

HOUSE BILL REPORT

HB 2437

As Reported by House Committee On:
Trade & Economic Development

Title: An act relating to downtown and neighborhood commercial districts.

Brief Description: Promoting economic revitalization.

Sponsors: Representatives Veloria, Talcott, Conway, Darneille, Dunn, Lovick, Chase, Wood, Jackley and Ogden.

Brief History:

Committee Activity:

Trade & Economic Development: 1/29/02, 2/5/02 [DPS].

Brief Summary of Substitute Bill

- States that a city or town may use the incremental increase in local sales and use tax revenue to finance community revitalization projects within a designated downtown or neighborhood commercial district.
- Defines a community revitalization project as health and safety improvements, publicly or leased facilities, professional management and promotion of retail trade activities within the downtown or neighborhood commercial district.

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; Eickmeyer, Vice Chair; Ahern, Chase, Dunn, Fromhold, Gombosky and Mulliken.

Staff: Kenny Pittman (786-7392).

Background:

A sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. A use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to the sales

tax. The use tax is equal to the sales tax rate multiplied by the value of the property used. The total state and local sales or use tax rate is between 7 percent and 8.9 percent, depending on the jurisdiction.

Summary of Substitute Bill:

The legislative authority of any city or town may authorize the use of the incremental increase of its local sales and use tax revenue to finance a community revitalization project that is located within the boundaries of a downtown or one or more neighborhood commercial districts. The incremental increase in a city or town's sales and use tax is based on the amount of increased taxable retail activity over the preceding year.

A city or town must designate the boundaries of each downtown or neighborhood commercial area before the use of local sales and use tax increment revenue. The city or town may pool the local sales and use tax increment revenue collected in the various designated downtown or neighborhood commercial areas: (a) to finance, in whole or in part, downtown or neighborhood commercial district community revitalization costs; (b) to pay into a bond redemption fund to pay principal and interest on general obligation bonds or revenue bonds issued to finance a downtown or neighborhood commercial district community revitalization project; and (c) to combine with any other public or private funds, available to the city or town, used to finance a community revitalization project.

A community revitalization project is defined to mean: (a) health and safety improvements; (b) publicly owned or leased facilities within the jurisdiction of the city or town; (c) project-related studies and analysis; (d) professional management, planning, and promotion within a downtown or neighborhood commercial district; (e) maintenance and security for common or public areas in the downtown or neighborhood commercial district; (f) historic preservation activities; and (g) project design, planning, land acquisition, construction, reconstruction, rehabilitation, improvement, operation, and installation of a public facility.

The Department of Revenue may provide advice or other assistance to cities and towns to assist them in determining the amount of local sales and use tax increment revenue that is generated in a downtown or neighborhood commercial area.

Substitute Bill Compared to Original Bill:

The substitute bill: (a) clarifies that the incremental increase in the local sales and use tax generated in a downtown or neighborhood commercial district applies only to the city's or town's portion and does not include any portion that is entitled to the county; (b) removes the creation of the Washington Main Street Program and the Washington Main Street Advisory Committee; and (c) removes the July 1, 2003 effective date for the

Washington Main Street Program and the Washington Main Street Advisory Committee.

Appropriation: None.

Fiscal Note: Requested on January 18, 2002.

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

Testimony For: This bill will allow a city to identify the revenue generated within a specific area and use it for activities that promote the area's retail trade or assist in its revitalization. We support the efforts of the cities, but there needs to be language that clarifies that the incremental increase in local sales tax does not include any portion that is the county's sales tax.

Testimony Against: None.

Testified: (In support) Randy Lewis, city of Tacoma.

(In support with concerns) Paul Parker, Washington Association of Counties.