ALTERNATIVE WASTEWATER INFRASTRUCTURE
Funding Options

Described below are topics discussed by the Wastewater Infrastructure Taskforce (WIT) as possible methods of funding needed wastewater upgrades or new facilities located within Urban Growth Areas (UGAs). These options include opportunities for new revenue, potential efficiencies in project development and other mechanisms.

Funding Option	Description	Voter Approval Required?	Authorized in Washington State?	Pros/Cons	Areas of Applicability
Transfer of Development Rights	Allow jurisdictions to sell development rights from their properties with the proceed intended to fund infrastructure within an Urban Growth Areas. In Kitsap County, the TDR program is a market-based land use incentive program for higher densities or intensity of uses. Currently, Kitsap County's program allows the sale of county property for TDR credits, but does not direct the use of this revenue.	No	Yes; RCW 36.70A.	**Pro** • Provides funding from public lands to dedicate to infrastructure development. **Con** • Development rights transfers historically don't work. • No existing market.	Infill/Redevelopment Areas of Environmental Concern

Funding Option	Description	Voter Approval Required?	Authorized in Washington State?	Pros/Cons	Areas of Applicability
Revolving Loan Fund	A non-profit organization could provide low interest loans to development proposed within UGAs. As the loans are repaid additional loans can be issued. Project feasibility is based upon acquiring stake or seed money to begin program (grants or other funding).	No	Yes	**Pro** • Low interest loans. • Provides financial bridge for projects that are close to being viable. **Con** • Difficulty finding sources for initial start-up. • Risk associated with loans for projects.	Infill Redevelopment Expanded UGAs
Utility Tax	Similar to municipal utility taxes, the proposal would also authorize counties to impose a tax for many urban services (sewer, etc.) onto taxable properties in unincorporated UGAs. The revenue from this tax would be used to fund wastewater infrastructure.	No	Yes, but only for cities.	**Pro** • Large source of revenue. • Adjustable. • Highly reliable, broad based, new revenue. • Can be imposed through councilmatic action. **Con** • Getting approved/legislative change. • County does not currently have authority. • Regressive tax. • Purpose (support infrastructure) could be shifted to general fund support	Infill/Redevelopment Areas of Environmental Concern

Funding Option	Description	Voter Approval Required?	Authorized in Washington State?	Pros/Cons	Areas of Applicability
Planned Action Environmental Impact Statement (EIS)	A planned action EIS includes detailed environmental analysis and reflects a decision that adequate environmental review has been completed. To that end, further review under SEPA, for each specific development proposal or phase, would not be required if the proposal meets certain development thresholds specified in the EIS. Although future proposals that qualify as planned actions would not be subject to additional SEPA review, they would be subject to application notification and permit process requirements.	No	Yes. WAC 197-11	**Pro** • Removes some questions about cost of development and provides incentive for urban development. • Facilitates timeline for infrastructure addition. **Con** • Not directly revenue generating. • Politically intensive. • Costly for up-front planning. • Jurisdictions have different determination thresholds.	Infill /Redevelopment Typically used for small areas with minimal environmental constraints, similar zoning and large redevelopment potential.
Multi-Family Housing Tax Exemptions	These exemptions are used by cities planning under GMA that have designated urban centers to encourage multi-family construction with a portion dedicated specifically to low-income housing. Designation of urban centers is up to the local jurisdiction, but they must contain 1) several existing office and commercial uses, 2) adequate public facilities, and 3) mixture of housing, recreation and cultural activities.	No	Yes. RCW 84.14 but only applies to cities.	**Pro** • Cost-offset of multi-family development. • Higher density incentive. **Con** • Not directly revenue generating.	Infill/Redevelopment Expanded UGAs

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Sewer Capacity Charge	Sewage treatment capacity charges is a charge in addition to sewer service billed to those customers who connected to the sanitary sewage system on or after a certain date established by the local legislative authority. For example, King County has established this rate program in which the funding goes directly to expanding treatment facilities or expanding existing facilities.	No	Yes. RCW 35.58, but must include two cities of at least one 10,000 or more in population.	**Pro** • Addresses increasing cost of new capacity (through connection fee) with different connection charges for properties connecting after a particular date. • Addresses "growth pays for growth." **Con** • Complex administration • Politically-charged • Limited utility for KC • A clear nexus for increased rates must be determined.	Areas served from the Central Kitsap sewer plant Areas served by the Port Orchard/West Sound Utility District sewer plant
Revenue Sharing	Revenue sharing is the gradual shift of revenue from one jurisdiction to another (i.e. sales or property tax) based upon annexation or other factor. Currently, Kitsap County and its cities have an agreement to share revenues for a soft landing approach to annexations and major land use decisions.	No	Yes	**Pro** • Maximizes existing revenue sources by sharing costs. **Con** • Not directly revenue generating. • Politically-charged.	Any UGA Infill/Redevelopment

Funding Option	Description	Voter Approval Required?	Authorized in Washington State?	Pros/Cons	Areas of Applicability
Latecomers Agreements	Allowing latecomers agreements (the requirement for future development to pay back infrastructure costs) to accrue interest and lengthening the period of time in which these payments may be received.	No	Yes	**Pro** • Delayed benefits with money coming in after development is constructed. **Con** • 15 years too little time to recoup costs. • Interest percentage is not worth risk. • Only benefits city or county, not the developer.	Infill/Redevelopment Expanded UGAs Areas of Environmental Concern
Community Development Districts (CDDs)	CDD's are quasi-government agencies focusing on a specified district boundary. A CDD infrastructure implementation by providing maintenance/operation and construction of capital improvements for a number of public services (i.e. sewer, water, utilities, transportation and/or parks). The district would also have taxing authority to pay for proposed capital improvements, which may or may not require a public vote. CDDs are similar in function to that of Transportation Benefit Districts (TBD). TBDs are currently authorized in Washington state, but limited only to transportation improvements.	Yes	No	**Pro** • Focuses on revenue and costs for a specific area • Binding on future incorporations • More flexible taxing authority **Con** • Large area needed • Complicated to administer • Politically-charged	Silverdale UGA Kingston UGA

Funding Option	Description	Voter Approval Required?	Authorized in Washington State?	Pros/Cons	Areas of Applicability
Tax Increment Financing	Tax Increment Financing is a tool to use future gains in taxes (i.e. real estate excise tax, sales tax, property tax, etc.) to finance capital improvements. Tax Increment Financing dedicates that increased revenue to finance debt issued to pay for the project. For example, when a public project such as a road, sewer or water is constructed, there is an increase in the value of surrounding area and often new private investment. This increased value and investment creates more taxable property, which increases tax revenues. Currently, Washington state only allows Tax Increment Financing through the use of Community Economic Revitalization Board (CERB) Local Infrastructure Finance Tool (LIFT) or a state identified increment area (only one currently designated in the entire state). The Washington state legislature approved the LIFT program in 2006 as a form of tax-increment financing. This mechanism allows jurisdictions to receive a rebate up to $1M of their sales tax revenue previously obligated to the state for future infrastructure projects.	No	Depends, Limited to CERB LIFT and Hospital Benefit Programs.		

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Tax Municipal-Lease Financing	This infrastructure funding opportunity allows a jurisdiction to rent, with the option of purchase on a specific capital project. Under a lease-purchase arrangement, the government agency leases the asset (and reserves the right to walk away from the transaction without penalty if it does not have sufficient funds to appropriate for the lease in subsequent years). The agency receives a credit for each lease payment so that, at the end of the lease term, the municipality acquires full ownership of the asset. If the municipality terminates the lease prior to the end of the term, the municipality does not get any credit for those lease payments.	No	No		