SENATE BILL REPORT
SB 5720

As Reported By Senate Committee On:
Economic Development & Telecommunications, February 28, 2001

Title: An act relating to community revitalization financing.

Brief Description: Promoting community revitalization.

Sponsors: Senators Carlson, West, T. Sheldon, Sheahan, Hewitt, B. Sheldon, Stevens, Winsley, McAuliffe and Rasmussen.

Brief History:
Committee Activity: Economic Development & Telecommunications: 2/19/01, 2/28/01 [DPS].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5720 be substituted therefor, and the substitute bill do pass.
Signed by Senators T. Sheldon, Chair; B. Sheldon, Vice Chair; Brown, Fairley, Haugen, Rossi and Stevens.

Staff: Andrea McNamara (786-7483)

Background: Many local governments are seeking ways to raise revenue to finance public improvements that are designed to encourage economic growth and development, particularly those local governments in areas characterized by high levels of unemployment, and stagnant employment and income growth. It is believed that the construction of necessary public improvements will encourage investments in job-producing private development and expand the public tax base.

One approach supported by some local governments is tax increment financing. Tax increment financing temporarily reallocates taxes paid on the increase in the tax base in a specified area to pay the costs of public improvements that benefit the property in the area.

Washington State does not currently authorize tax increment financing. Forty-five other states authorize some form of tax increment financing.

Summary of Substitute Bill: The legislative purposes of the act are specified. They include, among other things, encouraging taxing districts to cooperate in allocation of future tax revenues used to finance public improvements designed to encourage private development, assisting local governments that have a geographical disadvantage in attracting investment or development, and preventing or arresting decay of selected areas.

Local governments may finance qualified public improvements using community revitalization financing. Eligible local governments include cities, towns, and counties. Qualified public improvements include specified infrastructure improvements, publicly-owned or leased facilities, and costs related to environmental analysis, professional management, planning, and promotion, maintenance, security, and historic preservation.

The community revitalization financing mechanism involves apportioning 75 percent of the growth in certain property tax revenues created as the result of increases in the tax base to repay the costs of public improvement investments in the area. Property taxes levied by the state for support of common schools, and by public utility districts and port districts for repaying general obligation bonds are excluded from the apportionment.

The program is subject to certain conditions, including: (1) that local governments must adopt the proper ordinances designating the increment areas and proposed projects to be financed; (2) the improvements must be expected to encourage private development and increase valuation of real property located in the increment area; (3) development must be consistent with growth management or local comprehensive plans; (4) taxing districts, in the aggregate, that levy at least 60 percent of the regular property tax within which the increment area is located must approve the community revitalization financing of the project.

Implementation and coordination requirements are specified for local governments, including requiring written agreements from taxing districts levying 60 percent of the property taxes, holding public hearings, adopting ordinances, publishing notices, and notifying county officials and all affected taxing districts.

The county assessor is directed to allocate 25 percent of any increased real property value occurring in the increment area to the tax allocation base value and the other 75 percent to the increment value.

Technical changes are made to facilitate the property tax provisions.

The authority for community revitalization financing expires July 1, 2010.

Substitute Bill Compared to Original Bill: The substitute clarifies who can sponsor an increment area. It also clarifies that the tax increment financing program does not affect excess property tax levies. Other technical corrections are made.

Appropriation: None.

Fiscal Note: Requested on January 31, 2001.

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

Testimony For: This bill is important to the economic development success of many areas in the state, especially border areas that have to compete with other states offering more attractive incentives than Washington. Tax increment financing does not take anything away from what the state or junior taxing districts currently receive. The state benefits without having to put any money into the program, and the junior districts benefit by getting 25 percent of the tax revenues from the increased property values immediately and 100 percent after the retirement of the project's financing. It leaves the control up to the local communities.

Testimony Against: None.

Testified: PRO: Senator Don Carlson, prime sponsor; Todd Mielke, Spokane Regional Chamber of Commerce; Mark Turner, Spokane Area Economic Development Council; John Stone, Spokane Symposium Series, John Stone Development; Scott Taylor, WPPA; Ron Newbry, WA Economic Development Assn.; T.K. Bentler, Metro Parks of Tacoma; Bryan Wahl, Realtors.