

SENATE BILL REPORT

SB 5222

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, February 14, 2011

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: Senators Kastama, Delvin, Eide, Honeyford, Hargrove, Haugen, Prentice, Hobbs, Shin and Chase.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 1/26/11, 2/02/11, 2/14/11 [DPS].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: That Substitute Senate Bill No. 5222 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kastama, Chair; Chase, Vice Chair; Baumgartner, Ranking Minority Member; Ericksen, Hatfield, Kilmer, Shin and Zarelli.

Staff: Edward Redmond (786-7471)

Background: Property tax levies imposed by port districts are excess levies beyond the constitutional 1 percent limitation on the cumulative rates of regular property taxes that may be imposed in any year. Port districts have been authorized to impose, among others, the following property tax levies:

- annual levies of up to \$0.45 per \$1,000 of assessed valuation, which may be imposed without voter approval for general port purposes; and
- annual levies of up to \$0.45 per \$1,000 of assessed valuation, which may be imposed without voter approval for two six-year periods to finance the industrial development of marginal lands located within industrial development districts (IDD) created by the port district.

The first levy of the IDD by a port district is not subject to the 100 percent limitation even though voters do not authorize this levy. This is a one-time exemption from the 100 percent

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limitation. If a port district has already imposed levies for industrial development of marginal lands for six years, the port must publish a notice in a newspaper of general circulation in its boundaries that it intends to continue imposing levies or begin reimposing these levies for the second set of six years. A potential referendum on the second six years of levies will be submitted to the voters if a referendum petition is timely filed.

If voters approve a ballot proposition authorizing the additional levies, a port district in a county bordering the Pacific Ocean may impose additional annual property tax levies of up to \$0.45 per \$1,000 of assessed valuation for a third six-year period to finance industrial development of marginal lands in IDD's. This additional taxing authority applies to the ports of Port Angeles, Port Townsend, Grays Harbor, Willapa Harbor, Peninsula, Ilwaco, and Chinook.

Summary of Bill (Recommended Substitute): Provisions regarding IDD levies for port districts are amended. Port districts are authorized to collect revenue through a multiyear annual IDD levy, which may be extended for a second and third time so long as certain statutory requirements are met and the levy period does not exceed 20 years from the date the initial levy is assessed. 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.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & INNOVATION COMMITTEE (Recommended Substitute): Amends the maximum aggregate revenue amount 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. 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.

Makes the following technical changes: adds the words "per thousand" for the maximum aggregate revenue that may be collected; provides that ports currently issuing an IDD levy retain the current statutory provisions for that levy period; provides that a port which 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 remaining under current statute; and clarifies that the rate and revenue limit for the third levy is identical to current statute.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: Infrastructure development is an essential part of economic development, particularly as it pertains to industrial development of marginal lands. The Port of Edmonds' Trade and Economic Development Committee, over the past couple of years, has been trying to come up with alternative strategies and financing tools to complete development projects in response to recent budgetary constraints. IDD money is really seed money: it is important for bond financing, which is used to leverage infrastructure improvements; infrastructure improvements attract private sector investment and new partnership, which creates jobs; partnership and job creation will effectively increase and maintain the state's economic competitiveness. IDD levy powers are very important to all ports, both large and small. The current levy capacity of \$0.45 cents for six years is actually more than the Port of South Whidbey needs for its projects. However, if the port does not utilize the full \$0.45 cents, it would sacrifice the future capacity because of the way the law is currently written. The IDD levies need to be sized for the project that ports have. Small ports need to be able to minimize the tax burdens on its neighbors and the ports. This bill provides ports with additional flexibility; it does not expand or increase the taxing authority of the ports to invest in infrastructure. The bill extends the taxing period from six years out to 20 years, which gives the ports a lot more flexibility in financing.

Persons Testifying: PRO: Bob McChesney, Port of Edmonds; Eric Johnson, Washington Public Ports Association; Dane Anderson, Port of South Whidbey.