

HOUSE BILL REPORT

E2SSB 5109

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

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

Brief Description: Concerning infrastructure financing for local governments.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Brown).

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/22/16, 2/23/16 [DPA];
Finance: 2/26/16, 2/29/16 [DPA(CDHT)].

**Brief Summary of Engrossed Second Substitute Bill
(As Amended by Committee)**

- Changes the criteria for determining a state contribution award for a local revitalization program and eliminates the first-come, first-served priority.
- Requires local governments to forfeit the state contribution award if they have not started using the state contribution award by the end of 2016.
- Transfers administration of the state contribution application and approval process from the Department of Revenue to the Department of Commerce.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: Do pass as amended. Signed by 7 members: Representatives Ryu, Chair; Robinson, Vice Chair; Wilson, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Appleton, Hickel and Sawyer.

Staff: Sean Flynn (786-7124).

Background:

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.

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 to encourage private development in that area. The financing is based on the incremental increase in revenues within the revitalization area that are generated by the public improvement. The 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 provide a contribution up to \$500,000 of state sales and use taxes for financing a public improvement project in a LRF program. Local governments apply to the Department of Revenue (DOR) for a state contribution award. The DOR awards a state contribution as determined on a first-come, first-served basis. In determining whether to grant an award, the DOR 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 Amended Bill:

The administration for accepting applications and approving state contribution project awards is transferred from the DOR to the Department of Commerce (DOC). The DOC must consult with the DOR in determining the amount of a project award and must notify the DOR of all project awards approved.

Awards are no longer determined on a first-come, first-served basis. The criteria for awarding a state contribution to finance a LRF project is determined by:

- 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; and
- the extent to which the project leverages nonstate funding.

Any city or county that has received approval for a project award before 2011 must forfeit their project award if it has not begun to levy the state contribution by the end of 2016. The project award is not forfeited, if before the end of 2016, the city or county may declare its intention to begin to use the state contribution by July 1, 2022. Any state contributions forfeited must be made available for new applications.

Amended Bill Compared to Engrossed Second Substitute Bill:

The committee amendment removes criterion that at least 50 percent of the annual state contribution is awarded to projects east of the Cascade Mountains.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: 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 LRF is one of several ad hoc programs initiated in the legislature to provide local financing authority. This bill will help to expand a very successful program as a financing tool for local governments, as well as a way to generate new state revenues through investing in public improvement projects without having to impose a new sales tax burden. The LRF will help local jurisdictions compete with other states that permit tax increment financing for attracting job creating businesses.

(Opposed) None.

Persons Testifying: Senator Brown, prime sponsor; Ben Buchholz and Don Britian, City of Kennewick; and Mark Brown, City of Vancouver and City of Lacey.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended by Committee on Community Development, Housing & Tribal Affairs. 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: Jeffrey Mitchell (786-7139).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Community Development, Housing & Tribal Affairs:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) There is no new money in this bill. The local revitalization program has been a great tool for Kennewick. Kennewick would like the opportunity to compete with other jurisdictions for forfeited funds. Kennewick successfully rehabilitated the South Ridge area and has raised over \$12 million in taxes through the program. This bill has been worked on by all cities and counties involved in the local revitalization program.

(Opposed) None.

Persons Testifying: Ben Buchholz, City of Kennewick.

Persons Signed In To Testify But Not Testifying: None.