SENATE BILL REPORT
SB 6230

As of January 23, 2024

Title: An act relating to 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.

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.

Sponsors: Senators Rivers, Van De Wege, Kauffman, Muzzall and Lovick.

Brief History:
Committee Activity: Local Government, Land Use & Tribal Affairs: 1/23/24.

Brief Summary of Bill

- Allows for the expiration of a tax increment financing (TIF) increment area prior to the sunset date if tax allocation revenues are no longer necessary or obligated to pay any bonded indebtedness issued solely to fund the public improvement costs.
- Requires a governing body of any taxing district within the increment area to approve the taxing district's partial or full participation in the tax increment project.
- Excludes the taxing district's property taxes from TIF apportionment if the governing body does not approve its participation.

SENATE COMMITTEE ON LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS

Staff: Karen Epps (786-7424)

Background: Tax Increment Financing. Tax increment financing (TIF) is a method of

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allocating a portion of property taxes to finance public improvements in designated areas. Typically, under a TIF program a local government issues bonds to finance public improvements. To repay its bondholders, the local government is permitted to draw upon regular property tax revenue from increases in assessed value inside a special district surrounding the site of the public improvements.

Local Tax Increment Financing. In 2021 the Legislature authorized local governments to use local tax increment financing (LTIF). A local government may designate up to two LTIF areas, and use resulting tax allocation revenues to pay for public improvement costs. To do so the local government must adopt an ordinance designating a specific increment area within its boundaries. Public improvements to be financed with the use of LTIF must be specified. The increment area cannot include the area of the entire jurisdiction of the local government. A local government can create no more than two active increment areas at any given time, and they may not physically overlap. An increment area must be retired after no more than 25 years. There is an assessed value limit within an increment area of $200 million. If a jurisdiction sponsors two increment areas the two areas may not equal more than $200 million or more than 20 percent of the sponsoring jurisdiction's total assessed value, whichever is less.

Prior to establishing an increment area the local government must consider a project analysis that includes objectives for the increment area, identification of properties within the financing area, assessments of likely job creation and private development expected from the project, potential impacts and mitigation measures needed, among others. If a project analysis indicates an increment area will impact at least 20 percent of assessed value in a fire district mitigation strategies must be negotiated. Prior to adoption of an ordinance authorizing an increment area the project analysis must be submitted to the Office of the State Treasurer for review. The local government must hold at least two public briefings for the community regarding the tax increment project.

A local government designating a LTIF area may issue general obligation bonds to finance the public improvements within an increment area. Any increase in assessed value within an area is included in the add-ons for purposes of the 1 percent revenue growth limit calculation.

Apportionment of Taxes. Beginning in the calendar year following the passage of the ordinance, the county treasurer must distribute receipts from regular taxes on real property located in the increment area. Property taxes to be apportioned under TIF include property tax levies subject to the $10 and $5.90 limits. Taxes levied by port districts or public utility districts specifically for the purpose of making payment on bonds, and taxes levied by the state for support of the common schools are excluded from TIF apportionment.

Each taxing district receives that portion of its regular property taxes produced by the rate of tax levied by the taxing district on the tax allocation base value for that TIF project in the taxing district. The local government that created the increment area receives an additional portion of the regular property taxes levied by each taxing district upon the increment value within the increment area. The local government that created the increment area may agree to receive less than the full amount of this portion as long as bond debt service, reserve, and other bond covenant requirements are satisfied. The portion of the tax receipts distributed to the local government may only be expended to finance public improvement costs financed by TIF.

The apportionment of increases in assessed valuation in an increment area cease when the taxing district certifies to the county assessor that allocation revenues are no longer needed to pay the public improvement costs. Any excess tax allocation revenues must be returned to the county treasurer and distributed to the taxing districts that imposed regular property taxes.

Summary of Bill: The increment area expires prior to the sunset date if tax allocation revenues are no longer necessary or obligated to pay any bonded indebtedness issued solely to fund the public improvement costs.

The provision requiring mitigation strategies be negotiated if a project analysis indicates an increment area will impact at least 20 percent of assessed value in a fire district is removed.

A governing body of any taxing district within the increment area must approve, by majority vote and according to the governing body's ordinance and publication procedures, the taxing district's partial or full participation in the tax increment project. If the governing body does not approve its participation the taxing district's property taxes are excluded from TIF apportionment.

The apportionment of increases in assessed valuation in an increment area cease when the taxing district certifies to the county assessor that allocation revenues are no longer needed to pay any bonded indebtedness issued solely to fund the public improvement costs.

Appropriation: None.

Fiscal Note: Requested on January 15, 2024.

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: TIF diminishes the ability of fire service and EMS to provide service for increased businesses and residential housing. The bill establishing TIF exempted schools because some services are too important to impact their revenues. It is critical for the governing boards of special purpose districts to weigh in on their participation in a TIF. TIF brings more development and more people needing fire and EMS services but will take away the revenue needed to provide services. The sideboards in the TIF program are not working. TIF will impact fire district budgets significantly and this bill provides the option to opt in. The current mitigation plans do not work, and the mitigation is not triggered in some situations. Asking fire districts to provide service for more people at the current rate of funding is unworkable. Jurisdictions should be able to weigh in on whether to participate in the TIF because some of these districts are currently using this money to pay off bonds and now, they are subservient to the TIF. This bill gives special purpose districts the ability to evaluate the TIF. There are concerns about diverting tax levies from a special purpose district to other purposes without the district's approval. The consequences of TIF are as dire for public hospitals as it is for fire districts. TIF keeps critical funding away from rural hospitals at a time when those funds are needed most. Public hospital districts cannot afford a TIF imposed on them without consent and this bill allows for consent. This bill gives flexibility and allows special purpose districts to opt in when it makes sense for their district and the community.

CON: This bill will effectively eliminate TIF as a viable economic tool throughout our state and would jeopardize projects. It is premature to make a substantive change when there is so much disagreement on what, if any, the impacts are. Washington was the 49th state to adopt a TIF program and without it, Washington is at a competitive disadvantage to our neighbors. TIF was thoughtfully created to address concerns that came up, including mitigation to fire service areas. TIF cannot be used unless the project would not happen without TIF and these are projects that would never occur without TIF. There are two triggers for mitigation, the 20 percent threshold or an annual financial report that shows an impact. This bill takes a sledgehammer to TIF, and it would be better to consider a scalpel approach with a study of options, such as enhancing notification to special purpose districts or more work around mitigation negotiations. Projects will not occur if TIF methodology is changed under this bill. If special purpose districts can opt out of a TIF, it will render TIF unusable in Washington, TIF will not be used, and economic development will not materialize.

Persons Testifying: PRO: Senator Ann Rivers, Prime Sponsor; Steve Brooks, Chief, Lacey Fire; President, Washington Fire Chiefs Association; John Nohr, Fire Chief, Clark-Cowlitz Fire & Rescue; Brandon Asher, Fire Chief, Chelan Fire & Rescue; Matthew Ellsworth, Association of Washington Public Hospital Districts (AWPHD); Larry Bartel, Clark/Cowlitz Fire Rescue; Aaron Edwards, Lake Chelan Health, CEO; ryan spiller, Wa fire commissioners; Robert Homan, Graham Fire and Rescue; Dylan Doty, Wa Fire Chiefs; Sean Eagan, Port of Tacoma; John Flanagan, Port of Seattle; Bud Sizemore, WSCFF.

CON: Scott Goodrich, Port of Vancouver USA; Candice Bock, Association of Washington Cities; Steve Stuart, City Manager, City of Ridgefield; Darcy Buckley, City of Pasco, Finance Director; Michael Olson, City of Kirkland.

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