

# HOUSE BILL REPORT

## HB 2842

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### As Passed Legislature

**Title:** An act relating to financing of improvements for state-owned lands to be transferred for private development.

**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 History:**

##### **Committee Activity:**

Community Development, Housing & Tribal Affairs: 2/2/16, 2/4/16 [DP];  
Finance: 2/5/16, 2/8/16 [DP].

##### **Floor Activity:**

Passed House: 2/17/16, 89-9.  
Passed Senate: 3/4/16, 48-0.  
Passed Legislature.

#### **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.

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### HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

**Majority Report:** Do pass. Signed by 6 members: Representatives Ryu, Chair; Robinson, Vice Chair; Wilson, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Appleton and Hickel.

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

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*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.*

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 15 members: Representatives Lytton, Chair; Robinson, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Frame, Manweller, Pollet, Reykdal, Ryu, Springer, Stokesbary, Vick, Wilcox and Wylie.

**Staff:** Sarah Emmans (786-7288).

### **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 form of a credit against the state sales tax, some models involve 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 on 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 public improvement projects within 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:** 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 (Community Development, Housing & Tribal Affairs):**

(In support) The Department of Natural Resources (DNR) owns particular parcels of irrigation land within Pasco that it is planning to sell. This bill allows Pasco to finance public improvements for the development of these areas where the DNR land will be sold.

(Opposed) None.

**Staff Summary of Public Testimony (Finance):**

(In support) This bill is narrowly drafted to affect only Pasco, Washington. The parcel is a three-hundred-plus acre parcel of land that is auctioned for private development. The parcel is inside the urban growth area and near other commercial and recreational facilities. The improvements needed are street and utility right-of-way. The bill would allow the city to do a tax increment financing area to borrow against the property tax revenue streams for the city and county; it is similar to community revitalization financing for state-owned land. The bill does not affect junior taxing districts or schools. At the sale of this property, the Department of Natural Resources will buy other properties so there is no net loss to the state. Because the parcel is state-owned land, there is no property tax revenue currently generated there. Once the land is developed, the city and county can generate property tax revenue through development. This is a win for the state, local government, and businesses.

(Opposed) None.

**Persons Testifying (Community Development, Housing & Tribal Affairs):** Representative Schmick, prime sponsor; Jeb Herman, Department of Natural Resources; and Alex Soldano, City of Pasco.

**Persons Testifying (Finance):** Representative Schmick, prime sponsor; and Alex Soldano, City of Pasco.

**Persons Signed In To Testify But Not Testifying (Community Development, Housing & Tribal Affairs):** None.

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