

TAX INCREMENT FINANCING PROJECT ANALYSIS REVIEW

– PORT OF WOODLAND –

JANUARY 22, 2025



January 22, 2025

Jennifer Keene
Executive Director
Port of Woodland
1608 Guild Road
Woodland, WA 98674

Dear Ms. Keene:

This letter confirms the Office of the State Treasurer's ("OST") receipt and review of the Port of Woodland's (the "Port") tax increment financing ("TIF") draft project analysis report dated November 4, 2024. OST and Montague DeRose and Associates, the state's municipal advisor, have reviewed the provided materials. Based on our review, which is detailed in the sections to follow, we believe that the Port's project analysis generally addresses the topics listed in section 020(2) of RCW 39.114 (the "TIF Statute"). However, please see our recommendations provided at the end of this letter.

Please note that this review is based on the information, projections, and assumptions provided by the Port and its consultants in the project analysis. OST has not independently verified the data, as to either its accuracy or completeness, nor performed any feasibility analyses or projections of its own.

Executive Summary

To facilitate private development in the proposed tax increment area ("TIA"), the project analysis identifies five categories of public improvements (34 projects) totaling \$376.7 million (in 2024 dollars). The project analysis did not provide an expenditure plan for the public improvements, and further explains that this is due to the timing of specific public improvements being unknown. The highest priority projects for the Port are the Transportation/Freight Infrastructure Improvements along Rose Way, which are identified as being necessary for private development projects in the TIA.

The Port expects to issue three series of bonds to finance \$13.8 million, or 3.7%, of the \$376.7 million total cost of the public improvements. The project analysis notes that additional funding for a portion of the public improvements will come from TIF revenues after debt service, which are forecast to be \$55.1 million in the baseline development scenario and \$42.4 million in the alternate development scenario. The project analysis does not describe how the remaining \$307.9 million (baseline scenario) to \$320.5 million (alternate scenario) of the public improvement costs will be funded. As described in the project analysis, the Port's approach is to include a list of eligible public improvements with a total cost that exceeds the TIA's estimated financial capacity, because the Port intends to use tax allocation revenues to leverage access to other state, federal, and private sources of capital.

The Port plans to issue Limited Tax General Obligation ("LTGO") bonds in 2025, 2030, and 2039, totaling \$14.1 million of principal, and generating \$13.8 million in proceeds for public improvements. The LTGO bonds will be backed by the full faith and credit of the Port and are expected to be issued as taxable, BBB-rated obligations. As stated in the project analysis, because of the general obligation pledge, the Port will

be required to pay the full debt service due on the bonds from available resources, regardless of the amount of tax increment revenues generated within the TIA.

In the baseline development scenario, except for a small projected deficit in 2026, the Port projects a surplus in net tax increment revenues after debt service, averaging \$2.3 million per year between 2027 and 2050, with a projected cumulative surplus of \$55.1 million by 2050. As stated in the project analysis, the Port intends to use the annual surpluses to fund additional public improvements on a cash basis. The financing plan for public improvements is unchanged for the alternate development scenario. Under the alternate scenario, the Port projects a small deficit in 2026, followed by a surplus in net tax increment revenues after debt service, averaging \$1.8 million per year between 2027 and 2050, with a projected cumulative surplus of \$42.4 million by 2050.

Statutory Role and Purpose of Review

As enacted by the 2021 Washington State Legislature, section RCW 39.114.020(7)(b) of the TIF statute requires that prior to the adoption of an ordinance authorizing the creation of a TIA, the local government proposing the TIA must provide a project analysis to OST for review. Upon completing the review, OST must provide to the local government any comments regarding suggested revisions or enhancements to the project analysis that OST deems appropriate. OST received the Port’s draft project analysis report dated November 4, 2024, and additional email communication on January 21, 2025

OST’s primary goal in our statutorily mandated review is to ensure that the project analysis addresses the topics listed in the TIF statute and that risks that might result from the implementation of the project are adequately disclosed.

Project Team

<p>Jurisdiction: Port of Woodland</p>
<p>County: Cowlitz County</p>
<p>Redevelopment Area: Port of Woodland TIA</p>
<p>Consultants: Tiberius Solutions LLC PFM Financial Advisors LLC (municipal advisor) K&L Gates LLP (bond counsel)</p>

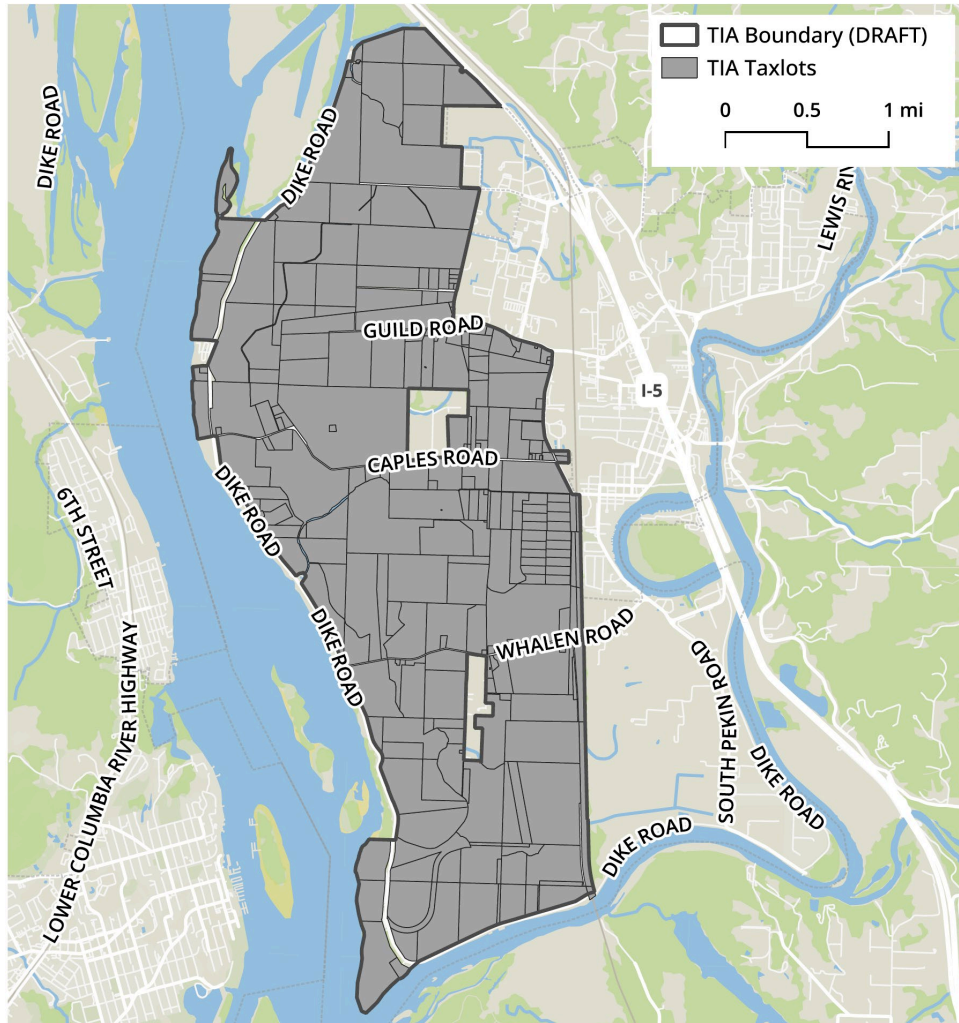
Proposed Tax Increment Area

The Port’s proposed TIA of 5,148 acres is generally bordered by I-5 to the north, the rail line and Burke Road to the east, the Lewis River to the south, and Dike Road and the Columbia River to the west. Excluding rights-of-way, the TIA is predominately zoned as Agriculture-38 (85% of acreage) with 13% of the balance comprised of Manufacturing and Industrial parcels categorized for light or heavy uses, and 1% zoned for Forestry-Recreation.

According to the project analysis, the 286 parcels within the TIA had an aggregate market value of \$150,284,730 and a total assessed value of \$137,802,878 for the 2025 tax year. The TIA’s total assessed

value for the 2025 tax year is \$137.8 million, or 4.8% of the Port’s total AV of \$2.9 billion, which is below the statutory limit of the lesser of \$200 million in AV and 20% of the Port’s total AV.

Figure 1 – Map of Proposed Tax Increment Area



Source: Port of Woodland

Impacted Taxing Districts

Nine taxing districts with regular property tax levies would be directly impacted by the TIA. These districts are:

- (1) Cowlitz County;
- (2) County Road District;
- (3) City of Woodland;
- (4) Port of Woodland;
- (5) Clark-Cowlitz Fire Rescue;
- (6) Clark-Cowlitz Fire Rescue EMS;
- (7) Woodland Cemetery #2;
- (8) Fort Vancouver Regional Library; and
- (9) Cowlitz County Fire District #1.

After the TIA effective date, the levy rate for each of these jurisdictions will be applied to the increased assessed value (“AV”) within the TIA, with the tax increment revenues remitted to reimburse the Port for debt service on the bonds and to potentially pay for the remaining unfunded public improvements.

Three different Tax Code Areas (“TCA”) would be impacted by the proposed TIA boundary: TCA 900, TCA 910, and TCA 920. Approximately \$575 million of new construction is expected in TCA 910, which is unincorporated, and \$151 million of new construction is expected in TCA 900, which is within city limits. Almost no new construction is expected in TCA 920, which is also unincorporated.

The TIF statute requires a mitigation plan if at least 20% of a regional fire protection and/or EMS district’s AV is expected to be impacted. As described in the project analysis, the proposed TIA is estimated to reach a maximum of 1.3% of the total assessed value for the Clark-Cowlitz Fire Rescue district and Clark-Cowlitz Fire Rescue EMS by 2050 and therefore would fall below the threshold required for negotiation of a mitigation plan.

However, for Cowlitz County Fire District #1, the proposed TIA is estimated to reach 20% of the total assessed value for Cowlitz County Fire District #1 by 2033, with a maximum impact of 33.7% by 2050. The project analysis estimated the district would forego \$21.2 million of property tax revenue from its general levy over the 25-year life of the TIA, or an average of \$849,000 per year. The draft report indicates that Port staff will initiate conversations with Cowlitz County Fire District #1 regarding a mitigation plan prior to adoption of the proposed TIA.

The project analysis assumes that the unincorporated areas within the TIA would not be annexed by the City of Woodland. If the unincorporated areas within the TIA were to be annexed, certain portions of the project area would become subject to the property tax rates imposed by the City of Woodland, Clark-Cowlitz Fire Rescue, and the Fort Vancouver Regional Library District. In addition to property tax impacts, an annexation could also impose new responsibilities on some entities, such as Clark-Cowlitz Fire Rescue, while removing certain responsibilities from others, such as Cowlitz County Fire District #1. The exact financial impact and changes in responsibilities from an annexation were not described in the project analysis.

Project Description

Public Improvements within the TIA

To facilitate private development in the TIA, the project analysis identifies 34 public improvements, totaling \$376.7 million (in 2024 dollars), in the following five categories: Transportation/Freight Infrastructure Improvements (10 projects), Utility Improvements (15 projects), Emergency Response Infrastructure Improvements (2 projects), Property Development (5 projects) and Fiber Infrastructure Development (2 projects).

Table 1 – Public Improvements to be Funded with TIA Revenues

Projects	Estimated Project Cost (2024 \$)
Transportation/Freight Infrastructure Improvements	\$ 115,900,000
Utility Improvements	\$ 175,100,000
Emergency Response Infrastructure Improvements	\$ 8,000,000
Property Development	\$ 67,000,000
Fiber Infrastructure Development	\$ 10,700,000
	\$ 376,700,000

Source: Port of Woodland

The project analysis did not provide an expenditure plan for the public improvements because, as noted by the Port, the timing of specific public improvements is unknown. The highest priority projects for the Port are the Transportation/Freight Infrastructure Improvements along Rose Way as these improvements are identified as being necessary for private development projects in the area. The draft report notes that the Port has secured financial commitments from private developers to pay for most of these public improvements as well as to provide property for right-of-way easements.

The Port expects to issue three series of bonds to finance \$13.8 million, or 3.7%, of the \$376.7 million total cost of the public improvements. The project analysis notes that additional funding for a portion of the public improvements will come from TIF revenues after debt service, which are forecast to be \$55.1 million in the baseline development scenario and \$42.4 million in the alternate development scenario. The project analysis does not describe which public improvements are to be financed with bond proceeds, or how the remaining \$307.9 million (baseline scenario) to \$320.5 million (alternate scenario) of public improvements will be funded. As described in the project analysis, the Port's approach is to include a list of eligible public improvements with a total cost that exceeds the TIA's estimated financial capacity because the Port intends to use tax allocation revenues to leverage other access to state, federal, and private sources of capital.

"But For" Finding

The project analysis indicates that without the public improvements, future phases of private development forecast to occur in the TIA likely would be delayed, reduced, or canceled. The report states that:

The private development forecast in this analysis would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future without the proposed public improvements. The increase in 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. (page 10)

Private Development within the TIA

The project analysis identifies nine private projects with a variety of light and heavy industrial uses anticipated to be constructed in the TIA between 2025 and 2035. This development is estimated to increase the assessed value of the TIA by \$650.2 million from 2027 through 2037 (\$510.4 million in 2024 dollars).

Table 2 – Projected Known Private Development

Project	Development Complete	First Year on Tax Roll	Value of Development (2024 \$)
Trammell Crow	2025	2027	\$107,100,000
Caples Road	2027	2029	\$3,200,000
Guild Road Industrial – Phase 1	2025	2027	\$1,400,000
Guild Road Industrial – Phase 2	2031	2029	\$1,400,000
Guild Road Industrial – Phase 3	2033	2035	\$1,400,000
Unnamed Light Industrial Development	2029	2031	\$20,000,000
Carpinito	2028	2030	\$1,200,000
Austin Point	2031	2033	\$217,500,000
Martin Bar North	2026	2028	\$57,200,000
Martin Bar South	2026	2028	\$50,000,000
Columbia River RV Park	2035	2037	\$50,000,000
Total			\$510,400,000

Source: Port of Woodland

The draft report also identified speculative development opportunities based on the current residual land value of each parcel not associated with known development projects. The speculative development is forecast to add \$408.5 million (\$216.0 million in 2024 dollars) in assessed value to the tax rolls from 2031 through 2050.

The projection of assessed values and tax increment revenues conservatively assumes that new construction is not added to the tax roll until one to two years after construction is completed. The timing and value of projected assessed values within the TIA from private development under the baseline development scenario are presented in Table 3 below.

**Table 3 – Projected Assessed Values from Private Development (nominal \$)
Baseline Development Scenario**

Year on Tax Roll	Real Property		Total
	Known Development	Speculative Development	
2026	\$ -	\$ -	\$ -
2027	\$ 117,400,000	\$ -	\$ 117,400,000
2028	\$ 120,500,000	\$ -	\$ 120,500,000
2029	\$ 3,800,000	\$ -	\$ 3,800,000
2030	\$ 1,400,000	\$ -	\$ 1,400,000
2031	\$ 25,300,000	\$ 13,700,000	\$ 39,000,000
2032	\$ -	\$ 14,300,000	\$ 14,300,000
2033	\$ 299,600,000	\$ 14,800,000	\$ 314,500,000
2034	\$ -	\$ 15,400,000	\$ 15,400,000
2035	\$ 2,100,000	\$ 16,000,000	\$ 18,200,000
2036	\$ -	\$ 16,700,000	\$ 16,700,000
2037	\$ 80,100,000	\$ 17,400,000	\$ 97,400,000
2038	\$ -	\$ 18,100,000	\$ 18,100,000
2039	\$ -	\$ 18,800,000	\$ 18,800,000
2040	\$ -	\$ 19,500,000	\$ 19,500,000
2041	\$ -	\$ 20,300,000	\$ 20,300,000
2042	\$ -	\$ 21,100,000	\$ 21,100,000
2043	\$ -	\$ 22,000,000	\$ 22,000,000
2044	\$ -	\$ 22,800,000	\$ 22,800,000
2045	\$ -	\$ 23,800,000	\$ 23,800,000
2046	\$ -	\$ 24,700,000	\$ 24,700,000
2047	\$ -	\$ 25,700,000	\$ 25,700,000
2048	\$ -	\$ 26,700,000	\$ 26,700,000
2049	\$ -	\$ 27,800,000	\$ 27,800,000
2050	\$ -	\$ 28,900,000	\$ 28,900,000
Total	\$ 650,200,000	\$ 408,500,000	\$ 1,058,800,000

Source: Port of Woodland

The Port's project analysis also included an alternate development scenario which assumes that no future speculative development will be added to the assessed value of the TIA. Total development is expected to be \$650.2 million in the alternate development scenario, compared to \$1.1 billion in the baseline development scenario.

Assessed Value of the TIA

As cited in the project analysis, the estimated AV of the parcels within the TIA for the 2025 tax year is \$137.8 million, or 4.8% of the Port's total AV of \$2.9 billion, which is below the statutory limit of the lesser of \$200 million in AV and 20% of the Port's total AV.

The timing and magnitude of real property development in the TIA will drive growth in incremental assessed value, which in turn will determine the amount of tax increment revenues generated by the project area. For both development scenarios provided by the Port, the incremental taxable assessed

value of the TIA is estimated by assigning market-based improvement prices reflecting the land use and size of the proposed development.

The Port assumes the TIA base value and the assessed values of newly developed properties will increase based on a combination of the past growth rate in per-capita personal income and forecasted population growth rates. The long-term historical trend for per-capita personal income growth for Cowlitz County from 2002 to 2022 was used as the basis for forecasting a 4.0% annual appreciation rate in the assessed values of existing properties. To project annual increases in assessed value from new construction outside of the TIA, the project analysis applies the population growth rates from the 2022 State Growth Management Act forecast for Cowlitz County for the 2025 to 2050 period, which calls for a gradual slowing of population growth of 0.8% (during 2025 to 2026) to 0.4% (during 2049 to 2050).

Tax Allocation Revenue Projections

The TIA is expected to take effect on June 1, 2025, with 2025 as the base year and 2026 being the first year in which the Port expects to receive tax increment revenues. The term of the TIA is assumed to be 25 years (the maximum allowed) with 2050 the final year in which tax increment revenues will be received. The Port projects that the TIA will have a 2025 tax increment base AV of \$137.8 million.

Baseline Development Scenario Tax Increment Revenues

The baseline development scenario projects that \$2.2 billion in incremental AV will be added to the TIA between 2026 and 2050, with \$1.1 billion from private development and \$1.1 billion from TIA assessed value growth. Under the baseline development scenario, the Port projects that \$74.6 million of tax increment revenues will be collected over the 25-year term of the TIA. See Table 4 – Tax Allocation Revenues (Baseline Development Scenario).

**Table 4 – Tax Allocation Revenues (nominal \$)
Baseline Development Scenario**

Tax Year	Assessed Value			Levy Rate	Tax Allocation Revenues
	Total	Base Value	Increment		
2025	\$ 137,802,878	\$ 137,802,878	\$ -	\$ -	\$ -
2026	\$ 143,314,993	\$ 137,802,878	\$ 5,512,115	\$ 3.846645	\$ 21,203
2027	\$ 266,427,031	\$ 137,802,878	\$ 128,624,153	\$ 3.973768	\$ 511,123
2028	\$ 397,627,940	\$ 137,802,878	\$ 259,825,062	\$ 3.691509	\$ 959,147
2029	\$ 417,311,838	\$ 137,802,878	\$ 279,508,960	\$ 3.633539	\$ 1,015,607
2030	\$ 435,432,477	\$ 137,802,878	\$ 297,629,599	\$ 3.530678	\$ 1,050,834
2031	\$ 491,873,957	\$ 137,802,878	\$ 354,071,079	\$ 3.437796	\$ 1,217,224
2032	\$ 525,815,427	\$ 137,802,878	\$ 388,012,549	\$ 3.332311	\$ 1,292,979
2033	\$ 861,316,302	\$ 137,802,878	\$ 723,513,424	\$ 3.228030	\$ 2,335,523
2034	\$ 911,199,613	\$ 137,802,878	\$ 773,396,735	\$ 3.140816	\$ 2,429,097
2035	\$ 965,823,334	\$ 137,802,878	\$ 828,020,456	\$ 3.264376	\$ 2,702,970
2036	\$ 1,021,146,068	\$ 137,802,878	\$ 883,343,190	\$ 3.180416	\$ 2,809,399
2037	\$ 1,159,400,914	\$ 137,802,878	\$ 1,021,598,036	\$ 3.080606	\$ 3,147,141
2038	\$ 1,223,828,638	\$ 137,802,878	\$ 1,086,025,760	\$ 2.992924	\$ 3,250,392
2039	\$ 1,291,555,541	\$ 137,802,878	\$ 1,153,752,663	\$ 2.906520	\$ 3,353,405
2040	\$ 1,362,742,469	\$ 137,802,878	\$ 1,224,939,591	\$ 2.888502	\$ 3,538,241
2041	\$ 1,437,557,862	\$ 137,802,878	\$ 1,299,754,984	\$ 2.825203	\$ 3,672,071
2042	\$ 1,516,178,097	\$ 137,802,878	\$ 1,378,375,219	\$ 2.743593	\$ 3,781,700
2043	\$ 1,598,787,860	\$ 137,802,878	\$ 1,460,984,982	\$ 2.663806	\$ 3,891,780
2044	\$ 1,685,580,519	\$ 137,802,878	\$ 1,547,777,641	\$ 2.793568	\$ 4,323,823
2045	\$ 1,776,758,531	\$ 137,802,878	\$ 1,638,955,653	\$ 2.725190	\$ 4,466,466
2046	\$ 1,872,533,853	\$ 137,802,878	\$ 1,734,730,975	\$ 2.646781	\$ 4,591,452
2047	\$ 1,973,128,388	\$ 137,802,878	\$ 1,835,325,510	\$ 2.650599	\$ 4,864,712
2048	\$ 2,078,774,432	\$ 137,802,878	\$ 1,940,971,554	\$ 2.575818	\$ 4,999,590
2049	\$ 2,189,715,153	\$ 137,802,878	\$ 2,051,912,275	\$ 2.501027	\$ 5,131,888
2050	\$ 2,306,205,094	\$ 137,802,878	\$ 2,168,402,216	\$ 2.428422	\$ 5,265,796
Total					\$ 74,623,563

Source: Port of Woodland

Alternate Development Scenario Tax Increment Revenues

As noted above, the Port prepared an alternate development scenario wherein private development in the TIA is projected to total \$650.2 million, compared to \$1.1 billion in the baseline development scenario. In the alternate scenario, the Port projects that \$1.6 billion of assessed value will be added to the TIA between 2026 and 2050, and \$62.0 million of tax increment revenues will be collected over the 25-year term, which is 17% lower than the \$74.6 million forecast in the baseline development scenario. See Table 5 – Tax Allocation Revenues (Alternate Development Scenario).

**Table 5 – Tax Allocation Revenues (nominal \$)
Alternate Development Scenario**

Tax Year	Assessed Value			Levy Rate	Tax Allocation Revenues
	Total	Base Value	Increment		
2025	\$ 137,802,878	\$ 137,802,878	\$ -	\$ -	\$ -
2026	\$ 143,314,993	\$ 137,802,878	\$ 5,512,115	\$ 3.846645	\$ 21,203
2027	\$ 266,427,031	\$ 137,802,878	\$ 128,624,153	\$ 3.973768	\$ 511,123
2028	\$ 397,627,940	\$ 137,802,878	\$ 259,825,062	\$ 3.691509	\$ 959,147
2029	\$ 417,311,838	\$ 137,802,878	\$ 279,508,960	\$ 3.633539	\$ 1,015,607
2030	\$ 435,432,477	\$ 137,802,878	\$ 297,629,599	\$ 3.530678	\$ 1,050,834
2031	\$ 478,156,157	\$ 137,802,878	\$ 340,353,279	\$ 3.445718	\$ 1,172,761
2032	\$ 497,282,404	\$ 137,802,878	\$ 359,479,526	\$ 3.346605	\$ 1,203,036
2033	\$ 816,804,787	\$ 137,802,878	\$ 679,001,909	\$ 3.236668	\$ 2,197,703
2034	\$ 849,476,979	\$ 137,802,878	\$ 711,674,101	\$ 3.151710	\$ 2,242,990
2035	\$ 885,583,910	\$ 137,802,878	\$ 747,781,032	\$ 3.274435	\$ 2,448,560
2036	\$ 921,007,266	\$ 137,802,878	\$ 783,204,388	\$ 3.190643	\$ 2,498,925
2037	\$ 1,037,899,166	\$ 137,802,878	\$ 900,096,288	\$ 3.089259	\$ 2,780,630
2038	\$ 1,079,415,133	\$ 137,802,878	\$ 941,612,255	\$ 3.002104	\$ 2,826,818
2039	\$ 1,122,591,738	\$ 137,802,878	\$ 984,788,860	\$ 2.916132	\$ 2,871,774
2040	\$ 1,167,495,407	\$ 137,802,878	\$ 1,029,692,529	\$ 2.907442	\$ 2,993,772
2041	\$ 1,214,195,222	\$ 137,802,878	\$ 1,076,392,344	\$ 2.847875	\$ 3,065,430
2042	\$ 1,262,763,031	\$ 137,802,878	\$ 1,124,960,153	\$ 2.767085	\$ 3,112,860
2043	\$ 1,313,273,552	\$ 137,802,878	\$ 1,175,470,674	\$ 2.687935	\$ 3,159,588
2044	\$ 1,365,804,495	\$ 137,802,878	\$ 1,228,001,617	\$ 2.809788	\$ 3,450,424
2045	\$ 1,420,436,675	\$ 137,802,878	\$ 1,282,633,797	\$ 2.739024	\$ 3,513,164
2046	\$ 1,477,254,142	\$ 137,802,878	\$ 1,339,451,264	\$ 2.660549	\$ 3,563,676
2047	\$ 1,536,344,307	\$ 137,802,878	\$ 1,398,541,429	\$ 2.681824	\$ 3,750,642
2048	\$ 1,597,798,078	\$ 137,802,878	\$ 1,459,995,200	\$ 2.607543	\$ 3,807,000
2049	\$ 1,661,710,001	\$ 137,802,878	\$ 1,523,907,123	\$ 2.532833	\$ 3,859,802
2050	\$ 1,728,178,401	\$ 137,802,878	\$ 1,590,375,523	\$ 2.460243	\$ 3,912,710
Total					\$ 61,990,183

Source: Port of Woodland

Levy Rate

Under the TIF statute, only certain regular levies are applied to the TIA. Both parts of the state school levy, local school district excess levies, voted bond levies, and levies of districts for bond payments are excluded from the TIA levy rate. The TIA's annual levy rate may change year-to-year based on factors including future incremental increases to the AV of the TIA, the future AV of the taxing districts, and relevant levy limits. The project analysis calculates the levy rate for each of these jurisdictions and applies the levy rates to the projected incremental AV within the TIA, to calculate the projected tax allocation revenues provided in Tables 4 and 5.

Financing Plan for Public Improvements

To fund \$13.8 million of the \$376.7 million of proposed public improvements, the Port plans to issue \$14.1 million of taxable LTGO bonds over three issuances: \$595,000 in 2025, \$3.0 million in 2030, and \$10.5 million in 2039. As stated in the project analysis, because of its general obligation pledge, the Port will be required to pay the full debt service due on the bonds from available resources, regardless of the amount of tax increment revenues generated within the TIA. We note that the project analysis does not clearly identify the specific public improvements that are to be financed with bond proceeds.

The Port's baseline development scenario assumes the bonds are BBB-rated, with interest rates as of October 15, 2024, plus respective interest rate cushions of 0.25%, 0.50%, and 1.25% for the three series, resulting in a true interest cost for each issuance ranging from 5.51% to 6.37%. Total principal and interest on the \$14.1 million of bonds is projected to be \$19.6 million over the 2026 to 2050 repayment term. Except for a small projected deficit of \$12,255 in 2026, the Port projects a surplus in net tax increment revenues after debt service, averaging \$2.3 million per year between 2027 and 2050, with a projected cumulative surplus of \$55.1 million by 2050. As stated in the project analysis, the Port intends to use the annual surpluses to fund additional public improvements on a cash basis.

The financing plan for public improvements is unchanged for the alternate development scenario. Except for a small projected deficit of \$12,255 in 2026, the Port projects a surplus in net tax increment revenues after debt service, averaging \$1.8 million per year between 2027 and 2050, with a projected cumulative surplus of \$42.4 million by 2050.

Debt Capacity

Based on its 2025 total assessed value, the Port has \$7,139,823 in total non-voted debt capacity (0.25% of 2025 AV). With \$6.5 million of outstanding non-voted general obligation debt, the current net non-voted debt capacity is \$599,823 before \$595,000 of bonds are issued in 2025 to fund a portion of the proposed public improvements. After this debt issuance, the Port's remaining non-voted debt capacity for 2025 would be essentially zero. The amounts and timing of the Port's anticipated bond issuances in 2025, 2030, and 2039 are shown below. Based on assumed growth of the Port's total assessed valuation at an average annual rate of 5.4% from 2026 through 2050, and the planned principal amortization of the three series, the outstanding balances of non-voted debt are projected to be very close to exceeding the statutory limits.

Table 6 – Debt Capacities in \$000s (2025, 2030, and 2039 Issuances)

	2025	2030	2039
Assessed Valuation for Relevant Tax Year	\$2,855,929	\$3,783,882	\$6,356,885
Non-Voted Debt Capacity (0.25% of AV)	7,140	9,460	15,892
Less: Outstanding Non-Voted Debt	6,540	6,420	5,420
Remaining Non-Voted Debt Capacity	600	3,040	10,472
Less: Bonds Proposed	595	3,045	10,470
Projected Remaining Non-Voted Capacity	\$5	(\$5)	\$2
Projected Remaining Non-Voted Capacity	0.1%	(0.01%)	0.0%

While the project analysis assumes that the Port's debt capacity will remain restricted to a limit of 0.25% of total AV, an increase to 0.375% may be possible under RCW 53.36.030(1)(b). As described in this section of the RCW, certain port districts may be authorized to increase their non-voted general obligation debt limit up to 0.375% of taxable assessed value. This higher limit is only applicable for jurisdictions that meet certain criteria, and the Port is exploring the applicability of this statute. If ineligible to increase its debt capacity to the 0.375% of AV limit, the Port's remaining legal capacity to issue bonds would remain equal to the statutory limit described above.

Projected Debt Service Coverage

Tables 7 and 8 below summarize the total tax increment revenues, revenue surpluses, and debt service coverage for the baseline and alternate development scenarios. The average debt service coverage ratio is 4.36x for the baseline development scenario and 3.84x for the alternate development scenario.

Table 7 – Tax Allocation Revenues and Debt Service Coverage

Development Scenario	First Year Tax Increment Revenues Exceed Debt Service	Year That Tax Increment Revenues Fully Reimburse Debt Service Shortfalls	Total Projected TIF Revenue (\$MMs)	Total Projected Debt Service (\$MMs)	Projected Maximum Cumulative Shortfall (\$MMs)	Total Surplus/ (Shortfall) Through End of TIA (\$MMs)	Aggregate Debt Service Coverage Ratio
Baseline	2027	2027	\$74.624	\$19.572	\$0.012	\$55.052	4.36x
Alternate	2027	2027	\$61.990	\$19.572	\$0.012	\$42.418	3.84x

Source: Port of Woodland

Table 8 – TIF Debt Service Coverage

Year	Baseline Development Scenario					Alternate Development Scenario				
	Tax Increment Revenues	Debt Service on TIF Bonds	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	Debt Service Coverage	Tax Increment Revenues	Debt Service on TIF Bonds	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	Debt Service Coverage
2026	21,203	33,458	(12,255)	(12,255)	0.63x	21,203	33,458	(12,255)	(12,255)	0.63x
2027	511,123	168,679	342,444	330,189	3.03x	511,123	168,679	342,444	330,189	3.03x
2028	959,147	166,959	792,188	1,122,377	5.74x	959,147	166,959	792,188	1,122,377	5.74x
2029	1,015,607	165,071	850,536	1,972,913	6.15x	1,015,607	165,071	850,536	1,972,913	6.15x
2030	1,050,834	167,856	882,978	2,855,891	6.26x	1,050,834	167,856	882,978	2,855,891	6.26x
2031	1,217,224	437,273	779,951	3,635,842	2.78x	1,172,761	437,273	735,488	3,591,379	2.68x
2032	1,292,979	437,195	855,784	4,491,626	2.96x	1,203,036	437,195	765,841	4,357,220	2.75x
2033	2,335,523	437,550	1,897,973	6,389,599	5.34x	2,197,703	437,550	1,760,153	6,117,373	5.02x
2034	2,429,097	437,300	1,991,797	8,381,396	5.55x	2,242,990	437,300	1,805,690	7,923,063	5.13x
2035	2,702,970	441,108	2,261,862	10,643,258	6.13x	2,448,560	441,108	2,007,452	9,930,515	5.55x
2036	2,809,399	438,564	2,370,835	13,014,093	6.41x	2,498,925	438,564	2,060,361	11,990,876	5.70x
2037	3,147,141	439,856	2,707,285	15,721,378	7.15x	2,780,630	439,856	2,340,774	14,331,650	6.32x
2038	3,250,392	439,681	2,810,711	18,532,089	7.39x	2,826,818	439,681	2,387,137	16,718,787	6.43x
2039	3,353,405	438,074	2,915,331	21,447,420	7.65x	2,871,774	438,074	2,433,700	19,152,487	6.56x
2040	3,538,241	1,355,158	2,183,083	23,630,503	2.61x	2,993,772	1,355,158	1,638,614	20,791,101	2.21x
2041	3,672,071	1,356,209	2,315,862	25,946,365	2.71x	3,065,430	1,356,209	1,709,221	22,500,322	2.26x
2042	3,781,700	1,357,709	2,423,991	28,370,356	2.79x	3,112,860	1,357,709	1,755,151	24,255,473	2.29x
2043	3,891,780	1,356,996	2,534,784	30,905,140	2.87x	3,159,588	1,356,996	1,802,592	26,058,065	2.33x
2044	4,323,823	1,358,192	2,965,631	33,870,771	3.18x	3,450,424	1,358,192	2,092,232	28,150,297	2.54x
2045	4,466,466	1,355,593	3,110,873	36,981,644	3.29x	3,513,164	1,355,593	2,157,571	30,307,868	2.59x
2046	4,591,452	1,359,005	3,232,447	40,214,091	3.38x	3,563,676	1,359,005	2,204,671	32,512,539	2.62x
2047	4,864,712	1,357,705	3,507,007	43,721,098	3.58x	3,750,642	1,357,705	2,392,937	34,905,476	2.76x
2048	4,999,590	1,356,773	3,642,817	47,363,915	3.68x	3,807,000	1,356,773	2,450,227	37,355,703	2.81x
2049	5,131,888	1,355,786	3,776,102	51,140,017	3.79x	3,859,802	1,355,786	2,504,016	39,859,719	2.85x
2050	5,265,796	1,353,947	3,911,849	55,051,866	3.89x	3,912,710	1,353,947	2,558,763	42,418,482	2.89x
Total	\$74,623,563	\$19,571,697	\$55,051,866		4.36x	\$61,990,179	\$19,571,697	\$42,418,482		3.84x

Source: Port of Woodland

Key Risks

From OST's review of the project analysis, it appears that the anticipated public improvements and corresponding economic development could benefit the Port and the surrounding community. Nonetheless, the proposed project comes with certain risks to the Port, which we attempt to summarize below:

General Obligation Pledge: The LTGO bonds expected to be issued in connection with the project's plan of finance will obligate the Port to pay the full amount of debt service due from Port revenues and resources, regardless of the amount of tax increment revenues generated by the TIA. If tax increment revenues are ever insufficient to make a full debt service payment, the Port would be required to ensure that the payment is made in full from other sources of funds.

Debt Limit: Based on the projections in the project analysis, the Port will exhaust its bond capacity in FY 2025 under the statutory 0.25% of AV limit. If the Port's AV does not grow as rapidly as projected, or the Port is not eligible for an increase to the 0.375% of AV limit referenced in the project analysis, the Port's remaining legal capacity to issue bonds will be limited.

Economic Conditions: Growth in the TIA's assessed value could be negatively impacted by depressed economic conditions. A variety of economic and technological factors could negatively impact the demand for development, jeopardizing the timeline, scale, and market value of private development, potentially reducing tax increment revenues.

Escalation of Project Costs: With an estimated 25-year timeframe to construct all the public improvements, inflation and any legal regulatory changes could have a significant impact on the delivery of the public improvements.

Permits: It is unclear where the private development projects are in the permitting process. Delays in permits could negatively impact the construction of the private developments within the TIA, potentially reducing the amount of tax increment revenues generated by the TIA.

Construction Delays: Any delay in the construction timeline of the private developments could reduce the amount of tax increment revenues produced by the TIA.

Assessed Valuations: As private developments are completed, the actual assessed values will depend on factors considered by the County Assessor's office. Tax increment revenues could potentially be lower than projected if the assessed values of the projects are lower than expected or take longer than anticipated to be reflected on the County's tax rolls.

Interest Rate Risk: The Port will be exposed to interest rate risk until all issuances of anticipated bonds are sold. The project analysis assumes interest rates as of October 15, 2024 plus respective interest rate cushions of 0.25%, 0.50%, and 1.25% for the three series to be issued in 2025, 2030, and 2039.

Risk Summary: The risk factors outlined above could result in a decreased ability to fund the public improvements and facilitate the expected growth in the TIA. If severe enough, reduced tax increment revenues could obligate the Port to pay a portion of the debt service due on the LTGO Bonds from Port revenues and resources.

Recommendations

To help minimize unanticipated costs and risks associated with the project, we recommend the Port consider the following measures:

1. Prior to approving the TIA, we recommend the Port coordinate closely with the County Assessor's office to ensure that all parties have an accurate understanding of how the TIA will impact them and provide sufficient time to work through any concerns.
2. Prior to approving the TIA, we recommend the Port coordinate closely with the taxing districts impacted by the project, in particular Cowlitz County Fire District #1, to ensure that all parties have an accurate understanding of how the TIA will impact them and provide sufficient time to work through any concerns or required mitigation plans.
3. We recommend that the Port provide additional insight on how it expects to fund the remaining \$307.9 million to \$320.5 million of public improvement project costs.
4. The Port should further develop the plan of finance to clearly identify the specific public improvements that will be financed with bond proceeds.
5. As the project moves forward, we recommend the Port coordinate with the County Assessor's Office to help ensure that the tax increment revenue projections match the County's assessment process and are as accurate as possible.
6. Given the timeline for public improvements, we recommend the Port revisit public improvement cost projections frequently and utilize a publicly recognized inflation index to inform inflation projections.
7. Given the long timeline for its bond issuances, we recommend the Port periodically revisit its interest rate assumptions.

Thank you for the opportunity to review the Port's 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 all the best with its project.

Respectfully,

Mike Pellicciotti
Washington State Treasurer



Jason Richter
Deputy Treasurer