HOUSE BILL REPORT
E2SHB 1306

As Passed House:
June 26, 2013

Title: An act relating to extending the expiration dates of the local infrastructure financing tool program.

Brief Description: Extending the expiration dates of the local infrastructure financing tool program.

Sponsors: House Committee on Finance (originally sponsored by Representatives Wylie, Moeller, Harris, Pike, Johnson, Chandler, Sells, Pollet, Upthegrove and Moscoso).

Brief History:
Committee Activity:
Technology & Economic Development: 2/5/13, 2/20/13 [DPS];
Finance: 2/26/13, 2/28/13 [DP2S(w/o sub TED)].
Floor Activity:
Passed House: 3/9/13, 81-16.
Senate Amended.
Passed Senate: 4/27/13, 45-2.
Second Special Session
Floor Activity:
Passed House: 6/26/13, 73-14.

Brief Summary of Engrossed Second Substitute Bill

- Extends the expiration date of the Local Infrastructure Financing Tool program from June 30, 2039, to June 30, 2044.
- Requires local jurisdictions to commence construction by June 30, 2017, to impose the state shared local sales and use tax.
- Removes the requirement that a sponsoring local government issue indebtedness to receive a state sales and use tax credit.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

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.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Morris, Chair; Habib, Vice Chair; Smith, Ranking Minority Member; Crouse, Assistant Ranking Minority Member; Hudgins, Kochmar, Magendanz, Maxwell, Morrell, Stonier, Tarleton, Vick, Walsh, Wylie and Zeiger.

Minority Report: Do not pass. Signed by 1 member: Representative Dahlquist.

Staff: Jennifer Thornton (786-7147).

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology & Economic Development. Signed by 12 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Hansen, Lytton, Pollet, Springer, Vick and Wilcox.

Minority Report: Without recommendation. Signed by 1 member: Representative Reykdal.

Staff: Dominique Meyers (786-7150).

Background:

In 2006 the Local Infrastructure Financing Tool (LIFT) program was created and made available to certain local governments for financing local public improvement projects intended to encourage economic development or redevelopment. As part of the LIFT program, a sponsoring local government (a city, town, county, or federally recognized Indian tribe) creates a "revenue development area" from which annual increases in revenues from local sales and use taxes and local property taxes are measured. Such increases in revenues and any additional funds from other local public sources are then used to pay for public improvements in the revenue development area and are also used to match a state contribution.

State funding for the LIFT program is provided through a credit against the state sales and use tax. The sponsoring local government is allowed to retain a certain amount of state sales and use tax revenue that would otherwise be deposited in the State General Fund. The maximum state contribution that a sponsoring local government can receive each year is limited to the lesser of:

- $1 million;
- the amount of the project award;
- the amount of local matching funds dedicated to the payment of the public improvements or bonds in the previous calendar year; or
- the highest amount of incremental state sales and use and state property tax revenues for any one calendar year.

The local funds and state contribution are used for the payment of bonds issued for financing local public improvements within the revenue development area. The public improvements may be financed on a pay-as-you-go basis but only for the first five years of the state contribution. Sponsoring local governments must issue bonds by the end of the fifth fiscal year that the state sales tax revenue is retained. State sales taxes cannot be retained by a sponsoring local government for the LIFT program for more than 25 years.

The maximum statewide contribution for all of the LIFT projects is capped at $7.5 million per year. Nine projects have been awarded state contributions under the LIFT program. The projects are located in Bellingham, Bothell, Everett, Federal Way, Mount Vernon, Puyallup, Vancouver, Yakima, and Spokane County.

The application process for the LIFT program is closed. The expiration date for the LIFT program is June 30, 2039.

Summary of Engrossed Second Substitute Bill:

The expiration date of the Local Infrastructure Financing Tool (LIFT) program is extended from June 30, 2039, to June 30, 2044.

The requirement that a sponsoring or cosponsoring local government issue indebtedness to finance the costs of public improvements is removed. The sponsoring or cosponsoring local government must commence construction of a public improvement project by June 30, 2017, to impose the state shared local sales and use tax.

The Department of Revenue's (Department) determination of the amount of the state contribution is final and conclusive, and can only be changed if the Department later finds that local revenue information reported by a local government differs from the actual amount of dedicated local revenue. If a discrepancy is found, the Department must adjust its determination accordingly.

The sponsoring local government's annual report to the Community Economic Revitalization Board and Department must additionally include local revenues received by cosponsoring local governments and any participating local governments for the LIFT-related public improvements.

"Dedicated" is defined to mean pledged, set aside, allocated, received, budgeted, or otherwise identified.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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

Staff Summary of Public Testimony (Technology & Economic Development):

(In support) This bill corrects an unintended consequence of the original Local Infrastructure Financing Tool (LIFT) legislation by extending important deadlines. In 2007 the city of

Vancouver entered into an agreement with a developer that includes a library, office space, and retail space, all served by a parking garage funded by LIFT. The library opened last year. An average of 1,500 people a day come into the building, but there is limited parking available. Vancouver would need to start next year to maximize the 25 years and complete the project by the 2039 date. Extra time is needed to complete a sustainable, economically viable mixed-use project, and realize the full potential for the site. A mill that shut down in Yakima eliminated 250 jobs in the community. Redeveloping this site will generate approximately 5,000 jobs. Given the local, state, and national economic challenges, it is difficult to accomplish major projects. Providing an increased time to bond does not raise any taxes. Yakima needs to be shovel ready to issue the bonds, and will not be ready in 2015. The investment of $25 million in Yakima over 25 years is expected to generate $337 million in private sector investment and $426 million in tax revenue over the next 30 years.

(Opposed) None.

Staff Summary of Public Testimony (Finance):

(In support) Vancouver is concerned that the sunset date would require Vancouver to prematurely levy the state shared tax to being implementation of a public private project before the city is ready. Vancouver wants a robust project and the sunset is arbitrary and requires us to trigger the project before the city is ready. In order to maximize the full potential of the Local Infrastructure Financing Tool (LIFT) program Vancouver would have to implement the project next year and the city is not financially prepared to start next year. The extension of the expiration to 2049 will allow the city to maximize the full LIFT 25-year program.

Mount Vernon's LIFT funding of up to $500,000 a year is critical. Using Mount Vernon's LIFT funds is a timing issue. Providing Mount Vernon with more time to start the clock will have a definite pay off for the state. To develop Yakima's LIFT project will create 200 short-term construction jobs and long term over 4,000 jobs. It has been tough for Yakima to get started on this project.

(In support with amendment) The bond council just has one technical amendment they would like to suggest; the language does not change the intent.

(Opposed) None.

Persons Testifying (Technology & Economic Development): Alisa Pyszka; Patty Reyes, Fort Vancouver Regional Library; and Joan Davenport, City of Yakima.

Persons Testifying (Finance): (In support) Representative Wylie, prime sponsor; Mark Brown, and Alisa Pyszka, City of Vancouver; Patty Reyes, Fort Vancouver Regional Library; Jill Boudreau, City of Mount Vernon; and Jim Justin, City of Yakima.

(In support with amendment) Jim Hedrick, Greenstone Homes.

Persons Signed In To Testify But Not Testifying (Technology & Economic Development): None.

Persons Signed In To Testify But Not Testifying (Finance): None.