Capital Finance Report
Washington Research Council April 27, 2001

Tacoma Bonds x 4

Four bond measures will be placed before Tacoma voters in the May 15 special election. If all pass, the city will be authorized to issue $60 million in bonds, the largest bond sale in city history.

In a special meeting March 28, 2001, city council members voted unanimously to put the four issues on the ballot. Advised by legal counsel that running the bond issue as a single package might violate the constitutional requirement that ballot measures consist of a single issue, the city council created four thematically related proposals.

The largest of the four would provide $32 million for construction of a new police headquarters station and conversion of an existing building to serve as a street and vehicle maintenance center. A $16 million issue would fund a series of neighborhood and neighborhood business district projects, as well as provide support for a number of waterfront improvements. Cheney Stadium and the Pantages Theater would share in a separate $7 million bond issue. And, $5 million would support affordable housing programs.

Background

Depending on one's perspective, the $60 million package has either been around for many months, or was moved hastily to the ballot with little public input. Many of the specific projects for which funding is sought have in fact been discussed for some time. As well, for nearly a year, city officials have talked about putting some kind of bond proposal before the voters. Nonetheless, the composition and size of the proposal changed several times, as did the timing of the election. So, when the city council finally acted decisively March 28, the decision seemed to come with only scant public participation.

About one year ago, then-Mayor Brian Ebersole first publicly suggested that the city place a major capital improvements program before the voters. May 8, 2000, Ebersole asked the Tacoma School District to cut back on its proposed $450 million bond issue (since passed) to allow the city room in the property tax to fund its own $100 million capital improvement package without increasing property tax rates on taxpayers in the city. He proposed that the measures share the February 2001 ballot.

In mid-May, the city released the results of a survey showing voters supported funding for several capital projects, but preferred to pay for them through their electric bills (an option that would doubtless be less popular now, and in any event does not appear to have ever received serious consideration).

Over a period of several months, the school district and the city engaged in a lively and public debate. And throughout the course of the discussion, the city's proposal changed a number of times.

Originally, Ebersole envisioned nine major projects: a $28 million police headquarters, a $15 million college fund for students, $15 million in Tacoma Dome renovations, $12 million for neighborhood and business district improvements, $10 million in waterfront projects, $5 million for a housing trust fund, $5 million for Pantages Theater, and $5 million for the Tacoma Technology Center.

The school board was initially unyielding, saying the entire $450 million was needed for renovation and construction purposes, although by October they had agreed to cut back to $425 million. At that time, the city also scaled its proposal back to $67 million. (A story in The News Tribune described the city's plan as having "morphed more times than a 'Star Trek' shape-shifter.") The $67 million version included $25 million for a new police station; $21 million for facilities improvements, including expanding the Tacoma Dome exhibition hall and upgrades at Cheney Stadium; $8 million to support neighborhood councils; $4 million for neighborhood business districts; $5 million for a housing trust fund; $2 million for a new fire station in the Tide flats area; and $2 million for urban reforestation and waterway enhancements.

By December, after polling showed little enthusiasm for it, the City Council chose not to place the package on the February ballot. A December 11 The News Tribune editorial on the withdrawal noted that the council "has had almost no discussion of the bond issue plans … (making) almost no effort … to involve citizens in helping set the city's capital priorities." This was in marked contrast to the inclusive and intense series of public forums conducted by the school district. The News Tribune said that while the city had made numerous revisions to the original $100 million proposal, the "changes resulted mostly from discussions and negotiation among the council members themselves."

In late March, as the deadline for placing the bond issue on the May ballot approached, the council, on a 5-2 vote, committed $2.2 million to pay an architect to design a new police headquarters. Dissenters expressed concern that the impact of the bond issue on property taxes was not known and that there would not be enough time for public involvement. The majority contended that the issues had received extensive public debate. Further, the council had access to polling data showing strong support for the proposed bond issue.

By then, the proposal had changed again. It was now a $50 million package, consisting of the police headquarters; improvements at the Tacoma Dome, Cheney Stadium and the Pantages Theater; affordable housing and neighborhood projects.

In the week following that meeting, the city moved aggressively to solicit public involvement and resolve the size and content of what was described as a $30 million to $60 million bond measure. Responding to charges that the city was moving too swiftly, Mayor Mike Crowley said in a commentary published March 26 by The News Tribune that the city had "approached this much-needed bond package with months or years of staff research and public discussion on all of the nine capital projects we're considering."

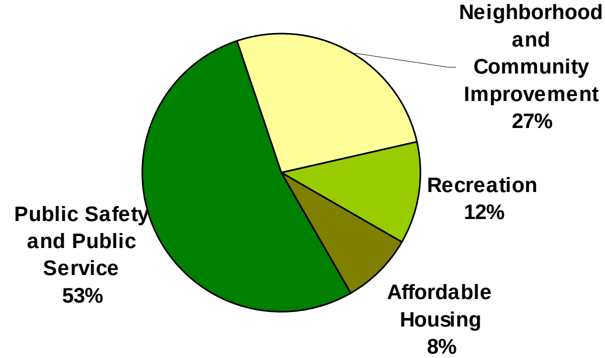
Interviewed for this report, Mayor Crowley says city officials have been talking about the projects for months, discussing the bond issue with neighborhood representatives. Groups representing the theater district initiated discussion of the Pantages Theater remodel. Council members discussed various aspects of the proposal with their constituents and with each other, as well as relying on staff information. While the only organized hearings were those held the week the council was to vote, he believes there was no shortage of input.

The list of projects remained relatively stable: police station, affordable housing, waterfront improvements, facilities upgrades and neighborhood projects. Two public hearings were held. Residents were informed by city officials that the package would not result in higher property tax rates than those in effect in 2000, because the city increase would be offset by a 43 cent drop in the school levy rate. (This becomes somewhat complicated, as shown below in the section on Tax Impacts.)

And, March 28, the council voted unanimously to place the four proposals on the May 15 ballot.

FIGURE 1

Most of $60 million Bond Package Would Pay for Public Safety Projects



Source: City of Tacoma

The Ballot Measures

The $60 million package is divided in four parts (see Figure 1): a) “Public Safety and Public Service Projects,” b) “Neighborhood and Community Improvement,” c) “Recreation Projects,” and d) “Affordable Housing.” Each of the four requires sixty-percent approval.

A. Public Safety and Public Service Projects

The $32 million public safety and public service proposal is nominally larger than either the 1980 Tacoma Dome bond issue ($27 million) or the 1986 library issue ($15 million), although when inflation is taken into account, the Dome issue is larger. The major elements of the proposal have received perhaps the most public discussion of any of the projects on the ballot.

Police Headquarters. The largest project on the ballot is the $25 million construction of a new police headquarters, which has been consistently included in all discussions of the pending bond issue since the topic was first broached last year. The city proposes building the headquarters facility on what is referred to as the “old Costco” site near South 38th and Pine streets. Originally, in 1999, the council had planned to construct the building at South 21st Street and Tacoma Avenue, and had acquired the necessary property. In the fall of 2000, after Costco moved, the council was able to buy the store for $6.5 million.

In a March 20 study session, the council considered the merits of

Public Safety and Public Service Projects: $32 million

- $25 million - police headquarters
- $4 million - fleet maintenance and streets and grounds maintenance
- $3 million - fire station

going ahead with the 21st Street option or building on the Costco site. The staff analysis compared total costs for the two projects, including a remodel of the store into a joint fleet and streets & grounds maintenance facility. According to the cost/benefit comparison, the Costco site provided a substantial savings, allowing the sale of more than $11.4 million in surplus property, of which $9 million is from the sale of the 21st Street site. The $36.4 million total cost, then, when offset by $11.4 million in revenue from sales, leaves $25 million to be raised through bond sales.

According to city staff, the new headquarters would open in May 2003 and house 420 commissioned and civilian personnel; the department would continue with existing community stations at McKinley Avenue, the Tacoma Mall, Metropolitan Park District Headquarters and the Tacoma Housing Authority.

Fleet, street and grounds maintenance. In addition, for $4 million, the city plans to remodel the store for fleet services and streets and grounds maintenance. Streets and grounds maintains streets and handles public landscaping. Fleet service maintains and repairs city vehicles, including police cars and streets and grounds vehicles. The proposed siting brings fleet maintenance operations close to two of its biggest customers.

Fire station. A $3 million allocation for a new fire station in the Tideflats to serve the Port Industrial Area represents a late addition to the bond package. The city says that the closing of the Blair and Hylebos bridges (one temporarily) has isolated two fire vehicles at Fire Station 15 on East 11th Street, from which there is no short route to Northeast Tacoma, the eastern Tideflats, and the industrial area. By relocating the vehicles to a new station, response times could be cut. No specific site has been selected for the planned 8,500-square-foot station, which would have three vehicle bays and house eight firefighters. If the bond issue passes, the station is projected to open in December 2004.

Neighborhood and Community Improvement: $16 million

- $8 million - neighborhood councils
- $4 million - neighborhood business districts
- $4 million - waterfront capital projects

B. Neighborhood and Community Improvement

The second largest package on the ballot provides $16 million for what are termed "neighborhood and community improvements." The money would be divided three ways: $8 million to neighborhood councils, $4 million to neighborhood business districts, and $4 million to pay for waterfront improvement capital projects.

Neighborhood councils. Tacoma's eight neighborhood councils would each receive $1 million if the bond issue were to pass. This would be the second infusion of capital funds to the neighborhoods. In 1997 the city, through a Capital Improvement Program, allocated $750,000 to each of the councils. The councils established their own priorities and identified capital projects for funding. The money has been spent, and the additional funding is sought to pay for additional projects.

The eight councils are: ENACT (Eastside Neighborhood Advisory Council of Tacoma), South Tacoma, South End, Central, West End, Northeast, North End, and New Tacoma. Among the accomplishments cited from the previous projects are such activities as the purchase and demolition of a dilapidated building near a park (replaced by a basketball court), litter and debris removal, acquisition of playground equipment and lighting, sidewalk repairs, dedicated bike lanes, purchase of handicapped-accessible picnic tables, and beautification efforts.

Business Districts. Tacoma began the Neighborhood District Revitalization Program in 1991 with six original neighborhood business districts. According to Donna Datsko of the city's economic development department, the program was patterned after the national Main Street Program, and adapted to fit the requirements of an urban center. It has since expanded to include twelve districts. Among the goals of the program is the enhancement of a "pedestrian feel" to these smaller business districts, focusing on such amenities as street trees, public art, "bulb-outs" (sidewalk expansions), and the like.

The twelve business districts are: Fern Hill, Dome, Lincoln, McKinley Hill, Oakland/Madrona, Old Town, Proctor, Portland, Sixth Avenue, South Tacoma, Stadium and Upper Tacoma.

The $4 million would not be allocated uniformly, recognizing the differences among the districts in size and the degree to which their capital improvement programs have been implemented. The city has prepared a schedule for distributing the funds, with allocations ranging from $500,000 to $200,000. Carol Wolfe, who works with the business districts, says the allocations are based on the fact that the six original ("senior") districts are further along in their development, so the greatest allocations will go to the newer districts.

Waterfront Improvements. Three principal waterfront projects are included: a $1.2 million repair on the Old Town Dock on Ruston Way, $1 million to be used as matching funds for continued development of Dickman Mill Park, and $1.5 million for park development along the southern end of Thea Foss Waterway, including a small boat launch, boathouse, restrooms and a community building. In addition, $300,000 would be set aside for various reforestation projects along the waterfront.

Recreation Projects: $7 million

- $5 million Cheney Stadium
- $2 million Pantages Theater

C. Recreation Projects

The $7 million recreation projects bond issue pays for improvements to Cheney Stadium and the Pantages Theater. Although the bond issue does not fully fund either of the proposed improvement projects, Mayor Crowley says he is confident the city will be able to obtain the additional funds required.

Cheney Stadium. Cheney Stadium is the home field for the Tacoma Rainiers, the AAA affiliate of the Seattle Mariners, and has been the site of minor league baseball in Tacoma for four decades. The $5 million set aside for Cheney Stadium would pay for new, separate locker room and clubhouse facilities for the home and visiting teams. As well, the bonds would fund replacement of the concrete roof with a new metal roof and elevator access to a new press box. The grandstand would be resurfaced and new seating installed, including additional locations for wheelchairs. Also planned are improvements to concession areas and restrooms. The total project cost would be $6.1 million, leaving $1.1 million for the city to find from other revenue sources.

Pantages Theater. The Pantages Theater is part of the Broadway Center of the Performing Arts. The $2 million would pay for remodeling of the lobby, classrooms, reception areas and restrooms, as well as improvements to the Broadway Center rehearsal hall. Part of the upgrades would serve to bring Pantages into compliance with various building codes and the Americans with Disabilities Act. Eli Ashley, executive director of the Broadway Center, says this will be the first major capital improvement to the theater since it was reopened in 1983.

The total cost of improvements will be about $4.7 million. Ashley reports that the nonprofit board overseeing the Broadway Center has been considering the capital improvements for four or five years, and in the last eighteen months has conducted a feasibility study. With the $2 million from the bond issue, they believe they can raise the additional $2.7 million required to complete the work. Potential funding sources include private contributions and state government.

If funding is obtained, Ashley says the work can be phased in with minimal disruption, and the theater should never be closed for more than a few weeks at a time.

D. Affordable Housing

The $5 million affordable housing bond issue is intended to leverage funding for up to 400 units of rental housing for low-income residents. The city believes the money can be used to match state, federal and private funds at a rate of 5:1, with each dollar invested by the city generating an additional $5 from other sources. Don Hines, assistant director of the city's economic development office, says the estimate is based on the experience with federally supported rental projects in the city.

While "every deal is a little different," he says, typically housing projects will involve three or more financing sources, from private lenders to the state housing trust fund. If that pattern holds, then, passage of the $5 million project could generate $25 million to $30 million in funding for new projects. Affordable housing projects in the city range from 4-5 units up to 100 units. The typical project, though, would include about 40 units.

According to city staff, about 48 percent of the households in Tacoma – about 19,000 households – are low-income.

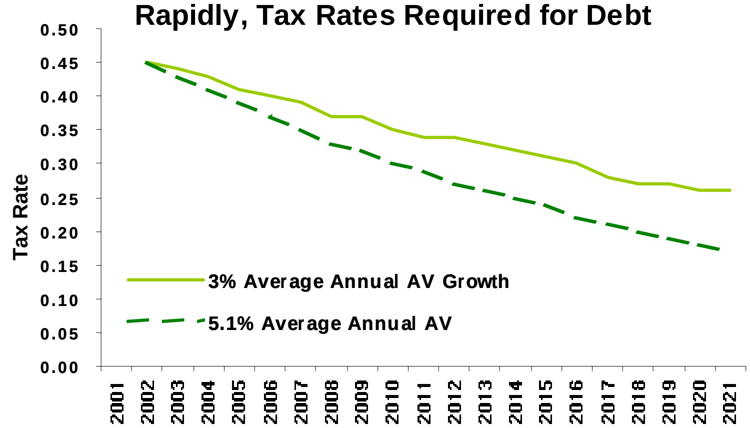
Tax Impacts

Voters may choose to approve all, none, or any combination of the four proposals on the ballot. If all pass and the bonds are sold immediately, the debt service levy would increase by 45 cents: 24 cents for the public safety bonds, 12 cents for the neighborhood and community improvement package, 5 cents for the recreation projects and 4 cents for affordable housing. Over time, as assessed valuation (AV) increases, the levy rate would decline.

Figure 2 illustrates how different assumptions regarding the growth in assessed valuation would affect the tax rates. A set of projections made by The Leora Consulting Group LLC (LCG), which advised the city on the proposal, assumed four percent growth in AV for 2002-2003, and three percent thereafter. A second set of projections by LCG assumes 5.11 percent growth from 2002 onward. In Figure 2, the levy rates are based on all of the bonds being issued December 1, 2001. The 5.11 percent estimate represents the average annual growth in Tacoma AV for the past six years. While the 3.0 percent assumption may well be too conservative, it seems aggressive to assume sustained growth of 5.11 percent a year as the economy slows.

FIGURE 2

As Assessed Valuation Grows More Rapidly, Tax Rates Required for Debt



Source: Leora Consulting Group

No rate increase. Weighing heavily in the city's early discussions with the school district regarding their respective bond proposals was the notion that voters and taxpayers do not necessarily differentiate among political jurisdictions when evaluating tax burden. In other words, people look at their total tax bill and decide whether or not it is too high. So, when the school district, for example, gets to the ballot first and receives voter approval for a tax hike, the city contended, the levy capacity it consumes effectively restricts the ability of other local governments to garner support for their programs.

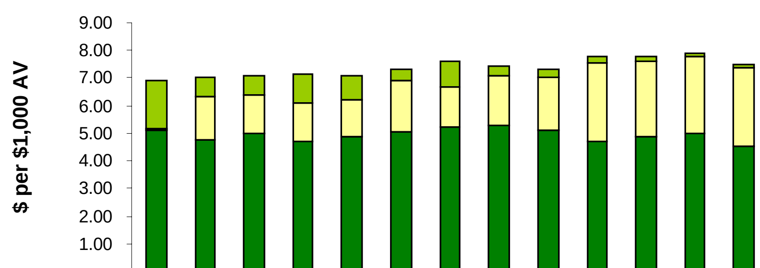
Now, although the school district ultimately received voter approval for the $450 million bond issue originally proposed, the city believes voters could approve the $60 million package without having rates rise above the level imposed in 2000.

Two factors are at work. First, the school levy rate fell from $7.91 in 2000 to $7.48 in 2001, (see Figure 3) about a 43 cent drop. Second, the Tacoma Dome bonds will be paid off in 2005, reducing the city's debt service levy by 25 cents.

Specifically, city officials wrote in a fact sheet describing the proposal that the bond issues would

FIGURE 3

Tacoma School Levy Through 2000



	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
School Bond	1.779	0.705	0.663	1.037	0.858	0.393	0.925	0.358	0.297	0.26	0.179	0.122	0.13
School C&T	0.019	1.529	1.439	1.398	1.3	1.865	1.407	1.822	1.921	2.796	2.748	2.807	2.83
School M&O	5.128	4.775	4.968	4.723	4.905	5.045	5.254	5.265	5.122	4.724	4.86	4.982	4.53

Year

Source: Department of Revenue, Tacoma Public Schools and WRC calculation

FIGURE 4

Year	Tacoma Schools	City of Tacoma: City Bonds*	City of Tacoma: City General	City of Tacoma: Total City	City and Schools Combined
1995	7.59	0.63	3.60	4.23	11.81
1996	7.45	0.33	3.60	3.93	11.38
1997	7.34	0.32	3.60	3.92	11.26
1998	7.78	0.20	3.60	3.80	11.58
1999	7.79	0.14	3.60	3.74	11.53
2000	7.91	0.14	3.60	3.73	11.64
2001	7.49	0.25	3.59	3.84	11.33
2002	7.49	0.71	3.60	4.31	11.80
2003	7.49	0.69	3.60	4.29	11.78
2004	7.49	0.68	3.60	4.28	11.77
2005	7.49	0.41	3.60	4.01	11.50
2006	7.49	0.40	3.60	4.00	11.49
2007	7.49	0.39	3.60	3.99	11.48

*For the years 2002-2004, the rate assumes 0.25 for the Tacoma Dome plus the rate estimated for the $60 million bond issue.

Source: City of Tacoma, Department of Revenue, Tacoma Schools, Washington Research Council calculation. Sums of numbers shown may not equal totals shown due to rounding.

simply "use 46 cents of the 68 cents per $1,000 of property tax reductions, allowing a net property tax reduction of 22 cents per $1,000 of assessed value over the property tax rates for the year 2000."

By benchmarking from 2000, rather than 2001, the city points to a reduction from the school district's highest levy rate in more than a decade, $7.91 per $1,000 AV, 42 cents higher than the 2001 rate. The voters have already absorbed the reduction.

Restructuring debt service. During the course of this analysis, it became apparent that it would be necessary for the city to manage debt service aggressively in order to keep the levy rate below the 2000 level. The initial explanation of the offsetting effects of rate increases for the new bonds and the decreases in tax rates as a result of the drop in the school levy and Tacoma Dome bond retirements relied on the assumption that the tax rate for the Dome bonds was a constant $0.25 per $1,000 of AV. The assumption proved inaccurate; the levy rate for the Dome bonds in 2000 was $0.13.

As Assistant Director/City Treasurer Steven A. Marcotte explains, the city erred in 1994 and 1995, collecting double the taxes required to meet debt service payments. (Note the $0.63 rate imposed in 1995, shown in Figure 4.)

The city chose to reduce the levy in subsequent years as a way to compensate taxpayers for the overcharge. As an alternative, staff considered continuing to impose the scheduled levy (i.e., the $0.25) and retiring the bonds earlier. But they believed that by cutting the levy, the city would be more certain that the greatest benefit would go to the taxpayers who overpaid in prior years. Returning to the regular payment schedule would have been simpler administratively, Marcotte says. By reducing the levy they dropped the 2000 rate significantly, meaning that with passage of the $60 million bond issue, tax rates will increase above the level imposed in 2000, unless the city can figure out a way to phase in bond sales.

"We chose fairness over simplicity," says Marcotte. "And now it bites us."

He's right, in that without the rate reduction, the city's original argument would hold: Passage of all four proposals would place the 2002 levy rate at about the level of the 2000 rate. If the tax rate levied for bond retirement in 2000 had been $0.25 rather than $0.14, the combined city-school rate would have been $11.75, still lower than the $11.80 projected for 2002 with passage of the four bond proposals, but with AV growth and some shifts in the timing of bond sales, the difference could easily disappear.

Marcotte suggests another way to look at the 2000 levy rate. "The real tax rate in 2000," he says, "was the $0.25. It's just that a portion of it was collected earlier." That is, the overcharge in 1994 and 1995 represented a pre-payment of the 2000 taxes.

The bond rate shown for the city in Figure 4 uses the estimated schedule of tax rates first produced by LCG, adding the city's estimate of $0.25 for Tacoma Dome debt retirement through 2004. With increases in assessed valuation, the levy rate required to retire Dome bonds will drop more rapidly.

As shown in Figure 4, then, the combined city-school levy rate in 2000 was $11.64. And even when the Dome bonds are retired in 2005, the tax rate remains above the combined $11.33 rate levied by the city and the school district in 2001. To be sure, tax rates fluctuate and the 2001 rate is unusually low. Further, the city's tax rate, constrained by various property tax limits, has been dropping.

In order to avoid increasing rates above the 2000 level, the city has considered a number of restructuring possibilities. An April 26 memorandum from LCG outlines five alternatives, including selling or "mortgaging" surplus properties (repaying the financing with the proceeds of property sales), issuing variable rate demand bonds to minimize debt service costs in the early years, issuing tax exempt bond or tax anticipation notes, using revenue bonds (perhaps backed by parking revenues) to reduce the general obligation Tacoma Dome bonds, or staggering the sale of the $60 million to reduce debt service payments in the early years.

One or more of these alternatives will most likely be adopted by the city. Marcotte believes phasing in the bond sales makes sense, because the projects themselves cannot all be implemented immediately. As well, the sale of surplus properties has been contemplated for some time, although the market may not be right at the moment.

Figure 5 shows how this might work. The strategy, just one of several that may be employed and offered here solely for illustrative purposes, involves a combination of staggered bond sales and use of funds from mortgaging surplus property to pay part of the debt service. (Other of the revenue alternatives outlined above could work in a similar fashion.) Under this scenario, the LCG projections now show rates remaining below the 2000 levels. These estimates also assume 5.11 percent annual growth in assessed valuation.

FIGURE 5

With Staggered Bond Issue and Use of Mortgage Dollars, Early Levy Rates Fall

		City of Tacoma				City and
Year	Tacoma Schools	Prior Bonds	New Bonds*	City General	Total City	Schools Combined
2000	7.91	0.14	0.00	3.60	3.74	11.65
2001	7.49	0.25	0.00	3.59	3.84	11.33
2002	7.49	0.24	0.06**	3.60	3.84	11.33
2003	7.49	0.23	0.07**	3.60	3.83	11.32
2004	7.49	0.22	0.08**	3.60	3.82	11.31
2005	7.49	0.21	0.09**	3.60	3.81	11.30
2006	7.49	0.00	0.30	3.60	3.90	11.39
2007	7.49	0.00	0.30	3.60	3.90	11.39
2008	7.49	0.00	0.30	3.60	3.90	11.39
2009	7.49	0.00	0.30	3.60	3.90	11.39
2010	7.49	0.00	0.30	3.60	3.90	11.39
2011	7.49	0.00	0.30	3.60	3.90	11.39

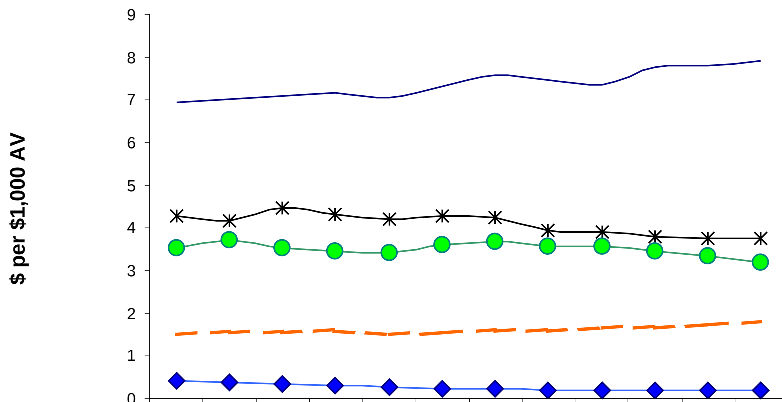
*Assumes $39 million issued December 1, 2001 and $21 million issued December 1, 2003.

**Requires $6.95 million in surplus property mortgage proceeds to maintain levy rate for years 2002-2005 .

Source: Leora Consulting Group

FIGURE 6

Local Governments Rates Fluctuate Considerably



	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
School	6.926	7.009	7.069	7.157	7.063	7.303	7.586	7.446	7.34	7.78	7.786	7.911
County	1.513	1.546	1.55	1.56	1.489	1.541	1.567	1.573	1.657	1.648	1.716	1.759
City	4.265	4.172	4.468	4.303	4.214	4.268	4.225	3.931	3.916	3.805	3.742	3.734
Port	0.398	0.378	0.347	0.3	0.253	0.233	0.217	0.198	0.184	0.187	0.186	0.187
State	3.51	3.72	3.54	3.46	3.43	3.6	3.67	3.55	3.58	3.45	3.32	3.181

Year

Source: WA Department of Revenue; Washington Research Council calculations.

Local government levy rates. Among other things, the school district marketed its recent bond issue on the theme that the new bond issue would not increase tax rates for property owners in the school district. School officials looked solely at the district's own levy. Tacoma officials offer a variation on the theme, saying that the drop in the school levy provides capacity for the city's bond sales. One complication, of course, is that other jurisdictions besides the city and school impose taxes on Tacoma property owners.

As Figure 6 shows, tax rates for local governments fluctuate over time. The county levy has risen steadily while the port and state levies have dropped. The timing of capital levies, growth in the valuation base, and the political choices of elected officials will all affect the tax rate.

The City of Tacoma has one of the higher tax rates among major Washington cities (see Figure 7). In part, this can be attributed to relatively low per capita property values. The chart also makes clear that tax rates fluctuate considerably from year to year, often as a result of capital spending.

Frequently, people concerned about a community's economic competitiveness express concern about the local property tax burden. That concern should be placed in perspective.

Property taxes are but one factor in a city's business climate. Other considerations (e.g., land availability, regulatory policies, transportation and communications infrastructure, other taxes and fees) are apt to be more decisive. Nonetheless, property taxes routinely rank among the least popular local taxes and have been the target of several popular statewide initiatives in recent years. As these bond issues requires sixty-percent voter approval, they will not take effect without substantial public support (notwithstanding that special elections rarely attract the voter turnout of general elections, even when conducted by mail, as is this one).

FIGURE 7

Property Tax Rates for Selected Washington Cities

	Bellevue	Everett	Federal Way	Seattle	Spokane	Tacoma	Vancouver
1995	2.17	3.33	1.57	3.20	3.99	4.23	3.47
1996	2.17	3.62	1.56	3.57	4.03	3.93	3.53
1997	2.50	3.73	1.56	3.68	3.91	3.92	3.52
1998	2.07	3.73	1.55	3.69	3.75	3.80	3.27
1999	1.82	3.72	1.53	3.47	3.94	3.74	3.22
2000	1.71	3.71	1.49	3.59	4.27	3.73	3.31
2001	1.48	3.72	1.41	3.69	3.93	3.84	3.30

Source: Department of Revenue and WRC calculation

Impact on Residential Property

The contributions of each of the four bond proposals have been discussed above. Because the city has not yet determined how it will phase in the bond sales, it is not possible to present a definitive picture of the tax impacts.

If all four were to pass and the full $60 million in bonds issued immediately (the Figure 4 scenario), the 2002 impact on a $100,000 home would be $46: $4 for Housing Affordability, $5 for Recreation, $12 for Neighborhood and Community Improvement, and $24 for Public Safety (the numbers do not add due to rounding). The Washington Center for Real Estate Research reports that the median priced home in Pierce County for the fourth quarter of 2000 was $153,000. For that homeowner, the levy rate, if all passed, would be $70.38.

In 2001, the combined school-city levy rate is $11.33, representing a tax liability for the owner of the median priced home of $1,733. In 2002, assuming the property value stayed constant at $153,000, the tax burden imposed by the two jurisdictions would rise to $1,805 – an increase of $72.

The city, however, does not intend to issue the bonds as a single $40 million package and officials say that they will honor the commitment to keep levy rates below the 2000 level. While the precise manner in which they will structure the debt is not firmly established, the Figure 5 scenario of staggered bond sales provides a reasonable approximation of the approach they will be likely to take. In this instance, the 2002 levy rate would be $11.39, well below the combined rate for the two jurisdictions in 2000, and the tax burden on the owner of a $153,000 home just $1,743 – an increase of just $10 from the 2001 taxes due the two jurisdictions.

Now, two things can affect the calculation. First, assessed valuation typically changes from year to year. Second, again, the rate calculation used here is drawn from the rate projections prepared by LCG; there are other possibilities.

And, of course, the voters have four bond issues to choose from and, therefore, may adopt less than the full $60 million package considered here.

Finally, the total property tax bill will be affected by the decisions of all jurisdictions levying a tax on Tacoma residents. As demonstrated above, the patterns of taxation among jurisdictions does vary over time.

Discussion

In considering the four proposals, two issues should be addressed. First, the merits of the projects themselves must be evaluated. As has been discussed, many elements of the proposal have been on the municipal agenda for some time. Despite the changing composition of the bond package, the core has remained relatively constant. Second, the voters will want to consider whether the funding mechanism is appropriate. That is, even if they support the projects, they may wish to consider the merits of issuing bonds to pay for them.

Let's briefly consider the second item. When the police headquarters building is removed from the mix, the remaining projects are relatively small, unusual candidates for long-term debt financing. While it may be attractive – perhaps even necessary – for the city to bundle the projects to assure desired improvements are made on a timely basis, there has been little public discussion of financing alternatives.

Mayor Crowley acknowledges that the city had been pretty clear all along that they were going to use debt financing. Asked whether this approach represented a very aggressive use of debt, the mayor says that "may be accurate, but the needs are there."

Clearly, even the smaller components involve capital expenditures that can be expected to provide lasting benefits. And with interest rates at the lowest levels in many years, this is a particularly opportune time for a municipal bond issue. Regardless of the complications surrounding the goal of keeping tax rates no higher than those in 2000, the levy rate with passage of all four elements of the package would not be substantially higher than it was through much of the Nineties. Furthermore, there is no reason to doubt that the city will be able to structure debt in such a way as to minimize the impact on property taxpayers in the city.

Despite the very visible "discussion in public" of the elements of the bond proposals, public participation in project planning has been limited, involving primarily various groups of stakeholders. Elements of the package will have clear appeal to specific constituencies. The neighborhood and business district funding directly addresses targeted audiences. And it might be expected that theater and baseball enthusiasts would rally to endorse the recreation package. Further, polling has demonstrated the popularity of increased funding to support affordable housing. It is harder to identify interest group backing for a new police headquarters beyond those city employees most affected by current conditions. Taken together, the elements of the package might have combined to draw supporters of one element to support the total. The division into four makes that less likely.

While some may be bothered by the lack of a concerted public involvement process in the months before the Council voted to place the issues on the ballot, it must be acknowledged that municipal bond issues rarely inspire the level of engagement commonly found when the topic is school buildings. With public education, the constituencies include parents, teachers, graduates and longtime residents of the affected neighborhoods. The public conversations are often extended and animated. The kinds of capital projects undertaken by municipalities rarely generate the same degree of public enthusiasm.

Frequently, the most significant dialog with the public often occurs after policy makers have made the decision to seek voter approval.

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