



# Port of Port Townsend Industrial Development Districts

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# Industrial Development Districts (“IDDs”)

- Washington ports have authority to access an additional regular property tax levy through the formation of one or more Industrial Development Districts.
- State law allows ports to create IDD on “marginal lands” if the Port finds it “proper and desirable in establishing and developing a system of harbor improvements and industrial development in the port district.”
- The port can then make improvements within the IDD.

# Marginal Lands

- “Marginal lands” are, generally, areas that under-used, under-served, and/or under-developed to the economic detriment of the community and local municipalities.
- RCW 53.25.030 defines certain conditions, any one of which qualifies an area as “marginal lands,” including:
  - economic underachievement due to faulty planning;
  - poorly shaped or laid out lots negatively affecting development opportunities;
  - inadequate streets, open spaces, and utilities;
  - areas at risk of being submerged by water;
  - economic and social maladjustment causing tax receipts insufficient to pay for public services;
  - unproductive use of land;
  - reduced productive use of land requiring the relocation of public facilities and services;
  - assessed values insufficient to establish a local improvement district; and
  - lands necessary in an industrial area not used for industrial purposes.

# Designating an IDD

To designate a geographic area as an IDD, a Port Commission must follow the process laid out in RCW 53.25.040.

General process:

- Identify the geographic area proposed to be designated an IDD, including identifying the presence of “marginal lands.”
- Consider a resolution finding the existence of marginal lands and that creating the IDD is proper and desirable in establishing and developing a system of harbor improvements and industrial development in the port district.
  - *Practice tip – because the statutory terms “harbor improvements” and “industrial development” are not defined, so it may be helpful for the Commission to make specific findings about its proposed improvements in the IDD and how those would relate to harbor improvements and industrial development.*

Notice and hold public hearing

As third IDD levy for the Port, simple majority approval is necessary.

# Regular Property Tax Levy

- Having an IDD does not require the Port to levy the associated regular property tax, but allows the Port to do so.
- As of January 1, 2026, RCW 53.36.160 governs the Port's authority to levy taxes to make improvements within the IDD.
- Taxes levied pursuant to RCW 53.36.160 are collected from the entire port district, but revenues may only be spent in the IDD.
- Ports generally may levy the tax for up to two multi-year levy periods of at least six years and up to a maximum of 20 years.

# Regular Property Tax Levy

- The amount the port can collect in each multi-year period is limited to an aggregate amount equal to the maximum amount the port could have collected for IDD purposes under RCW 84.55.010 (the levy limit) for the first six years of the collection period, calculated as of the base period, plus new construction increases.
- The possibility of imposing the tax over a period of up to 20 years gives a port flexibility to levy at a lower rate for a longer period to receive the same aggregate amount.
- A port may set different levy amounts resulting in varying rates over different years; however, the levy rate in any single year may not exceed \$0.45/\$1,000 AV.
- The 101% levy limit under RCW 84.55.130 does not apply to a port's first or second multiyear levy period but it does apply to the third.
- If the port has not collected up to the aggregate authorized amount by the end of the multi-year levy period, it loses the ability to capture that additional amount.
- If a port collects more funds from the tax than it spends on IDD improvements in a year, it may be carried over and kept in a fund for IDD use, and the Port may continue collecting the levy.
- If at the end of the multi-year levy period more has been collected than ultimately is needed for the port's projects as laid out in its CSHI, any additional revenue from the tax may be used only to retire general obligation bond debt.

# Wrap-Up and Resources

- ▶ Questions?
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