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## Local Government Committee

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### HB 2804

**Brief Description:** Addressing local government infrastructure.

**Sponsors:** Representatives Duerr, Ryu, Pollet, Slatter and Boehnke.

**Brief Summary of Bill**

- Increases potential total state contribution to local revitalization funding to \$15 million after January 1, 2021.
- Establishes new limits for individual project funding after January 1, 2021.
- Requires the Department of Commerce to utilize new criteria when selecting projects for state contribution after January 1, 2021.

**Hearing Date:** 2/5/20

**Staff:** Kellen Wright (786-7134).

**Background:**

Local Revitalization Financing (LRF) allows local governments to finance public improvement projects within a designated revitalization area through the incremental increases in tax revenue that will be realized from the completion of the project. LRF allows the local government to issue bonds to fund the infrastructure project, and to retire those bonds using increases in property and sales tax revenue generated by the project. The local government may additionally use other public financing as well as a possible state contribution to fund the project.

Public improvements include infrastructure projects (streets, roads, bridges, and rail; water and sewer system construction and improvement); sidewalks, streetlights, landscaping, and

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streetscaping; parking, terminal, and dock facilities; park and ride facilities of a transit authority; park facilities, recreational areas, and environmental remediation; storm water and drainage management systems; electric, gas, fiber, and other utility infrastructures; providing environmental analysis, professional management, planning, and promotion within the revitalization area, including the management and promotion of retail trade activities in the revitalization area; providing maintenance and security for common or public areas in the revitalization area; or historic preservation activities.

The state contribution to LRF is made through sales tax credits, and may not exceed a total of \$2.5 million for all projects, with no more than \$500,000 provided for any individual project (this limit does not include nine demonstration projects approved in 2009; the state contribution for those projects is a separate \$4.2 million). The state contribution cannot exceed the local government's contribution from the preceding year, and the state contribution must be used to retire general obligation bonds issued for the project by the local government. The Department of Commerce selects which projects will be awarded state contributions, using criteria including the availability of a state contribution; whether the sponsoring local government would be able to generate enough tax revenue to generate the amount of project award requested; the number of jobs created; the fit of the expected business creation or expansion within the region's preferred economic growth strategy; the speed with which the project can begin construction; and the extent to which the project leverages nonstate funds.

### **Summary of Bill:**

LRF projects approved after January 1, 2021, may receive a total state contribution of up to \$15 million per year for no more than 30 years. Local governments applying for a state contribution must include information demonstrating that the project would not occur but for the use of a LRF award. After January 1, 2021, project applications will be approved for an award by the Department of Commerce using the following criteria:

- The project's potential to enhance the sponsoring local government's regional or international competitiveness;
- The project's ability to encourage mixed-use or transit oriented development and the redevelopment of a geographic area;
- The project's ability to redevelop a brownfield;
- Achieving an overall distribution of projects statewide that reflect geographic diversity;
- The estimated wages and benefits for the project are greater than the average labor market area;
- The estimated state and local net employment change over the life of the project;
- The estimated state and local net property tax change over the life of the project;
- The estimated state and local sales and use tax increase over the life of the project;
- The speed at which the project can begin construction;
- The extent to which the project leverages nonstate funds; and
- The likelihood that the project would proceed forward without the use of state funds

A local government with an approved project may receive a maximum state contribution of \$1

million per year for 20 years, or \$800,000 per year for 25 years, or \$665,000 for 30 years.

Projects must begin by December 31, 2026, in order to qualify to receive a state contribution.

Site stabilization to allow for higher density construction is a public improvement eligible for LRF financing.

**Appropriation:** None.

**Fiscal Note:** Requested on February 27, 2020.

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