SENATE BILL REPORT
HB 2497

As of February 25, 2020

Title: An act relating to adding development of permanently affordable housing to the allowable uses of community revitalization financing, the local infrastructure financing tool, and local revitalization financing.

Brief Description: Adding development of permanently affordable housing to the allowable uses of community revitalization financing, the local infrastructure financing tool, and local revitalization financing.

Sponsors: Representatives Ormsby, Leavitt, Doglio, Ramel, Tharinger, Goodman, Riccelli and Santos.

Brief History: Passed House: 2/16/20, 56-39.
Committee Activity: Housing Stability & Affordability: 2/24/20.

Brief Summary of Bill

- Expands public improvements eligible for community revitalization financing, local infrastructure financing tool, and local revitalization financing to include permanently affordable housing.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Staff: Jeff Olsen (786-7428)

Background: Community Revitalization Financing. In 2001, the Community Revitalization Financing (CRF) Act was created. It authorized cities, towns, counties, and port districts to create a tax increment area and finance public improvements by using increased revenues from local property taxes generated within the area. An increment area cannot be created without the approval of the local government imposing at least 75 percent of the regular property taxes within the area. The incremental property taxes under this program are calculated on 75 percent of any increase in the annual value in the increment area. Any fire protection district with geographic boundaries in the increment area must agree to participate in the project for it to proceed. The CRF Act does not include any state contribution. There are six increment areas located in Spokane County.

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 Infrastructure Financing Tool. In 2006, the Local Infrastructure Financing Tool (LIFT) program was enacted. It is available to certain local governments for financing local public improvement projects intended to encourage economic development or redevelopment. As part of the LIFT program, a sponsoring local government creates a "revenue development area" from which annual increases in revenues from local sales and use taxes and local property taxes are measured. These increases in revenues and any additional revenues from other local public sources are then used to pay for public improvements in the revenue development area and are also used to match a state contribution.

State funding for the LIFT program is provided through a credit against the state sales and use tax. The sponsoring local government is allowed to retain a certain amount of state sales and use tax revenue that would otherwise be deposited in the State General Fund.

The maximum state contribution a sponsoring local government may receive each year is the lesser of:
- $1 million;
- the amount of local matching funds—local excise tax allocation revenues, local property tax allocation revenues, and other revenues from local public sources—dedicated to payment of the public improvements or bonds in the previous calendar year;
- the amount of the project award granted; or
- the highest amount of state retail sales and use tax revenues and state property tax revenues for any one calendar year.

The local funds and state contribution are used for payment of bonds issued for financing local public improvements within the revenue development area. The public improvements may be financed on a pay-as-you-go basis. The maximum statewide contribution for all of the LIFT projects is capped at $7.5 million per year. Nine projects have been awarded state contributions under the LIFT program. The projects are located in Bellingham, Bothell, Everett, Federal Way, Mount Vernon, Puyallup, Vancouver, Yakima, and Spokane County. The application process for the LIFT program is closed and the expiration date for the program is June 30, 2044.

Local Revitalization Financing. In 2009, the Legislature created the Local Revitalization Financing (LRF) program, administered by the Department of Revenue (DOR). Under the LRF program, cities and counties are authorized to create "revitalization areas," and the program 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 the payment of bonds issued for financing local public improvements within the revitalization area.

The state contribution is a new local sales and use tax credited against the state portion of the sales and use tax. The local government that created a revitalization area must apply to DOR to receive the state contribution. Under the legislation, up to seven demonstration projects were authorized, and additional projects could apply for approval on a first-come basis. The statewide maximum allowed for state contributions to the LRF program is $4.75 million per state fiscal year. Of this amount, $2.25 million is allocated for seven demonstration projects, and $2.5 million is allocated for other approved projects. The range of state contributions to each local government is $200,000 to $500,000 per project. The LRF program has approved projects—demonstration and competitive—in Auburn, Bremerton, Spokane, Tacoma, University Place, Vancouver, Whitman County, Bellevue, Clark County, Federal Way, Kennewick, Renton, Wenatchee, Lacey, Mill Creek, Puyallup, Renton, and Richland.

Summary of Bill: The purchase, rehabilitation, energy efficiency retrofit, and construction of housing for creating or preserving permanently affordable housing is added to the public improvement costs authorized for the CRF Act, the LIFT, and the LRF programs. "Permanently affordable housing" is defined as housing, regardless of ownership, for which there is a legally binding, recorded document in effect limiting the price at which the owner may sell.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: The bill gives the discretion for a local jurisdictions with a tax increment financing tool to expand the uses to create and preserve affordable housing. Spokane has a very successful mixed use development and would like to both create new affordable housing and preserve existing affordable housing. The bill does not require a jurisdiction to adopt this tool, but allows a local jurisdictions that already has this financing tool to preserve or create affordable housing. There is currently not an existing definition in law for permanent affordable housing.

OTHER: The bill incorrectly defines permanent affordable housing. More work needs to be done on the definition to ensure that permanently affordable housing is housing that is permanently affordable.

Persons Testifying: PRO: Nick Federici, City of Spokane.

OTHER: Arthur West, citizen.

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