

# SENATE BILL REPORT

## SJR 8213

---

---

As of February 11, 2011

**Brief Description:** Providing for community redevelopment financing in apportionment districts.

**Sponsors:** Senators Kilmer, Delvin, Kastama and Litzow.

**Brief History:**

**Committee Activity:** Economic Development, Trade & Innovation: 2/14/11.

---

### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

**Staff:** Edward Redmond (786-7471)

**Background:** Traditional tax increment financing is a method of allocating a portion of property taxes to finance economic development in urban areas. Local governments that use tax increment financing generally issue bonds to finance public improvements. To repay bondholders, the local governments are permitted to draw upon regular property tax revenue collected from property owners inside a special district surrounding the site of the public improvements. Construction of public improvements tends to increase the market values of nearby properties. Increases in value can result in increased property taxes for each taxing district that includes property near the public improvement. Under tax increment financing, the local government making the improvement gets all of the resulting tax revenue increase.

In 1995 the Washington State Supreme Court ruled that the City of Spokane's use of tax increment financing to fund a redevelopment project violated Article IX, section 2 of the Constitution. The Court held that it allowed property tax revenues to be diverted away from the common schools, which was in violation of the constitutional requirement that state tax for common schools be applied exclusively to support common schools. By ruling narrowly under the school funding clause of the Constitution, the Supreme Court did not reach other tax uniformity issues. Therefore, the constitutionality of tax increment financing under the uniformity clause is still an open question.

**Summary of Bill:** The Secretary of State will submit a proposed constitutional amendment to the voters at the next general election. The amendment authorizes local governments, subject to legislative approval, to use all or a portion of regular or special ad valorem taxes levied within designated boundaries to pay for specified public improvements or obligations issued to fund such improvements. The designated boundaries must be within the local

---

*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.*

government's jurisdiction and contain only property that the local government determines will increase in value due to the public improvements.

The use of this taxing mechanism within the designated boundaries is exempt from uniformity requirements and the 1 percent limit on real and personal property. The amendment provides that this taxing mechanism is not a violation of Article IX, section 2 of the Constitution, and is not subject to the state's limit on general obligation bonds.

**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.