

From: [Debbie Tarry](#)
To: [Jesse Salomon](#); [Carolyn Wurdeman](#)
Cc: [Dan Eernisse](#); [Tricia Juhnke](#); [Randy Witt](#); [Heidi Costello](#); [Kendra Dedinsky](#)
Subject: RE: TIF Questions
Date: Monday, January 11, 2016 11:32:59 AM

Jesse -

Starting with your last question - yes, Council eliminated the 12 month limit to get a credit on prior use. Now development in existing buildings can get a credit for prior use regardless of the length of time that a space may have been vacant (previously credit was only given if the space had been vacant for 12 months or less).

Dan can provide some additional follow-up on new business loans (highlighted in yellow below). I think that the point brought up by business owners is that often times banks don't want to loan money for something that there isn't an asset to provide security if there is a default (i.e., loaning for a piece of property or building vs. a fee) therefore they are looking for enough equity in a project by the applicant to balance how much debt the bank is willing to provide. The TIF is an expense that doesn't provide any "security" for the lender therefore the lender will want to take the TIF obligation into account on whether they are willing to include in a loan - or reduce the amount of the loan because they know the business owner will have to make this payment in the future and therefore they will consider a lower loan amount, resulting in lower loan payment in order to anticipate the business owners obligation for the TIF payment. If the bank were willing to loan the TIF upfront then yes the loan payment would be larger and it would be up to the terms of the bank whether they would defer payment on this portion or start immediately. Either way I would anticipate that holder of the loan would be assessed interest from the start.

Council could decide to allow for a deferral for TIF (18 mo, 24 mo, or 36 mo - many options), but it is important to remember that this is an obligation of the business owner to pay the City. Failure to pay would either result in collection procedures or if there was no means to collect then the Council would need to authorize the write off of the debt by the City. May seem logical, but it can become political. There are no other debts that the City usually writes off - for example gambling tax even when a gambling business goes out - we have still pursued collection until the point where there are not any options to collect. Another factor to consider with our concurrency model is that even if a deferral is allowed we still have to account for the growth trips by essentially reducing the number of growth trips available to others - I assume if in the future we were to write-off a TIF debt then we could add the trips back at that point.

This response will go in the green folder.

Debbie Tarry
City Manager
City of Shoreline
17500 Midvale Ave N.
Shoreline, WA 98133

-----Original Message-----

From: Jesse Salomon

Sent: Sunday, January 10, 2016 6:18 PM

To: Debbie Tarry; Carolyn Wurdeman

Subject: TIF Questions

In on-going conversations with Shoreline business owners, a third negative attribute of the deferral program was pointed out to staff. During a new business start-up, banks will likely consider any deferred amount of TIF as a liability, thereby reducing the amount of borrowing capacity of the business. In other words, the bank would rightfully consider that the business has a bill hanging over its head and only offer credit assuming the bill will be paid. The only savings for the start-up business, then, is the negligible amount of interest earned over the course of the deferral period.

Does this mean the loan would be larger and the monthly payment for the entire loan would begin immediately thereby making some of the tif fees due every month? **What is the normal length of a business loan? If it is longer than the tif deferral would it still provide some benefit?**

Why not assess the tif at the three year mark or so when businesses tend to "make it." It doesn't seem right to assess the full tif anyways vis a one time fee and if they later go out of business. That would mean they are paying more than the proportionate share of impact to the road (e.g. if they pay the tif up front and go out of business in a month but paid for a road improvement designed to ameliorate impacts over decades). Also then the next business would get a windfall credit.

Did we change the "building with vacancy for 12 mo shall pay the full rate?" I thought we eliminated that deletion of tif credits.

Jesse Salomon, Councilmember

City of Shoreline

Jsalomon@Shorelinewa.gov

(206) 396-5807

Sent from my iPad