

HOUSE BILL REPORT

HB 2485

As Reported by House Committee On:
Finance

Title: An act relating to definitions applicable to local infrastructure financing tool program demonstration projects.

Brief Description: Modifying definitions applicable to local infrastructure financing tool program demonstration projects.

Sponsors: Representatives Fromhold, Orcutt, Wallace, Moeller, Dunn, Blake and McIntire.

Brief History:

Committee Activity:

Finance: 1/22/08, 2/6/08 [DP].

Brief Summary of Bill

- Increases state and local excise tax allocation revenue for Local Infrastructure Finance Tool program demonstration projects with a base year of 2008.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 7 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Conway, Ericks, McIntire and Roach.

Minority Report: Do not pass. Signed by 2 members: Representatives Condotta, Assistant Ranking Minority Member; Santos.

Staff: Jeff Mitchell (786-7139).

Background:

The Local Infrastructure Financing Tool (LIFT) program, enacted by the 2006 Legislature, helps local governments finance public improvements to promote economic development.

The LIFT projects are approved by the Community Economic Revitalization Board (CERB) in consultation with the Department of Revenue (DOR) and the Department of Community,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Trade and Economic Development (DCTED). As part of the 2006 legislation creating the LIFT program, the state recognized several demonstration projects to determine the feasibility of the LIFT program. Demonstration projects must be approved prior to any other application. The state's maximum contribution for these projects was also specified in the legislation. These projects are the Bellingham redevelopment project (\$1 million per year), the Spokane River district project (\$1 million per year), and the Vancouver Riverwest project (\$500,000 per year).

A local government establishes a geographic boundary for a revenue development area (RDA) where the public improvement projects will occur. To finance these public improvements, the sponsoring and participating local governments allocate increases in local sales taxes and property taxes within the RDA. The state also contributes through a credit against the state sales and use tax for taxable transactions within the geographic area of the sponsoring and participating local governments. The total statewide contribution is \$7.5 million per year for 25 years.

The state contribution for a specific RDA project is limited to the lesser of:

- (1) \$1 million;
- (2) the total amount of local property tax and excise tax allocation revenues and other revenues from local sources for the previous calendar year;
- (3) the amount of state property and excise tax allocation revenues for the previous calendar year; or
- (4) the amount of the project award.

State or local excise tax allocation revenues are the amount of state or local sales taxes received by the state or the sponsoring and participating local governments in the measurement year over the base year. The base year is generally the calendar year following the calendar year in which a project is approved by the CERB. The measurement year is any year after the base year. Two demonstration projects have base years in 2008: the Spokane River district project and the Vancouver Riverwest project.

Summary of Bill:

For an RDA associated with a demonstration project, state and local excise tax allocation revenue is increased to the entire amount of state and local excise tax collected during any measurement year. Stated differently, the amount of excise taxes collected in the base year becomes zero. This change only applies to an RDA associated with a demonstration project where the sponsoring government reasonably determines that no local excise tax distributions were received during a five-month period from August 1, 2008, to December 31, 2008. Increasing the amount of state and local excise tax allocation revenue increases the amount of local excise tax allocation revenues that may be dedicated to a project and potentially increases the amount of the state contribution through the state sales and use tax credit.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: (In support) This is a technical fix necessary to protect funding for the Vancouver project. This bill does not change underlying policy. This bill will not increase state financial participation in any way. This bill will protect the \$500,000 state contribution. This is a great mixed-use project in the heart of Vancouver. The voters approved the project. A circumstance involving relocating a tenant to a new site could lead to a loss of up to 40 percent of the state participation. This change would fix the problem. The state contribution is extremely important to the success of the project.

(Opposed) None.

Persons Testifying: Mark Brown, City of Vancouver; and Eric Holmes, Director of Development for the City of Vancouver.

Persons Signed In To Testify But Not Testifying: None.