

HOUSE BILL REPORT

HB 1308

As Reported by House Committee On:
Community Development & Housing

Title: An act relating to increasing the flexibility for industrial development district levies for public port districts.

Brief Description: Increasing the flexibility for industrial development district levies for public port districts.

Sponsors: Representatives Kenney, Walsh, Takko, Finn, Tharinger, Maxwell and Santos.

Brief History:

Committee Activity:

Community Development & Housing: 1/24/11, 2/7/11 [DPS].

Brief Summary of Substitute Bill

- Increases the maximum time period for an industrial development district levy from six to 20 years.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT & HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Kenney, Chair; Finn, Vice Chair; Maxwell, Ryu, Santos and Walsh.

Minority Report: Without recommendation. Signed by 2 members: Representatives Orcutt, Assistant Ranking Minority Member; Ahern.

Staff: Jennifer Thornton (786-7147).

Background:

Ports.

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.

There are 75 ports in Washington, with port districts located in 33 of 39 counties. Washington's ports are governed by an elected commission, independent of other local jurisdictions. Commissioners are elected to either four or six-year terms.

Port commissions establish long-term strategies for a port district, and create policies to guide the development, growth, and operation of the port. They are responsible for a port's annual budget, approving tax levy rates, and hiring port staff.

Property Taxes.

Property taxes are imposed by state and local governments. The county assessor determines assessed value for each property. The county assessor also calculates the tax rate necessary to raise the correct amount of property taxes for each taxing district. The assessor calculates the rate so the individual district rate limit, the district revenue limit, and the aggregate rate limits are all satisfied. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. The assessor delivers the county tax roll to the county treasurer. The county treasurer collects property taxes based on the tax roll.

The annual increase in district property taxes is restricted by the 1 percent property tax revenue limit. This limit requires the district's tax rate to be reduced as necessary to limit the total amount of property taxes to the highest property tax amount in the three most recent years, plus 1 percent, plus an amount equal to last year's tax rate multiplied by the value of new construction in the district. This limit acts to reduce district rates below the maximum rate allowed for the district.

Industrial Development District Levies.

There are three types of levies a port may impose: (1) levies for general port purposes; (2) levies for dredging, canal construction, land leveling, or filling purposes; and (3) levies for industrial development purposes.

A port commission, after holding a public hearing, has the authority to create an industrial development district (IDD) within the broader port district for the purpose of establishing and developing a system of harbor improvements and industrial development. Port districts may impose a property tax levy (IDD levy) to provide funds for ports to acquire, develop, and improve under-utilized industrial lands. The IDD levy funds may be used for capital investment and improvements, acquisition and development, environmental work, and debt service within the IDD. An IDD levy is limited to six years. However, an IDD levy can be renewed for a second six-year period if notice of the levy is published in one or more newspapers of general circulation with the port district by June 1 of the year in which the levy is imposed. A second IDD levy is subject to a referendum vote if at least 8 percent of the voters voting at the last gubernatorial election sign a referendum petition.

The ports of Port Angeles, Port Townsend, Grays Harbor, Ilwaco, and Peninsula may impose a third six-year IDD levy if approved by the voters.

The maximum tax rate of an IDD levy is 45 cents per \$1,000 of assessed value. Since 1985, 21 ports have levied IDDs. For property taxes due in 2010, four ports levied for industrial development purposes.

Summary of Substitute Bill:

For each six-year period for an IDD levy, the maximum levy period is increased to 20 years.

The maximum aggregate revenue amount that can be collected over the first or second revenue period is the same as the maximum allowable amount that could have been collected under current statute.

A port district must adopt a resolution during the base year approving the use of a first or second multi-year levy period. The base year is defined as the year prior to the first collection year in the levy period.

Ports with a current IDD levy are not permitted to lengthen the six-year time period of their existing levy. Ports that levied under the current statute may not levy under the new statute for the same levy period.

Levy periods are not required to run consecutively and levy periods may not overlap.

The date the port must publish notice of its intention to impose the second IDD levy is changed from June 1 to April 1 of the year in which the levy is imposed.

Substitute Bill Compared to Original Bill:

The maximum aggregate revenue amount is changed, so that the maximum sum that can be collected over the first or second revenue period is the same as the maximum allowable amount that could have been collected under current statute.

The substitute bill specifies that first and second year levy periods do not have to be consecutive, and that first and second multi-year levy periods may not overlap.

The substitute bill makes technical changes by: (1) adding the words "per thousand" for the maximum aggregate revenue that may be collected; (2) clarifying that ports currently issuing an IDD levy retain the current statutory provisions for that levy period; (3) clarifying that a port that levied under the current statute may not levy under the new statute for the same levy period, but can issue a levy for any levy period(s) remaining under current statute; and (4) clarifying that the rate and revenue limit for the third levy is identical to current statute.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill allows ports to better use their existing capacity to make infrastructure improvements and create jobs in their communities. It will primarily benefit small to mid-sized ports by fostering economic development in their communities, which is a primary mandate of ports. It provides needed flexibility without increasing taxes. It just provides a local option to levy for more time. Of the many strategies looked at by the ports during the economic downturn, this strategy will be particularly effective for smaller ports by providing seed money and opportunities for low-interest bond financing that would leverage the levy amount. This strategy lays the ground work for private-sector investments, and private-sector partnerships with ports. This will help ports size their levy appropriately to meet the demands of the improvements.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor; Bob McChesney, Port of Edmonds; Dane Anderson, Port of South Whidbey; and Ginger Eagle, Washington Public Port Association.

Persons Signed In To Testify But Not Testifying: None.