

SENATE BILL REPORT

SB 5249

As of January 27, 2015

Title: An act relating to creating a bond issuance exemption for qualifying local revitalization financing projects.

Brief Description: Creating a bond issuance exemption for qualifying local revitalization financing projects.

Sponsors: Senators Darneille, Conway and Miloscia.

Brief History:

Committee Activity: Government Operations & Security (Note: Senate Resolution 8609 adopted January 27, 2015, renamed the Committee on Government Operations & State Security to Committee on Government Operations & Security): 1/27/15.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

Staff: Karen Epps (786-7424)

Background: Public infrastructure funding is accomplished in a number of different ways in the state. Tax increment financing is a method of redistributing increased tax revenues within a geographic area resulting from a public investment to pay for the bonds required to construct a project.

A number of tax increment financing programs have been created in the state: in 2001 the Legislature created the Community Revitalization Financing Program; in 2006 the Local Infrastructure Financing Tool Program was created by the Legislature; and in 2009 the Legislature created the Local Revitalization Financing Program (LRF).

LRF authorizes cities and counties to create revitalization areas and allows certain increases in local sales and use tax revenues and local property tax revenues generated from within the revitalization area, additional funds from other local public sources, and a state contribution to be used for payment of bonds issued for financing local public improvements within the revitalization area.

The 2009 legislation designated seven LRF demonstration projects, provided a total state contribution of \$2.25 million per fiscal year, and set a specific state contribution amount for each project ranging from \$200,000 to \$500,000. The legislation also provided for a

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competitive process to be administered by the Department of Revenue (DOR) on a first-come basis in order to enable additional sponsoring local governments to seek a state contribution. DOR began accepting applications on September 1, 2009. Thirteen applications were received. Six projects were allocated state contributions before the \$2.5 million cap was reached. Seven additional applications received no state contribution.

In 2010 the Legislature amended the LFR statutes and increased the maximum state contribution for demonstration projects from \$2.25 million to \$4.2 million. Six jurisdictions were allowed to resubmit applications for approval in 2010. Five jurisdictions resubmitted applications. This brought the total LRF award amounts for demonstration projects up to \$4.16 million.

Summary of Bill: A city or county does not need to issue bonds for the Tacoma International Financial Services Area/Tacoma Dome Demonstration Project or for local revitalization financing projects of less than \$150,000.

Appropriation: None.

Fiscal Note: Not requested.

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 LRF program awarded funding in the form of a credit against the sales tax to certain cities. The cities then use this funding to make public infrastructure investments, like street repairs, adding sidewalks, installing utilities underground, and building parking facilities. Both Tacoma and Federal Way have not been able to use the funds that were awarded to them in 2009 because currently law requires cities to take out general obligation bonds before the cities can use the funds. Tacoma has not been in a position to be able to afford the general obligations of a city and the indebtedness of a bond. This bill would allow these two cities to access the money allocated to them when they spend cash that they currently have on these projects and then allow them to seek a reimbursement for those costs. In the other revitalization areas that have used their awards, the state has contributed \$6.4 million and has seen a \$61.4 million return on that investment. By allowing Tacoma and Federal Way to access these funds and make investments in public improvements on a cash basis, the state will see a positive benefit in revenue.

Persons Testifying: PRO: Senator Darneille, prime sponsor; Briahna Taylor, city of Tacoma.