

HOUSE BILL REPORT

HB 1648

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs

Title: An act relating to infrastructure financing for local governments.

Brief Description: Concerning infrastructure financing for local governments.

Sponsors: Representatives Walsh, Springer, Nealey, Haler and McBride.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/5/15, 2/10/15 [DP].

Brief Summary of Bill

- Increases the annual state contribution limit for project awards under the local revitalization program from \$2.5 million to \$7.5 million.
- Changes the criteria for determining a state contribution award by eliminating the first-come-first-served priority and adding several new criteria.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: Do pass. Signed by 7 members: Representatives Appleton, Chair; Robinson, Vice Chair; Johnson, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Hawkins, Sawyer and Van De Wege.

Staff: Sean Flynn (786-7124).

Background:

Local Revitalization Financing.

The Local Revitalization Financing program (LRF) was created in 2009 as a mechanism for local governments to use certain sales and property tax revenues within a designated revitalization area to finance public improvement projects that will encourage private development in that area. The taxes are assessed based on the incremental increase in revenues within the revitalization area that are generated by the public improvement. The

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incremental tax revenues, as well as other local public funding sources, are used to finance general obligation or revenue bonds to pay for the improvement.

State Contribution.

The state may also provide a contribution up to \$500,000 for financing per each public improvement project in a LRF program. Local governments also may apply to the Department of Revenue (Department) for a state contribution award. The Department awards a state contribution as determined on a first come-first-served basis.

The Department will credit the state sales and use tax against the local sales and use incremental tax that is applied within the revitalization areas. In determining whether to grant an award, the Department must determine whether the local government is able to match the award amount generated through local sales and use tax revenues.

The total state contribution limit for project awards is set at \$2.5 million. In 2010 the Legislature also authorized an additional \$4.2 million state contribution for 13 LRF demonstration projects designated in statute.

Summary of Bill:

The annual state contribution limit for project awards is increased to \$7.5 million.

The criteria for awarding a state contribution to finance a LRF project is determined on:

- the availability of a state contribution;
- whether the sales and use incremental tax generated would match the state contribution;
- the number of jobs created by the project;
- the fit of the expected business creation or expansion within the region's preferred economic growth strategy;
- the speed with which project construction may begin;
- the extent to which the project leverages non-state funding; and
- the geographic location of the project with at least 50 percent of the annual state contribution awarded to projects east of the Cascade Mountains.

The Department no longer determines awards on a first-come-first-served basis.

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) This bill creates a return on investment for the state by increasing sales taxes for both the county and the state. This program has helped local communities generate jobs by building infrastructure that attracts new businesses. New business creates a larger sales tax base. Most of the increase in the sales tax goes to the state. Under this program, the state can get over two times a return its contribution to the program. These projects also create a new property tax base for the state and the county.

(Opposed) None.

Persons Testifying: Representative Walsh, prime sponsor; and Phil Watkins and Steve Young, City of Kennewick.

Persons Signed In To Testify But Not Testifying: None.