

SENATE BILL REPORT

SB 6196

As Passed Senate, February 14, 2008

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: Senators Pridemore, Zarelli and Kastama.

Brief History:

Committee Activity: Ways & Means:1/29/08, 1/31/08 [DP].
Passed Senate: 2/14/08, 47-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dianne Criswell (786-7433)

Background: Tax increment financing is a method of redistributing increased tax revenues within a geographic area resulting from a public investment to pay for the bonds required to construct the project.

In 2006 the Legislature created a new form of tax increment financing, the Local Infrastructure Financing Tool (LIFT) Program, to encourage private investment in community revitalization areas. The LIFT program assists local governments in making public improvements, such as streets, sidewalks, traffic controls, and parking. Public improvement projects in revenue development areas (RDA) are financed through a local sales and use tax that is credited against the state sales and use tax and matched with local resources, such as excess receipts from local sales/use and property taxes. The state contribution limit is \$7.5 million per year. The new sales and use tax must be used for the purpose of principal and interest payments on bonds issued for a project, but may also be used to pay the public improvement costs on a pay-as-you-go basis for the first five years.

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,

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Trade, and Economic Development (DCTED) through a competitive application process ending in 2008. There are three local demonstration projects:

- the Bellingham waterfront redevelopment project (up to \$1 million);
- the Spokane River district project at Liberty Lake (up to \$1 million); and
- the Vancouver Riverwest project (up to \$500,000).

The LIFT program expires June 30, 2039.

Local Excise Tax Allocation

The local government that creates an RDA may use annually any excess excise taxes received by it from taxable activity within the RDA to finance the public improvement costs financed in whole or in part by local infrastructure financing.

The local excise tax allocation revenue is the amount of excise taxes received by a local government during the measurement year within the RDA over and above the amount of excise taxes received there during the base year from taxable income within the RDA. The base year is the first calendar year following the creation of the RDA and the measurement year is a calendar year, beginning with the calendar year following the base year, that is used annually to measure the amount of excess excise taxes required to be used to finance the public improvement costs. However, if no excise taxes were received in the RDA in the 12 months prior to the creation of the area, then the excess excise taxes are the total amount of excise taxes received in each calendar year after the area is created.

Summary of Bill: For purposes of determining "local excise tax allocation revenue," if no local excise tax distributions were received in the RDA between August 1, 2008 and December 31, 2008, the "local excise tax allocation revenue" means the entire amount of local excise taxes received by the sponsoring local government during a calendar year period beginning with 2009 and continuing with each measurement year thereafter.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This bill does not increase state funding or make changes to LIFT policy. Instead, it will allow the Riverwest Project in Vancouver to receive the expected LIFT revenues, because unforeseen delays have occurred in relocating the principal tenant. Under current law, this delay will mean 40 percent less state funding. The draft was crafted narrowly to make this slight adjustment to the base year calculation of this project. The Riverwest Project is a wonderful mixed-use development, with a library, which will benefit the citizens of Vancouver.

Persons Testifying: PRO: Mark O. Brown, City of Vancouver; Eric J. Holmes, City of Vancouver.