

SENATE BILL REPORT

SB 5369

As Reported By Senate Committee On:
Commerce, Trade, Housing & Financial Institutions, March 2, 1999

Title: An act relating to downtown and neighborhood commercial district revitalization.

Brief Description: Revitalizing downtown and neighborhood commercial districts.

Sponsors: Senators Wojahn, Winsley, Prentice, Goings, Jacobsen, Fraser, Costa, Kohl-Welles and McAuliffe.

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 2/16/99, 3/2/99 [DPS, DNPS].

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 5369 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Gardner, Hale, Rasmussen, T. Sheldon, West and Winsley.

Minority Report: Do not pass substitute.

Signed by Senator Benton.

Staff: Susan Jones (786-7784)

Background: Some downtown and neighborhood commercial districts have deteriorated due to shifting of population base, changes in the marketplace, and competition from other areas. The Department of Community, Trade, and Economic Development (CTED) provides administrative and clerical support to the main street communities and local communities undertaking downtown and commercial district revitalization efforts under its general duties and powers.

Summary of Substitute Bill: Various tax incentives are available to assist in downtown and neighborhood commercial districts revitalization.

Business and Occupation Tax Credit: A business and occupation tax credit is provided for contributions that are designed to assist in the development and operation of a certified downtown or neighborhood commercial district revitalization program. The tax credit is limited to 75 percent of a contribution to a program or 50 percent of a contribution to CTED. The contribution must be approved by CTED prior to making the contribution. The total statewide tax credits cannot exceed \$1 million in a calendar year.

Retail Sales and Use Tax Credit: The legislative authority of an eligible city or town is authorized to impose a sales and use tax, not to exceed .035 of 1 percent for smaller cities and .0095 of 1 percent for cities over 100,000 persons, on all retail sales. The additional sales tax collected for a city or town is limited to \$400,000 annually. This local sales and use tax is deducted from the state's retail sales and use tax.

The local tax collected must be matched with local or private funds at a ratio of one dollar for every two dollars of tax proceeds. These funds must be used to pay the cost for downtown or neighborhood commercial revitalization projects in the eligible area that include: public infrastructure improvements; professional management, planning, and promotion of retail activities in the area; maintenance and security for common or public areas; and historic preservation activities.

Washington Main Street Program: The Washington Main Street program is created within CTED. In implementing the program, CTED must: (1) provide technical assistance to businesses, property owners, organizations, and local governments on the design and development of a local revitalization strategy and program; (2) provide financial assistance, to the extent funds are available, to local governments or local organizations to assist in startup costs, feasibility studies, market studies, and design assistance; (3) develop criteria for selecting recipients of financial assistance and designation of a local program under various categories; and (4) operate the main street program according to the plan developed by the department, in consultation with an advisory committee.

The Washington Main Street Trust Fund is created for the receipt of private contributions, federal funds, legislative appropriations, and fees for services, if levied. Trust funds may only be used for the operation of the Washington Main Street program.

Substitute Bill Compared to Original Bill: The substitute bill reduces the annual statewide cap on the B&O tax to \$1 million; allows the contributions for B&O tax credits to be made to CTED with a 50 percent credit; limits contribution to cash only; reduces the maximum sales tax increase to .035 of 1 percent of cities with 100,000 or less and .0095 of 1 percent to cities over 100,000 and allows these larger cities to determine eligible districts; and provides a cap for cities for the increased sales tax to \$400,000 annually.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: A number of factors have taken their toll on neighborhoods and commercial districts. This bill provides financial tools for revitalization. This is not just a handout because the sales tax revenue must be matched with other local funds for these projects.

Testimony Against: None.

Testified: PRO: Linda Paronen, Olde Towne Shelton Association; Tracy Reich, Downtown Vancouver Association; Bill LaVergne, Tacoma Proctor District Association; Mari Mullen, Main Street Program of Port Townsend; Randy Lewis, City of Tacoma.