



Analysis of Potential Increased Local Government Tax Benefits That Result from Construction and Operation of the Gateway Pacific Terminal

Local private investment in the proposed Gateway Pacific Terminal (GPT) at Cherry Point would significantly enhance tax revenues for jurisdictions and special districts in Whatcom County, Washington. The analysis by FCS GROUP is based on build-out of a bulk commodity export terminal with up to 54 million metric tons in gross throughput capacity.

Assessed property values in Whatcom County have been trending down making it difficult for local districts to fund basic services without tax increases or service cuts. Total assessed property values in Whatcom County amounted to \$23.7 billion in 2010, down nearly 6% from \$25.1 billion in the prior year. The additional assessed valuation generated by the \$665 million GPT would make this the second largest tax payer in Whatcom County.

If we assume the existing property tax rate regime remains constant within Whatcom County at current levels, then the additional amount of total property tax revenues and/or tax savings is projected to equate to approximately \$7.0 million once the facility is fully operational. Once the GPT is operational, the annual property tax benefits are estimated at:

- \$1,779,000 in additional property tax revenues for Whatcom County
- \$1,668,000 in additional property revenues for Washington State
- \$636,000 in additional property tax revenues for the local Fire District #7 Expense Fund
- \$337,000 in additional property tax revenues for the local Rural Library District
- \$195,000 in additional property tax revenues for the Port of Bellingham
- \$1,425,000 in revenues or “tax savings” for rate payers in the Ferndale School District*
- \$809,000 in revenues or “tax savings” for rate payers in the Blaine School District*
- Measurable increases in property tax revenues for local Cemetery #7 and Flood Control Zone districts

In addition to annual property tax benefits, the total estimated Sales and Use Tax revenues that would be generated as a result of the construction and operation of GPT will flow primarily into local jurisdictions, including Bellingham, Lynden and Ferndale. As indicated in Table 1, the total construction impact from the \$665 million GPT is expected to generate \$12.3 million in local Sales and Use Tax revenues, and \$44.3 million in Washington State Sales and Use Tax revenues.

Once operational, the GPT, with an estimated 1,251 workers, \$128.6 million payroll and \$17.1 million in additional local purchases would generate annual Sales and Use Tax revenues for local jurisdictions and Washington State. It is estimated that once fully operational, the local Sales and Use Tax revenues would generate \$700,000 annually for local jurisdictions in Whatcom County. The Cities of

** The GPT site is bisected by two school districts. It should be noted that tax levies, for the Blaine School Bond and the Ferndale School Bond (and other voter-approved bonds) are serial bonds that have fixed annual coupon payments. Hence, the additional assessed valuation levels by the GPT may not increase the total property tax revenue for that particular tax district/item, but instead result in lower annual costs to all tax payers within the particular tax district, as the levy amount due each year is spread over a larger tax base if the GPT is constructed.*

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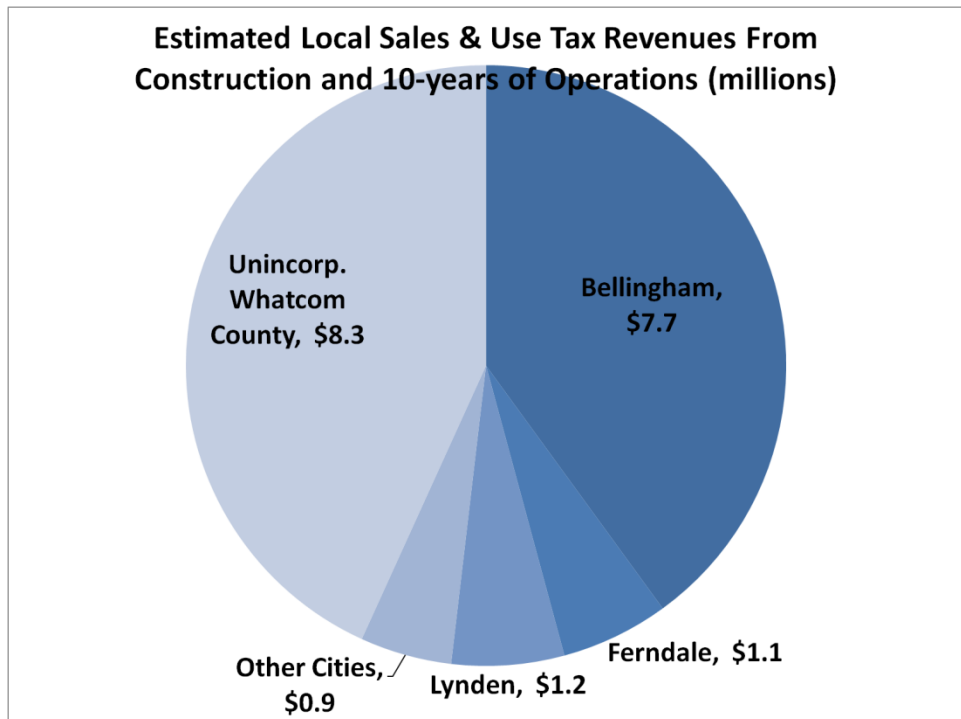
Bellingham, Lynden and Ferndale would likely receive the most significant increase in Sales and Use Tax revenues, since that is where the majority of workers and retail establishments are located (see following pie chart).

Washington State would receive an estimated \$2.5 million annually in Sales and Use Tax revenues.**

Table 1 Est. Local and State Sales and Use Tax Impacts Attributed to the GPT (millions)

Construction Impact	
Est. Local Sales & Use Tax Revenue	\$12.3
Estimated WA State Sales & Use Tax Revenue	\$44.3
Total	\$56.6
Annual Operations Impact	
Annual Est. Local Sales & Use Tax Revenue	\$0.7
Estimated WA State Sales & Use Tax Revenue	\$2.5
Total	\$3.2

To the extent that local employees are hired at the GPT consistent with the “Local Hires First” policy, we would expect the relative distribution of the local Sales and Use Tax Revenues to be allocated in a manner similar to current population distributions, with local revenues increasing over 10 years, as shown in the pie chart.



Note, all dollar figures contained in this report reflect constant 2012 dollar amounts.

*** In addition to the property tax revenue impacts and sales and use tax revenue impacts discussed above, the private investment in the GPT and the direct, induced and indirect payroll attributed to facility construction and operations would generate increases in other local and state taxes and fees, including but not limited to: WA State Worker Compensation and Unemployment Insurance tax revenues; WA State Business & Occupation Tax revenues; Real Estate Excise Tax revenues; Motor vehicle fuel tax revenues; Public Utility tax revenues (affects water, sewer, power, telephone, natural gas, transportation, railroads, etc.).*