

## Local Infrastructure Financing Tool - LIFT FACTS

1. **What is LIFT?** Local Infrastructure Financing Tool is a form of tax increment financing used to pay for a portion of the public improvements within a Revenue Development Area (RDA) in order to promote economic development. Washington State enacted in 2006 and ended the program in 2008, RCW 82.14.475 and RCW 39.102.
2. **How did the City qualify for LIFT revenues?** The City was awarded \$500,000 per year for 25 years from LIFT in 2008, by the State Community Economic Revitalization Board (CERB). Funds are to be used for repayment of bonds issued to finance eligible public improvements. Receipt of State funds is subject to the amount of additional tax received by the State from the RDA and matching local government contributions from incremental tax revenues or other sources.
3. **What public improvements will LIFT revenues be used for?** The types of public improvements that can be funded through LIFT include streets, sidewalks, streetlights, utilities, park facilities and recreational areas, and parking facilities; and associated land acquisition, design, planning and reconstruction. The City will use LIFT funding for a downtown parking facility(s). *The flood control element of the City's project is not eligible for LIFT financing.*
4. **What is a Revenue Development Area (RDA)?** The geographic area created by the City from which future sales and property tax revenues will be derived resulting from development projects, and where the public improvements will be located. Formation of an RDA is a key element to the LIFT program.
5. **Downtown MV RDA Facts:**
  - In 2008 there were:      191 property owners
  - 262 businesses (of which 107 reported sales and use tax)
  - 372 parcels listed
  - Taxable retail sales in RDA: \$32.88 million (5% of citywide total)
  - Assessed value: \$100,078,600 (35% of AV in RDA is exempt from prop tax)
6. **Is this a new tax?** No new tax is created, nor is there an increase to any existing taxes, but rather a re-distribution of the state's portion of the sales tax. The sales tax within the RDA is credited against the state's sales tax and is refunded to the City to pay for the public improvements.
7. **What is the Base Year?** The base year is when the base value of existing sales and property tax in the revenue development area is determined. The City of Mount Vernon's base year is calendar year 2009.
8. **What is incremental revenue?** The amount of sales and property tax generated over-and-above the base year. The incremental increases in revenue from the RDA are dedicated to pay the principal and interest on the bonds issued to finance the public improvements, or can be used for pay-as-you-go costs.
9. **Has the City earned any incremental revenue yet (even though the tax is not yet imposed)?**

Yes, the State's portion measured for 2014 is \$222,312.

By way of example, if the City had previously imposed the tax and matched the State's share of tax, we would have received \$222,312 from the State in 2014.
10. **What would the maximum bond proceeds be should the City issue debt, maximizing the LIFT award, \$1.0 million per year for 25 years?**

\$13.5 million to \$14.5 million depending on interest rates.

**11. What projects were included in the City’s LIFT award?**

Parking facilities (350 to 600 stalls)	\$14,500,000
Riverfront promenade, park plaza, etc	7,500,000
Transportation improvements	<u>3,000,000</u>
Total	<u>\$25,000,000</u>

12. The State Legislature made changes to the LIFT program, most recently in the 2013 legislative session with passage of E2SHB 1306. The following changes are:

- Extends the expiration date of the LIFT program from June 30, 2039 to June 30, 2044.
- Requires that construction must begin by June 30, 2017 in order to impose the state shared local sales and use tax.
- Removes the requirement that local governments must issue debt to receive state shared sales and use tax.
- Authorizes DOR to determine the amount of state contribution a jurisdiction receives.
- Requires the annual report to identify local revenue received by.

**13. What legislative actions has the City taken?**

- Established the Downtown Mount Vernon RDA on June 11, 2008, ordinance 3410.
- Established the maximum LIFT tax rate as required by RCW 82.14.475 on August 27, 2009, ordinance 3457.

**14. What remaining actions must the City of Mount Vernon take to receive LIFT financing?**

- Construction must begin by June 30, 2017 in order to impose the state shared sales tax.
- Should impose the LIFT tax no later than July 1, 2019 to receive full 25-year benefit from LIFT financing.
- Determine critical project timelines for parking facilities and other improvements to align with LIFT program critical dates (noted above).
- Determine if construction and completion of riverwalk promenade and plaza qualify as “construction must begin by June 30, 2017 in order to impose the state shared sales tax”.
- Issue bonds – to be determined.

15. **By what date must the city impose the tax in order to take full advantage of the 25 years of LIFT funding?** The City must impose tax no later than July 1, 2019 in order to receive the full 25 year benefit from the LIFT tax which expires on June 30, 2044, RCW 39.102.070.

16. There are 9 cities/counties that have been given LIFT authority in the State of Washington? See below for further information. Latest information as of March 2015:

City/County	LIFT Award	Year Awarded	Imposed tax?	Year tax imposed?	Bonds issued?
City of Bellingham	\$1.0M	2006	Yes	2013	No
City of Bothell	\$1.0M	2007	Yes	July 2014	No
City of Everett	\$500,000	2007	No	-	No
City of Federal Way	\$1.0M	2007	Yes	2013	No
City of Mount Vernon	\$500,000	2008	No	-	No
City of Puyallup	\$1.0M	2008	Yes	2010	No
Spokane County	\$1.0M	2006	Yes	2010	No
City of Vancouver	\$1.0M	2006	No	-	No
City of Yakima	\$1.0M	2008	Yes	2011	No