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7 IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF DOUGLAS

8 CHELAN COUNTY, a Washington county;
9 DOUGLAS COUNTY, a Washington county;
10 WENATCHEE VALLEY FIRE
DEPARTMENT, a Washington Regional Fire
Authority,

11 Plaintiffs,

12 v.

13 PORT OF CHELAN COUNTY, a Washington
14 port district and municipal corporation; PORT
OF DOUGLAS COUNTY, a Washington port
15 district and municipal corporation; CHELAN
DOUGLAS REGIONAL PORT
16 AUTHORITY, a Washington combined port
authority and municipal corporation,

17 Defendants.

Case No.

COMPLAINT

18
19 **NATURE OF ACTION**

20 1. This action challenges Defendants Port of Chelan County, Port of Douglas County,
21 and the Chelan County and Douglas County Regional Port Authority's ("CDRPA") unlawful
22 designation and implementation of the Malaga Tax Increment Area ("Malaga TIA"), an over
23 3,000-acre area south of Wenatchee in unincorporated Chelan County, as well as Defendants'
24 unlawful certification of a unified property tax levy rate not approved by voters. Defendants'
25 actions are ultra vires, violate Washington's Tax Increment Financing Act (RCW 39.114),
26 contravene the CDRPA's Interlocal Operating Agreement, and exceed constitutional and statutory
27 limits on taxing authority.

1 2. With respect to tax increment financing, Defendants have attempted to have it both
2 ways, treating the CDRPA as a single, fully integrated port authority for purposes of governance,
3 budgeting, project planning, and implementation, while simultaneously fragmenting that authority
4 to characterize the Malaga TIA as a unilateral action of the Port of Chelan County in order to evade
5 statutory limits applicable to a sponsoring jurisdiction under RCW 39.114. This inconsistent
6 approach violates both the Interlocal Agreement and Washington law.

7 3. Moreover, CDRPA has ignored concerns from other taxing authorities and
8 residents, instead advancing this unpopular TIA to shift the financial contribution for public
9 infrastructure improvements that large corporations who are already in the process of building
10 large data centers and other projects in Malaga would pay to the public.

11 4. The Malaga TIA is unlawful for multiple independent reasons. First, under the
12 CDRPA's Interlocal Agreement, authority over economic development, infrastructure, real
13 property, and operations are joint powers, not reserved to either Port. Tax increment financing is
14 not a reserved power. The Port of Chelan County therefore lacks authority to unilaterally designate
15 a TIA.

16 5. Second, the Malaga TIA violates RCW 39.114's substantive limits. When
17 combined with the Port of Douglas County's existing TIA, the Malaga TIA causes the CDRPA's
18 total increment areas to exceed the statutory cap of \$200,000,000 in assessed valuation, in violation
19 of RCW 39.114.020(1)(c)(i). Defendants cannot avoid this limit by artificially implementing the
20 TIA under the Port of Chelan's separate authority.

21 6. Third, the Malaga TIA fails to satisfy the statute's mandatory "but-for" findings
22 under RCW 39.114.020(1)(j). The Port of Chelan County admitted that major private
23 development, including the construction of data centers, is already underway in the area without
24 tax increment financing. The Port also cannot credibly find that anticipated private development
25 will comply with "applicable zoning and development standards" when those standards are
26 currently being revised through Chelan County's ongoing comprehensive plan update under the
27 Growth Management Act.

7. Fourth, the Malaga TIA's project analysis is legally deficient under RCW 39.114.020(2) because it fails to meaningfully compare development scenarios with and without public improvements and fails to provide a reasonable estimate of job creation attributable to the proposed improvements.

8. Separately, Defendants have unlawfully certified a unified property tax levy rate of approximately sixteen cents per \$1,000 of assessed value, despite voters approving only approximately 0.164 cents per \$1,000 in Proposition No. 1 at the November 7, 2023, election. Defendants lack authority to impose a rate materially different from what voters approved.

9. This lower tax levy rate, which is the only rate that can be lawfully implemented, will result in lower tax revenues to fund a project list that already has woefully insufficient funding.

10. Defendants' actions will cause serious and irreparable harm to taxpayers, to Chelan County's comprehensive planning process, and to impacted taxing districts, including fire and library districts, by diverting tax revenues for more than two decades based on an unlawful TIA and separately an unlawfully certified levy rate.

11. All Plaintiffs therefore seek declaratory and injunctive relief invalidating the Malaga TIA, enjoining further tax increment financing based on it. Plaintiff Douglas County separately seeks declaratory and injunctive relief invalidating the unlawful unified property tax collected by the CDRPA in contravention of the levy rate approved by voters.

PARTIES

12. Plaintiff Chelan County is a Washington county organized under RCW Chapter 36.

13. Plaintiff Douglas County is a Washington county organized under RCW Chapter

36.

14. Plaintiff Wenatchee Valley Fire Department is a regional fire authority organized under RCW Chapter 52.

15. Defendant Port of Chelan County is a Washington port district organized under RCW Chapter 53.

1 16. Defendant Port of Douglas County is a Washington port district organized under
2 RCW Chapter 53.

3 17. Defendant Chelan Douglas Regional Port Authority is a functionally combined port
4 authority governed by an interlocal cooperation agreement pursuant to RCW 39.34.

5 **JURISDICTION AND VENUE**

6 18. This Court has subject matter jurisdiction over this dispute under RCW 2.08.010.

7 19. Venue is proper under RCW 36.01.050(1) because the claims are being brought by
8 Chelan County in the superior court of one of the two nearest judicial districts, and by Douglas
9 County in the superior court of such county.

10 **FACTUAL BACKGROUND**

11 **Combined Port Authority**

12 20. On or about June 11, 2019, the Port of Chelan County and the Port of Douglas
13 County (together, “the Ports”) entered into an Interlocal Cooperation Agreement (“Agreement”) forming the Chelan Douglas Regional Port Authority (“CDRPA”) pursuant to RCW 53.08.240
14 and chapter 39.34 RCW (the “Interlocal Cooperation Act”).¹

15
16 21. The Agreement expressly states that the Ports formed the CDRPA “as the entity
17 through which Functional Consolidation is achieved.” Agreement ¶ 4.

18 22. Under the Agreement, the CDRPA is to “undertak[e] all activities for and on behalf
19 of both Ports (except for any power to levy taxes) . . . pursuant to” the Interlocal Cooperation Act
20 and the terms of the Agreement. *Id.*

21 23. Under Paragraph 4.5 of the Agreement, the Port of Chelan County and the Port of
22 Douglas County reserved for their respective Port Commissions specific matters and authority,
23 including:

24
25
26
27 ¹<https://mrsc.org/getmedia/5ccc373c-3b55-4266-b49a-e34d2ef7c377/s77p6pocc-podcConsolidate.pdf> (last visited Jan. 22, 2026).

- 1 (a) Setting Tax Levy rates for property taxes within each Port
2 District;
3 ...
4 (c) Creation of local improvement districts, including
5 authorization to collect assessments;
6 (d) Issuance of bonds; and
7 (e) Approval of consolidated budget.

8 24. The Agreement provides, however, that once a decision is made by an individual
9 Port as to these matters, administration and management of the action taken will be delegated to
10 the CDRPA. *Id.*

11 25. Paragraph 5 of the Agreement further provides that, except for those matters
12 reserved to each Port District, the CDRPA “shall perform all powers and authorities of each Port,”
13 including:

- 14 (b) Provide economic development and infrastructure to the
15 Ports;
16 ...
17 (e) Provide economic development programs and resources
18 throughout Douglas and Chelan Counties, including rural
19 communities;
20 (g) Management, control and maintenance of all the Ports’ Real
21 Property including the other airfields owned by the Ports;
22 ...
23 (k) Real Property management and utilization . . . ;
24 ...
25 (o) Delegation of authority resolution for the CDRPA
26 Executive Director;
27 ...
(q) Comprehensive Scheme of Harbor Improvements

1 26. Paragraph 6 of the Agreement provides that “each Port District will transfer all
2 funds in their respective accounts, all tax proceeds thereafter received and . . . all funds received
3 by the Ports shall be transferred to the CDRPA.”

4 27. Thus, under the Agreement, the Port of Chelan County and Port of Douglas County
5 have combined their resources and authority to act as one consolidated port authority—the
6 CDRPA—despite purportedly reserving certain independent authority, and without submitting by
7 joint resolution to the qualified electors of the port district the proposition of consolidating such
8 districts, as required by RCW 53.46.010.

9 **Ballot Proposition No. 1 and Unified Levy Language**

10 28. In the November 7, 2023, general election, the Ports presented to voters within the
11 Port of Chelan County and Port of Douglas County taxing districts Proposition No. 1, which
12 concerned whether the Ports would unify their respective property-tax levy rates for collection
13 beginning in 2024 and in subsequent years.

14 29. The proposition, as printed on the ballot and presented to voters, was as follows:

15

16 **Chelan County Port District**

17 **PROPOSITION NO. 1**
CONCERNS THE PORTS OF CHELAN AND DOUGLAS COUNTIES UNIFYING TAX LEVY RATES ACROSS DISTRICTS

18 This proposition, as enacted by Resolutions 2023-1 and 2023-2, would unify the tax levy rate encompassing
19 both districts collected in 2024 and in subsequent, consecutive years. The Port of Chelan County levy rate for
20 2023 is 0.175 cents/\$1,000 of assessed value. The Port of Douglas County levy rate for 2023 is 0.137 cents/\$1,000
21 of assessed value. Using 2023 levy rates, a unified tax levy would be approximately 0.164 cents/\$1,000 of
22 assessed value for both districts.

23 Should this proposition be:

24 APPROVED _____

25 REJECTED _____

26 For more information contact: Jim Kuntz
27 info@cdrpa.org | (509) 884-4700

28 30. Following the election, Defendants proceeded to certify unified property-tax levy
29 rates of approximately sixteen cents per \$1,000 of assessed value, materially higher than the
30 fractional-cent rate described in and approved through Proposition No. 1. Thus, for taxes collected
31 in 2024 and 2025, and again for taxes to be collected in 2026, Defendants certified levy rates

1 approximately one hundred times greater than the rate approved by voters in Proposition No. 1—
2 approximately sixteen cents per \$1,000 of assessed value rather than approximately 0.164 cents
3 per \$1,000 of assessed value.

4 **Tax Increment Financing**

5 31. The Washington State Legislature adopted RCW Ch. 39.114, which allows local
6 governments to designate increment areas and use the tax allocation revenues (“tax increment
7 financing”) to pay “public improvement costs,” subject to certain conditions.

8 32. “Public improvements” include infrastructure improvements serving the increment
9 area and real property owned or acquired by a local government, including terminal facilities and
10 maintenance of public improvements. RCW 39.114.010(7)(a)–(b).

11 33. “Local government” is defined as “any city, town, county, port district, or any
12 combination thereof.” RCW 39.114.010(4). Thus, two port districts, or any combination thereof,
13 could jointly designate a tax increment area.

14 34. Alternatively, a local government could enter into an interlocal cooperation act with
15 another local government “for the administration or other activities related to tax increment
16 financing.” RCW 39.114.020(4).

17 35. The local government designating the TIA “must adopt an ordinance designating
18 an increment area within its boundaries and describing the public improvements proposed to be
19 paid for, or financed with, tax allocation revenues.” RCW 39.114.020(1)(a).

20 36. Additionally, the TIA “may not have an assessed valuation of more than
21 \$200,000,000, or more than 20% of the sponsoring jurisdiction’s total assessed valuation,
22 whichever is less, when the ordinance is passed.” RCW 39.114.020(1)(b). If the jurisdiction has
23 two TIAs, the two TIAs must meet that test *combined*. In other words, the combination of the two
24 TIAs may not exceed \$200,000,000 in assessed valuation or 20% of the sponsoring jurisdiction’s
25 total assessed value, whichever is lower. *Id.*

1 37. A local government cannot create more than two active TIAs at any given time, and
2 the increment areas covered by the two TIAs may not overlap by including the same land in more
3 than one TIA. RCW 39.114.020(d).

4 38. The ordinance must also meet certain requirements. It must “identify the public
5 improvements to be financed,” “indicate whether the local government intends to issue bonds or
6 other obligations,” and “estimate the maximum amount of obligations contemplated.” RCW
7 39.114.020(f).

8 39. In complying with the above conditions, among others, and pursuant to RCW
9 39.114.020(2), the local government must prepare a project analysis that includes, in part:

10 (a) A statement of objectives of the local government for the
11 designated increment area;

12 ...

13 (e) A description of the expected private development within the
14 increment area, including a comparison of scenarios with the
15 proposed public improvements and without the proposed public
16 improvements;

17 (f) A description of the public improvements, estimated public
18 improvement costs, and the estimated amount of bonds or other
19 obligations expected to be issued to finance the public improvement
20 costs and repaid with tax allocation revenues;

21 (g) The assessed value of real property listed on the tax roll as
22 certified by the county assessor under RCW 84.52.080 from within
23 the increment area and an estimate of the increment value and tax
24 allocation revenues expected to be generated;

25 (h) An estimate of the job creation reasonably expected to result
26 from the public improvements and the private development
27 expected to occur in the increment area;

1 (i) An assessment of any impacts on . . . [t]he local fire
2 service

3 40. That project analysis must be submitted to all local governments and taxing districts
4 that will be impacted by the tax increment area designation at least 90 days prior to adoption of
5 the ordinance. RCW 39.114.020(7)(b). The project analysis must also be submitted to the office
6 of the treasurer for review and comment. RCW 39.114.020(7)(c).

7 41. Additionally, the local government must hold at least two public briefings for the
8 community about the tax increment project. RCW 39.114(7)(a).

9 42. The statute also requires the local government to make certain findings, and the
10 local government can only designate an increment area under the statute if it makes such findings.

11 43. The local government must find that the TIA satisfies a “but-for test,” that “[t]he
12 private development would not reasonably be expected to occur solely through private investment
13 within the reasonably foreseeable future without the proposed public improvements.” RCW
14 39.114.020(1)(j)(iii). In other words, the TIA must be an area that would not be developed *but for*
15 the tax increment financing.

16 44. This is in part because the purpose of the tax increment financing is to “allow[]
17 opportunity for new commercial development that would not otherwise happen.” Committee
18 Report, Statement in Support, 2021 Washington House Bill No. 1189, Washington Sixty-Seventh
19 Legislature - 2021 Regular Session (Jan. 26, 2021).

20 45. Indeed, the but for test was a central part of the consideration of the bill. *See, e.g.*,
21 Senate Business, Financial Services & Trade Committee Meeting (Mar. 11, 2021) at 1:57:16–
22 1:57:21 (referring to the “but for” test in the bill); *id.* at 1:59:14–1:59:20 (same).

23 46. Similarly, the local government must also find that “[t]he public improvements
24 proposed to be paid or financed with tax allocation revenues are expected to encourage private
25 development within the increment area” and that “[t]he increased assessed value within the
26 increment area that could reasonably be expected to occur without the proposed public
27

improvements would be less than the increase in the assess value estimated to result from the proposed development with the proposed improvements.” RCW 39.114.020(1)(j)(i), (iv).

47. Prior to designating an increment area under the statute, the local government must also make a finding that “[p]rivate development that is anticipated to occur within the increment area as a result of the proposed public improvements will be permitted consistent with the permitting jurisdiction’s applicable zoning and development standards.” RCW 39.114.020(1)(j)(ii).

The Malaga TIA

48. In 2025, the CDRPA began exploring the idea of creating a TIA in Malaga, Washington (the “Malaga TIA”), an unincorporated community in Chelan County located on the border of Chelan and Douglas Counties.

49. While the CDRPA considered the idea jointly, the Port of Chelan purported to be acting unilaterally, without the Port of Douglas County. The Port of Chelan expressly planned to establish the Malaga TIA on its own but to manage the TIA jointly with the Port of Douglas County under the CDRPA’s existing interlocal cooperation agreement.

50. In anticipation of designating the Malaga TIA, the Port of Chelan prepared a project analysis, as required under RCW 39.114.020(2).

51. CDRPA concurrently prepared and issued various documents about the Malaga TIA, despite the fact that the Port of Chelan was purportedly solely implementing the TIA. For example, the CDRPA issued a statement regarding the Department of Revenue’s policy guidance on TIAs on October 20, 2025,² the CDRPA posted and maintained a list of “Frequently Asked Questions” about the Malaga TIA on its website,³ the CDRPA wrote a letter about the Malaga TIA

² <https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/69152c38c3f3ab048e1e4963/1762995256069/DOR+Guidance+for+Website+10.20.25.pdf> (last visited Jan. 19, 2026).

³ <https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/6938ad3b3b8fbc1f4aff9bb9/1765322043947/FAQs+12.09.25docx.pdf> (last visited Jan. 19, 2026).

to the Chelan County Commission on October 28, 2025,⁴ and delivered several presentations about the Malaga TIA between June and November 2025.⁵

52. In August 2025, the Port of Chelan submitted its Project Analysis for the Malaga TIA to the Office of the State Treasurer (OST), as required by RCW 39.114.020(7)(c).

53. Port of Chelan's Project Analysis makes clear that the TIA does not and cannot comply with statutory requirements or CDRPA's Agreement.

54. On November 13, 2025, OST made several recommendations to the Port of Chelan County including to "coordinate closely with the impacted taxing districts to ensure that all parties have an accurate understanding of how the TIA will impact them and to provide sufficient time to work through concerns and any appropriate mitigation." Also, to "revise its project analysis to clearly describe the priority and construction timeline of the identified public improvements . . ." and to "either develop a more detailed plan of finance . . . or reduce the list of public improvements to better match projected resources . . . to better support the Port's 'But For' finding."

55. Public comments from residents also expressed concerns including "how the fire and police departments could be affected," "development is already underway with Microsoft,"

⁴ https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/690235e1c5854f3f81b075d9/1761752545120/20251028_Chelan+County+Commissioners+Letter.pdf (last visited Jan. 19, 2026).

⁵ <https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/688cf32356103852ff5800ab/1754067752993/Chelan+County+Commissioner+-+Workshop+Session+PACKET+Presentation+05.29.25.pdf> (last visited Jan. 19, 2026); <https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/688cf36b4eafe223d687a37f/1754067825020/06.24.25+Regional+Port+TIF+District+Workshop+Session.pdf> (last visited Jan. 19, 2026); <https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/68d40c44bc8de37334d0cd34/1758727236686/Fall+2025+Regional+Port+Partners+Event+-+FULL+PRESENTATION+w+TIF+Presentation+updated+09.23.25.pdf> (last visited Jan. 19, 2026); <https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/691ba87d8f6921032f887766/1763420285977/Malaga+Community+Meeting+11.17+PPT.pdf> (last visited Jan. 19, 2026); <https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/6924fdbca48c985b7f60b4e8/1764031932984/11.18.25+Malaga+TIA+Public+Briefing+-+Website.pdf> (last visited Jan. 19, 2026); <https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/6924f89ae464c63d24d24d0f/1764030618672/11.24.25+Malaga+TIA+Public+Briefing+-+Website.pdf> (last visited Jan. 19, 2026).

1 and “the public meetings . . . are being held only because they are required by law, not because the
2 Port is genuinely listening.”⁶

3 56. The Wenatchee Valley Fire Department made a statement on November 7, 2025,
4 saying “it is our opinion that including already-developed properties would violate RCW
5 39.114.020(j) . . .” and the department “planned for the Microsoft tax revenue to sustain funding
6 for [staffing] the Malaga fire station” when it made an agreement with Microsoft in which the
7 department receives one-third funding for three years.⁷

8 57. In a statement made by NCW Libraries on November 20, 2025, who serve five
9 counties including Chelan and Douglas counties, “[t]he creation of a TIF district will impact the
10 library district’s long-term financial outlook”⁸

11 58. Ignoring the Office of the State Treasurer, residents of the community, the
12 Wenatchee Valley Fire Department, and the NCW Libraries, and Chelan County, the Port of
13 Chelan commissioners voted to implement the TIA on December 23, 2025.

14 **The Malaga TIA Exceeds the Port’s Authority**

15 59. The Agreement contemplates that an exercise of tax increment financing authority
16 would occur through the consolidated entity, not unilaterally by an individual Port.

17 60. Nevertheless, the CDRPA has attempted to characterize the proposed Malaga TIA
18 as an action taken solely by Port of Chelan County.

22 ⁶<https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/6931f4990b2f516f0c19a034/1764881561130/11.25.25+Meeting+Minutes+-+POCC+Briefing+%233.pdf> (last visited Jan.
23 22, 2026).

24 ⁷https://www.co.chelan.wa.us/files/board-of-commissioners/documents/TIF/Malaga%20TIF%20Letter%20WVFD%20CDRP%2011_07_2025.pdf (last visited Jan. 22, 2026).

26 ⁸<https://www.ncwlibraries.org/new-libraries-statement-on-proposed-malaga-tif-district/#:~:text=As%20conversations%20continue%20about%20the,serve%20communities%20across%20five%20counties> (last visited Jan. 22, 2026).

1 61. The Project Analysis Report identifies the proposed increment area as a “Port of
2 Chelan County . . . TIA.”⁹ And the Office of the State Treasurer’s Tax Increment Financing Project
3 Analysis Review similarly identifies Port of Chelan County as the sponsoring jurisdiction.¹⁰

4 62. In contrast, public statements issued by the CDRPA explain that the Regional Port
5 is considering formation of the Malaga TIA and further states that the Ports are “fully integrated
6 into one entity.”¹¹ The CDRPA’s website also suggests that the Ports are forming and managing
7 the Malaga TIA under joint authority as it contains an entire webpage regarding the TIA.¹² *See*
8 *also supra* ¶ 51.

9 63. In addressing Chelan County’s proposal regarding providing funds for Malaga
10 improvements, the CDRPA responded on their letterhead and signed as the CDRPA Board of
11 Directors, not the Port of Chelan County.

12 64. The Malaga TIF District Project List declares that the list is subject to change by
13 the CDRPA, not by the Port of Chelan County.

14 65. The CDRPA 2025–2029 Strategic Plan lists tax increment financing to fund
15 infrastructure projects.

16 66. These representations are inconsistent and irreconcilable.

18 ⁹https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/68a651cb10fca14753d150b3/1755730379867/Port_of_Chelan_County_Malaga_TIA_Report_2025_08_20.pdf (last visited
19 Jan. 22, 2026).

20 ¹⁰https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/691f9d4109328c1de6d468d4/1763679553119/Port+of+Chelan+County+-+OST+TIF+Review_final.pdf (last visited Jan. 22,
21 2026).

22 ¹¹<https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/68b1e3685b355e05fac1386d/1756488552244/08.29.25+CDRPA+Proposed+Malaga+TIF+District.pdf> (last visited Jan. 22,
23 2026).

24 [https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/68dc5ac89c15ee5886866f88/1759271624496/09.30.25+Press+Release+-+POCC+Questions+Chelan+County+Moratorium+on+TIAs+in+Unicorporated+Chelan+County](https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/68dc5ac89c15ee5886866f88/1759271624496/09.30.25+Press+Release+-+POCC+Questions+Chelan+County+Moratorium+on+TIAs+in+Unicorporated+Chelan+County.pdf)
25 [.pdf](https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/68dc5ac89c15ee5886866f88/1759271624496/09.30.25+Press+Release+-+POCC+Questions+Chelan+County+Moratorium+on+TIAs+in+Unicorporated+Chelan+County.pdf) (last visited Jan. 22, 2026).

26 ¹² <https://www.cdrpa.org/pocc-tif-district> (last visited Jan. 19, 2026).

1 67. The CDRPA cannot lawfully characterize itself as a single, fully integrated entity
2 for purposes of governance, budgeting, and tax levy management while simultaneously treating
3 the Port of Chelan County as a separate jurisdiction solely to evade statutory limits applicable to a
4 taxing authority.

5 **The Malaga TIA Fails to Comply with Statutory Requirements**

6 68. The TIA cannot satisfy the “but-for” test. The Project Analysis acknowledges that
7 there are three private projects expected to occur in the TIA between 2024 and 2030, including
8 two data centers and one “additional development.” Project Analysis at 8. These are projects,
9 which were permitted starting in March 2023, that would occur even without tax increment
10 financing or the designation of a tax increment area. The remainder of the identified potential
11 development was “speculative” and non-specific, and lacking any reasoning as to why this
12 unidentified development would not occur absent the TIF, especially when three large projects are
13 already underway.

14 69. OST responded to the Port of Chelan’s Project Analysis Report on November 13,
15 2025. In its report, OST expressed its skepticism that Port of Chelan could satisfy the “but for”
16 test in the statute. Specifically, OST “encourage[d] the Port to revise its project analysis to better
17 describe the priority and construction timeline for the public improvements, how it will make up
18 the \$86 million funding gap, and specifically how each public improvement will encourage private
19 development, other than the already expected data center projects.” OST Report at 5. OST opined
20 that, “[w]ithout further explanation, the cumulative impact of these omissions is an incomplete
21 plan of finance, making it unclear whether the Port has sufficient basis for its “But For” finding.
22 *Id.*

23 70. Separately, Chelan County is currently in the process of updating its comprehensive
24 plan pursuant to the Growth Management Act.

25 71. Updates to the County’s comprehensive plan, due by the end of 2026, will impose
26 changes to the County’s land use, zoning, and development standards, potentially including the
27 creation of an Urban Growth Area in the Malaga region of unincorporated Chelan County.

1 72. The Port of Chelan’s finding that “[p]rivate development that is anticipated to occur
2 within the increment area as a result of the proposed public improvements will be permitted
3 consistent with the permitting jurisdiction’s applicable zoning and development standards,” RCW
4 39.114.020(1)(j)(ii), is disingenuous where the Port of Chelan does not yet know the applicable
5 land use, zoning, and development standards.

6 73. The Malaga TIA further violates the statutory scheme by including proposals for
7 projects well beyond the amount of anticipated funding, and with no plan on how to achieve
8 sufficient funding for those projects.

9 74. The plan therefore threatens taxpayers with significant harm, as they will be left to
10 foot the bill of the proposed projects.

11 75. The Malaga TIA also exceeds the limits imposed by RCW 39.114.020(1)(b).

12 76. The Port of Douglas County already has a TIA the assessed valuation of which is
13 approximately \$185,999,800, as designated on November 26, 2024.¹³

14 77. The assessed valuation of the proposed Malaga TIA is approximately \$92,778,017.

15 78. The combined assessed valuation of the two proposed increment areas is
16 approximately \$232,241,564.

17 79. RCW 39.114.020(1)(c)(i) limits the combined assessed valuation of increment
18 areas to no greater than \$200,000,000 or 20 percent of the sponsoring jurisdiction’s total assessed
19 valuation, whichever is less.

20 80. The proposed tax increment areas under the CDRPA exceed the statutory
21 maximum.

22 81. The CDRPA and Port of Chelan County seek to avoid this statutory limitation by
23 fragmenting consolidated authority when convenient.

24
25
26 ¹³https://static1.squarespace.com/static/5d68a5a4d7b9d600012fc0a8/t/6747751ff5275a74ca056c7f/1732736292292/Port_of_Douglas_County_TIA_Report_2024_11_27.pdf (last accessed Jan.
27 22, 2026).

82. Resolution 2025-07 is invalid. The Port of Chelan County lacks authority to unilaterally implement a TIA, and the CDRPA cannot implement the Malaga TIA without exceeding the maximum combined assessed valuation of TIAs in RCW 39.114.020(1)(c)(i).

COUNT I

(Declaratory Relief – Ballot Proposition No. 1 Unified Levy Rate – Douglas County)

83. Plaintiff Douglas County realleges and incorporates the preceding paragraphs as if fully set forth herein.

84. This action presents an actual, present, and justiciable controversy between Plaintiff Douglas County and Defendants concerning the lawful unified property-tax levy rate authorized by Proposition No. 1, as approved by voters at the November 7, 2023, general election.

85. Proposition No. 1 described the unified levy rate approved by voters as approximately 0.164 cents per \$1,000 of assessed value.

86. Notwithstanding the ballot language approved by voters, Defendants have certified unified property-tax levy rates of approximately sixteen cents per \$1,000 of assessed value for multiple levy years following the election.

87. The parties dispute whether Proposition No. 1 authorized Defendants to certify and collect a unified levy rate of approximately sixteen cents per \$1,000 of assessed value, or whether Defendants' authority is limited to the fractional-cent rate (0.164 cents) described in the ballot language presented to and approved by voters.

88. Plaintiff Douglas County has a direct and substantial interest in the resolution of this controversy because Douglas County is statutorily responsible for extending and collecting property taxes and faces potential refund liability for taxes that are later determined to have been unlawfully or excessively levied.

89. A judicial declaration is necessary and appropriate to determine the lawful unified property-tax levy rate authorized by Proposition No. 1, to clarify the respective rights and obligations of the parties with respect to the certification, extension, and collection of the unified levy, and to terminate the uncertainty and controversy giving rise to this proceeding.

90. Plaintiff Douglas County seeks a declaration pursuant to RCW 7.24.010–.020 determining the lawful scope of Defendants’ authority under Proposition No. 1, including whether Defendants may lawfully certify a unified levy rate exceeding the rate described in and approved through the ballot language.

COUNT II

(Injunctive Relief – Unlawful Certification of Unified Levy Rate – Douglas County)

91. Plaintiff Douglas County realleges and incorporates the preceding paragraphs as if fully set forth herein.

92. As alleged above, Defendants have certified a unified property-tax levy rate materially exceeding the rate authorized by voters through Proposition No. 1 for three consecutive years.

93. Absent injunctive relief, Defendants will continue to certify unified levy rates in excess of the authority approved by voters, resulting in ongoing and future unlawful taxation.

94. Plaintiff Douglas County lacks an adequate remedy at law to prevent Defendants' continued certification of an unlawful levy rate, and monetary damages alone would not remedy the ongoing and prospective harm caused by the continued imposition of an unauthorized tax.

95. Douglas County is statutorily responsible for extending and collecting property taxes and face continuing exposure to refund liability for taxes that are later determined to have been unlawfully or excessively levied. Continued certification of an unlawful levy rate therefore creates irreparable harm to Plaintiffs absent injunctive relief.

96. The balance of equities favors injunctive relief because Defendants have no legitimate interest in certifying or collecting taxes beyond the authority approved by voters, while Plaintiff Douglas County and taxpayers will suffer ongoing harm if unlawful levy rates continue to be imposed.

97. The public interest favors injunctive relief to ensure that property taxes are imposed only as authorized by law and by voter approval, and to preserve the integrity of the electoral and taxation processes.

98. Plaintiff Douglas County is entitled to injunctive relief pursuant to RCW 7.24.080 and the equitable powers of this Court enjoining Defendants from certifying, demanding, or collecting any unified property-tax levy rate exceeding the rate authorized by Proposition No. 1.

COUNT III
(Uniform Declaratory Judgment Act – All Plaintiffs)

99. Plaintiffs reallege and incorporate the preceding paragraphs as if fully set forth herein.

100. Plaintiffs seek a declaratory judgment under RCW 7.24 that the Malaga TIA, and the associated tax increment financing, is unlawful, void, and of no effect.

101. An actual, present, and justiciable controversy exists between Plaintiffs and Defendants concerning the validity of the Malaga Tax Increment Area (“Malaga TIA”), Resolution No. 2025-07, and Defendants’ authority to implement tax increment financing for the Malaga TIA.

102. Plaintiffs' legal rights and duties are directly affected by Defendants' actions because Plaintiffs are taxing districts whose tax revenues will be diverted by the Malaga TIA, and because Chelan County is responsible for land-use planning under the Growth Management Act that is impaired by the unlawful TIA designation.

103. A judicial declaration is necessary and appropriate to resolve the controversy, to clarify the parties' respective rights and obligations, and to terminate the uncertainty and dispute giving rise to this litigation.

COUNT IV
(Injunctive Relief – All Plaintiffs)

104. Absent injunctive relief, the Port of Chelan County and the CDRPA will continue to act under color of unlawful authority, resulting in illegal taxation and expenditure of public funds.

105. Plaintiffs have no adequate remedy at law, and equitable relief is necessary.

106. Plaintiffs will suffer irreparable harm in the absence of injunctive relief because:

1 (a) Chelan County will be deprived of tax revenues necessary to carry out its
2 comprehensive planning and public infrastructure responsibilities under the Growth Management
3 Act;

4 (b) Douglas County will be deprived of revenues needed for countywide
5 services and infrastructure that benefit its residents;

6 (c) Wenatchee Valley Fire Department and other impacted taxing districts will
7 lose anticipated revenues necessary to maintain and expand public safety services in the Malaga
8 area; and

9 (d) Once tax increment revenues are collected and allocated, the harm cannot
10 be remedied by monetary damages alone.

11 107. Plaintiffs have no adequate remedy at law because monetary relief would not
12 prevent ongoing and future unlawful tax diversion, nor would it restore Plaintiffs' planning
13 authority or protect the integrity of statutory limits on tax increment financing.

14 108. The balance of equities favors Plaintiffs because Defendants have no legitimate
15 interest in implementing an unlawful TIA, while Plaintiffs and taxpayers face ongoing and
16 substantial harm if the Malaga TIA is allowed to proceed.

17 109. The public interest strongly favors injunctive relief to ensure that tax increment
18 financing is used only in compliance with law, to protect taxpayer funds, and to preserve the
19 statutory limits imposed by the Legislature in RCW Chapter 39.114.

20 **COUNT V**

21 **(Lack of Statutory Authority – Plaintiffs Douglas County and Wenatchee Fire District)**

22 110. Plaintiffs Douglas County and Wenatchee Fire District reallege and incorporate the
23 preceding paragraphs as if fully set forth herein.

24 111. The CDRPA's Interlocal Agreement reserves specific, enumerated authorities to
25 the individual Port Commissions. All other powers, including economic development,
26 infrastructure, real property management, and project operations, are expressly joint powers
27 exercised through the CDRPA.

1 112. The Agreement does not reserve to either Port the authority to unilaterally designate
2 a tax increment area or to independently exercise tax increment financing authority. To the
3 contrary, the structure and purpose of the Agreement contemplate that such major economic
4 development and financing actions occur through the CDRPA.

5 113. Washington law requires strict construction of municipal powers. *Tacoma v.*
6 *Taxpayers of Tacoma*, 108 Wn.2d 679, 692, 743 P.2d 793 (1987); *Port of Seattle v. State Utils. &*
7 *Transp. Comm’n*, 92 Wn.2d 789, 794–95, 597 P.2d 383 (1979). Any reasonable doubt must be
8 resolved against the Port.

9 114. RCW 53.08.240 authorizes port districts to enter into a mutual agreement for the
10 joint exercise of powers; it does not permit one port district to exercise governmental authority
11 within another district’s boundaries. *Port of Peninsula v. Bendiksen*, 71 Wn.2d 530, 538, 429 P.2d
12 859 (1967).

13 115. By purporting to designate the Malaga TIA unilaterally, while simultaneously
14 planning, managing, and implementing the TIA through the CDRPA, the Port of Chelan County
15 has impermissibly blurred the line between “reserved” and “joint” authority and exercised power
16 beyond its lawful jurisdiction.

17 116. This defect is not merely technical. The Malaga TIA project list includes the
18 “Malaga Columbia River Crossing,” which by definition crosses into Douglas County, territory
19 where the Port of Chelan County lacks unilateral authority.

20 117. Because tax increment financing is neither expressly nor implicitly reserved to the
21 individual Ports, and because it falls squarely within joint economic development and
22 infrastructure functions assigned to the CDRPA, the Port of Chelan County lacked authority to act
23 alone.

24 118. The Port of Chelan County’s unilateral designation of the Malaga TIA therefore
25 violates the Interlocal Agreement, RCW 53.08.240, and *Bendiksen*, and is ultra vires and void.

26 119. Plaintiffs Douglas County and Wenatchee Fire District are entitled to declaratory
27 and injunctive relief invalidating the Malaga TIA.

COUNT VI
(Violation of RCW 39.114.020(1)(j) – All Plaintiffs)

120. Plaintiffs reallege and incorporate the preceding paragraphs as if fully set forth herein.

121. RCW 39.114.020(1)(j) requires a local government to make four specific findings as a condition precedent to designating a tax increment area. These findings are jurisdictional and cannot be made in bad faith or without substantial factual support and are as follows:

(a) The public improvements proposed to be paid or financed with tax allocation revenues are expected to encourage private development within the increment area and to increase the assessed value of real property within the increment area;

(b) Private development that is anticipated to occur within the increment area as a result of the proposed public improvements will be permitted consistent with the permitting jurisdiction's applicable zoning and development standards;

(c) The private development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future without the proposed public improvements; and

(d) The increased assessed value within the increment area that could reasonably be expected to occur without the proposed public improvements would be less than the increase in the assessed value estimated to result from the proposed development with the proposed public improvements.

122. In Resolution No. 2025-07, the Port of Chelan purported to make these findings, including that:

(a) The public improvements proposed to be paid or financed with tax allocation revenues are expected to encourage private development within the Increment Area and are expected to increase the assessed value of real property within the Increment Area;

- 1 (b) Private development that is anticipated to occur within the Increment Area
2 as a result of the proposed public improvements will be permitted consistent
3 with the permitting jurisdiction's applicable zoning and development
4 standards;
- 5 (c) The private development would not reasonably be expected to occur solely
6 through private investment within the reasonably foreseeable future without
7 the proposed public improvements; [and]
- 8 (d) The increased assessed value within the Increment Area that could
9 reasonably be expected to occur without the proposed public improvements
10 would be less than the increase in the assessed value estimated to result from
11 the proposed development with the proposed public improvements;
12

13 123. These findings are unsupported and contrary to the Port's own record.

14 124. The Port's Project Analysis identifies three major private projects already
15 underway, including two data centers, before and independent of any tax increment financing. The
16 Port therefore cannot truthfully find that private development would not occur "but for" the
17 proposed public improvements.

18 125. Because the Port's asserted private development is already occurring, the Port also
19 cannot reasonably find that the public improvements are the cause of increased assessed value.
20 Any increase in value is attributable to existing and planned private investment, not to the TIA.

21 126. The Office of the State Treasurer expressly questioned the adequacy of the Port's
22 "But-For" analysis, noting that the Port had not sufficiently explained how each public
23 improvement would actually induce new private development beyond already-planned projects.

24 127. The Port likewise cannot lawfully find that anticipated private development will
25 comply with "applicable zoning and development standards" because Chelan County is in the
26 midst of a comprehensive plan update under the Growth Management Act that may materially
27

change zoning, land use, and development standards in the Malaga area. The Port does not yet know what the applicable standards will be.

128. Because the Port failed to satisfy RCW 39.114.020(1)(j), it lacked authority to designate the Malaga TIA, rendering Resolution No. 2025-07 invalid.

129. Chelan County will be irreparably harmed by this unlawful designation because it will lose tax revenues needed to implement its comprehensive plan and will have its planning authority undermined.

130. Douglas County will be irreparably harmed because tax increment financing will divert revenues from countywide services and infrastructure that benefit Douglas County residents without lawful authority.

131. Wenatchee Valley Fire Department will be irreparably harmed because the TIA will divert tax revenues that the Department reasonably anticipated for staffing and service expansion necessary to serve the Malaga area, including development already underway.

132. Plaintiffs are entitled to a declaration that the Malaga TIA violates RCW 39.114.020(1)(j) and is void, and to injunctive relief barring its implementation.

COUNT VII
(Violation of RCW 39.114(1)(c)(i) – All Plaintiffs)

133. Plaintiffs reallege and incorporate the preceding paragraphs as if fully set forth herein.

134. RCW 39.114.020(1)(c)(i) provides that when a sponsoring jurisdiction has two active tax increment areas, the combined assessed valuation of those areas may not exceed the lesser of \$200,000,000 or 20 percent of the sponsoring jurisdiction's total assessed valuation.

135. The Port of Douglas County's existing TIA has an assessed valuation of approximately \$185,999,800.

136. The proposed Malaga TIA has an assessed valuation of approximately \$46,241,764.

137. The combined assessed valuation of these two TIAs is approximately \$232,241,564, well above the \$200,000,000 statutory maximum.

138. Because the Ports have functionally consolidated as the CDRPA under the Interlocal Agreement and consistently act as a single integrated entity for governance, budgeting, and project implementation, they constitute a single “sponsoring jurisdiction” for purposes of RCW 39.114.

139. In an attempt to determine if there are any supporting facts to the Port's findings, Chelan County submitted public records requests in November 2025 for consultant contracts and project pricing and has not received any responses.

140. Defendants cannot evade this limit by selectively treating the CDRPA as divided only when convenient to avoid statutory caps.

141. The Malaga TIA therefore violates RCW 39.114.020(1)(c)(i) and is unlawful.

142. Plaintiffs are entitled to declaratory and injunctive relief invalidating the Malaga TIA.

COUNT VIII

(Violation of RCW 39.114.020(2)(e), (h) – All Plaintiffs)

143. Plaintiffs reallege and incorporate the preceding paragraphs as if fully set forth herein.

144. The Port of Chelan failed to comply with RCW 39.114.020(2)(e), which requires the Port’s project analysis to include a “description of the expected private development within the increment area, including a comparison of scenarios with the proposed public improvements and without the proposed public improvements.”

145. The Port of Chelan similarly failed to comply with RCW 39.114.020(2)(h), which requires the Port’s project analysis to include an “estimate of the job creation reasonably expected to result from the public improvements and the private development expected to occur in the increment area.”

1 146. The Port of Chelan's project analysis repeatedly recognizes that the expected
2 private development is already underway. The project analysis fails to identify what impact the
3 already-existing private development would have absent the public improvements. Without such
4 analysis, there is no way to perform the comparisons required under RCW 39.114.020(e) and (h).

5 147. Absent analysis on these points, the Port of Chelan cannot designate a tax increment
6 area.

7 148. The Port of Chelan County's Project Analysis for the Malaga TIA fails to comply
8 with these mandatory requirements.

9 149. With respect to subsection (2)(e), the Project Analysis identifies major private
10 development— including two data centers and additional projects—that is already underway or
11 planned independent of tax increment financing. The Project Analysis does not meaningfully
12 compare:

13 (a) What development would occur with the proposed public improvements,
14 versus

15 (b) What development would occur without those improvements.

16 150. Instead of performing the required comparative analysis, the Project Analysis
17 simply assumes that public improvements are beneficial without analyzing whether, or to what
18 extent, they are necessary to induce additional private development beyond what is already
19 occurring.

20 151. This omission renders the Project Analysis insufficient as a matter of law because
21 the statute requires a side-by-side comparison of development scenarios, not conclusory assertions.

22 152. With respect to subsection (2)(h), the Project Analysis fails to provide a reasonable,
23 supported estimate of job creation attributable to the proposed public improvements.

24 153. The Project Analysis either relies on job creation associated with private projects
25 already underway or provides generalized, speculative projections untethered to specific public
26 improvements or financing mechanisms.

1 (e) An award of attorneys' fees, costs, expenses, and pre- and post-judgment
2 interest to the extent permitted by applicable law; and

3 (f) Any other relief permitted by applicable law or deemed appropriate by this
4 Court.

5 **JURY DEMAND**

6 Plaintiffs hereby demand a jury trial pursuant to Civil Rule 38.

7
8
9 DATED: January 22, 2026.

10 BALLARD SPAHR LLP

11
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1 **CERTIFICATE OF SERVICE**

2 I, Jennifer Endres, hereby certify under penalty of perjury under the laws of the state of
3 Washington that on January 22, 2026, I caused to be served a copy of the foregoing document on
4 the following person(s) by *electronic mail* at the following address(es)

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9
10 DATED this 22nd day of January 2026

11 
12 Jennifer Endres, Legal Assistant