

HOUSE BILL REPORT

SHB 1337

As Passed House:
March 10, 2015

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: House Committee on Finance (originally sponsored by Representatives Takko, Nealey, Springer, Zeiger, Tarleton and Chandler).

Brief History:

Committee Activity:

Local Government: 1/28/15, 2/5/15 [DP];

Finance: 2/17/15, 2/25/15 [DPS].

Floor Activity:

Passed House: 3/10/15, 75-23.

Brief Summary of Substitute Bill

- Repeals statutory provisions authorizing and governing the imposition of annual levies for up to three six-year periods by port districts that have adopted a comprehensive scheme of harbor improvements and industrial developments (comprehensive scheme), effective January 1, 2026.
- Creates new authority for port districts that have adopted a comprehensive scheme to impose levies for up to three multiyear levy periods, which applies to taxes levied for collection in 2016 and after.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 5 members: Representatives Takko, Chair; Gregerson, Vice Chair; Fitzgibbon, McBride and Peterson.

Minority Report: Do not pass. Signed by 4 members: Representatives Taylor, Ranking Minority Member; Griffey, Assistant Ranking Minority Member; McCaslin and Pike.

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.

Staff: Michaela Murdock (786-7289).

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Fitzgibbon, Manweller, Pollet, Reykdal, Robinson, Ryu, Springer, Stokesbary, Vick, Wilcox and Wylie.

Minority Report: Do not pass. Signed by 2 members: Representatives Orcutt, Assistant Ranking Minority Member; Condotta.

Staff: Richelle Geiger (786-7175).

Background:

Port Districts.

Ports districts (port districts or districts) are established to acquire, construct, maintain, operate, develop, and regulate: harbor improvements; rail, motor vehicle, water, air, or any combination of such transfer and terminal facilities; other commercial transportation, transfer, handling, storage and terminal facilities; and industrial improvements.

Powers of the district are exercised through a port commission (commission) consisting of three or five members, as permitted. Commissions establish long-term strategies for districts, and create policies to guide the development, growth, and operation of the district. They are responsible for a district's annual budget, approving tax levy rates, and hiring district staff.

Industrial Development Districts.

A commission may create, and define the boundaries of, industrial development districts (IDD) within a port district. In doing so, the commission must find that the creation of an IDD is proper and desirable in establishing and developing a system of harbor improvements and industrial development in the district.

A comprehensive scheme of harbor improvements and industrial developments (comprehensive scheme) provides for the development or redevelopment of marginal lands acquired within an IDD, as well as provides for the continuation of land uses that are public uses. Improvements of property in an IDD and acquisition of property must be made a part of the comprehensive scheme before any expenditures may be made on the improvements or property acquired.

Port districts that have created IDDs are authorized by statute to exercise numerous powers, including to:

- acquire property and property rights by purchase or condemnation;
- develop and improve lands within the IDD;
- dredge, bulkhead, fill, grade, and protect property within the IDD;
- provide, maintain, and operate water, light, power and fire protection facilities and services, streets, roads, bridges, highways, waterways, tracks, rail and water transfer and terminal facilities, and other harbor and industrial improvements;

- execute leases of lands; and
- establish local improvement districts within the IDD, levy special assessments, and issue local improvement bonds.

Property Taxes.

Property taxes are imposed by state and local governments. The county assessor determines the assessed value for each property and calculates property taxes based on the assessed valuation. The property tax bill for an individual property is determined by multiplying the property's assessed value by the tax rate for each taxing district in which the property is located.

The aggregate of all tax levies upon real and personal property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property in any year. This limitation, however, does not prevent port districts from imposing levies at rates permitted by statute. Also, in general, the aggregate levies of junior taxing districts and senior taxing districts, other than the state, may not exceed \$5.90 per \$1,000 of assessed valuation. Statute specifically provides that the term "junior taxing district" does not include port districts, and that this limitation does not apply to levies assessed by port districts at rates provided by existing law.

Industrial Development District Levies.

A port district that has adopted a comprehensive scheme may raise revenue by an annual levy, not to exceed 45 cents per \$1,000 of assessed value against the assessed valuation of taxable property in the port district. A district's authority to impose this levy is subject to the following:

- *First Six-Year Period.* Any port district that has adopted a comprehensive scheme may raise revenue by an annual levy for a period of six years.
- *Second Six-Year Period.* A port district that has adopted a comprehensive scheme may raise revenue by an annual levy for a second six-year period after publishing notice of the intent to do so. However, if within 90 days of publishing notice a petition containing sufficient signatures of voters registered in the port district is filed with the county auditor, the proposition to make the levies must be submitted to a vote at a special election and approved by the voters.
- *Third Six-Year Period.* A port district that has adopted a comprehensive scheme and borders the Pacific Ocean may impose an annual levy for a third six-year period, if voters approve by a simple majority a ballot proposition authorizing the additional levies.

Levy revenues must be used exclusively for the exercise of powers granted to the port district under statutes governing the IDDs. In the event that a levy produces revenue in excess of the requirements to complete all projects of a district, the excess must be used to retire general obligation bonded indebtedness. Revenues not expended in the year in which the levies were made may be paid into a fund for future use, which fund may be accumulated and carried over from year to year.

Summary of Substitute Bill:

Statutory provisions authorizing port districts that have adopted a comprehensive scheme to impose annual levies for up to three six-year periods are repealed effective January 1, 2026. Port districts are prohibited from levying taxes under the repealed provisions for collection in 2026 and after.

New provisions are adopted, authorizing port districts that have adopted a comprehensive scheme to impose levies for up to three multiyear levy periods. The new provisions apply to taxes levied for collection in 2016 and after.

Under the new provisions, port districts that have adopted a comprehensive scheme may raise revenue through levies for up to three multiyear levy periods. A district's authority to raise revenue through multiyear levy periods is subject to the following:

- *First and Second Multiyear Levy Periods.* For both first and second multiyear levy periods: the multiyear levy periods do not have to be consecutive; the multiyear levy periods may not overlap; the aggregate revenue that may be collected over the two multiyear levy periods may not exceed an amount calculated in accordance with statute; the levy rate in any year may not exceed 45 cents per \$1,000 of assessed value; and the multiyear levy periods may not exceed 20 years from the date the initial levy is made in the applicable multiyear period.

In addition, for second multiyear levy periods, the commission must publish notice of the intent to impose levies over a second period, and if a petition is filed with the county auditor within 90 days of publication of the notice, submit the proposition to voters at a special election.

- *Third Multiyear Levy Period.* A port district that has adopted a comprehensive scheme and borders the Pacific Ocean may impose a third levy for a period that may not exceed six years, if voters approve by a simple majority a ballot proposition authorizing the levy. The levy rate may not exceed 45 cents per \$1,000 of assessed value.

A port district that has already imposed annual levies in a first six-year period pursuant to existing statutory authority may be eligible to impose levies for a second or third multiyear levy period under the new provisions, provided that certain criteria is satisfied. Additionally, a port district that has already imposed annual levies in a second six-year period may be eligible to impose levies for a third multiyear levy period, provided that certain criteria is satisfied.

With the exception of levies assessed by port districts in a third multiyear levy period, limitations prescribed by statute for regular property taxes do not apply to port district levies for the IDD.

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 (Local Government):

(In support) Port districts have regular property taxing authority, up to 45 cents per \$1,000 of assessed valuation. They also have authority to impose IDD levies, up to 45 cents per \$1,000 of assessed valuation. For the first IDD-levy period, port districts automatically get to impose the levy for up to six years, and then no more. For the second IDD-levy period, port districts may impose the levy for up to six years, subject to a referendum by voters, and then no more. And finally, for the third IDD-levy period, several port districts bordering the Pacific Ocean can impose a levy for up to six years, provided the levy receives voter approval first. This third option has never been used.

During the recession, port districts found it difficult to partner with the state to receive funding and to get financing for infrastructure and other projects. Port districts needed financing, and they did not want to ask people for the full levy amount of 45 cents per \$1,000 of assessed valuation over six years. Port districts decided it would be better to spread that amount over a longer period of time.

This bill will lower the tax burden on property owners in a given year, and port districts will be able to finance projects over a longer period of time. Under the bill, port districts are eligible to receive up to the full levy amount of 45 cents per \$1,000 of assessed valuation in a six-year period, but instead of receiving it in six years, they will receive it over a 20-year period. Port districts will receive the same amount of money they are currently eligible to receive.

Current statute will remain in place if the bill does not pass. The reason the bill repeals current statute is that the statute was difficult to work with for purposes of adding the new provisions. For this reason, the bill provides for a new statute and repeals the current statute.

An amendment on the bill is needed. The year 2020 for repealing current statutes needs to be changed, because Ilwaco just started a second six-year levy period. The year of repeal should be extended to expire after Ilwaco's levy period is over, which will be sometime after 2020.

(Opposed) None.

Staff Summary of Public Testimony (Finance):

(In support) This bill has a simple concept and allows port districts to use their current levy authority to spread the revenue they may collect over 20 years as opposed to six years. This is the same concept of purchasing a house and making smaller payments for 20 years as opposed to making all payments in larger amounts during a shorter amount of time. This provides ports flexibility in their revenue collections without providing additional taxing authority.

The ports began thinking about this idea during the recession when the state had less funds available to invest in infrastructure projects. The ability to collect smaller sums of revenue

over time will help smaller ports that perform smaller projects that require less bonding capacity.

The voting and referendum provisions under current law for port levies are not changed by this bill.

(Opposed) None.

Persons Testifying (Local Government): Representative Takko, prime sponsor; and Ginger Eagle, Washington Public Ports Association.

Persons Testifying (Finance): Representative Takko, prime sponsor; Ginger Eagle, Washington Public Ports Association.

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

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