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## Trade & Economic Development Committee

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### HB 2592

**Brief Description:** Revising community revitalization financing.

**Sponsors:** Representatives Gombosky, Ahern, Eickmeyer, Clements, Grant, Dunn, Fromhold, Mulliken, Wood, Ogden, Linville, Hatfield and Conway.

#### Brief Summary of Bill

- Allows a fire protection district to elect to participate or opt-out of a community revitalization project.
- Authorizes a local government to issue nonrecourse revenue bonds to fund revenue generating public improvements, or portions of public improvements that are located within a tax increment area.
- Repeals the Community Revitalization Financing (CRF) Program's July 1, 2010 expiration date.

**Hearing Date:** 1/29/02

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

#### Background:

The Community Revitalization Financing (CRF) Program was created in 2001. The CRF program authorizes counties, cities, towns, and port districts (local governments) to create tax increment areas within their boundaries where community revitalization projects are financed by diverting a portion of the incremental increase in the regular property taxes imposed by local governments within the tax increment area.

Community revitalization projects include traditional infrastructure improvements such as: (1) street and road construction and maintenance; (2) water and sewer system construction; (3) sidewalk and streetlight construction; (4) parking, terminal, and dock facilities; (5) park and ride facilities of a transit authority; (6) storm water and drainage systems; and (7) park and recreation facilities. The term community revitalization project also includes project-related studies and analysis, professional management and promotion, management and promotion of retail trade activities, maintenance and security for common areas, and historic preservation.

The creation of a tax increment area requires that:

- The local government adopts an ordinance designating the tax increment area within its boundaries and specifies the public improvements to be financed.
- The tax increment area may not be established unless the local government taxing districts (not including the state) imposing at least 75 percent of the regular property taxes within this area sign a written agreement approving the tax increment financing.
- The local government must hold a public hearing on the proposal.
- Any fire protection district with territory located in the tax increment area must approve the creation of the increment area and diversion of its incremental increase in regular property tax.
- The local government must adopt an ordinance establishing the tax increment finance area.

Regular property taxes imposed by all local governments within the tax increment area on 75 percent of any increase in assessed valuation occurring in that area after its creation are diverted to finance the community revitalization projects. Regular property taxes imposed by any local government on all of the remaining value (the assessed valuation in the year before the tax increment area was created plus 25 percent of any increase in assessed valuation in the tax increment area) are distributed to the local government as if the tax increment area had not been created.

The ability of a local government to establish a tax increment area and use a portion of the increase in regular property tax to finance community revitalization projects expires July 1, 2010.

**Summary of Bill:**

The Community Revitalization Financing (CRF) Program is revised to allow any fire protection district that has any portion within a tax increment area to elect to approve or opt-out of their participation in a community revitalization project. Any fire protection district that elects to opt-out of its participation in a community renewal project retains their full amount of regular property tax plus 100 percent of any increase in assessed valuation in the tax increment area that is assigned to the fire protection district.

A local government may issue nonrecourse revenue bonds to finance revenue generating public infrastructure improvements, or portions of public infrastructure improvements that are located within a tax increment area. Any revenue bonds issued by a local government to finance a public improvement is not considered a debt of the local government. All payments of principal and interest on the nonrecourse revenue bonds must only be payable from the revenues generated by the operation of the public infrastructure improvement. No nonrecourse bond may be issued with a term that exceeds 30 years.

The CRF program expiration date of July 1, 2010 is repealed.

**Appropriation:** None.

**Fiscal Note:** Available.

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