HOUSE BILL REPORT
HB 2592

As Reported by House Committee On:
Trade & Economic Development

Title: An act relating to community revitalization financing under chapter 39.89 RCW.

Brief Description: Revising community revitalization financing.

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

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

Brief Summary of Substitute Bill

- Clarifies that a fire protection district must agree to participate in order for a local government to proceed with community revitalization financing of public improvements.
- Authorizes a local government to issue non-recourse revenue bonds to finance 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.

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:

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) sidewalks and streetlights 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 adopt 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; and
- 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 Substitute Bill:

The CRF program is revised to clarify that a fire protection district must agree to participate in a community revitalization project in order for a local government to proceed with the financing of public improvements using the incremental increase in the local regular property tax.

A local government may issue non-recourse 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 bond issued by a local government to finance a revenue generating public improvement is not considered a debt of the local government. All payments of principal and interest on the non-recourse revenue bonds must only be payable from the revenues generated by the operation of the public infrastructure improvement. No non-recourse bond may be issued with a term that exceeds 30 years.

The CRF program expiration date of July 1, 2010 is repealed.

Substitute Bill Compared to Original Bill:

The substitute bill: (a) removes the language that allowed a fire protection district to elect to participate or opt-out of their participation in a community revitalization project; (b) clarifies that a fire protection district must agree to participate in order for a local government to proceed with the financing of public improvements using the incremental increase in local regular property taxes generated within the tax increment area; and (c) requires that public improvements constructed within the tax increment area by a private developer must meet applicable state and local laws or standards.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: We need to make the community revitalization financing program more workable for all communities as they work to address their infrastructure needs. The existing language is unclear as to what is the impact of having the fire protection district not participate. The language now clarifies the impact of them either participating or not participating. The ability to issue non-recourse revenue bonds provides another financing tool for those communities that are already close to their debt ceiling, in particular for smaller communities.

Testimony Against: None.

Testified: (In Support) Representative Gombosky, prime sponsor; Ron Newbry and

Mark Turner, Washington Economic Development Association; Scott Taylor, Washington Public Ports Association; and Bryan Wahl, Infrastructure Coalition/Washington Association of Realtors.

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