000	\$2,401,000
Total Incremental Revenues	\$19,720,000	\$37,086,000

Next Steps

Based on the City’s direction, we are prepared to proceed to Step 2: Implementation and Report, which will:

- (i) Refine the information in this memorandum.
- (ii) Prepare the Project Analysis Report required to be submitted to the Office of the State Treasurer for comment.
- (iii) Conduct public and tax districts outreach.
- (iv) Prepare the TIA Ordinance for City Council consideration.

Listed below are some of the key elements that will be conducted as part of Step 2 – Implementation & Report if the City desires to have the TIA become effective on June 1, 2025.

Listed immediately below are the changes that have occurred in TIF law in the 2024 legislative session along with a potential schedule and critical path to advance the formation of a TIA effective June 1, 2025.

Key TIF Law Changes

Noticing Provisions

- Provide notice to all local governments within increment area 90 days before submitting project analysis to OST for its 90 day review period.
- Submit Project Analysis to all local governments 90 days prior to anticipated TIA ordinance adoption.
- Hold two public briefings exclusively on the project no earlier than 90 days after submitting the project analysis to OST.

Project Analysis and Mitigation Provisions (underline indicates new provisions)

- *An assessment of any impacts to the following:*
 - *Affordable and low-income housing*
 - *Local business community*
 - *Local school districts*
 - *Local fire service, public hospital districts, and emergency medical services*
 - *Other junior taxing districts*
- *A Mitigation Plan must be negotiated if:*
 - *20% of the assessed value in the public hospital district or fire district impacted or the fire district's annual report or adopted capital facilities plan demonstrates an increase in the level of service directly related to the increment area, a mitigation plan must be negotiated.*
 - *If parties cannot agree, the parties must proceed to arbitration – 3 member board with one appointed by TIF sponsor, one appointed by junior taxing districts and one appointed by other two arbitrators.*

Step 2 Elements

- Timing of Debt Issuance
- Debt Service Payments and Coverage
- Development and TIF Revenue Sensitivity Testing (e.g., scope and timing of development, debt interest rates)
- But-For-Requirement Analysis
- Tax Base Productivity Assumptions
- Jobs Analysis
 - Construction Employment
 - On-Going Employment
- Impact Assessment and Mitigation
 - Affordable Housing
 - Local Business Community
 - Local School Districts
 - Local Fire Service, public hospital districts, and emergency medical services

- Other junior taxing districts
- Financing Plan/Duration of TIA
- Debt Capacity
- Early Outreach to Impacted Taxing Districts
- Risk Assessment and Mitigation Plan (e.g., other revenues from development, multiple/split debt issuance to coincide with development progress/needs)
- Findings |Bottom Line

Proposed Lynnwood TIF Schedule

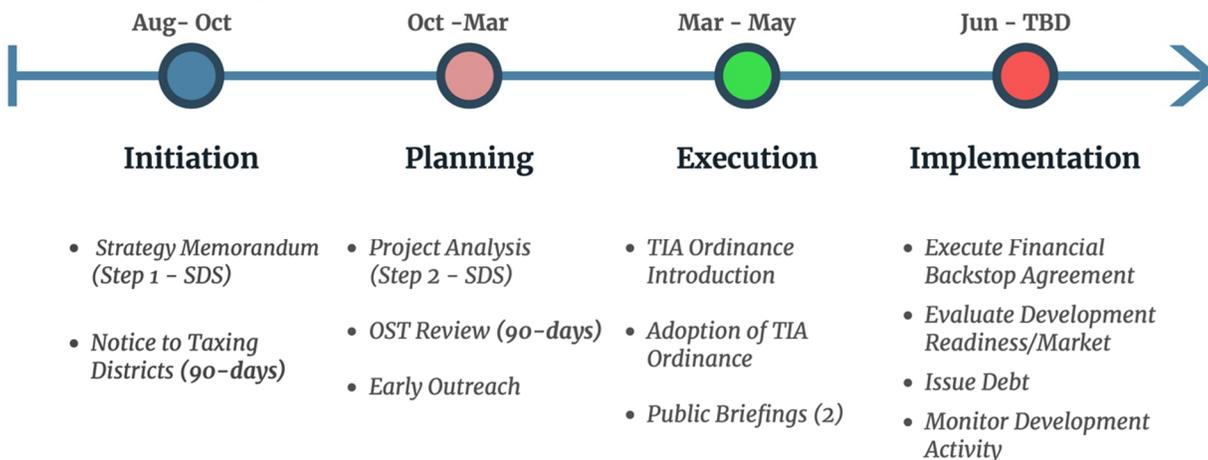
Initiation		2024
1.	Strategy Memorandum Step 1 with Lynnwood and Stowe (SDS)	8/1 – 9/30
2.	Confirm TIF district alternative boundaries to study	9/11- 9/17
3.	Notification to Taxing Districts (Fire, Sno-Isle, Verdant-HD2, ST, Sno-Co)	9/23-9/24
4.	Briefing with Council Finance Committee	9/25
5.	Brief Council Work Session	10/7
6.	Confirm TIA viability and decision to proceed to Step 2	10/18
7.	Notice of Intent to Taxing Districts (90 days prior to OST Review)	11/12
Planning		2024/2025
1.	Project Analysis Step 2 with Lynnwood and SDS (45 to 60 days)	11/16 – 2/11
2.	Confirm boundaries, refine new development and revenue projections	12/26
3.	Confirm project list	12/26
4.	Status Update with Council Finance Committee	1/15
5.	Early Outreach -Verdant/HD2 Board Meeting	2/22
6.	Submit Project Analysis for Office of State Treasurer (OST) Review (90 days)	2/11
7.	Submit Project Analysis to Taxing Districts (90 days prior to Ordinance)	2/11
8.	Outreach and Follow up with Taxing Districts on Project Analysis	February - May
Execution		2025
1.	TIA Ordinance Introduction provided by consultant SDS – 30 days	3/11
2.	Review TIA Ordinance with City Council	March - May
3.	2-week notification of public briefing	4/28
4.	OST Review 90-day period complete	5/12
5.	1 st public briefing	5/13
6.	2 nd public briefing	5/15
7.	2-week notification prior to adoption (paper of record)	5/13
8.	Council Work Session	5/19
9.	Council Business Meeting-Adoption of TIA Ordinance (effective June 1, 2025)	5/27
10.	Certified Copy submitted to Snohomish County	5/30
11.	Ordinance effective	6/1
Implementation		2025-2055
1.	Evaluate Development Readiness/Market –	2025-203
2.	Issue Debt -	2027-2030
3.	Monitor Development Activity and TIF resources	2030-2055



Key TIF Deadlines and Proposed Schedule

- Provide notice to all local governments within increment area 90 days before submitting project analysis to OST.
- Submit to OST for review its 90-day review period.
- Submit Project Analysis to all local governments 90 days prior to anticipated TIA ordinance adoption.
- Hold two public briefings exclusively on the project no earlier than 90 days after submitting the project analysis to OST.
- Publish notice in public newspaper.
- Notice to county treasurer, county assessor, and governing body of each taxing district where the increment area is located.
- Increment area effective June 1 of any year.

Lynnwood TIF Timeline: 2024-2025



CITY OF LYNNWOOD TAX INCREMENT FINANCING (TIF) STRATEGY

STEP 1 Report Summary – Proposed Tax Increment Area (TIA)

KEY FINDINGS

- TIA Size/Assessed Value: **53.8 Acres/\$184 Million (Opt. 1)**
- TIA Levy Rate: **\$2.6606**
- TIF Public Improvement Costs: **Up to \$65.6 Million**
- TIA Private Development Value:
 - Baseline Development Scenario 1: **\$2 Billion (present value)**
 - Baseline Development Scenario 2: **\$999 Million (present value)**

TIF Revenues (Over 25 Years)

	<u>With MFTE</u>	<u>Without MFTE</u>
Baseline TIA Option 1		
• Present Value:	\$17 M	\$50.6 M
• Nominal Value:	\$46.6 M	\$109 M
Baseline TIA Option 2		
• Present Value:	\$7.7 M	\$26 M
• Nominal Value:	\$20.5 M	\$54.8 M

Proposed Public Improvements

- **194th St and 38th Ave Ring Road in the PFD District Master Plan**
 - Estimated cost: \$18 million to design and construct.
 - Potential Construction Start: 2026
- **42nd Ave Phase 1**
 - Estimated Cost (Phase 1): \$38 million (right-of-way acquisition and construction)
 - Potential Construction Start: 2028
- **City Center Park**
 - Estimated Cost: \$9.6 million (\$600K design and \$9 million for construction)
 - Potential Construction Start: 2030
- **Total Public Improvement Costs: \$65.6 million**

FINANCE COMMITTEE 4.B

CITY OF LYNNWOOD FINANCE COMMITTEE

TITLE: 2025 Finance Committee Meeting Calendar

DEPARTMENT CONTACT: Michelle Meyer, Finance

SUMMARY:

Finance Committee meeting calendar for 2025

PRESENTER:

Michelle Meyer, Finance Director

ESTIMATED TIME:

15

BACKGROUND:

The City Council Rules of Procedure requires Council approval of a meeting calendar each year for the City Council Finance Committee. A resolution will be on the City Council agenda for approval on January 27. A draft calendar reflecting meetings on the third Wednesday of each month is attached for discussion, but the dates/times will be determined by the Finance Committee members.

Finance Committee meetings are open to the public and formalizing the meeting calendar allows the public to be aware of upcoming meetings.

SUGGESTED ACTION:

Establish 2025 Finance Committee meeting schedule.

PREVIOUS COUNCIL ACTIONS:

FUNDING:

NA.

VISIONS AND PRIORITIES ALIGNMENT:

DEPARTMENT ATTACHMENTS

Description:

[Resolution 2025 Finance Committee Calendar.pdf](#)



**CITY OF LYNNWOOD
RESOLUTION NO. 2025-__**

**A RESOLUTION OF THE CITY OF LYNNWOOD, WASHINGTON,
ADOPTING THE 2025 MEETING SCHEDULE FOR THE CITY COUNCIL
FINANCE COMMITTEE.**

WHEREAS, with the approval of Resolution 2012-01 on January 9, 2012, the City Council established the City Council Finance Committee; and

WHEREAS, the City Council Rules of Procedure state that the Finance Committee shall present an ordinance or resolution to the City Council that sets their regular meeting dates/times for the year; and

WHEREAS, on January 15, 2025, the Finance Committee approved the calendar provided herein; now, therefore

THE CITY COUNCIL OF THE CITY OF LYNNWOOD DO RESOLVE AS FOLLOWS:

Section 1. Adoption of regular meeting time, date, and location. The regular meeting schedule for the City Council Finance Committee shall be 3:30 pm on the third Wednesday of the month, unless otherwise stated below. As indicated on the City of Lynnwood website (www.Lynnwoodwa.gov), meetings will be held electronically and in person at Lynnwood City Hall, 19100 44th Ave W, Lynnwood, WA 98036.

Section 2. Finance Committee meeting calendar for 2025.

January 15, 2025	July 16, 2025
February 18, 2025 (3 rd Tues. AWC Action Days)	August 2025 none - recess
March 19, 2025	September 17, 2025
April 16, 2025	October 15, 2025
May 21, 2025	November 19, 2025
June 18, 2025	December 2025 none – recess

Section 3. Changes to meeting schedule authorized. The chair of the Finance Committee may authorize variation(s) to the meeting schedules specified herein, with public notice provided in accordance with applicable law.

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This Resolution shall be in full force and effect from and after its adoption and approval.

PASSED BY THE CITY COUNCIL, the 27th day of January 2025.

APPROVED:

Christine Frizzell, Mayor

ATTEST/AUTHENTICATED:

Luke Lonie, City Clerk

FINANCE COMMITTEE 4.C

CITY OF LYNNWOOD FINANCE COMMITTEE

TITLE: 2025 Chairperson

DEPARTMENT CONTACT: Michelle Meyer, Finance

SUMMARY:

Appoint 2025 Chairperson

PRESENTER:

Michelle Meyer, Finance Director

ESTIMATED TIME:

10

BACKGROUND:

Each year at the January meeting, the Finance Committee selects one member to serve as Chairperson.

SUGGESTED ACTION:

Select Finance Committee 2025 Chairperson

DEPARTMENT ATTACHMENTS

Description:

FINANCE COMMITTEE 4.D

CITY OF LYNNWOOD FINANCE COMMITTEE

TITLE: 2025 Finance Committee Topics of Interest

DEPARTMENT CONTACT: Michelle Meyer, Finance

SUMMARY:

Discuss 2025 Topics of Interest

PRESENTER:

Michelle Meyer, Finance Director

ESTIMATED TIME:

20

BACKGROUND:

Committee Member discussion on possible topics of interest for review at upcoming meetings.

SUGGESTED ACTION:

Discussion

DEPARTMENT ATTACHMENTS

Description:
