SENATE BILL REPORT

SB 5460

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

Title: An act relating to community revitalization.

Brief Description: Allocating taxes for community revitalization.

Sponsors: Senators Rasmussen, Winsley, B. Sheldon, Kline, Wojahn, Prentice, Franklin, Goings, Eide, Jacobsen, Fraser, Deccio, Horn and Kohl-Welles.

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. 5460 be substituted therefor, and the substitute bill do pass.
Signed by Senators Prentice, Chair; Shin, Vice Chair; Gardner, Hale, Rasmussen, T. Sheldon and Winsley.

Minority Report: Do not pass substitute.
Signed by Senator Benton.

Staff: Susan Jones (786-7784)

Background: Washington's economy has experienced significant growth during the last decade. However, there are portions of the state's urban areas that have not experienced this growth and, in some instances, have encountered economic decline. In some areas of the state, vacant or deteriorating buildings and brownfield infill sites may constitute a significant blight and detrimental impact on health, safety, and welfare of the community. Use of these buildings and lands may require significant investment to correct the problems.

Summary of Substitute Bill: Cities or towns may receive an allocation of 20 percent of the increase in sales and use taxes and business and occupation taxes from within the city or town to finance a community revitalization project.

To establish an apportionment district and authorize a community revitalization project, a city or town must do the following: (1) propose by ordinance a plan for a community revitalization project, describing the project, estimated costs, time lines and the boundaries of the apportionment district; (2) hold a public hearing; and (3) pass an ordinance establishing the district and authorizing the project within 120 days after the hearing. The authority to establish an apportionment district expires on July 1, 2007.

Tax revenue may not be apportioned for the project within an apportionment district before the first day of the calendar year following the passage of the ordinance establishing the district. The tax revenue allocated to the city or town is limited to 20 percent of the tax revenue generated within the city or town in excess of tax revenue generated in the preceding year. The tax revenue must be used to pay project costs, to pay the principal and interest on general obligation bonds issued to finance a project, or a combination of the two and the allocation must cease when it is no longer needed to pay such amounts. The permitted project costs include costs of land use planning, environmental analysis, project design and planning, acquisition, site preparation, construction, reconstruction, rehabilitation, relocation, maintenance and operation, costs of financing, and administrative costs.

The allocation of taxes is limited to $1 million annually for each project and $4 million annually statewide. The Department of Revenue must evaluate the project to determine if there is sufficient revenue under the statewide revenue cap to accommodate the project.

The Department of Community, Trade, and Economic Development must determine if a project meets five of the following six criteria: (1) the project is consistent with the local comprehensive plan; (2) the project results in reuse of existing unused or underutilized buildings; (3) the project will eliminate blight or reduce public safety expenditures within the area; (4) the project is reasonably expected to cause private investment within the area; (5) the project will result in a net increase in employment in the area; and (6) the revenue appropriated to the project is likely to be sufficient to finance the public portion.

A city or town is also authorized to acquire a substandard building, structure, or premises and land and its adjacent property if it is necessary for a community revitalization project. Public or other funds may be used to improve the substandard property. The city or town may make repairs to substandard property not owned by the city or town and place a lien against the property for repayment of the costs.

Substitute Bill Compared to Original Bill: The substitute bill reduces the annual cap on each project to $1 million annually; reduces the statewide cap to $4 million annually; and changes the allocation from an apportionment district to 20 percent of the increase in excise taxes in the city.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill provides cities with badly needed financial tools to jumpstart redevelopment efforts in depressed and blighted urban areas through the dedicated use of newly created excise taxes. The use of these taxes will benefit the state because when the bonds used to fund the projects are retired, the increase in tax revenue will go to the state. Everyone will benefit from reduction in blighted areas, new excise tax revenue, increase in property tax on improved properties, and new jobs in these areas.

Testimony Against: None.

Testified: PRO: Paula Johnston, City of Bremerton; Dennis Matson, Thurston EDC; Stan Bilep, City of Olympia, David Schaffert, Olympia/Thurston Chamber; Martha Anderson, City of Tacoma; Rich Rucker, The Rucker Group.