

# SENATE BILL REPORT

## SB 6580

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As of February 1, 2016

**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:** Senators Brown, Schoesler and Hewitt.

**Brief History:**

**Committee Activity:** Trade & Economic Development: 1/27/16.

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### SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Staff:** Jeff Olsen (786-7428)

**Background:** Traditional tax increment financing is a method of allocating a portion of property taxes to finance economic development in urban areas. A tax increment financing program typically includes designating an area for making public improvements, such as roads, sewer, utilities, or other public infrastructure, to encourage economic development. A local government issues bonds to finance the public improvements, and the improvements tend to increase the market value of nearby properties. The tax increment financing program allows the local government making the improvement to receive all or a portion of the resulting tax revenue increase to pay for the costs of improving the property.

Washington has five tax increment financing programs, two of which are closed to new applications. Tax increment programs include the Community Revitalization Financing Act, the Local Infrastructure Financing Tool, the Hospital Benefit Zone Financing Program, the Local Revitalization Financing Program, and the Local Infrastructure Project Area Financing Program.

**Summary of Bill:** A city may finance public improvements using a State Land Improvement Financing Area (SLIFA) under certain circumstances. To qualify, a city must be located east of the Cascade mountains, be adjacent to the Columbia River, and have a population greater than 60,000. The land that is being sold for private development must be owned by the State of Washington, or have recently been state-owned land that was sold for private development.

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A qualifying city may designate a SLIFA by adopting an ordinance specifying the public improvements to be financed within its boundaries. The public improvements are expected to encourage private development and increase property values.

A city seeking to create a SLIFA must provide notice and hold public hearings. The notice must describe the boundaries of the financing area, proposed improvements, costs, and financing for the project. The city must also adopt an ordinance establishing the area and provide information about the apportionment of property taxes to finance the project, and notify county officials regarding the ordinance.

A city creating a SLIFA is authorized to incur debt and issue general obligation bonds to finance the improvements. After adoption of the ordinance, regular property taxes within the state land improvement financing area are distributed to the city. State property taxes for support of common schools and excess levies are excluded from the distribution to the city. Distributions stop when the revenues are no longer needed to pay for the public improvements.

**Appropriation:** None.

**Fiscal Note:** Requested on January 20, 2016.

**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: A 330 acre parcel of Department of Natural Resources trust land located in the City of Pasco is being planned for auction for private development. The land has been up for auction unsuccessfully in the past. The parcel is inside the urban growth area and near other commercial development. The city would like to lower the barriers to developing the property by installing street right-of-ways and utilities. Since the land is currently state-owned land that does not pay taxes, local governments would not be losing any existing property tax revenue. There is no fiscal impact to the state and special purpose districts. Once the area is developed it will generate property tax revenue. This is a new and creative financing tool and would result in a win-win for the state.

**Persons Testifying:** PRO: Matt Watkins, Mayor, City of Pasco.

**Persons Signed In To Testify But Not Testifying:** No one.