SENATE BILL REPORT
SB 5045

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, February 09, 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, 2/09/09 [DPS-WM].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: That Substitute Senate Bill No. 5045 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators Kastama, Chair; Shin, Vice Chair; Zarelli, Ranking Minority Member; Delvin, Eide, Kilmer and McCaslin.

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 (Recommended Substitute): Local governments may finance public improvements using local revitalization financing. Local revitalization financing is the use bond financing to pay for public improvements within a designated area and the use of increased local property tax revenues and increased sales and use tax revenues from within that locally defined area to pay off the bonds. Permissible public improvements are expanded beyond those allowed for CRF to include bridges, rail, landscaping, environmental remediation, and utility infrastructures.

Local governments intending to finance public improvements in an area must 1) adopt an ordinance designating a revitalization area: 2) reach agreement with private developers regarding private improvements within an area; and 3) find that local revitalization financing will improve the viability of exiting business in the area and the proposed development would not likely occur without the financing. Local governments must also find that the improvements financed are reasonably likely to increase private investment and jobs within the area.

A jurisdiction may not use local revitalization financing for public facility district projects and must find that local revitalization financing will not be used to relocate a Washington business into the revitalization area from outside the area, unless convincing evidence is provided that the firm being relocated would leave the state.

Taxing districts imposing property taxes and local governments imposing sales and use taxes may, by ordinance, choose not to participate in local revitalization financing. Local governments choosing to participate must enter into an interlocal agreement with the sponsoring local government creating the local revitalization area.

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

A local government creating a revitalization area may receive a state contribution if it has applied to DOR and been approved for a project award amount. A jurisdiction approved for a project award amount may impose a sales and use tax which is credited against the state sales and use tax. The amount of the state contribution may not exceed $1 million. The annual state contribution to all projects is limited to $5 million.

A local government that creates a local revitalization area and authorizes local revitalization financing may issue bonds to finance public improvements and retire the indebtedness with local revitalization financing and other sources of fund. 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 percent 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, Association of Washington Cities; Jim Hedrick, Greater Spokane Inc.; Greg Hanon, National Association of Industrial and Office Properties; Amber Carter, AWB.

OTHER: Scott Merriman, Washington Association of Counties.