SENATE BILL REPORT
SB 5045

As of January 30, 2009

Title: An act relating to community revitalization financing.

Brief Description: Promoting economic development and community revitalization.

Sponsors: Senators Kilmer, Zarelli, Brown, Kauffman, Shin, Marr, King, Regala, Rockefeller, Haugen, Berkey, Eide, Kastama, Jarrett, Pridemore, McAuliffe and Ranker.

Brief History:
Committee Activity: Economic Development, Trade & Innovation: 1/14/09.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Jack Brummel (786-7428)

Background: The 2001 Legislature authorized community revitalization financing (CRF). Efforts authorized under this legislation include traditional infrastructure improvements and environmental analysis, professional management, planning, promotion of retail trade activities, maintenance and security for common areas, and historic preservation. Under CRF, local governments must adopt an ordinance to create an area and get approval of project financing from the local government taxing districts imposing at least 75 percent of the regular property taxes within this area. Increased regular property taxes collected in an area are split: 25 percent of the increase is distributed to the local governments as if the area had not been created and 75 percent is used to finance the new projects. The state's property taxes are not affected.

Advocates of additional flexible financing tools have suggested that the current CRF statute should be amended to allow for using sales and use taxes in a similar manner and to allow for a state contribution to local infrastructure projects funded through CRF.

Summary of Bill: The bill as referred to committee not considered.

SUMMARY OF BILL (Proposed Substitute): The community revitalization financing program is expanded to allow local governments to finance public improvements using not only the increased local property tax revenues, but also increased sales and use tax revenues from a locally defined area and a state match of local revenues, up to $1 million per year, per project, deducted from state sales and use tax revenues. Permissible public improvements

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are expanded to include bridges, passenger rail, landscaping, environmental remediation, and utility infrastructures.

The threshold for local taxing districts approval is lowered to 60 percent. Fire districts may opt in or out independently, and their property taxes are not included in calculating the 60 percent. Local governments intending to finance public improvements in an area need to reach agreement with private developers regarding private improvements within an area and must find that the improvements financed with this program will improve the viability of existing business in the area and would not likely occur without this program. Local governments must also find that community revitalization financing is reasonably likely to increase private investment and jobs within the area.

A jurisdiction may not use community revitalization financing for public facility district projects or to move Washington businesses into the area if the businesses are currently operating outside the area.

The procedural steps necessary to adopt an ordinance establishing an area are increased.

A local government that creates an area may use any increased excise (sales and use) taxes received by it from taxable activity within the area to finance the public improvement costs. When these revenues are no longer necessary or obligated to pay the costs of the public improvements, the local government may no longer allocate them for community revitalization financing.

A jurisdiction that has financed public improvements under the community revitalization program may, upon approval from the Department of Revenue (DOR), collect sales and use tax within an approved area as a state match to the property and excise tax allocations, plus any private contributions, that the area has realized the previous calendar year. A jurisdiction may collect from this tax each year no more than $1 million or the sum of the state property tax and sales and use tax increases from the area, whichever is lesser. This new tax expires when bonds issued are retired, but not more than 25 years after imposed.

The limit for credit against the state sales and use tax for all areas is $5 million in the first year. In each of the three subsequent years, the total amount credited against the state sales and use tax increases by the percentage increase in the assessed value of all property within the state as determined by DOR.

Jurisdictions that establish an area must provide DOR with information on the taxes collected, the businesses attracted, the jobs created, and the wages paid.

A local government that issues bonds to finance public improvements may pledge for payment of such bonds all or part of any tax allocation revenues derived from the public improvements. It can also pledge the revenues of the credit against the state sales and excise tax. The bonds issued by the local government to finance the public improvements do not constitute an obligation of the state.

Appropriation: None.

Fiscal Note: Requested on January 13, 2009.

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 tool allows locals to leverage growth; pay for their own infrastructure; and be less dependent on the state. strategic investment in infrastructure needs reliable funding. This spurs business development and provides accountability.

It would be good to allow for opt-out by all locals. Perhaps as a penalty for violating the relocation provision there could be a payback of benefits.

Other: It is preferable to have 75% of the taxing districts included so no city can do this unilaterally without the county.

Persons Testifying: Pro: Senator Kilmer, prime sponsor; Bill Baarsma, Mayor of Tacoma; Eric Holmes, City of Vancouver; Ashley Probart, Assoc. of Wa. Cities; Jim Hedrick, Greater Spokane Inc.; Greg Hanon, Nat. Assoc. of Industrial and Office Properties; Amber Carter, AWB.

Other: Scott Merriman WA. Assoc. of Counties.