

# HOUSE BILL REPORT

## HB 1265

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**As Reported by House Committee On:**  
Technology & Economic Development

**Title:** An act relating to creating a bond issuance exemption for qualifying local revitalization financing projects.

**Brief Description:** Creating a bond issuance exemption for qualifying local revitalization financing projects.

**Sponsors:** Representatives Fey, Kochmar, Jinkins and Gregory.

**Brief History:**

**Committee Activity:**

Technology & Economic Development: 1/28/15, 2/10/15 [DP].

**Brief Summary of Bill**

- Eliminates the requirement that a city or county issue bonds for certain Local Revitalization Financing program demonstration projects.

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### HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass. Signed by 8 members: Representatives Morris, Chair; Tarleton, Vice Chair; DeBolt, Assistant Ranking Minority Member; Fey, Hudgins, Magendanz, Santos and Wylie.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Smith, Ranking Minority Member; Harmsworth and Young.

**Staff:** Kirsten Lee (786-7133).

**Background:**

Local Revitalization Financing Program.

In 2009 the Legislature created the Local Revitalization Financing (LRF) program. The LRF program authorizes cities and counties to create 'revitalization areas' and allows certain

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increases in local sales and use tax revenues and local property tax revenues generated from within the revitalization area, additional funds from other local public sources, and a state contribution to be used for payment of bonds issued for financing local public improvements within the revitalization area. The state contribution is provided through a new local sales and use tax that is credited against the state sales and use tax.

The Department of Revenue (Department) is responsible for the administration of the LRF program. To seek a state contribution, the local government that created a revitalization area must apply to the Department. Seven projects were initially funded with state contributions. Additional projects may continue to apply on a first-come basis. Applications are no longer accepted when the annual state contribution limit is reached.

The maximum amount allowed statewide for state contributions to the LRF program is \$4.75 million per state fiscal year. Of this amount, \$2.25 million is allocated for the seven demonstration projects, and \$2.5 million is allocated for the other projects approved on a first-come basis. The maximum amount of state contribution for each demonstration project ranges from \$200,000 to \$500,000 per project. The maximum state contribution for each project approved on a first-come basis is \$500,000.

For the LRF program demonstration projects, cities and counties may not impose taxes until bonds have been issued to finance public improvements and to retire the indebtedness in whole or in part from the local revitalization financing they receive.

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**Summary of Bill:**

A city or county is no longer required to issue bonds for the Tacoma International Financial Services Area/Tacoma Dome Demonstration Project, or for local revitalization financing projects of less than \$150,000.

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**Appropriation:** None.

**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:**

(In support) The City of Tacoma (City) would like to see the committee advance this legislation forward. In many ways the Local Infrastructure Financing Tool program (LIFT) and the LRF program are very similar. However, the LIFT program has a time limitation on when the credit against the state sales tax can be spent. There is no limit in the LRF program. The City has not been able to utilize their award issued to them because their assess valuations have gone down, effecting the City's ability to take out bonds. The assess

valuation reflects a 26 percent drop over the economic recession. The City has developed a plan to get out of the situation they are in, but they will not be in a position to take out new bonds any time soon. The City would like to use the revenue awarded to them in 2009 to make the investment in the revitalization area to spur economic development. In the revitalization areas that have been able to use their awards, \$6 million in state funding went into the projects and \$61 million has resulted as a revenue increase. In 2013 the LIFT program made a similar change to the change in this legislation.

(Opposed) None.

**Persons Testifying:** Representative Fey, Prime Sponsor; and Briahna Taylor, City of Tacoma.

**Persons Signed In To Testify But Not Testifying:** None.