

FINAL BILL REPORT

E2SHB 2354

C 236 L 24
Synopsis as Enacted

Brief Description: Creating an option for impacted taxing districts to provide a portion of their new revenue to support any tax increment area proposed within their jurisdiction and clarifying that a tax increment area must be dissolved when all bond obligations are paid.

Sponsors: House Committee on Finance (originally sponsored by Representatives Street, Orcutt, Bronoske, Robertson, Chambers, Callan, Bateman, Doglio and Reed).

House Committee on Local Government

House Committee on Finance

Senate Committee on Local Government, Land Use & Tribal Affairs

Senate Committee on Ways & Means

Background:

Property Tax.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue is limited by the levy growth limit as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent.

In addition to the revenue growth limit, levy capacity may increase by additional amounts equal to the increase in assessed value in a taxing district resulting from:

- new construction;
- construction of wind turbine, solar, biomass, and geothermal facilities;
- improvement to property;
- increased value of state-assessed property; and
- increased value within a local tax increment financing area.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Tax Increment Financing.

Tax increment financing is a financing tool that local governments can use to fund public infrastructure in targeted areas. A local government may designate an increment area within the local government, provided that the following requirements are met:

- The local government must adopt an ordinance designating an increment area within its boundaries and describe the proposed public improvements.
- The increment area may not cover the entirety of the local government's boundaries.
- The increment area may not have an assessed valuation of more than \$200 million or more than 20 percent of the sponsoring jurisdiction's total assessed value, whichever is less.
- The local government may only create two increment areas at a time and the areas cannot overlap.
- The increment area must sunset 25 years after the first-year tax allocation revenues are collected from the increment area.
- The local government must indicate whether it intends to issue bonds or obligations from tax allocation revenues and must estimate the maximum amount of obligations contemplated.
- The increment area must take effect on June 1 following the adoption of the ordinance establishing the increment area.
- The sponsoring jurisdiction may not add additional public improvements or change the boundaries of the increment area.
- The ordinance must impose a deadline by which construction of the public improvements must begin.
- The local government must make a finding that:
 - the proposed public improvements are expected to encourage private development and increase the assessed value of real property within the increment area;
 - the private development that is anticipated to occur within the increment area will be consistent with zoning and development standards;
 - the private development would not reasonably be expected to occur solely through private investment within the foreseeable future without the proposed public improvements; and
 - the increased assessed value within the increment area that would be expected to occur without the public improvements would be less than the increase in assessed value estimated to result from the proposed development with the proposed public improvements.

In considering whether to designate an increment area, the local government must prepare a project analysis that includes specified requirements. Examples include a statement of the local government's objectives; the duration of the increment area; an estimate of the job creation reasonably expected to result from the public improvements and private developments; and an assessment of impacts on affordable and low-income housing, the local business community, the local school districts, and the local fire service.

The local government must negotiate a mitigation plan with a fire protection district or regional fire protection service authority if a project analysis indicates that an increment area will impact at least 20 percent of the assessed value in a fire protection district or regional fire protection service authority, or the fire service agency's annual report demonstrates an increase in the level of service in an increment area.

Prior to establishing a tax increment area, a local government must hold at least two public briefings on the tax increment project for the community. Briefings must be announced at least two weeks before they are held.

Tax allocation revenues within the increment area must cease when the taxing district certifies to the county assessor in writing that tax allocation revenues are no longer necessary or obligated to pay public improvement costs.

Summary:

Funding for mitigation to impacted taxing districts is added as a public improvement cost permitted within tax increment areas.

The project analysis prepared by the sponsoring local government must include an assessment of impacts on all junior taxing districts including local emergency medical services, public hospital services, and local fire services. Public briefings on the tax increment project must occur 90 days or later after the project analysis is submitted. The project analysis must be submitted to all local governments and taxing districts affected by the increment area at least 90 days before an ordinance establishing the increment area is adopted. Local governments must provide written notice to each taxing district within a proposed tax increment area at least 90 days before submitting a project analysis.

Local governments must also enter into negotiations for mitigation agreements with affected public hospital districts in addition to local fire services. If the local government and public hospital district or fire district cannot agree to a mitigation agreement, the parties must proceed with arbitration. Arbitration is binding on both parties.

Votes on Final Passage:

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| House | 96 | 1 | |
| Senate | 48 | 0 | (Senate amended) |
| House | 96 | 0 | (House concurred) |

Effective: June 6, 2024