

FINAL BILL REPORT

ESHB 1418

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Synopsis as Enacted

Brief Description: Promoting community revitalization.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Gombosky, McMorris, Mulliken, Pennington, Ahern, Wood, Ogden, Benson, Reardon, Linville, Haigh, Miloscia, Simpson, McIntire, Santos, Rockefeller and Kessler).

House Committee on Trade & Economic Development

House Committee on Finance

Senate Committee on Economic Development & Telecommunications

Senate Committee on Ways & Means

Background:

State voters defeated proposed constitutional amendments in 1973, 1982, and 1985 authorizing counties, cities, and towns to engage in tax increment financing or community redevelopment financing. Tax increment financing or community redevelopment financing is a method of redistributing property tax collections within designated areas to finance infrastructure improvements within these designated areas. Enabling legislation was enacted in 1982, along with the constitutional amendment that year, but the enabling legislation was not made contingent on the approval of the constitutional amendment that was defeated later that year.

The city of Spokane attempted to use this enabling legislation but the Washington State Supreme Court found the statute to be defective in 1995.

The state constitution requires that all property taxes must be uniform on the same class property within the territorial limits of the authority levying the tax.

Summary:

Counties, cities, towns, and port districts are authorized to create tax increment areas within their boundaries where community revitalization projects and programs are financed by diverting a portion of the regular property taxes imposed by local governments within the tax increment area.

Community revitalization projects and programs include:

- traditional infrastructure improvements, such as: (1) street and road construction

and maintenance; (2) water and sewer system construction; (3) sidewalks and streetlights; (4) parking, terminal, and dock facilities; (5) park and ride facilities of a transit authority; (6) storm water and drainage systems; and (7) park and recreation facilities.

- environmental analysis, professional management, planning, and promotion, management and promotion of retail trade activities, maintenance and security for common areas, and historic preservation.

A county, city, town, or port district may pledge and use the diverted regular property tax collections to pay principal and interest on general obligations issued to finance the community revitalization projects and programs. A nonpublic participant may be required to provide security to protect the public investment in the tax increment area.

Regular property taxes imposed by all local governments within the tax increment area on 75 percent of any increase in assessed valuation occurring in that area after its creation are diverted to finance the projects. Regular property taxes imposed by any local government on all of the remaining value (the assessed valuation in the year before the tax increment area was created plus 25 percent of any increase in assessed valuation in the tax increment area) are distributed to the local governments as if the tax increment area had not been created.

The state's property taxes are not affected. Most regular property taxes imposed by port districts and public utility districts are subject to this potential diversion, but port district and public utility district regular property tax levies that are allowed specifically for bond retirement purposes are not affected.

The county, city, town, or port district creating the tax increment finance area may agree to reduce the amount of property taxes that is diverted.

Each local government taxing district authorized to impose regular property taxes is granted the express authority to provide the infrastructure improvements financed by a property tax increment financing, but if the taxing district is not otherwise granted this authority, the additional authority is only provided to the extent the taxing district agrees to participate in the tax increment financing.

The projects financed by property tax increment financing must be expected to encourage private development and increase the fair market value of real property within the tax increment area. Private development that is anticipated to occur within the tax increment area as a result of the public improvements must be consistent with the countywide planning policy adopted by the county under the Growth Management Act and the county's, city's, or town's comprehensive plan and development regulations adopted under the Growth Management Act.

Any diversion of county road district regular property tax levies for such purposes is allowed without penalizing the distribution of state highway moneys to the county.

Limitations under what is called the 106 percent limitation continue whether or not a tax increment area has been created.

A direct or collateral attack on a tax increment area must be commenced within 30 days of the date the county, city, town, or port district publishes a notice that the tax increment area has been created.

The creation of a tax increment area involves a number of steps, as follows:

- The county, city, town, or port district adopts an ordinance designating the tax increment area within its boundaries and specifies the public improvements to be financed.
- The tax increment area may not be established unless the local government taxing districts (not including the state) imposing at least 75 percent of the regular property taxes within this area sign written agreements approving the tax increment financing.
- A public hearing on the proposal is held.
- Any fire protection district with territory located in the increment area must approve the creation of the increment area.
- The county, city, town, or port district adopts an ordinance establishing the tax increment finance area.

Votes on Final Passage:

House 77 20
Senate 35 10 (Senate amended)
House 68 19 (House concurred)

Effective: July 22, 2001