

TAX INCREMENT FINANCING PROJECT ANALYSIS REVIEW

— PORT OF CHELAN COUNTY —

NOVEMBER 13, 2025



November 13, 2025

Jim Kuntz
 Chief Executive Officer
 Port of Chelan County
 285 Technology Center Way, Suite 202
 Wenatchee, WA 98801

Dear Jim Kuntz:

This letter confirms the Office of the State Treasurer’s (“OST”) receipt and review of the Port of Chelan County’s (the “Port”) tax increment financing (“TIF”) draft project analysis, dated August 20, 2025. OST and Montague DeRose and Associates, LLC, 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 subsection 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.

Statutory Role and Purpose of Review

RCW 39.114.020(7)(c) requires that prior to the adoption of an ordinance authorizing the creation of a tax increment area (“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 on August 20, 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 adequately discloses the potential risks that might result from the implementation of the project.

Project Team

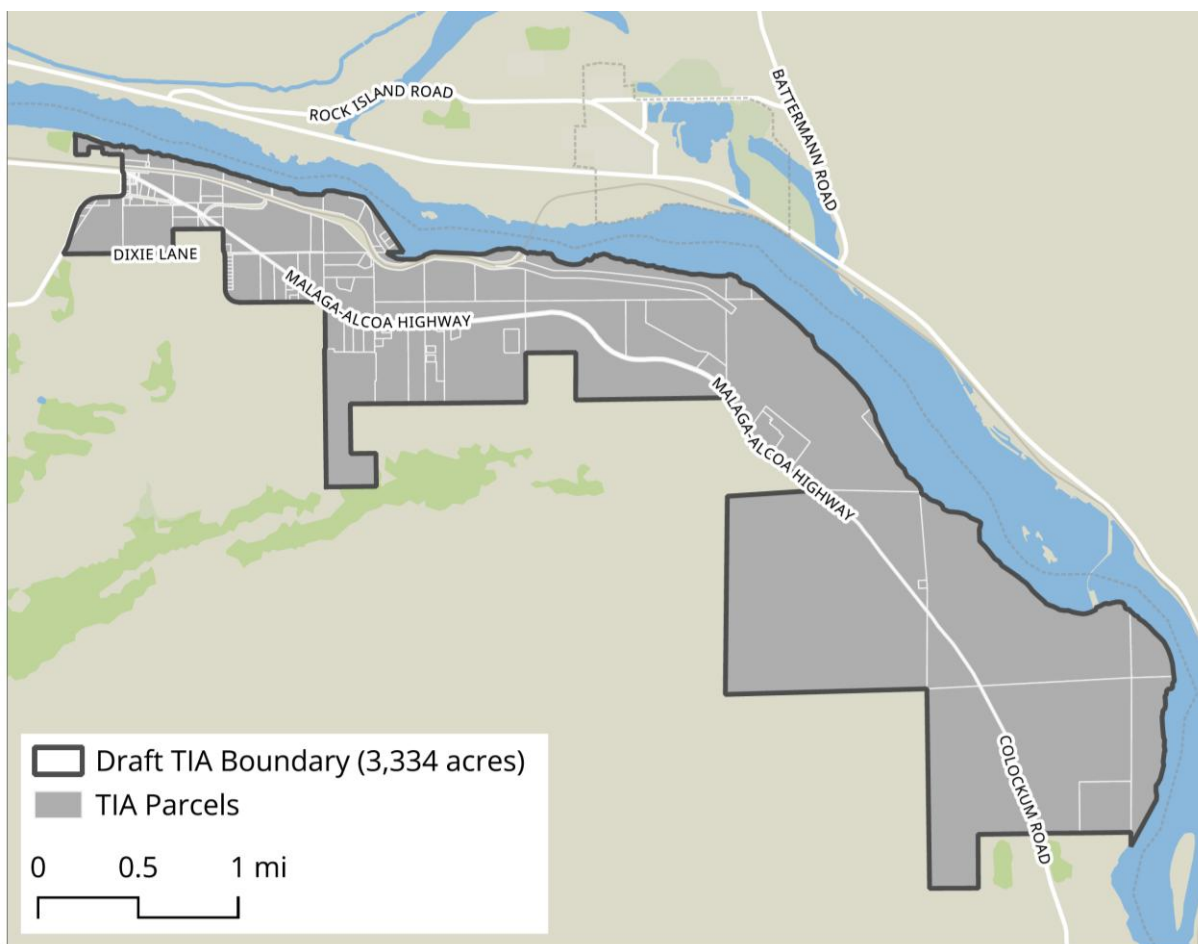
Jurisdiction: Port of Chelan County
Redevelopment Area: Port of Chelan County Malaga TIA
Consultants: Tiberius Solutions LLC; Piper Sandler & Co.; Johnson Economics, LLC; Davis Arneil Law Firm LLP

Proposed Tax Increment Area

The Port's proposed TIA includes 3,334 acres of taxable parcels in the unincorporated community of Malaga, within Chelan County. The TIA would be bordered by the Columbia River to the north and east and include properties around the Malaga-Alcoa Highway, which transects the TIA (see Figure 1).

The TIA would include 131 taxable parcels with an assessed value ("AV") of \$46,241,764 for the 2025 tax year. The parcels within the TIA currently are zoned as 68% rural industrial, 27% rural residential/village, and 5% public rights-of-way. The TIA's total assessed value of \$46.2 million for the base year represents 0.2% of the Port's total AV of \$21.7 billion, which is below the statutory limit of the lesser of \$200 million in AV or 20% of the Port's total AV. The majority of the TIA is made up of the former Alcoa aluminum smelter plant that permanently closed in 2021.

Figure 1 – Map of Proposed Tax Increment Area



Source: Port of Chelan County

Impacted Taxing Districts

Six taxing districts with regular property tax levies have been identified as being directly impacted by the TIA. The impacted districts identified in the project analysis are:

- | | |
|---|--------------------------------------|
| (1) Chelan County | (4) County Road District |
| (2) North Central Intercounty Rural Library | (5) Flood Control Zone |
| (3) Port District | (6) Wenatchee Valley Fire Department |

After the effective date of the TIA, the levy rate for each of these jurisdictions would be applied to the increased AV within the TIA (incremental AV), with the tax increment revenues remitted to reimburse the Port for debt service on any bonds issued in connection with the project and to potentially pay for a portion of any unfunded public improvements.

The TIF Statute requires negotiations for a mitigation plan if at least 20% of a public hospital district, regional fire protection district, or EMS district's AV is expected to be impacted by the TIA. Alternatively, the TIF Statute requires negotiations for a mitigation plan if a public hospital district or fire service agency's annual report or other governing board-adopted capital facilities plan demonstrates an increase in the level of service directly related to the projected increased development in the TIA. The project analysis states that the TIA's increment value is projected to reach a maximum of 12.5% of the Wenatchee Valley Fire Department's projected AV in 2051 and that no mitigation plan is required for any of the impacted taxing districts.

Project Description

Public Improvements within the TIA

The project analysis describes the challenge for new development in the TIA as a lack of adequate infrastructure. Specifically, the area lacks a municipal sewer treatment plant and the Malaga/Alcoa highway is a two-lane road in need of upgrades, such as bridge replacements, expanded lanes, overlays, and repairs. While the Port has attracted large-scale developers to the TIA with sufficient resources to satisfy their infrastructure needs, the project analysis notes most of the developable property within the TIA is unlikely to be financially feasible without public infrastructure improvements.

To facilitate private development in the TIA, the project analysis identifies the six types of capital projects totaling \$198.6 million as listed below (2025 dollars).

- | | |
|--|---|
| • Sewer and Water Cooling - \$45.0 million | • Road - \$58.4 million |
| • Water Utility - \$35.0 million | • Pedestrian and Recreation - \$9.3 million |
| • Bridge - \$32.9 million | • Miscellaneous Infrastructure - \$18.0 million |

The project analysis did not specify the priority or timeline for these projects but, based on the Port's issuance plans to fund \$89.5 million (45%) of the \$198.6 million of public improvements with multiple series of tax-exempt bonds to be issued in 2026, 2029, 2032 and 2035, we can infer that the financed portion of the capital projects would be undertaken between 2026 and 2038.

The financing plan for the baseline development scenario assumes \$183.2 million in debt service costs compared to total TIF revenues of \$206.3 million. After the payment of projected debt service, an estimated \$23.1 million of TIF revenues would remain, which the Port plans to use to fund a portion of the public improvements on a cash basis.

After bond proceeds and cash funding, the Port projects that \$86.0 million, or 43% of the \$198.6 million of total public improvements will remain unfunded. Having such a significant amount of unfunded public improvements weakens the Port's argument that future private development projects would not be reasonably expected to occur solely through private investment, known as the "But For" finding.

"But For" Finding

The project analysis indicates that certain private development projects are expected to occur without public investment, but future development projects that are more speculative in nature are likely to be delayed, reduced, or canceled without the public improvements to be funded by the TIA. The speculative private development forecast in the project analysis assumes the Port completes all the public improvements over the 25-year term of the TIA, even though it has not identified a funding source for \$86 million of those public improvements. The report states:

The Port's infrastructure investments through the proposed TIA will provide for a significant inventory of readily developable sites with adequate infrastructure to support anticipated development. The Port can leverage the significant planned data center investments to help fund needed infrastructure to support the broader regional economy. With the new infrastructure in place, the Malaga area will have the capacity to meet a significant share of the county's industrial land needs for the next several decades. If the region fails to invest in these public improvements, future economic development within the County is likely to be more challenging.

The Port's project analysis did not specify the priority or construction timeline for its identified public improvements. The project analysis also did not identify how the Port would fund 43% of the \$198.6 million of identified public improvements. Finally, a significant portion of the proposed public improvements appear to be particularly related to data center projects, at least one of which, according to the project analysis, is already under construction. We encourage the Port to revise its project analysis to better describe the priority and construction timeline for the public improvements, how it will make up the \$86 million funding gap, and specifically how each public improvement will encourage private development, other than the already expected data center projects. Without further explanation, the cumulative impact of these omissions is an incomplete plan of finance, making it unclear whether the Port has sufficient basis for its "But For" finding.

Private Development within the TIA

The project analysis describes eight private developments expected to be constructed in the TIA between 2025 and 2032, and then fully reflected on the tax rolls between 2030 and 2035. These eight projects include six Microsoft data center buildings, one Sabey data center, and a project with undisclosed ownership. The estimated increases to AV are \$1.8 billion from real property and \$2 billion from personal property. Table 1 lists these known private development projects. Growth in personal property is not included in the calculation of tax increment and will not contribute to tax increment revenues. Instead, we assume that taxes levied on new personal property, which is expected to be significant, will be available for overlapping taxing districts.

Table 1 – Known Private Development Projects

Project	Construction Start	First Year Partially on Tax Roll	First Year Fully On Tax Roll	Real Property (2025 \$)	Personal Property (2025 \$)
Microsoft Data Center Building #1	2025	2027	2030	\$200,000,000	\$200,000,000
Microsoft Data Center Building #2	2026	2028	2031	\$200,000,000	\$200,000,000
Microsoft Data Center Building #3	2027	2029	2032	\$200,000,000	\$200,000,000
Microsoft Data Center Building #4	2028	2030	2033	\$200,000,000	\$200,000,000
Microsoft Data Center Building #5	2029	2031	2034	\$200,000,000	\$200,000,000
Microsoft Data Center Building #6	2030	2032	2035	\$200,000,000	\$200,000,000
Confidential Development	2028	2028	2030	\$30,000,000	\$160,000,000
Sabey Data Center	2027	2029	2032	\$250,000,000	\$200,000,000
Total				\$1,480,000,000	\$1,560,000,000

Source: Port of Chelan County

In the Baseline development scenario, in addition to \$1.8 billion of projected known development, the forecast also assumes \$2.4 billion of additional data center projects as speculative development, and \$1.3 billion of other industrial projects. Residential development is not included in the forecast. The Port anticipates some of the existing rural residential parcels will be rezoned as industrial parcels. The total value of all forecasted real property development is \$5.5 billion.

Table 2 – Summary of Estimated Private Development (Baseline Scenario, nominal \$)

Year on Tax Roll	Real Property			Total
	Known Development	Speculative Development: Data Centers	Speculative Development: Other	
2025	\$ -	\$ -	\$ -	\$ -
2026	\$ -	\$ -	\$ -	\$ -
2027	\$ 10,500,000	\$ -	\$ -	\$ 10,500,000
2028	\$ 180,500,000	\$ -	\$ 30,000,000	\$ 210,500,000
2029	\$ 314,700,000	\$ -	\$ 31,400,000	\$ 346,100,000
2030	\$ 359,100,000	\$ -	\$ 32,800,000	\$ 391,900,000
2031	\$ 375,600,000	\$ -	\$ 34,300,000	\$ 409,900,000
2032	\$ 262,000,000	\$ -	\$ 35,900,000	\$ 297,900,000
2033	\$ 260,300,000	\$ -	\$ 37,500,000	\$ 297,800,000
2034	\$ 57,300,000	\$ 525,400,000	\$ 39,300,000	\$ 622,000,000
2035	\$ -	\$ -	\$ 41,100,000	\$ 41,100,000
2036	\$ -	\$ 574,900,000	\$ 43,000,000	\$ 617,900,000
2037	\$ -	\$ -	\$ 44,900,000	\$ 44,900,000
2038	\$ -	\$ 629,000,000	\$ 47,000,000	\$ 676,000,000
2039	\$ -	\$ -	\$ 49,200,000	\$ 49,200,000
2040	\$ -	\$ 688,200,000	\$ 51,400,000	\$ 739,600,000
2041	\$ -	\$ -	\$ 53,800,000	\$ 53,800,000
2042	\$ -	\$ -	\$ 56,300,000	\$ 56,300,000
2043	\$ -	\$ -	\$ 58,800,000	\$ 58,800,000
2044	\$ -	\$ -	\$ 61,600,000	\$ 61,600,000
2045	\$ -	\$ -	\$ 64,400,000	\$ 64,400,000
2046	\$ -	\$ -	\$ 67,300,000	\$ 67,300,000
2047	\$ -	\$ -	\$ 70,400,000	\$ 70,400,000
2048	\$ -	\$ -	\$ 73,700,000	\$ 73,700,000
2049	\$ -	\$ -	\$ 77,100,000	\$ 77,100,000
2050	\$ -	\$ -	\$ 80,600,000	\$ 80,600,000
2051	\$ -	\$ -	\$ 84,300,000	\$ 84,300,000
	\$1,820,000,000	\$ 2,417,500,000	\$ 1,266,100,000	\$5,503,600,000

Source: Port of Chelan County

In the project analysis' Alternate development scenario, the \$2.4 billion of speculative development data centers are removed from projections, retaining only the known development projects and the traditional industrial speculative development. Under this more conservative scenario, the private development will produce AV growth of \$3.1 billion.

Assessed Value of the TIA

As cited in the project analysis, the estimated AV of the taxable parcels within the TIA for the 2025 tax year is \$46.2 million, or 0.2% of the Port's total AV of \$21.7 billion, which is below the statutory limit of the lesser of \$200 million in AV or 20% of the Port's total AV. The 2025 market value of the taxable parcels is \$48,747,493.

As the incremental AV growth of personal property is excluded from tax increment revenue calculations, the timing and magnitude of real property development in the TIA will drive growth in incremental AV, 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 AV of the TIA is estimated by assigning market-based improvement prices reflecting the land use and size of the known and speculative developments.

The Port assumes that the base value of the TIA and the AV of newly developed properties will increase over time based on a combination of the county's past growth rate in per-capita personal income and the county's forecasted population growth rates. The long-term historical trend for per-capita personal income growth for Chelan County from 2003-2023 was used as the basis for forecasting a 4.6% annual appreciation rate in the TIA's base value. To project annual increases in AV from new construction outside of the TIA, the project analysis applied the annual population growth rates from the 2022 State Growth Management Act forecast for Chelan County for the 2025-2051 period, which calls for a gradual slowing of population growth from 0.9% in 2025/2026 down to 0.5% by 2049/2050.

To project annual increases in AV from new construction within the TIA, the project analysis assumed no appreciation from the original construction values for the first four years, which is typical for large-scale industrial development projects like the data centers under development. After year four, the project analysis used an income-based approach tied to the long-term historical trend for per-capita personal income growth in Chelan County to assume annual appreciation of AV at 4.6%.

Tax Increment Revenue Projections

The TIA is expected to take effect on June 1, 2026, with 2026 as the base year and 2027-2051 as the eligible years to collect tax increment revenues. The Port projects the TIA will have a base AV of \$48.4 million in 2026 with significant private development added to the tax roll beginning in 2028.

In the Baseline development scenario, the Port projects that \$5.5 billion in new construction will be added to the TIA between 2027 and 2051, and that \$206.3 million of tax increment revenues will be collected over the term of the TIA. See Table 3 – Tax Increment Revenues (Baseline Development Scenario).

**Table 3 – Tax Increment Revenues (nominal \$)
Baseline Development Scenario**

Tax Year	Assessed Value			Levy Rate	Tax Allocation Revenues
	Total	Base Value	Increment		
2025	\$ 46,241,764	\$ 46,241,764	\$ -	\$ -	\$ -
2026	\$ 48,368,885	\$ 48,368,885	\$ -	\$ -	\$ -
2027	\$ 61,053,854	\$ 48,368,885	\$ 12,684,969	\$ 2.801889	\$ 35,542
2028	\$ 273,883,061	\$ 48,368,885	\$ 225,514,176	\$ 2.707840	\$ 610,656
2029	\$ 623,770,144	\$ 48,368,885	\$ 575,401,259	\$ 2.619229	\$ 1,507,108
2030	\$ 1,021,121,447	\$ 48,368,885	\$ 972,752,562	\$ 2.535569	\$ 2,466,481
2031	\$ 1,438,740,580	\$ 48,368,885	\$ 1,390,371,695	\$ 2.456364	\$ 3,415,259
2032	\$ 1,754,476,920	\$ 48,368,885	\$ 1,706,108,035	\$ 2.381329	\$ 4,062,805
2033	\$ 2,087,164,811	\$ 48,368,885	\$ 2,038,795,926	\$ 2.309969	\$ 4,709,556
2034	\$ 2,763,891,250	\$ 48,368,885	\$ 2,715,522,365	\$ 2.243604	\$ 6,092,556
2035	\$ 2,881,262,341	\$ 48,368,885	\$ 2,832,893,456	\$ 2.177916	\$ 6,169,805
2036	\$ 3,592,865,930	\$ 48,368,885	\$ 3,544,497,045	\$ 2.115847	\$ 7,499,615
2037	\$ 3,749,812,942	\$ 48,368,885	\$ 3,701,444,057	\$ 2.054058	\$ 7,602,980
2038	\$ 4,571,854,877	\$ 48,368,885	\$ 4,523,485,992	\$ 1.996702	\$ 9,032,054
2039	\$ 4,775,936,806	\$ 48,368,885	\$ 4,727,567,921	\$ 1.938031	\$ 9,162,174
2040	\$ 5,706,313,538	\$ 48,368,885	\$ 5,657,944,653	\$ 1.884034	\$ 10,659,760
2041	\$ 5,961,994,845	\$ 48,368,885	\$ 5,913,625,960	\$ 1.829017	\$ 10,816,120
2042	\$ 6,260,845,547	\$ 48,368,885	\$ 6,212,476,662	\$ 1.776457	\$ 11,036,195
2043	\$ 6,576,031,165	\$ 48,368,885	\$ 6,527,662,280	\$ 1.723822	\$ 11,252,529
2044	\$ 6,940,079,376	\$ 48,368,885	\$ 6,891,710,491	\$ 1.673578	\$ 11,533,814
2045	\$ 7,323,705,140	\$ 48,368,885	\$ 7,275,336,255	\$ 1.623335	\$ 11,810,308
2046	\$ 7,727,939,266	\$ 48,368,885	\$ 7,679,570,381	\$ 1.574289	\$ 12,089,866
2047	\$ 8,153,865,972	\$ 48,368,885	\$ 8,105,497,087	\$ 1.526402	\$ 12,372,245
2048	\$ 8,602,625,615	\$ 48,368,885	\$ 8,554,256,730	\$ 1.479713	\$ 12,657,844
2049	\$ 9,075,417,564	\$ 48,368,885	\$ 9,027,048,679	\$ 1.434212	\$ 12,946,705
2050	\$ 9,573,503,218	\$ 48,368,885	\$ 9,525,134,333	\$ 1.389888	\$ 13,238,872
2051	\$ 10,098,209,168	\$ 48,368,885	\$ 10,049,840,283	\$ 1.346727	\$ 13,534,392
Total					\$ 206,315,240

Source: Port of Chelan County

In the Alternate development scenario, the Port projects \$3.1 billion in new construction will be added to the TIA between 2027 and 2051, with \$130.6 million of tax increment revenues projected to be collected over the 25-year term. Table 4 – Tax Increment Revenues (Alternate Development Scenario).

**Table 4 – Tax Increment Revenues (nominal \$)
Alternate Development Scenario**

Tax Year	Assessed Value			Levy Rate	Tax Allocation Revenues
	Total	Base Value	Increment		
2025	\$ 46,241,764	\$ 46,241,764	\$ -	\$ -	\$ -
2026	\$ 48,368,885	\$ 48,368,885	\$ -	\$ -	\$ -
2027	\$ 61,053,854	\$ 48,368,885	\$ 12,684,969	\$ 2.801889	\$ 35,542
2028	\$ 273,883,061	\$ 48,368,885	\$ 225,514,176	\$ 2.707840	\$ 610,656
2029	\$ 623,770,144	\$ 48,368,885	\$ 575,401,259	\$ 2.619229	\$ 1,507,108
2030	\$ 1,021,121,447	\$ 48,368,885	\$ 972,752,562	\$ 2.535569	\$ 2,466,481
2031	\$ 1,438,740,580	\$ 48,368,885	\$ 1,390,371,695	\$ 2.456364	\$ 3,415,259
2032	\$ 1,754,476,920	\$ 48,368,885	\$ 1,706,108,035	\$ 2.381329	\$ 4,062,805
2033	\$ 2,087,164,811	\$ 48,368,885	\$ 2,038,795,926	\$ 2.309969	\$ 4,709,556
2034	\$ 2,238,448,983	\$ 48,368,885	\$ 2,190,080,098	\$ 2.240785	\$ 4,907,499
2035	\$ 2,355,820,074	\$ 48,368,885	\$ 2,307,451,189	\$ 2.173653	\$ 5,015,597
2036	\$ 2,492,528,871	\$ 48,368,885	\$ 2,444,159,986	\$ 2.107784	\$ 5,151,762
2037	\$ 2,649,475,883	\$ 48,368,885	\$ 2,601,106,998	\$ 2.043533	\$ 5,315,447
2038	\$ 2,818,345,884	\$ 48,368,885	\$ 2,769,976,999	\$ 1.980192	\$ 5,485,086
2039	\$ 2,997,145,633	\$ 48,368,885	\$ 2,948,776,748	\$ 1.918354	\$ 5,656,797
2040	\$ 3,186,431,340	\$ 48,368,885	\$ 3,138,062,455	\$ 1.858185	\$ 5,831,100
2041	\$ 3,386,789,371	\$ 48,368,885	\$ 3,338,420,486	\$ 1.799662	\$ 6,008,028
2042	\$ 3,598,837,853	\$ 48,368,885	\$ 3,550,468,968	\$ 1.742758	\$ 6,187,608
2043	\$ 3,823,228,351	\$ 48,368,885	\$ 3,774,859,466	\$ 1.687446	\$ 6,369,872
2044	\$ 4,060,647,632	\$ 48,368,885	\$ 4,012,278,747	\$ 1.633698	\$ 6,554,853
2045	\$ 4,311,819,535	\$ 48,368,885	\$ 4,263,450,650	\$ 1.581485	\$ 6,742,584
2046	\$ 4,577,506,924	\$ 48,368,885	\$ 4,529,138,039	\$ 1.530777	\$ 6,933,100
2047	\$ 4,858,513,742	\$ 48,368,885	\$ 4,810,144,857	\$ 1.481498	\$ 7,126,222
2048	\$ 5,155,687,183	\$ 48,368,885	\$ 5,107,318,298	\$ 1.433669	\$ 7,322,202
2049	\$ 5,469,919,964	\$ 48,368,885	\$ 5,421,551,079	\$ 1.387256	\$ 7,521,080
2050	\$ 5,802,152,728	\$ 48,368,885	\$ 5,753,783,843	\$ 1.342229	\$ 7,722,894
2051	\$ 6,153,376,556	\$ 48,368,885	\$ 6,105,007,671	\$ 1.298554	\$ 7,927,684
Total					\$ 130,586,822

Source: Port of Chelan County

Under the TIF Statute, only certain regular levies are applied to the incremental AV generated in the TIA by growth in real property. Both parts of the state school levy, local school district excess levies, voted bond levies, and levies of districts for voter approved bond payments are excluded from the TIA levy rate. The TIA's annual levy rate may change year-to-year based on factors including the future AV of impacted taxing districts, relevant levy limits of impacted taxing districts, and future incremental increases to the AV of the TIA. The project analysis projects 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 increment revenues provided in Tables 3 and 4. The project analysis did not assume any potential future levies or levy lid lifts are approved by voters.

It is worth noting that the future growth of tax increment revenues is affected by several factors, including the growth rate of AV within the TIA relative to the growth rate of AV in the impacted taxing districts. If the growth rates meaningfully differ over time, tax increment revenues could be significantly impacted because the levy rates are set based on the AVs within the impacted taxing districts and not based on the AV of the TIA. For example, if the AV of real property within the impacted taxing districts were to appreciate faster than the AV of real property within the TIA, projected levy rates would be reduced and actual tax increment revenues would be less than forecasted. The project analysis recognizes this risk as follows:

Given that much of the expected property value in the proposed TIA would be from data centers, and future changes in data center values may differ from the broad mix of land uses countywide, there is certainly a risk that the rate of appreciation or depreciation of property values within the proposed TIA may differ from rates countywide. Considering how new data centers are, and how rapidly the technology changes, it remains to be seen whether this particular property type is likely to outperform or underperform broader countywide trends for assessed value growth long-term.

Financing Plan for Public Improvements

In the Baseline development scenario, the Port assumes that it will issue \$106.0 million of tax-exempt limited tax general obligation (LTGO) bonds over four issuances to fund \$89.5 million of the \$198.6 million of public improvements (45%):

- \$42.0 million in December 2026,
- \$23.5 million in December 2029,
- \$18.0 million in December 2032, and
- \$22.5 million in December 2035.

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 Port revenues and resources, regardless of the amount of tax increment revenues generated within the TIA.

In the Baseline scenario, the financing plan for the bonds includes the following primary assumptions:

- due to tax increment revenues projected to be less than the scheduled interest payments, the bonds will capitalize \$17.6 million of interest payments;
- principal is amortized from 2032 through 2051;
- Moody's assigns an A1 credit rating; and
- interest rates as of July 28, 2025, plus a 0.50% cushion.

Total principal and interest on the bonds is projected to be \$200.9 million over the 2027 to 2051 repayment term, resulting in a true interest cost for each issuance ranging from 5.01% to 5.71%. Annual surpluses between tax increment revenues and net debt service on the bonds between 2027 and 2051 are projected to average \$923,811, with a cumulative surplus of \$23.1 million. The Port intends to use the annual surpluses to fund a portion of the public improvements on a cash basis.

As shown in Table 7, the TIA's tax increment revenues are projected to be insufficient to pay debt service during the first three years of each bond issue. As such, the Port assumes that \$17.6 million (17%) of bond proceeds will be used to capitalize interest costs. While capitalized interest serves a purpose, its use is expensive and should be minimized, if possible.

With the Alternate development scenario, the Port would fund only \$52.4 million of the public improvements through the issuance of \$64.0 million of bonds in two series: \$39.0 million in December 2026 and \$25.0 million in December 2029. The Alternate financing plan for the bonds includes the following modified assumptions:

- \$11.8 million of capitalized interest;
- principal is amortized from 2032 through 2051;
- Moody's assigns an A1 credit rating; and
- interest rates as of July 28, 2025, plus a 1.00% cushion.

Total principal and interest on the bonds is projected to be \$136.6 million over the 2027 to 2051 repayment term, resulting in a true interest cost for each issuance ranging from 6.05% to 6.22%. Annual surpluses between tax increment revenues and net debt service on the bonds between 2027 and 2051 are projected to average \$235,060, with a cumulative surplus of \$5.9 million. The Port intends to use the annual surpluses to fund a portion of the public improvements on a cash basis.

In the Alternate development scenario, tax increment revenues are again projected to be insufficient to pay debt service during the first three years of each bond issue. As such, the Port assumes that \$11.8 million (18%) of bond proceeds will be used to capitalize interest.

Debt Capacity

Based on its 2025 total AV, the Port has \$54.1 million in total non-voted debt capacity (0.25% of 2025 AV). The Port states that it has \$2.1 million in outstanding non-voted general obligation debt, leaving net non-voted debt capacity of \$52.0 million. The proposed \$89.5 million of new debt is greater than the Port's current debt capacity, so significant growth in assessed value would be required for the financing plan to be feasible.

The amounts and timing of the Port's anticipated bond issuances in 2026, 2029, 2032, and 2035 (as included in the Baseline development scenario) are shown below. Based on the assumed growth of the Port's total AV, the planned principal amortization of outstanding debt, and the four new bond series, the port is projected to be extremely close to but within its statutory limit, leaving scant remaining debt capacity ranging from \$13.1 million in 2026 to \$1.6 million in 2032.

Table 5 – Debt Capacities in \$000s (2026, 2029, 2032 and 2035 Issuances)

	2026	2029	2032	2035
Projected Assessed Valuation for Tax Year	\$22,855,834	\$27,608,767	\$34,510,660	\$42,254,484
Non-Voted Debt Capacity (0.25% of AV)	57,140	69,022	86,277	105,636
Less: Outstanding Non-Voted Debt	(2,017)	(43,676)	(66,650)	(81,003)
Remaining Non-Voted Debt Capacity	55,123	25,346	19,627	24,633
Less: Bonds Proposed	(42,000)	(23,500)	(18,000)	(22,500)
Projected Remaining Non-Voted Capacity	\$13,123	\$1,846	\$1,627	\$2,133
Projected Remaining Non-Voted Capacity (%)	23.0%	2.7%	1.9%	2.0%

Source: Port of Chelan County

Projected Debt Service Coverage

Tables 6 and 7 below summarize the total tax increment revenues, revenue surpluses, and debt service coverage for the Baseline and Alternate development scenarios. For the Baseline development scenario, the average debt service coverage ratio is 1.13x, while the ratio is 1.05x for the Alternate development scenario.

Table 6 – Tax Increment 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	N/A	\$206.315	\$183.220	\$0	\$23.095	1.13x
Alternate	2027	N/A	\$130.587	\$124.710	\$0	\$5.876	1.05x

Source: Port of Chelan County

Table 7 – 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
2027	35,542	0	35,542	35,542	--	35,542	0	35,542	35,542	--
2028	610,656	0	610,656	646,198	--	610,656	0	610,656	646,198	--
2029	1,507,108	0	1,507,108	2,153,306	--	1,507,108	0	1,507,108	2,153,306	--
2030	2,466,481	2,417,375	49,106	2,202,412	1.02x	2,466,481	2,436,638	29,843	2,183,149	1.01x
2031	3,415,259	2,417,375	997,884	3,200,296	1.41x	3,415,259	2,436,638	978,621	3,161,770	1.40x
2032	4,062,805	2,537,375	1,525,430	4,725,726	1.60x	4,062,805	2,466,638	1,596,167	4,757,937	1.65x
2033	4,709,556	4,571,050	138,506	4,864,232	1.03x	4,709,556	4,661,850	47,706	4,805,643	1.01x
2034	6,092,556	4,763,800	1,328,756	6,192,988	1.28x	4,907,499	4,861,100	46,399	4,852,042	1.01x
2035	6,169,805	4,869,800	1,300,005	7,492,993	1.27x	5,015,597	4,973,600	41,997	4,894,039	1.01x
2036	7,499,615	6,409,475	1,090,140	8,583,133	1.17x	5,151,762	5,101,450	50,312	4,944,351	1.01x
2037	7,602,980	6,615,975	987,005	9,570,138	1.15x	5,315,447	5,264,763	50,684	4,995,035	1.01x
2038	9,032,054	6,827,475	2,204,579	11,774,717	1.32x	5,485,086	5,433,938	51,148	5,046,183	1.01x
2039	9,162,174	9,128,963	33,211	11,807,928	1.00x	5,656,797	5,603,075	53,722	5,099,905	1.01x
2040	10,659,760	9,408,513	1,251,247	13,059,175	1.13x	5,831,100	5,779,825	51,275	5,151,180	1.01x
2041	10,816,120	9,694,100	1,122,020	14,181,195	1.12x	6,008,028	5,948,150	59,878	5,211,058	1.01x
2042	11,036,195	9,980,438	1,055,757	15,236,952	1.11x	6,187,608	6,131,538	56,070	5,267,128	1.01x
2043	11,252,529	10,270,638	981,891	16,218,843	1.10x	6,369,872	6,311,738	58,134	5,325,262	1.01x
2044	11,533,814	10,575,350	958,464	17,177,307	1.09x	6,554,853	6,490,113	64,740	5,390,002	1.01x
2045	11,810,308	10,875,350	934,958	18,112,265	1.09x	6,742,584	6,683,238	59,346	5,449,348	1.01x
2046	12,089,866	11,186,825	903,041	19,015,306	1.08x	6,933,100	6,864,800	68,300	5,517,648	1.01x
2047	12,372,245	11,497,388	874,857	19,890,163	1.08x	7,126,222	7,056,875	69,347	5,586,995	1.01x
2048	12,657,844	11,803,913	853,931	20,744,094	1.07x	7,322,202	7,252,888	69,314	5,656,309	1.01x
2049	12,946,705	12,130,113	816,592	21,560,686	1.07x	7,521,080	7,450,600	70,480	5,726,789	1.01x
2050	13,238,872	12,456,500	782,372	22,343,058	1.06x	7,722,894	7,651,825	71,069	5,797,858	1.01x
2051	13,534,392	12,782,175	752,217	23,095,275	1.06x	7,927,684	7,849,050	78,634	5,876,492	1.01x
Total	\$206,315,241	\$183,219,966	\$23,095,275		1.13x	\$130,586,822	\$124,710,330	\$5,876,492		1.05x

Source: Port of Chelan County

Key Risks

TIF projects are speculative in nature and subject their sponsor to a number of different risks. Most of these risks stem from the difficulty of accurately predicting and estimating future private development, the future assessed value of those projects, future tax rates, and projected tax increment revenues. For the Port's proposed project, we have attempted to summarize what we see as the biggest risks below:

General Obligation Pledge: The LTGO bonds expected to be issued in connection with the TIA'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 insufficient to make a full debt service payment, the general obligation pledge will require the Port to make the payment from other sources of funds.

Project Costs Relative to Identified Funding Sources: The project analysis did not specify the priority or construction timeline for the identified public improvements. The project analysis also did not identify how the Port would fund 43% of the \$198.6 million of identified public improvements. Without further explanation, the cumulative impact of these omissions is an incomplete plan of finance, making it unclear whether the Port has sufficient basis for its "But For" finding.

Debt Limit: Table 5 shows that the Port's projected bond issuances will bring it very close to its statutory debt limit, especially with its 2029, 2032, and 2035 issuances. If the Port's AV does not increase as projected, its future bond issuance and public improvement construction plans could be curtailed. Alternatively, if the Port exhausts its bonding capacity for this project, it will have no remaining financing capacity for other capital financing needs for years to come.

Technology Risk: Most of the TIA's anticipated growth in AV appears to be linked to the construction of data centers. Over the course of 25 years, technology can change rapidly. Any changes in technology that reduce the value of the data centers could negatively impact the TIA's future tax increment revenues.

Economic Conditions: Depressed economic conditions and a variety of other factors could negatively impact demand for development within the TIA, potentially jeopardizing the construction, use, and market value of the private development, which in turn could negatively impact the TIA's AV and tax increment revenues.

Private Development Assessed Valuations: As private developments are completed, their actual AV will depend on factors considered by the County Assessor's office. Tax increment revenues could be less than projected if the AV of the private developments are lower than projected or take longer than anticipated to be reflected in the County's tax rolls.

Permitting and Construction Delays: While the project analysis does not provide a specific timeline for the public improvements, delays in constructing either the public improvements or the private developments could negatively impact the TIA's AV, potentially reducing tax increment revenues. Moreover, the former Alcoa Wenatchee plant that closed in 2021 sits on 84% of the proposed TIA's taxable parcels (2,800 of 3,334 acres). Unexpected site conditions from prior use could add costs and delays to the implementation of the private development.

Escalation of Project Costs: Increased construction costs from tariffs and inflation could have a significant impact on the cost and timeline of delivering the public improvements, potentially delaying

the private developments, which could impact the TIA's AV, potentially reducing tax increment revenues.

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 July 28, 2025, plus an interest rate cushion of 0.50% in the Base Case and 1.00% in the Alternative Scenario.

Debt Structure: The Port's financing plan assumes that annual debt service payments will increase to mirror projected growth in tax increment revenues. If growth within the TIA is delayed and tax increment revenues fall short of projections, the escalating debt service costs could put stress on the Port to fund the shortfall with other Port resources.

Risk Summary: The risk factors outlined above could result in a decreased ability to fund the public improvements and facilitate 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.

Chelan County's Six-Month Moratorium on TIF areas in Unincorporated Areas

We note that the County provided OST with a letter dated August 6, 2025. Attached to the letter was Chelan County Resolution No. 2025-66, which declared a moratorium on the creation, designation, approval, implementation, and permitting of TIF areas and projects in unincorporated Chelan County for a six-month period beginning July 29, 2025. The County contends that the formation of a TIF area by a local governmental entity other than the County, such as the Port's planned TIA, "could have a negative and adverse impact on Chelan County's tax revenue, land use, comprehensive planning, and zoning[.]" OST encourages the Port to consult with legal counsel on this issue.

Recommendations

To help minimize the 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 and County Treasurer's office to ensure that all parties have an accurate understanding of the assessment, levy, and apportionment process and timeline, which should help provide sufficient time to work through concerns.
2. Prior to approving the TIA, we recommend the Port coordinate closely with the impacted taxing districts to ensure that all parties have an accurate understanding of how the TIA will impact them and to provide sufficient time to work through concerns and any appropriate mitigation.
3. Prior to issuing bonds, we recommend that Port leadership discuss and establish a policy regarding how much debt service it is able and willing to pay from general revenues and reserves on an annual basis, if needed to offset unanticipated tax increment revenue shortfalls. Also, given the high cost of capitalized interest in the plan of finance, we recommend the Port consider alternative strategies.
4. We recommend that the Port revise its project analysis to clearly describe the priority and construction timeline of the identified public improvements, as well as how the public improvements will facilitate future development and support the Port's "But For" Finding.

5. We recommend that the Port either develop a more detailed plan of finance that reasonably describes how it will fund the balance of the public improvements not expected to be funded with bonds or surplus tax increment revenues, or reduce the list of public improvements to better match projected resources to provide a more realistic plan of finance and to better support the Port's "But For" finding.
6. Given the long 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.

Thank you for the opportunity to review the Port's project analysis. Based upon the information provided to date in connection with these projects, this concludes our review. If there are material changes in the scope, timing, or cost of the projects, please let us know. We wish the Port all the best with its project.

Respectfully,

Mike Pellicciotti
Washington State Treasurer

A handwritten signature in black ink, appearing to read "JR", with a long horizontal stroke extending to the right.

Jason Richter
Deputy Treasurer