

HOUSE BILL ANALYSIS HB 2315

Title: An act relating to community revitalization.

Brief Description: Promoting community revitalization.

Sponsors: Dunn, Ogden, Carlson, Edwards and D. Sommers.

BRIEF SUMMARY OF BILL

- Allows cities and towns to create apportionment districts within their boundaries where community revitalization of blighted areas and unfit buildings and structures is financed by diverting a portion of the state's B&O tax and sales and use tax collections, and a portion of the county's and the city's or town's general sales and use tax collections, within the apportionment district.
- Liens arising from assessments imposed by a county, city, or town, to pay the costs of removing or repairing unfit dwellings have first priority and are paid prior to liens for unpaid taxes.
- Counties, cities, and towns may provide for community revitalization by: (1) Negotiating with the owners of substandard buildings for the government to acquire these buildings and the land on which they are located; (2) expending public and other moneys to improve these properties; or (3) if the property owner does not have sufficient finances to pay for the cost of improvements to substandard buildings, allowing the property owner to make installment payments to the county, city, or town for the costs of these improvements

HOUSE ECONOMIC DEVELOPMENT, HOUSING & TRADE COMMITTEE

Staff: Steve Lundin (786-7127)

Background:

Counties, cities, and towns were granted broad authority under laws enacted in 1957 and 1959 to remove or improve unfit or blighted buildings, impose assessments on property owners to pay for these costs, condemn blighted property, and to engage in various urban renewal programs.

The state imposes a variety of excise taxes throughout the state, including sales and use taxes and business and occupation (B&O) taxes. Counties, cities, and towns are authorized to impose sales and use taxes within their boundaries for their general purposes, as well as other specific purposes.

Summary of Bill:

A variety of changes are made for local governments to provide for the community revitalization of blighted areas and unfit buildings and structures.

A. Financing community revitalization by diverting a portion of various excise tax collections.

Cities and towns are authorized to create apportionment districts within their boundaries where community revitalization is financed by diverting a portion of the state's B&O and sales and use tax collections within the apportionment district and a portion of the county's and city's or town's general sales tax collections within the apportionment district. The amount of diverted state B&O tax collections arising from business activities within an apportionment district is equal to any increase in these collections in excess of the collections from the year prior to the creation of the apportionment district. The amount of diverted sales and use tax collections only applies to any increase in collections from the sales or use of articles of tangible personal property in the apportionment district that are in excess of these collections from the year prior to the creation of the apportionment district. Sales and use tax collections for other purposes are not diverted. Sales and use tax collections on other taxable events are not diverted.

Community revitalization projects may include: (a) The existing health and safety improvements that counties, cities, and towns are authorized to perform in blighted areas and for dilapidation buildings; (b) public facilities that cities and towns may provide; and (c) professional management, promotion of retail trade activities, maintenance and security for common or public areas, and historic preservation activities.

A city or town may pledge and use the diverted B&O tax collections, and diverted sales and use tax collections, to pay principal and interest on general obligation or revenue bonds issued to finance the community revitalization projects.

1. Process to create an apportionment district.

The creation of an apportionment district involves a number of steps.

An initiating city or town adopts an ordinance establishing a plan for community revitalization, with a estimate of the cost, the proposed boundaries of the district,

estimated period for the diversion of a portion of the excise tax collections arising within the district, and how the diverted tax collections will finance the project.

Notice of the proposal is sent to the department of community, trade, and economic development (DCTED), which reviews the project based upon six criteria, including consistency with the local comprehensive plan, whether the project will be reasonably expected to cause private development, whether the project will result in a net increase in employment, and whether the apportioned or diverted tax collections will be sufficient to finance the public expenditures. At least five of the six criteria must be met if no other apportionment district exists in the city or town. However, all six of the criteria must be met if another apportionment district exists in the city or town. The DCTED notifies the sponsoring city or town, and the county in which it is located, about its evaluation.

Notice of the proposal is sent to the department of revenue (DOR) which determines if sufficient revenues exist under the appointment cap and notifies the sponsoring city or town, and the county in which it is located, about its evaluation.

A public hearing is held on the proposal. If the county notifies the sponsoring city or town that it does not want to participate, county sales and use tax collections in the apportionment district will not be diverted.

The sponsoring city or town adopts an ordinance establishing the apportionment district within 120 days after the public hearing. The ordinance must describe the proposed community revitalization project, boundaries of the district, estimated cost of the project, portion of its costs to be paid from the diversion of the excise tax receipts within the district, and estimated duration of the diversion of the tax receipts.

2. Limitations on apportionment districts.

Caps are placed on the diversion of these excise tax collections. The total of all diverted excise tax collections in all apportionment districts in the state may not exceed \$5 million for each community revitalization project per year. In addition, the aggregate total diverted state excise tax collections in any year may not exceed two-tenths of one percent (.2%) of the state general fund annual budget. An area may not be included in two apportionment districts that have outstanding bonds.

The DCTED and DOR adopt rules to allocate diverted revenues if the combined diversions from the proposed apportionment districts exceeds the revenues that are available to be diverted for such purposes.

B. Increased lien priority.

The priority of liens arising from assessments imposed by a county, city, or town,

under their existing authority to remove and rehabilitate unfit buildings, is increased to first priority and is paid prior to paying liens arising from unpaid state and local taxes, whenever tax payments are made or proceeds are obtained from the sale of the property through foreclosure or other sale by the county.

C. Expanded authority for agreements with property owners.

Counties, cities, and towns are given expanded authority to provide for community revitalization by: (1) Negotiating with the owners of substandard buildings for the government to acquire these buildings and the land on which they are located; (2) expending public and other moneys to improve these properties; and (3) allowing property owners to make installment payments to the county, city, or town for the costs of these improvements, if the property owners do not have sufficient finances to pay for the cost of improvements to their substandard buildings.

Appropriation: None.

Fiscal Note: Requested January 16, 2000.

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