



CITY OF KIRKLAND
Department of Finance & Administration
123 Fifth Ave, Kirkland, WA 98033 · 425.587.3100
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Sri Krishnan, Deputy Director of Finance and Administration

Date: May 5, 2023

Subject: Tax Increment Area Ordinance

RECOMMENDATION:

Council adopts Ordinance 4846 to create a tax increment area in Kirkland.

BACKGROUND DISCUSSION:

On June 28, 2022, the City Council adopted the NE 85th Street Station Area Plan establishing the following vision for the area:

The Station Area is a thriving, transit-oriented, new walkable district with high tech and family wage jobs, plentiful affordable housing, sustainable buildings, park amenities, and commercial and retail services. The vibrant, mixed use environment is a model of innovation. With an outstanding quality of life and unmatched mobility choices, the Station Area is eco-friendly, a place to connect, and deeply rooted in the history of the land, the people, and the culture of this special crossroads in Kirkland. The highly visible integration of ecological systems within an urban setting set the Station Area apart while tying the unique sub-area districts together with existing open space and active living opportunities.

On August 3, 2022, the City Council received a [presentation](#) on tax increment financing (TIF), a potential revenue tool to fund infrastructure improvements in the area authorized by state legislation in 2021. On May 2, 2023, the City Council received an [update](#) on TIF and the creation of a Tax Increment Area (TIA).

Creation of a TIA by Council adoption of the attached ordinance, is necessary to implement tax increment financing revenue in the NE 85th Street Station Area to support and promote redevelopment consistent with the adopted NE 85th Street Station Area Plan. TIA's have to be established as of June 1 of the year prior to which TIF revenues are collected in order to include the applicable property tax revenues.

The City submitted the Project Analysis Report to the Office of the State Treasurer in March of this year and received the completed review on March 28. The two required public briefings to provide information on tax increment financing, were held on April 20 and April 26.

May 10, 2023

Page 2

A detailed description of the area, the TIF projects and tax increment financing is included as Exhibits to the ordinance. As discussed in the May 2, 2023, Council Study Session, all projects for the TIA will be included in the Capital Improvement Program approved by City Council.

There may be portions of projects or smaller projects which could be funded from TIF revenues as revenue is received. In compliance with the City's Debt Management Policy, any debt that may be issued, funded by TIF revenues, is required to have Council approval and will have a thorough analysis provided to City Council prior to presenting a bond ordinance for City Council approval.

Purpose & Key Elements of the TIA Ordinance:

- Establishes a Tax Increment Area (TIA) from which to receive the tax increment/allocation revenues from new development to pay for infrastructure improvements. *Note: the TIA may not be changed after the adoption of the TIA Ordinance.*
- Identify the public improvements that will be paid for or financed with tax allocation revenues from the TIA and if the City intends to issue bonds, including an estimate of the maximum amount of such obligations for the improvements.

Note 1: The City may not add additional public improvements to the project after adoption of the Ordinance creating the increment area. The City may expand, alter, or add to the original public improvements when doing so is necessary to assure the originally approved improvements can be constructed or operated.

Note 2: The adoption of the TIA Ordinance is not an approval to issue debt. A separate Council action will be required for any debt issued by the City in connection with the TIA.

- Establishes a sunset date for the TIA, which cannot be more than 25 years from the date of establishment. The sunset date of the Increment Area is set in the ordinance as December 31, 2049, which is the date not later than 25 years after the first year (calendar year 2024) in which tax allocation revenues will be collected within the Increment Area.
- Impose a deadline by which commencement of construction of the public improvements shall begin, which deadline must be at least five years into the future and for which extensions shall be made available for good cause.
- The City must make a finding that:
 - (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.
- References and acknowledges the following:
 - (i) Completed Project Analysis & Review Letter from the Office of the State Treasurer.
 - (ii) Public Notices and Completed Briefings.

RECOMMENDATION:

City Council adopt Ordinance 4846 to create a tax increment area in 2023.

Attachment A: Tax Increment Area Ordinance 4846, including 3 exhibits:

- Exhibit A: Tax Increment Area (TIA) Boundary Map & Parcel numbers
- Exhibit B: Kirkland NE 85th Street Station Area Tax Increment Financing (TIF) Project Analysis
- Exhibit C: Office of State Treasurer TIF Project Analysis Review Letter