SENATE BILL REPORT
EHB 1513

As of March 25, 2015

Title: An act relating to local infrastructure project areas.

Brief Description: Concerning local infrastructure project areas.

Sponsors: Representatives Springer, Fitzgibbon, Gregerson and McBride.

Brief History: Passed House: 3/10/15, 57-41.
Committee Activity: Trade & Economic Development: 3/25/15.

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Staff: Jeff Olsen (786-7428)

Background: Transfer of Development Rights (TDRs). A TDR occurs when a qualifying landowner, through a permanent deed restriction, severs potential development rights from a property and transfers them to a recipient for use on a different property. In a TDR transaction, transferred rights are generally shifted from sending areas with lower population densities to receiving areas with higher population densities. The monetary values associated with transferred rights constitute compensation to a landowner for development that may have otherwise occurred on the transferring property.

Local Infrastructure Project Areas (LIPAs). In 2011 certain cities were authorized to establish LIPAs. A LIPA allows increases in local property tax revenues to be used for payment of bonds issued for financing local public improvements. The LIPA program also provides for the use of TDRs within the LIPA. Cities are eligible for the LIPA program if they are located within an eligible county. An eligible county means any county that borders the Puget Sound; has a population of 600,000 or more people; has an established program for TDRs; and has designated all agricultural and forest land of long-term commercial significance within its jurisdiction as sending areas under its TDR program. Each eligible county was required to report to the Puget Sound Regional Council (PSRC) the total number of TDRs from agricultural and forest land of long-term commercial significance and designated rural lands that may be available for allocation to receiving cities. For purposes of LIPA provisions, a receiving city is a city within an eligible county that has a population plus employment of 22,500 or more people. Following the receipt of development rights information from eligible counties, the PSRC must allocate these development rights among receiving cities.

A city that accepts all or a portion of its allocated share of rights is eligible to become a sponsoring city. A sponsoring city is a city that meets specified allocation requirements, adopts a plan for the development of infrastructure within one or more LIPAs, and creates one or more LIPAs.

Preliminary Actions by a Sponsoring City. The creation of a LIPA must be accomplished through an ordinance or resolution of the sponsoring city that describes the area boundaries and the proposed public improvements to be financed in the LIPA, specifies the date when LIPA-related property tax distributions will begin, and delineates participating taxing districts.

Financing LIPAs. LIPAs are financed through property taxes. Beginning in the second calendar year following the creation of a LIPA, the county treasurer must distribute receipts from regular taxes imposed on real property within the LIPA to the sponsoring city and participating taxing districts. Under the distribution provisions, each participating taxing district and the sponsoring city must receive a portion of their regular property taxes for the LIPA as determined by specified requirements. In addition, the sponsoring city must receive an additional portion of the regular property taxes levied by it and by participating taxing districts upon property within the LIPA. The sponsoring city may agree to receive less than the full amount of the additional portion if certain conditions are met. The incremental local property taxes for LIPA financing are calculated based on the sponsoring city ratio multiplied by 75 percent of the increases in assessed value as a result of new construction and improvements to property within the LIPA. The city ratio takes into account several factors related to a city's TDRs. Currently, LIPA financing is only available in King, Pierce, and Snohomish counties.

Summary of Bill: Definitions. Improvements for the calculation of incremental local property taxes are defined as new construction of entire buildings or additions or remodels that add new square footage to buildings. The cost of new housing construction, conversion, rehabilitation improvements, and rehabilitation of historic property is eliminated from being considered in the assessment of increased value for the purposes of calculating the incremental property tax.

Preliminary Actions by a Sponsoring City. Before adopting an ordinance or resolution creating a LIPA, a sponsoring city must adopt the Department of Commerce's TDR interlocal terms and conditions or enter into an agreement with the county or counties where the LIPA is located. A city located within a county with a population of 1 million or more, however, must enter into an interlocal agreement with the county in which the LIPA is located. The interlocal agreement must describe the boundaries and size of the LIPA, include exchange rates, identify potential priority sending site areas, if any, and describe and define the roles and responsibilities of the parties with respect to the transfer of development rights and public improvements to be financed with LIPA financing.

Financing LIPAs. A sponsoring city must be a participating taxing district and must use all of its local property tax allocation revenues for LIPA financing. Regular property taxes do not include regular tax levies for county road funds and open spaces.

Property tax revenues are allocated on the second calendar year following the date on which the sponsoring city certifies to the county treasurer that the local property tax threshold level one is met. Local property tax threshold level 1 is met when a sponsoring city meets existing criteria or the sponsoring city enters into an interlocal agreement with the county or counties in which the local infrastructure project area is located and, per the agreement, the local property tax threshold 1 is agreed to have been met.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The LIPA program is a local financing tool that provides an opportunity to balance social and economic needs. The bill contains technical amendments to the program that was created in 2011 to make it easier to implement. The voluntary program contains no new taxes and involves a partnership between cities and counties.

Persons Testifying: PRO: Leda Chahim, Forterra.

Persons Signed in to Testify But Not Testifying: No one.