

RESOLUTION NO. 1569

PORT OF PASCO
FRANKLIN COUNTY, WASHINGTON

A RESOLUTION of the Port of Pasco, Franklin County, Washington, designating the Reimann Industrial Center Tax Increment Financing Area – Phase 1; fixing the boundaries thereof; and providing for related matters.

WHEREAS the mission of the Port of Pasco, Washington (the “Port”), is to strategically allocate Port resources and transportation assets to attract and support sustainable jobs and a healthy tax base in greater Franklin County; and

WHEREAS, in 2019, the Port purchased three hundred acres of undeveloped land to establish the Reimann Industrial Center to attract industrial projects and fulfill its economic development mission; and

WHEREAS, substantial development of key infrastructure is needed to prepare the Reimann Industrial Center to serve large scale industrial projects; and

WHEREAS, Phase No. 1 of the public improvements needed for the development of the Reimann Industrial Center will require more than \$20 million for the construction of municipal water, sanitary sewer, and wastewater facilities; broadband, telephone and natural gas facilities; county road improvements; and a dedicated rail spur for intermodal transportation services; and

WHEREAS, the Port has assembled \$11,875,000 to be provided from its own funds and outside sources, and is in need of funding for the balance of the public improvement costs; and

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

WHEREAS, Darigold, Inc. (“Darigold”), intends to construct an approximately \$500 million private milk processing facility (the “Darigold plant”) on a 150-acre portion of the land comprising the Reimann Industrial Center (the “Darigold site”) that is expected to create up to 500 new jobs in the region; and

WHEREAS, Darigold and the Port have entered into an Agreement to Purchase and Sell Real Property dated as of July 1, 2021 (the “Darigold Purchase and Sale Agreement”), under which Darigold expects to purchase the Darigold site from the Port for the construction of the Darigold plant; and

WHEREAS, this major economic development project will not occur without the construction of substantial public infrastructure; and

WHEREAS, the purpose of this resolution is to designate an increment area that will enable the Port to carry out a tax increment financing of the public improvements needed to serve that increment area and the resulting private development of the Darigold plant within

that increment area, all in compliance with the requirements of the TIF Act as more particularly described in this resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF PASCO, FRANKLIN COUNTY, WASHINGTON, AS FOLLOWS:

Section 1. Definitions. Capitalized terms used in this resolution shall have the meanings set forth in the recitals to this resolution above and in this Section 1. The uncapitalized terms “public improvement costs,” “regular property taxes” and “tax allocation revenues” used in this resolution shall have the meanings provided for those terms by RCW 39.114.010, as the context requires.

- (a) “City” means the City of Pasco, Washington
- (b) “Code” means the Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.
- (c) “Commission” means the Port Commission of the Port, acting in its legislative capacity.
- (d) “County” means Franklin County, Washington.
- (e) “Finance Director” means the Director of Finance and Administration of the Port or such other officer of the Port who succeeds to substantially all of the responsibilities of that office.
- (f) “Increment Area” means the 150-acre parcel of land within the Reimann Industrial Center that is designated by Section 2 of this resolution as the “Reimann Industrial Center Increment Area – Phase 1.”
- (g) “Project Analysis” means the Port’s TIF Area Project Analysis – Reimann Industrial Center submitted to the Washington State Treasurer on September 20, 2021, as supplemented by additional information requested by and provided to the Office of State Treasurer, for its review and comment.
- (h) “Treasurer’s Review Letter” means the letter to the Port from the Office of State Treasurer dated December 1, 2021, summarizing its review of and providing comments and recommendations with respect to the Project Analysis for consideration by the Port.

Section 2. Designation of Increment Area. The Port designates the 150-acre parcel of land within the Reimann Industrial Center legally described as LOT 2B in Exhibit A to this resolution as the “Reimann Industrial Center Increment Area – Phase 1.” In making this designation, the Commission takes note of the facts that the Increment Area (i) is the only increment area designated by the Port under the TIF Act, (ii) is located within the boundaries of the Port, (iii) does not include the Port’s entire territory, and (iv) does not have an assessed value on the date of this resolution greater than the lesser of \$200,000,000 or 20 percent of the total assessed value of taxable property within the Port of \$9,974,478,793.

Section 3. Sunset Date of the Increment Area. The sunset date of the Increment Area is (i) December 31, 2048, which is the date not later than 25 years after the first year (calendar year 2023) in which tax allocation revenues will be collected on taxable property within the Increment Area (the “outside sunset date”), or (ii) if earlier, the date (“an early sunset date”) on which the Port certifies to the County Treasurer that all public improvement costs to be paid or reimbursed with tax allocation revenues derived from the Increment Area have been fully paid, including but not limited to reimbursements to the Port for principal and interest payments required to be made by the Port from revenue sources other than tax allocation revenues on general obligation bonds issued to finance the portion of public improvement costs that are intended to be paid and retired, in whole, from tax allocation revenues, as authorized by RCW 39.114.060(1).

Section 4. Identification of Public Improvements to Be Financed. The public improvements to be financed consist of the following infrastructure improvements to be owned by the Port, the County and/or the City and located within or outside of and serving the Increment Area:

- (a) Water supply improvements needed to connect the Increment Area with the City's domestic water system to provide water service to the Increment Area;
- (b) Sewer and wastewater improvements needed to connect to the City's sanitary sewer system to provide sewer service to the Increment Area;
- (c) Streets, roads, streetlights and other road improvements needed to serve the Increment Area;
- (d) A rail spur line needed to provide intermodal rail service to and from the Darigold plant within the Increment Area; and
- (e) Broadband and communications facilities needed to provide fiber optic teledata services to the Increment Area and relocation of a natural gas line to serve the Increment Area.

The exact configurations and operational features of the public improvements described above are to be determined by the final plans and specifications for such public improvements. As authorized by RCW 39.114.020(1)(h), the Port may expand, alter, or add to the public improvements identified above only if the Commission determines that such changes are necessary to assure that the public improvements identified above can be constructed or operated as intended.

Section 5. Expected Issuance of Bonds to Finance a Portion of the Public Improvement Costs.

(a) Pursuant to RCW 39.114.060 and other law, including the applicable provisions of Chapters 53.36 and 39.46 RCW, the Port intends to incur general indebtedness and issue limited tax general obligation bonds with a term of approximately 20 years to finance a portion (the "bond-financed portion") of the public improvement costs. To pay and secure the bonds, the Port expects to pledge the tax allocation revenues received by the Port from the Increment Area, the Port's other regular property tax revenues, other lawfully available revenues of the Port, and the full faith and credit of the Port. The bonds are expected to be issued as tax-exempt bonds under the applicable provisions of the Code; however, if and to the extent that bond counsel determines that any of the public improvements (or portions thereof) do not qualify to be financed with tax-exempt bonds, the Port expects to allocate funding sources other than proceeds of tax-exempt bonds, including but not limited to proceeds of taxable bonds, to the financing of those public improvements (or portions thereof).

(b) As of the date of adoption of this resolution, the estimated maximum amount of bonds expected to be issued by the Port to finance the bond-financed portion of the public improvement costs is \$8,225,000. This estimated maximum amount of bonds is subject to change based upon the final configuration and final public improvement costs of the public improvements identified in Section 4 of this resolution. The principal amount of such bonds also may vary (be lower or higher) to the extent that the bonds are sold with original issue premium or original issue discount (respectively) as needed to provide bond proceeds sufficient to pay the bond-financed portion of the public improvement costs.

(c) While the Port will pledge its full faith and credit as well as its regular property tax revenues and other lawfully available revenues, in addition to tax allocation revenues received by the Port from the Increment Area, to pay and secure debt service on the bonds, the Port intends that debt service on the bonds shall be payable, in whole, from tax allocation revenues as authorized by RCW 39.114.060(1). Accordingly, if and to the extent debt service payments on its general obligation bonds issued to finance the public improvements are required to be made from the Port's other regular property tax revenues and/or from other lawfully available revenues because the amount of tax allocation revenues received are insufficient for that

purpose, those debt service payments to that extent shall be reimbursed from later-received tax allocation revenues that become available to reimburse the Port for those debt service payments. The Finance Director, in consultation with the County Treasurer, will adopt accounting procedures sufficient to document the use of tax allocation revenues to reimburse debt service payments previously made from other revenues, consistent with the Port's intention and expectation that its general obligation bonds issued to finance public improvement costs are to be payable entirely from tax allocation revenues (as permitted by the Act).

(d) The Port intends that the provisions of Section 2 of this resolution (identifying the public improvements to be financed) and this Section 5 (stating the estimated maximum amount of bonds expected to be issued) together shall constitute a declaration of official intent under Treasury Regulations §1.150-2 to reimburse with bond proceeds any original expenditures for the public improvements paid before the issue date of the bonds that are intended to finance the bond-financed portion of the public improvement costs.

Section 6. Increment to Take Effect on June 1, 2022. The tax increment for the Increment Area designated in Section 2 of this resolution shall take effect on June 1, 2022.

Section 7. Deadline for Commencement of Construction of Public Improvements. The Port expects that construction of the public improvements identified in Section 4 of this resolution will commence in the summer of 2022. In no event will construction of those public improvements commence later than December 16, 2026, the date five years from the date of adoption of this resolution, unless that deadline is extended for good cause.

Section 8. Required Findings by the Port Commission. Based upon the Project Analysis and as also reflected by the terms of the Darigold Purchase and Sale Agreement, the Commission finds that:

(a) The public improvements proposed to be paid or financed with tax allocation revenues are expected to encourage private development within the Increment Area—*i.e.*, the private development of the Darigold plant, and to increase the assessed value of real property within the Increment Area;

(b) The 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 applicable zoning and development standards of the City, which is expected to be the permitting jurisdiction for the Increment Area;

(c) 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

(d) The increased assessed value of taxable property 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 private development with the proposed public improvements.

Section 9. Preparation and Consideration of Project Analysis. As required by RCW 39.114.020(2), the Commission has caused to be prepared by Port staff the Project Analysis to describe and analyze, among other matters, the factors and considerations listed in that statute. The Commission takes note of the conclusion expressed in the Treasurer's Review Letter that the Port's Project Analysis meets the requirements of RCW 39.14.020. In its consideration and adoption of this resolution, the Commission has reviewed and considered, among other things, the Project Analysis and the Treasurer's Review Letter, including the "Risk Factors" and "Recommendations" noted in the Treasurer's Review Letter.

Section 10. Impact on Franklin County Fire Protection District No. 3. Although the Increment Area is currently included within the boundaries of Franklin County Fire Protection District No. 3, the Increment Area also is located within the City's Urban Growth Area and is expected to be annexed to the City on or about January 3, 2022, a date prior to the June 1, 2022,

increment effective date of the Increment Area. Upon annexation to the City, the authority and responsibility to provide fire protection services for the Increment Area will transfer from Franklin County Fire Protection District No. 3 to the City. Consequently, the Port has concluded that it will not be necessary to negotiate a mitigation plan with that Fire Protection District under RCW 39.114.020(5).

Section 11. Reimbursement of Expenses Incurred by County Assessor and County Treasurer. Pursuant to RCW 39.114.020(6), the Port intends to enter into arrangements to reimburse the County Assessor and County Treasurer for the expenses incurred by those officials in connection with the implementation and ongoing administration of the Increment Area as described in RCW 39.114.010(6)(e). Such expenses shall be a portion of the public improvement costs to be paid or reimbursed from tax allocation revenues derived from the Increment Area.

Section 12. Public Briefings Held by the Port. As required by RCW 39.114.020(7)(a), the Port has held two public briefings for the community regarding the Darigold project and the public improvements needed to serve the Increment Area. These public briefings were held on October 28, 2021, and November 17, 2021, and announced to the public at least two weeks prior to the date each briefing was held by publishing notice in the *Tri-City Herald*, a legal newspaper of general circulation in the Port and the greater Franklin County area, and by posting information on the Port's website and on all of its social media sites. Each public briefing included a description of the Increment Area, the public improvements proposed to be financed with tax allocation revenues derived from the Increment Area, and a detailed estimate of tax revenues for the participating local governments and taxing districts, including the amounts allocated to the public improvements serving the Increment Area. The Port also has provided additional briefings for elected and administrative officials of the County, the City and the Pasco School District.

Section 13. Publication of Notice and Delivery of Resolution Designating Increment Area. Both prior to and following the adoption of this resolution, the Port has published, and will publish, in the *Tri-City Herald*, a legal newspaper of general circulation within the jurisdiction of the Port, a notice that describes the public improvements, describes the boundaries of the Increment Area, and identifies the location and times where this resolution and other public information concerning the public improvements may be inspected. Following the adoption of this resolution, the Port will deliver a certified copy of this resolution to the County Treasurer, the County Assessor, and the governing body of each taxing district within which the Increment Area is located.

Section 14. General Authorization and Ratification. The appropriate officers of the Port are severally authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the tax increment financing of the public improvements serving the Increment Area contemplated in connection with this resolution. All actions taken prior to the effective date of this resolution in furtherance of the purposes described in this resolution and not inconsistent with the terms of this resolution are ratified and confirmed in all respects.

Section 15. Severability. The provisions of this resolution are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this resolution to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 16. Effective Date of Resolution. This resolution shall take effect and be in force from and after the date its adoption.

ADOPTED by the Port Commission of the Port of Pasco, Washington, at a regular open public meeting thereof held on December 16, 2021, the following Commissioners being present and voting in favor of the resolution.

Port of Pasco Commission



Jim Klindworth, President



Vicki Gordon, Vice President



Jean Ryckman, Secretary

CERTIFICATION

I, the undersigned, Secretary of the Port Commission (the "Commission") of the Port of Pasco, Washington (the "Port"), hereby certify as follows:

1. The attached copy of Resolution No. 1569 (the "Resolution") is a full, true and correct copy of the Resolution duly adopted at a regular meeting of the Commission held on December 16, 2021 (the "Meeting"), as that resolution appears on the minute book of the Port.
2. The Resolution is in full force and effect.
3. Pursuant to various proclamations and orders issued by the Governor of the State of Washington, options were provided for the public to attend the Meeting remotely, including by telephonic access and, as available, internet access, which options provided the ability for all persons attending the Meeting remotely to hear each other at the same time.
4. The Meeting was duly convened and held in all respects in accordance with law, the public was notified of the access options for remote attendance via the Port's website, a quorum of the members of the Commission was present throughout the meeting and a sufficient number of members of the Commission present voted in the proper manner for the adoption of the Resolution.

Dated: December 16, 2021.

PORT OF PASCO, WASHINGTON



Jean Ryckman, Secretary

Tax Increment Financing (TIF) Procedure from HB1189, 2021 Legislature

Prepared by Randy Hayden, August 6, 2021

1. **Project Analysis** - Public agency proposing a TIF must first prepare a project analysis that includes:
 - a. Objectives for the TIF area
 - b. Identification of all parcels within the TIF and what property in the TIF area the agency intends to acquire, if any
 - c. Duration of TIF
 - d. Description of expected private development in TIF, with a comparison of development with and without public improvements
 - e. Description of public improvements, costs, estimated bonds
 - f. Assessed value of property in TIF, estimated increase due to TIF, and estimated tax revenues to be generated
 - g. Estimate of job creation and private investment expected to result from TIF
 - h. Impacts and mitigation to address:
 - i. Affordable housing
 - ii. Local business community
 - iii. Local school districts
 - iv. Local fire service

2. **Public Briefings** – Public briefings must be held prior to adoption of resolution authorizing creation of increment area. The local agency must:
 - a. Hold 2 public briefings solely on the TIF project:
 - i. Description of TIF area, public improvements
 - ii. Detailed tax revenues of participating local governments and taxing districts
 - iii. Announced at least 2 weeks prior to the date being held, including publishing in legal newspaper and posting on the local agency’s website and all social media sites
 - b. Submit project analysis to Office of Treasurer (state) for review and consider any comments provided. Treasurer must complete review within 90 days.

3. **Agency Resolution** - After sections 1 and 2 above, the agency must adopt an ordinance (or resolution for a port district) designating an increment area within its boundaries and describing the public improvements. The resolution must also:
 - a. Indicate if bonds or other obligations will be issued to pay for all or part of improvements
 - b. Estimate maximum amount of obligations
 - c. Impose a deadline for beginning of construction of improvements, at least 5 years into the future
 - d. Make a finding that improvements are expected to encourage private development in TIF and increase assessed value
 - e. Assert that private development resulting from TIF will be:
 - i. consistent with applicable zoning and development standards
 - ii. would not reasonably occur without TIF
 - iii. higher assessed valuation with TIF than development without TIF

- f. Provide that the “increment takes effect on June 1st following adoption of the ordinance”ⁱ

An agency can't add additional improvements to the project or change the boundaries of the TIF after adoption of the ordinance.

4. Notifications - The local agency must provide the following TIF notifications:

- a. Publish notice in legal newspaper the TIF boundary, public improvements, location and times where resolution may be inspected. It would appear this notice could be combined with the public briefing announcements of Section 2.
- b. Deliver certified copy of the resolution to the county treasurer, assessor, and governing body of each taxing district within the TIF

5. Limitations on TIFs – TIFs are limited in scope as follows:

- a. The Increment area's original assessed valuation must be less than \$200M or 20% of sponsoring agency assessed valuation, whichever is less.
- b. Each local agency can only have 2 TIFs at any one time, boundaries can't cross, and total assessed valuation must be less than \$200M.
- c. A TIF cannot include the local agency's entire territory
- d. Improvements may be within the TIF or outside of and serving the TIF
- e. TIFs must sunset no more than 25 years after first year of tax collection.
- f. Can charge private developer, with concurrence, fees to cover costs of creating TIF and project analysis
- g. If TIF will impact at least 20% of assessed value in a fire district, or fire district annual report demonstrates an increase in level of service due to TIF, local agency must negotiate a mitigation plan with the fire district to address service issues

6. County Reimbursements - Local agency MAY reimburse assessor and treasurer for their costs of determining TIF values.

7. Tax collections – The following procedures are used to collect and distribute taxes:

- a. In calendar year following passage of TIF resolution, property taxes are distributed to:
 - i. Each taxing district gets its tax allocation for base value of TIF
 - ii. Local agency creating TIF gets additional taxes from all taxing districts resulting from property increment value above base value , limited to what is needed to pay for public improvements
 - iii. Increment taxes can only be collected to pay for improvements or bond debt service, reserve, and other bond covenant requirements – remainder goes back to other taxing districts in proportion to their regular levy rates.
 - iv. The following are NOT included in TIF tax collections:
 - 1. The state for common school support
 - 2. Local school district excess levies
 - 3. Port districts or PUDs specifically for purpose of making required payments of principal and interest or general indebtedness

- b. TIF tax collections must cease when local agency certifies to county assessor in writing that TIF taxes are no longer needed to pay for public improvements, but no later than sunset date established by TIF; and any excess revenues collected must be returned to other taxing districts.
- c. TIF increment taxes collected shall not affect the rate of taxes within uniformity requirement of Article VII, Section 1 of state constitution.
- d. Section 10 of the bill adds TIF assessed valuation increases to the list of exemptions from the 1% overall annual property tax increase limit.

8. TIF Bond Financing - TIFs can be financed by:

- a. GO bonds (covered in whole or part by TIF tax allocation)
- b. Revenue bonds (but only if public improvements generate revenue, e.g. from water utility; i.e. not from property tax revenues?)

ⁱ Section 2.(1)(g) states The ordinance must provide that the increment takes effect on June 1st following the adoption of the ordinance . . .”

General law requires Assessor to complete listing and valuation of property by May 31 of each year, so this June 1 date may correspond with that. However, general law allows the Assessor to list and value “new construction” up to August 31 of each year, with a valuation of that “new construction” as of July 31 of each year, regardless of the percentage of completion of construction. Construction that continues after July 31 to August 1 of the following year is added to “new construction” in the following year. WAC 458-12-342.

Section 1.(3) states “Increment value” means 100 percent of any increase in the true and fair value of real property in an increment area that is placed on the tax rolls after the increment area is created.”

Section 1.(9) states “Tax allocation base value” means the assessed value of real property located within an increment area for taxes imposed in the year in which the increment area is first designated.”

Section 2.(1)(a) states The local government must adopt an ordinance designating an increment area within its boundaries . . .”

Reading together, it appears the “increment area” and “tax allocation base value” are set as of the date when the ordinance designating the increment area is approved. The “increment” and “increment value” are first assessed on June 1st following adoption of the ordinance.

TAX INCREMENT FINANCING PROJECT ANALYSIS REVIEW

— PORT OF PASCO —

DECEMBER 1, 2021



OFFICE OF THE TREASURER
STATE OF WASHINGTON
Mike Pellicciotti



December 1, 2021

Randy Hayden
Executive Director
Port of Pasco
1110 Osprey Pointe Blvd. Suite 201
Pasco, WA 99301

Dear Mr. Hayden:

This letter confirms the Office of the State Treasurer's ("OST") receipt and review of the Port of Pasco's ("the Port") Tax Increment Financing ("TIF") Project Analysis. OST and Montague DeRose and Associates, LLC, the state's municipal advisor, have reviewed the provided material. Based on our review, which is provided in the sections to follow, we believe the Port's Project Analysis meets the requirements of RCW 39.114.020.

Statutory Role and Purpose of Review

As enacted by the 2021 Washington State Legislature, RCW 39.114.020 requires that prior to the adoption of an ordinance authorizing the creation of a TIF project area, the local government proposing the TIF project area must provide a Project Analysis to OST for review. OST must complete the review within 90 days of receipt of the Project Analysis. Upon completing the review, OST must promptly provide to the local government any comments regarding suggested revisions or enhancements to the Project Analysis that OST deems appropriate. OST received the Project Analysis from the Port on September 21, 2021, commencing the 90 day review period.

Project Overview

Issuing Jurisdiction: Port of Pasco	Bond Counsel: Foster Garvey
Project Title: Reimann Industrial Center	Municipal Advisor: NW Municipal Advisors
County: Franklin County	Underwriter: Piper Sandler & Co.

In 2019, the Port of Pasco purchased approximately 300 acres of land for the Reimann Industrial Center, with the intention for the land to serve as a new industrial park. The Port's objectives for the Reimann Industrial Center are to establish a shovel ready industrial park, attract substantial private investment, create high wage manufacturing jobs, improve the Franklin County tax base, and support agricultural dairy producers in Washington. With the passage of RCW 39.114 in 2021, the Port began the process of designating a portion of the Reimann Industrial Center as a TIF project area.

Darigold has committed to developing a major dairy processing plant at the site. The Port is expected to close on the sale of a 150 acre parcel of the Reimann Industrial Center land to Darigold on December 27, 2021. In connection with the sale of the parcel, the Port is contractually obligated to complete certain infrastructure improvements by specific dates, ranging from January to June of 2023. The \$500 million facility will produce

dehydrated milk protein powder and butter, and will be the largest dairy processing facility of its type in North America.

The infrastructure improvements required to be delivered by the Port include the extension of municipal water and wastewater infrastructure, road improvements, rail crossing and rail spur improvements, extension of fiber and telephone communications, and the relocation of a natural gas main. The infrastructure improvements are expected to cost the Port a total of \$20.1 million. The Port has received commitments of \$11.875 million from various partners, and plans to form a tax increment financing area encompassing 150 acres of the Reimann Industrial Center in order to cover the remaining funding gap of \$8.225 million.

Project Timeline

The Port's construction of the infrastructure improvements is expected to begin in the summer of 2022. The Purchase and Sale Agreement ("PSA") between the Port and Darigold for the Reimann Industrial Center land requires the Port to complete the infrastructure improvements by specific dates, ranging from January to June of 2023. If not completed on time, the PSA entitles Darigold to a partial refund of the purchase price, up to \$1,000,000, to cover any expenses in completing the improvements. Construction of the Darigold facility is expected to begin in early 2022 and be completed by November 2023.

See Attachment A: TIF Timeline

Tax Increment Area

In 2019, the Port purchased approximately 300 acres of land for the Reimann Industrial Center. The TIF project area will encompass 150 acres of this land, bordered to the west by BNSF rail and to the east by agricultural production land and US Highway 395. The Port is expected to close on the sale of the 150 acre parcel of the Reimann Industrial Center land to Darigold on December 27, 2021. Per the PSA, the purchase price is \$21,827.46 per acre, or \$3,274,119 for the 150 acre parcel. Additionally, the Port expects that the TIF project area will be annexed into the City of Pasco's city limits by January 3, 2022.

The Port expects to officially adopt an ordinance designating the boundaries of the TIF project area and describing the public improvements to be financed with tax allocation revenues on December 16, 2021. Per RCW 39.114.020, if the Port's ordinance is adopted as planned, the TIF project area will be designated on December 16, 2021, and take effect on June 1, 2022. We note that the expected June 1, 2022 increment effective date occurs after the expected March 20, 2022 closing date of the associated Limited Tax General Obligation ("LTGO") bonds. However, our understanding is that the 30-day limitation period provided by RCW 39.114.070 that will apply to any challenge to the designation of the TIF project area or the allocation of regular property tax revenues will expire on January 15, 2022, the date 30 days after adoption off the Port's ordinance designating the TIF project area and before the Port would issue the associated LTGO bonds. Consequently, any risk of delay or interruption to the effectiveness of the TIF project area to provide tax allocation revenues because of legal challenges will be significantly reduced.

Originally, the TIF project area was expected to expire 20 years after adoption. However, after conversations with OST, the Port may instead structure the TIF project area to expire on the earlier of 25 years after its adoption, or the date upon which all debt related to the TIF project area is repaid.

Tax Increment Revenue Projections

Darigold has estimated the construction costs of its facility to be approximately \$500,000,000. The Port has estimated that the sale of the property and the completion of the Darigold facility will result in the assessed value of the TIF project area increasing by \$200,000,000. Our understanding is that by estimating the

incremental growth to be less than half of the cost of constructing the facility, the Port intended for this calculation to be conservative, and also to protect it against fluctuations in the final assessed value of the facility. While we would have preferred to see much more detailed tax increment growth projections prepared by a third party, we understand that there are currently few, if any, consultants providing such services. As such, in this situation, given its conservative assumptions, we believe that the Port's approach is reasonable.

Assuming the TIF project area designation and annexation occur as planned, and assuming the levy rates for the city taxing district, as provided by the Port, the TIF project area is expected to produce incremental property taxes of \$613,854 once the full \$200,000,000 of estimated growth in assessed value is reflected on the tax rolls. The Port estimates that the full \$200,000,000 increase in assessed value will be fully realized in 2025, as shown in Attachment B.

Estimated Increase in Assessed Value		\$200,000,000
Levy in TIF project area (as of 2021)	Rate	Tax Increment Revenue
Port Levy	0.24382	\$48,764
County Levy	1.10500	\$221,000
City Levy	1.68420	\$336,840
Veterans Relief and Mental Health Levy	0.03625	\$7,250
Total	3.06927	\$613,854

See Attachment B: TIF Cash Flows

In the event that it was not annexed by the City by the anticipated January 3, 2022 date, our understanding is that TIF project area would be subject to County tax levy rates, which are actually slightly higher than the City's rates. As such, the TIF project area would produce incremental property taxes in excess of the \$613,854 estimate, eliminating any risk related to the annexation.

Sources and Uses

As shown in the following table, the total cost of the Port's infrastructure improvements is approximately \$20.1 million, of which, \$8.225 million will be financed through LTGO bonds issued by the Port in connection with the TIF project area. Contributions from the Port and from various partners, including the Washington State Legislature, Franklin County, Franklin PUD, and the Tri-City Economic Development Council ("TRIDEC") will fund \$11.875 million of the projected expenditures. The funds are expected to be available on a reimbursement basis for the Port. The Community Economic Revitalization Board ("CERB") grant and loan funding and the State capital budget appropriation contracts are still under way, but the Port has indicated that the other funding sources have been secured and are under contract.

Sources		Uses	
LTGO Bonds (TIF Financing)	\$8,225,000	Rail Spur Line – BNSF Switch to Northeast edge of Southern Circle	\$6,071,309
State Capital Budget Appropriation	7,500,000	Connect to City Domestic Water	5,101,626
Port Land Sale Proceeds	1,500,000	Connect to City Sanitary Sewer	2,582,187
Port Economic Development Fund	1,000,000	N. Railroad Avenue Frontage	2,370,563
Franklin Co. 09 Fund – 2021	1,000,000	Fiber, Gas Line, and Telephone	2,173,751
CERB Rail Funding (Grant & Loan)	575,000	N. Railroad Avenue Non-Frontage	1,797,351
Franklin Co. 09 Fund – 2020	300,000		
Total	\$20,100,000		\$20,096,787

Financing Structure

The Port plans to issue tax-exempt, non-voted LTGO bonds, structured with a 20-year amortization and a 10-year par call. Although the bonds will be a general obligation of the Port, it is expected that the projected tax increment revenues from the TIF project area will be used to make the estimated annual debt service payments of \$552,850 in 2025 and thereafter, when the full \$200,000,000 of expected incremental assessed value is expected to be on the tax rolls. We understand that the Port is not currently expecting to capitalize interest during the first three years of the financing when TIF revenues alone are not expected to be sufficient to cover debt service. Instead, we understand that the Port expects to pay any difference between debt service and TIF revenues from non-TIF revenues.

The Port is working with its financing team to determine if it can be reimbursed from TIF revenues received at a later date in the event that the Port makes debt service payments from non-TIF revenues. If legally permissible, we encourage the Port to explore the option of allowing the Port to be reimbursed for such debt service payment shortfalls in the TIF project area’s ordinance. Additionally, we encourage the Port and its financing team to explore various bond structuring options (e.g. turbo redemption provisions, early call dates, etc.) that might provide an opportunity to redeem or prepay bonds in the event that revenues come in above projections.

Debt Capacity

Based on an assessed value of \$9,974,478,793 in 2021, the Port has \$24.9 million in total non-voted debt capacity. As of the same date, the Port had \$10.6 million in non-voted general obligation debt outstanding, resulting in \$14.3 million of non-voted debt capacity remaining. As shown below, the Port has sufficient capacity for the issuance of the proposed \$8.225 million LTGO bonds related to the TIF project and is expected to have \$6.1 million, or 24% of its debt capacity available after the proposed issuance.

Non-Voted Debt Capacity (0.25% of AV)	\$24,936,197
<i>Less:</i> Outstanding Non-voted Debt	\$10,622,073
Non-Voted Debt Capacity	\$14,314,124
<i>Less:</i> Financing (proposed)	<u>\$8,225,000</u>
Projected remaining Non-voted Capacity	<u>\$6,089,124</u>
Projected Remaining Non-voted Capacity	24.4%

Port Financials

According to the Port’s bond counsel, to pay and secure an issue of LTGO bonds, the Port pledges its regular property tax revenues as well as lawfully available non-airport operating revenues. In 2020, the Port received a total of \$2,437,867 in property taxes and \$4,188,744 in non-airport operating revenues. In addition, in any given year the Port may have other funds available for debt service, which include non-operating revenues and expenditures and airport revenues used to pay debt service on the portion of any LTGO bonds used for airport purposes. These funds are reported net of any dedicated uses, and are notated as “Other” in Attachment C: Pledged Revenues. In 2020, the Port reported a \$1,378,672 deficit of Other revenues, bringing the total funds available for debt service to \$5,247,939. For 2021, the Port estimates it will receive a total of \$2,550,000 in revenues from property taxes, \$4,143,000 in non-airport operating revenue, and \$540,833 of Other funds, for a total available for debt service of \$7,233,833.

Due to assessed value increasing by 46% over the past 5 years, the Port has seen property tax revenue rise from \$2,015,124 in 2016 to \$2,437,867 in 2020. Additionally, the Port has maintained a strong cash position

for the last 5 years, with the 2020 ending cash balance equal to \$10,836,967, which was 164% of annual non-airport operating revenues and property tax income.

See Attachment C: Pledged Revenues

Projected Debt Service Coverage

Maximum annual debt service on the Port's outstanding and proposed new LTGO bonds is projected to be equal to \$1,810,954 in 2023. The Port projects \$2,550,000 in property tax revenues in 2021, which on their own would provide 1.41x debt service coverage when compared to the maximum annual debt service expected in 2023.

The Port expects to have \$7,464,028 in total pledged revenues (composed of property taxes; non-airport revenues; and "Other" revenues identified by the Port, which include non-operating revenues and expenditures, and airport revenues available for the airport portion of LTGO bond debt service payments) before operating expenses available for debt service, producing 4.12x debt service coverage when compared to the maximum annual debt service expected in 2023.

With the addition of the estimated \$537,122 in TIF revenues in 2024, the debt service coverage ratio improves to 4.31x. By the time the full amount of TIF revenues are expected to be collected in 2025, in the amount of \$613,854, the debt service coverage ratio improves to 5.28x.

See Attachment D: Debt Service Coverage

Risk Factors

While it appears that the project is well conceived and will benefit the region once implemented, it does come with certain financial risks that can be broadly categorized as execution, business operation, and projection risks, all of which could negatively impact the Port.

First, execution risk broadly describes the risk to tax increment revenues from failing to fully execute the project. Any number of issues, such as failure of Darigold to purchase the land, failure of the Port's partners to deliver promised funding for the infrastructure improvements, delays in infrastructure improvements, or failure to complete the facility would likely have a negative impact on the assessed value and amount of revenues generated by the TIF project area. Additionally, delays in the county assessor's recognition of parcel improvements could also have a negative impact on tax increment revenues.

In the event that either the TIF project area is not adopted by the Port or annexed by the City, it is possible that actual pledged revenues could differ from projections. However, as previously addressed, the Port is afforded time to address these concerns before issuing LTGO bonds.

Once the facility is constructed, operational, and fully assessed, the Port's risk will be reduced considerably, however, it will continue to be exposed to operational risks until the bonds are fully repaid. As Darigold will be the singular taxpayer in the TIF project area, the Port will be subject to risks related to any future cessation of operations, destruction of the facility, or failure to pay property taxes, all of which would negatively impact the assessed value and/or amount of revenues generated by the TIF project area.

Finally, the Port has estimated the amount of incremental assessed value and projected the amount of future revenues it expects to be generated by the project, which it will apply to paying debt service on its LTGO bonds. If actual revenues are materially less than projected, the Port could be negatively impacted. As the issuer of LTGO bonds, the Port is pledging its full faith and credit to the repayment of these bonds. Once

issued, the Port will be required to make the semi-annual debt service payments, regardless of the status of the Darigold plant or the amount of revenues generated from the TIF project area.

Due to the unique nature of the TIF financing, in comparison to the Port's existing lines of business, and the long-term nature of the LTGO bonds, it is essential that Port leadership clearly understand and accept the risks and benefits associated with this project prior to moving forward. As the Port's obligation to make its debt service payments will extend to the 20-year final maturity of the bonds, we recommend that the Port do everything possible to mitigate the project's execution, business operation, and projection risks.

Recommendations

Based on our analysis, we believe that the project is well conceived and that the Port is in a strong position to move forward. To help ensure the long-term financial success of this endeavor and to minimize risk, we encourage the Port to consider the following measures, if it has not already done so.

1. Finalize the Port's adoption of the TIF project area prior to issuing the LTGO bonds.
2. Finalize the parcel sale with Darigold prior to issuing the LTGO bonds.
3. Secure all infrastructure funding arrangements with its partners prior to issuing the LTGO bonds.
4. Secure all critical project related permits prior to issuing the LTGO bonds.
5. Limit the term of the LTGO bonds to 20 years, as planned.
6. Explore the legality and appropriateness of allowing the Port, in the TIF project area's ordinance, to be reimbursed from TIF revenues for any debt service payment made by the Port on the LTGO bonds from non-TIF revenues.
7. Explore bond structuring options that could provide the Port with the ability to make early repayments of the LTGO bonds in the event that tax increment revenues are higher than projected, and legally available to be applied to such a purpose (e.g. turbo redemption provisions, early call dates, etc.).
8. Establish the TIF project area to have an expiration date equal to the earlier of 25-years after adoption, or the date upon which all debt related to the TIF project area is repaid. This longer term could help protect the Port's finances, while also giving the Port the option of sunsetting the TIF project area earlier, upon the full repayment of the LTGO bonds.

Thank you for the opportunity to review your Project Analysis. Based upon the information provided to date, in connection with this project, this concludes our review. If there are material changes in the scope, timing, or cost of the project, please let us know. We wish the Port the best of luck with the project.

Respectfully,

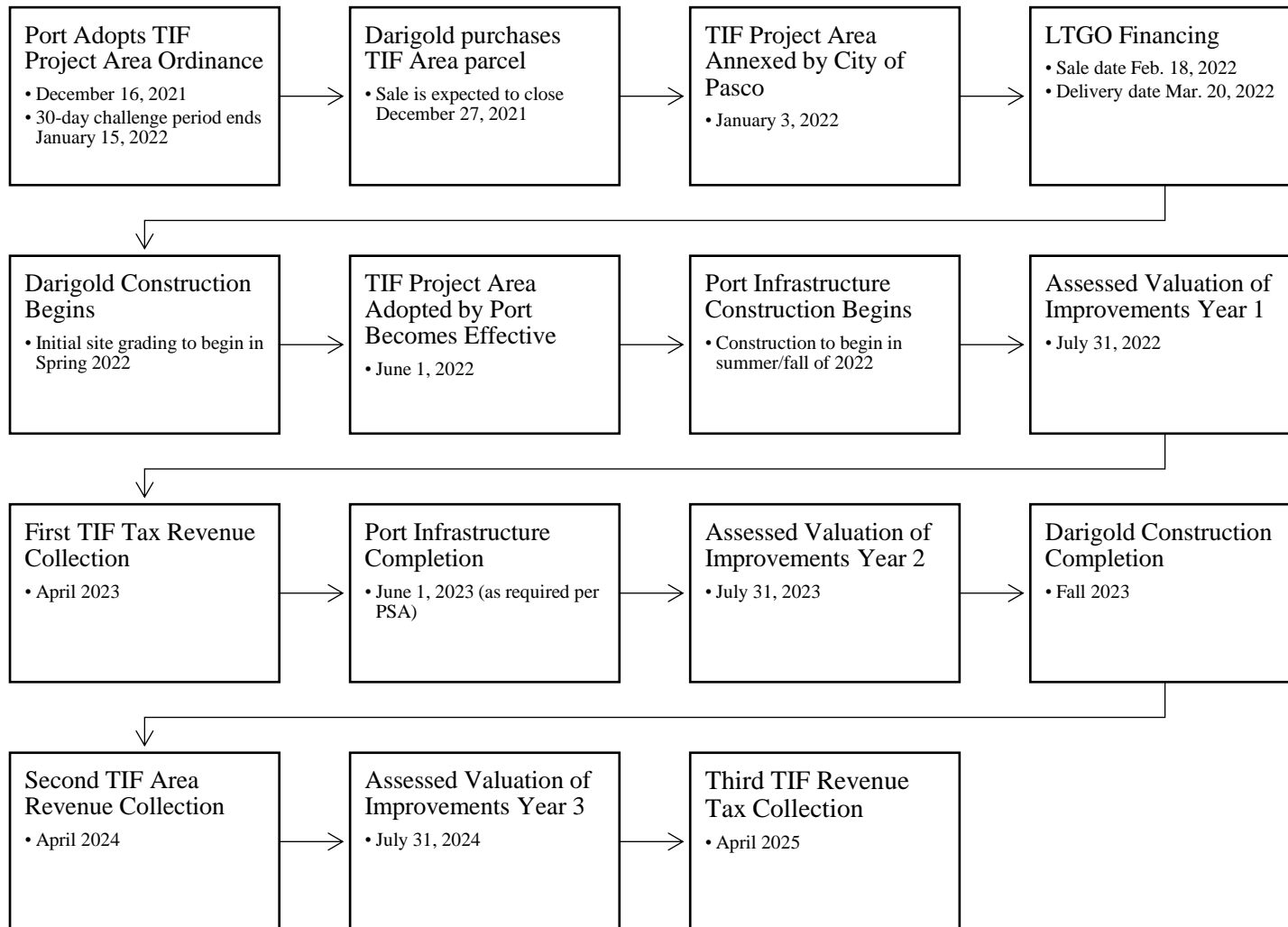
Mike Pellicciotti
Washington State Treasurer



Jason Richter
Deputy Treasurer



Attachment A: TIF Timeline†



†Port of Pasco



Attachment B: TIF Cash Flows

TIF	Projected Incremental Assessed Value†	TIF Tax Rate†	Projected TIF Revenues*	Projected Debt Service	Excess Collections (Shortfall)
2022	\$ -	3.06927	\$ -	\$ 470,313	\$ (470,313)
2023	75,000,000	3.06927	230,195	552,513	(322,318)
2024	175,000,000	3.06927	537,122	552,513	(15,391)
2025	200,000,000	3.06927	613,854	552,513	61,341
2026	200,000,000	3.06927	613,854	552,513	61,341
2027	200,000,000	3.06927	613,854	552,513	61,341
2028	200,000,000	3.06927	613,854	552,513	61,341
2029	200,000,000	3.06927	613,854	552,513	61,341
2030	200,000,000	3.06927	613,854	552,513	61,341
2031	200,000,000	3.06927	613,854	552,513	61,341
2032	200,000,000	3.06927	613,854	552,513	61,341
2033	200,000,000	3.06927	613,854	552,513	61,341
2034	200,000,000	3.06927	613,854	552,513	61,341
2035	200,000,000	3.06927	613,854	552,513	61,341
2036	200,000,000	3.06927	613,854	552,513	61,341
2037	200,000,000	3.06927	613,854	552,513	61,341
2038	200,000,000	3.06927	613,854	552,513	61,341
2039	200,000,000	3.06927	613,854	552,513	61,341
2040	200,000,000	3.06927	613,854	552,513	61,341
2041	200,000,000	3.06927	613,854	552,513	61,341
	\$ 3,650,000,000		\$ 11,202,836	\$ 10,968,060	\$ 234,776

†Provided by the Port of Pasco.

*Per RCW 39.114.050, The local government that designated the increment area shall receive no more than is needed to pay or repay costs directly associated with the public improvements identified in the approved ordinance and may agree to receive less than the full amount of this portion, as long as bond debt service, reserve, and other bond covenant requirements are satisfied, in which case the balance of these tax receipts shall be allocated to the taxing districts that imposed regular property taxes, or have regular property taxes imposed for them, in the increment area for collection that year in proportion to their regular tax levy rates for collection that year.

**Attachment C: Pledged Revenues**

			Audited			Budgeted	Budgeted w/TIF
	2016	2017	2018	2019	2020	2021	2021
Beginning Cash Available for Debt Service	\$7,469,115	\$6,396,846	\$10,078,957	\$10,960,456	\$9,854,624	\$10,836,967	\$10,836,967
Non-Airport Revenue Available for Debt Service							
Operating Revenue	\$2,659,682	\$2,994,256	\$3,180,862	\$3,892,690	\$4,188,744	\$4,143,000	\$4,143,000
Operating Expenditures before Depreciation	\$2,698,577	\$3,061,717	\$2,798,685	\$2,801,954	\$2,674,910	\$3,466,500	\$3,466,500
Operating Income (Loss)	(\$38,895)	(\$67,461)	\$382,177	\$1,090,736	\$1,513,834	\$676,500	\$676,500
Property Tax Income	\$2,015,124	\$2,133,001	\$2,191,129	\$2,319,989	\$2,437,867	\$2,550,000	\$2,550,000
Other*	\$465,090	\$566,459	\$612,254	\$1,967,533	(\$1,378,672)	\$540,833	\$540,833
Total Non-Operating Income (Loss)	\$2,480,214	\$2,699,460	\$2,803,383	\$4,287,522	\$1,059,195	\$3,090,833	\$3,090,833
Total Revenue Available for Debt Service	\$2,441,319	\$2,631,999	\$3,185,560	\$5,378,258	\$2,573,029	\$3,767,333	\$3,767,333
Debt Service (General Obligation)							
GO Debt Obligation	\$935,247	\$962,603	\$948,849	\$1,008,546	\$1,179,428	\$1,208,197	\$1,208,197
TIF GO Debt Obligation							\$552,850
Total Debt Service	\$935,247	\$962,603	\$948,849	\$1,008,546	\$1,179,428	\$1,208,197	\$1,761,047
Grant Revenue**	\$51,110	\$72,762	\$60,147	\$222,069	\$239,420	\$4,440,500	\$4,440,500
Other Inflows (Outflows)***	(\$2,629,451)	\$1,939,952	(\$1,415,359)	(\$5,697,613)	(\$650,678)	(\$7,609,801)	(\$7,609,801)
Ending Cash Available for Debt Service	\$6,396,846	\$10,078,957	\$10,960,456	\$9,854,624	\$10,836,967	\$10,226,802	\$9,673,952

*Includes nonoperating revenues and expenditures and airport revenues for airport portion of debt.

**Includes grant revenues for capital expenditures. Grant revenues increased significantly in 2021 due to large federal EDA and FHWA grants. Grant proceeds are expected to be higher than normal over the next 2-5 years from other secured and expected grants to support larger scale projects.

***Consists of balance sheet transactions such as debt proceeds, acquisition costs, capital expenditures, and accrual adjustments.

Source: Port of Pasco



Attachment D: Debt Service Coverage

Year	Existing LTGO Bond Debt Service†	Projected New TIF LTGO Bond Debt Service†	Total Projected Debt Service	FY 2021 Property Tax Collection†	Debt Service Coverage - Property Tax Only	FY 2021 Pledged Revenues**†	Debt Service Coverage - Current Revenues	Projected TIF Revenues**	Total Projected Revenues†	Debt Service Coverage - TIF Included
2022	\$ 1,216,197	\$ 470,313	\$ 1,686,510	\$ 2,550,000	1.51x	\$ 7,233,833	4.29x	\$ -	\$ 7,233,833	4.29x
2023	1,258,441	552,513	1,810,954	2,550,000	1.41x	7,233,833	3.99x	230,195	7,464,028	4.12x
2024	1,249,341	552,513	1,801,854	2,550,000	1.42x	7,233,833	4.01x	537,122	7,770,955	4.31x
2025	932,424	552,513	1,484,937	2,550,000	1.72x	7,233,833	4.87x	613,854	7,847,687	5.28x
2026	943,424	552,513	1,495,937	2,550,000	1.70x	7,233,833	4.84x	613,854	7,847,687	5.25x
2027	901,185	552,513	1,453,698	2,550,000	1.75x	7,233,833	4.98x	613,854	7,847,687	5.40x
2028	853,346	552,513	1,405,859	2,550,000	1.81x	7,233,833	5.15x	613,854	7,847,687	5.58x
2029	741,344	552,513	1,293,857	2,550,000	1.97x	7,233,833	5.59x	613,854	7,847,687	6.07x
2030	288,944	552,513	841,457	2,550,000	3.03x	7,233,833	8.60x	613,854	7,847,687	9.33x
2031	288,944	552,513	841,457	2,550,000	3.03x	7,233,833	8.60x	613,854	7,847,687	9.33x
2032	288,944	552,513	841,457	2,550,000	3.03x	7,233,833	8.60x	613,854	7,847,687	9.33x
2033	288,944	552,513	841,457	2,550,000	3.03x	7,233,833	8.60x	613,854	7,847,687	9.33x
2034	288,944	552,513	841,457	2,550,000	3.03x	7,233,833	8.60x	613,854	7,847,687	9.33x
2035	288,944	552,513	841,457	2,550,000	3.03x	7,233,833	8.60x	613,854	7,847,687	9.33x
2036	288,944	552,513	841,457	2,550,000	3.03x	7,233,833	8.60x	613,854	7,847,687	9.33x
2037	288,944	552,513	841,457	2,550,000	3.03x	7,233,833	8.60x	613,854	7,847,687	9.33x
2038	288,944	552,513	841,457	2,550,000	3.03x	7,233,833	8.60x	613,854	7,847,687	9.33x
2039	135,320	552,513	687,833	2,550,000	3.71x	7,233,833	10.52x	613,854	7,847,687	11.41x
2040	30,244	552,513	582,757	2,550,000	4.38x	7,233,833	12.41x	613,854	7,847,687	13.47x
2041	30,244	552,513	582,757	2,550,000	4.38x	7,233,833	12.41x	613,854	7,847,687	13.47x

†Provided by the Port of Pasco.

*2021 available revenues for Debt Service, including property taxes, non-airport operating revenue, and other non-operating revenues and expenditures.

**Per RCW 39.114.050, The local government that designated the increment area shall receive no more than is needed to pay or repay costs directly associated with the public improvements identified in the approved ordinance and may agree to receive less than the full amount of this portion, as long as bond debt service, reserve, and other bond covenant requirements are satisfied, in which case the balance of these tax receipts shall be allocated to the taxing districts that imposed regular property taxes, or have regular property taxes imposed for them, in the increment area for collection that year in proportion to their regular tax levy rates for collection that year.