

# HOUSE BILL REPORT

## SHB 2357

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### As Passed Legislature

**Title:** An act relating to community renewal.

**Brief Description:** Addressing community renewal.

**Sponsors:** By House Committee on Trade & Economic Development (originally sponsored by Representatives Veloria, Mulliken, Ogden, Fromhold, Upthegrove, Kessler, Schual-Berke, Conway and Kagi).

### Brief History:

#### Committee Activity:

Trade & Economic Development: 1/24/02, 2/1/02 [DPS].

#### Floor Activity:

Passed House: 2/12/02, 97-0.

Senate Amended.

Passed Senate: 3/6/02, 42-1.

House Concurred.

Passed House: 3/11/02, 94-0.

Passed Legislature.

### Brief Summary of Substitute Bill

- Allows a city, town, or county to provide financial or technical assistance to a person or public body that is used to create or retain jobs, a substantial portion of which is for persons of low income.
- Allows a municipality to select a public or private project developer either before or after the municipality has acquired the real property.
- Creates a direct negotiation process that a municipality may use to select a public or private project developer.
- Allows a municipality to establish a local improvement district for the purpose of financing public improvements in the area.
- Allows a municipality to enter into an agreement with a public corporation, commission, and authority, or a housing authority, or a city or county public facilities district, or a port district to carry out community renewal activities.

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## HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Veloria, Chair; Van Luven, Ranking Minority Member; Ahern, Chase, Dunn, Fromhold, Gombosky and Mulliken.

**Staff:** Kenny Pittman (786-7392).

### **Background:**

Washington's urban renewal law was enacted in 1957. The state law is modeled after the federal urban renewal law of the late 1940s, and authorizes any city, town or county (municipality) to improve and redevelop specific areas of the community by encouraging public-private partnerships for the redevelopment of blighted areas.

Prior to undertaking any activities under the state's urban renewal law, a municipality is required to adopt a resolution that declares and shows evidence that the proposed area is blighted, demonstrated by conditions such as poorly constructed buildings, faulty planning, lack of open spaces, deteriorated properties, an incompatible mix of uses and improper utilization of land. The municipality is then required to develop a workable plan that outlines uses of public and private funds to eliminate or prevent the spread of blighted areas, steps to encourage the redevelopment of the blighted area, and activities that will achieve the goals of the workable plan. The proposed workable plan can be adopted after the legislative authority of the municipality provides public notice and holds a public hearing on the proposed workable plan.

Once adopted, a municipality is granted powers that include, but are not limited to the ability to: (1) install, construct, and reconstruct parks, streets, roads, public utilities or other facilities within the blighted area; (2) borrow or accept any form of financial assistance from the federal government, the state, county, or other public body, or from any public or private source; (3) contract with any public or private person for the purpose of carrying out the activities identified in the workable plan; (4) prepare plans for the relocation of persons displaced by activities identified in the workable plan; (5) acquire property through the eminent domain process; (6) sell, lease, or transfer the acquired property, for an amount that is not less than its fair value; and (7) issue tax-exempt, nonrecourse revenue bonds, that are backed by the revenues generated by the development to pay for the cost of public improvements in the blighted area. These bonds are not subject to the statutory or constitutional debt limits of the municipality.

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### **Summary of Substitute Bill:**

The state's urban renewal law is revised to improve the ability of cities, towns, and counties (municipalities) to implement economic development projects in blighted areas.

### Workable Plan

The elements of the workable plan for the redevelopment of a blighted area are expanded to include: (a) activities that are designed to reduce unemployment and poverty within the community renewal area by providing financial or technical assistance to a person or a public body that is used to create or retain jobs; and (b) the need for replacement housing to replace housing that is lost due to community renewal activities in the blighted area.

A workable plan, that is required to be updated, must conform with the municipality's plans adopted under the state's Growth Management Act. In non-Growth Management Act municipalities the workable plan must be consistent with applicable planning statutes. All obsolete language regarding the process to revise a workable plan is removed.

### Community Renewal Powers

A municipality may elect to exercise community renewal powers in one of three ways: (a) by appointing a board or commission that shall include municipal officials and elected officials, selected by the mayor and approved by the governing body of the municipality; or (b) by the local governing body of the municipality; or (c) by the board of a public corporation, commission, or authority, or a public facilities district, or a public port district, or a housing authority.

The state's community renewal powers are expanded to: (a) allow loans or grants to private persons or entities for the purpose of creating or retaining jobs, a substantial number of such jobs for persons of low income. A person of low income is defined as an individual with an annual income that does not exceed the higher of 80 percent of the statewide or county median income. The state's community renewal powers are further expanded to: (a) make payments, loans, or grants to, provide assistance to, and contract with existing or new owners or tenants of property in the community renewal area as compensation for any adverse impacts that may be caused by the implementation of the community renewal project; (b) contract with a person or public body to provide financial assistance to property owners and tenants to encourage them to relocate in the community renewal area after the community renewal plan is adopted; and (c) contract with a person or public body to assist in community renewal activities.

### Acquisition/Disposition of Real Property

The property acquisition process is revised to allow a municipality to acquire real property for a community renewal project either (a) prior to the selection of a redeveloper, or (b) after the selection of a redeveloper.

### Selection of Redeveloper

The municipality may select a redeveloper through the existing competitive bidding

process or use the new direct negotiation process. Requests for proposals, through the direct negotiation process, are solicited by publishing a public notice once each week for three consecutive weeks in the legal newspaper of the municipality. The notice must identify the proposed area, the process used to evaluate qualifications of redevelopers and proposals that are submitted by redevelopers or any persons.

The municipality, after evaluation of the proposals, may negotiate with a single redeveloper or select two or more redevelopers to submit final proposals or submit more detailed or revised proposals. If the municipality does not enter into a contract with the highest ranking proposal it may (a) enter into negotiations with the next highest ranking proposal, (b) solicit additional proposals using the competitive bidding process, or (c) dispose or retain the real property.

### Disposition of Property

Any real property that is acquired as part of a community renewal plan may be sold, leased, or transferred, after approval by the legislative authority of the municipality, to a redeveloper for an amount determined as adequate consideration by the municipality, instead of at its fair value. In determining adequate consideration, the municipality may take into consideration the public benefits to be realized, including furthering the objectives of the community renewal plan.

A municipality is expressly authorized to enter into direct negotiation for the sale or lease of real property to a community-based development organization that is already carrying out, or approved to carry out, a development project in the community renewal area that is supported by federal funds. All covenants, restrictions, waivers, on the real property, in the favor of the municipality are binding and enforceable against the person or their heirs or successors.

### Bond Security “ Excise Tax Increment Revenue

A municipality may pledge any excess local excise taxes generated by business activity within the boundaries of the community renewal area to pay for bonds issued to finance public improvements within a community renewal area. The excess local excise tax is based on an amount that is over and above the average of the annual local excise taxes collected for a 5-year period prior to establishment of the community renewal area.

### Local Improvement Districts

A municipality may establish a local improvement district with a community renewal area, and levy special assessments, in annual installments not to exceed a 20-year period on all real property that benefitted from the local improvement. The annual assessment is used to pay off bonds issued to finance the local improvements.

The municipality must provide information to the owners of real property in the local improvement district stating that the actual assessment amount may vary from the estimates, but that the amount will not exceed the increased benefit to the real property.

#### Miscellaneous Provisions

A municipality may enter into an agreement with a public corporation, commission, and authority, or a housing authority, or a city or county public facilities district, or a port district to carry out community renewal activities.

A city or town may use the supplemental alternative public works contracting procedures for the design, construction, remodel or alteration of a regional center funded in whole or in part by a public facilities district.

The term "urban renewal" is replaced with "community renewal" wherever it occurs.

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

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

**Testimony For:** The state's urban renewal law that was enacted in the 1950s is outdated. It is difficult to work with and many of its provisions are outdated. At a time when there are limited funds for economic development activities, the changes in the bill will give all of the state's communities an economic development tool that is now usable. A community will now be able to use a more efficient process for working with for-profit/nonprofit developers in developing projects that will encourage economic development. The changes also meshes the planning process for the community renewal areas into compliance with local planning goals.

**Testimony Against:** None.

**Testified:** Representative Veloria, prime sponsor; Hugh Spitzer, Foster Pepper Shefelman; Bob Mitchell, Washington State Commercial Association of Realtors; Kim Pearman-Gillman, city of Spokane; Mike Ragsdale, city of Tukwila; Ron Newbry, Washington Economic Development Association; and Larry Crim.