

---

**Community Development, Housing &  
Tribal Affairs Committee**

---

**HB 2842**

**Brief Description:** Financing of improvements for state-owned lands to be transferred for private development.

**Sponsors:** Representatives Schmick, Wylie, Nealey, Reykdal, Dye and Walsh.

**Brief Summary of Bill**

- Allows a designated city, with over 60,000 people, in the eastern side of the state, and immediately north of the Columbia River, to finance public improvement projects within a designated area of state land that has been sold or is pending sale.
- Authorizes a designated city to use property tax revenue from the designated area to finance debt for a public improvement project, including general obligation bonds.

**Hearing Date:** 2/2/16

**Staff:** Sean Flynn (786-7124).

**Background:**

Tax Increment Financing.

State law provides for certain local financing options through a model known as tax increment financing (TIF). The traditional TIF model is a method of allocating a portion of property taxes to finance specific public improvement projects that promote private development within designated urban areas. Typically, the city or county may issue bonds to pay for public improvements. The bonds are financed by a portion of the regular property taxes levied within a specified district surrounding the public improvement. The increased property value within the district caused by the public improvement project then becomes the tax base used to pay the bonds. While several of these financing options also include a state funding contribution in the

---

*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.*

form of a credit against the state sales tax, some models involves only local regular property tax revenues.

### Property Taxation.

All real and personal property in the state is subject to property tax, unless specifically exempted under law. The state Constitution requires all taxes to be applied uniformly on property within each taxing district. Property taxes are based on the assessed fair market value of the property.

### **Summary of Bill:**

A designated city, with over 60,000 people, east of the Cascade Mountains, and abutting the Columbia River on its southern border, may adopt an ordinance to designate a state land improvement finance area for the purpose of encouraging private development and increasing property values within the area. The designated area may include any state-owned land that has been sold or is pending sale for private development. The boundaries of the designated area may not exceed 25 percent of the total assessed value all real property within the city at the time the area is created.

All property taxes levied within the designated area may be directed to finance a public improvement projects with the area, except for the state property tax portion used to fund public education. The city using state land improvement financing may issue general obligation bonds to finance public improvement projects. The revenue collected from within the designated area may be used to finance the debt, and the debt is subject to the full faith and credit of the city.

The types of public improvement projects that may be financed include public infrastructure improvements, such as roads and bridges, water and sewer systems, recreational areas, storm water systems, and utility infrastructure. Funding also can be used for planning and analysis, maintenance and security, and historic preservation.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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