

SENATE BILL REPORT

SB 5222

As of February 2, 2011

Title: An act relating to increasing the flexibility for industrial development district levies for public port districts.

Brief Description: Increasing the flexibility for industrial development district levies for public port districts.

Sponsors: Senators Kastama, Delvin, Eide, Honeyford, Hargrove, Haugen, Prentice, Hobbs, Shin and Chase.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 1/26/11.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Edward Redmond (786-7471)

Background: Property tax levies imposed by port districts are excess levies beyond the constitutional 1 percent limitation on the cumulative rates of regular property taxes that may be imposed in any year. Port districts have been authorized to impose, among others, the following property tax levies:

- annual levies of up to \$0.45 per \$1,000 of assessed valuation, which may be imposed without voter approval for general port purposes; and
- annual levies of up to \$0.45 per \$1,000 of assessed valuation, which may be imposed without voter approval for two six-year periods to finance the industrial development of marginal lands located within industrial development districts (IDD) created by the port district.

The first levy of the IDD by a port district is not subject to the 100 percent limitation even though voters do not authorize this levy. This is a one-time exemption from the 100 percent limitation. If a port district has already imposed levies for industrial development of marginal lands for six years, the port must publish a notice in a newspaper of general circulation in its boundaries that it intends to continue imposing levies or begin reimposing these levies for the second set of six years. A potential referendum on the second six years of levies will be submitted to the voters if a referendum petition is timely filed.

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.

If voters approve a ballot proposition authorizing the additional levies, a port district in a county bordering the Pacific Ocean may impose additional annual property tax levies of up to \$0.45 per \$1,000 of assessed valuation for a third six-year period to finance industrial development of marginal lands in IDD. This additional taxing authority applies to the ports of Port Angeles, Port Townsend, Grays Harbor, Willapa Harbor, Peninsula, Ilwaco, and Chinook.

Summary of Bill: Provisions regarding IDD levies for port districts are amended. Port districts are authorized to collect revenue through a multiyear annual IDD levy, which may be extended for a second and third time so long as certain statutory requirements are met and the levy period does not exceed 20 years from the date the initial levy is assessed. The total revenue that may be collected over the levy period may not exceed \$2.70 multiplied by the assessed value of taxable property in the port district for taxes collected in the base year (the year prior to the year in which the levy is to be collected). Hence, a \$0.45 levy would impose a levy for a period of six years, whereas a \$0.15 levy would extend the levy period to 18 years.

The 1 percent statutory levy limit does not apply to IDD levies on or after January 1, 2012.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Infrastructure development is an essential part of economic development, particularly as it pertains to industrial development of marginal lands. The Port of Edmonds' Trade and Economic Development Committee, over the past couple of years, has been trying to come up with alternative strategies and financing tools to complete development projects in response to recent budgetary constraints. IDD money is really seed money: it is important for bond financing, which is used to leverage infrastructure improvements; infrastructure improvements attract private sector investment and new partnership, which creates jobs; partnership and job creation will effectively increase and maintain the state's economic competitiveness. IDD levy powers are very important to all ports, both large and small. The current levy capacity of \$0.45 cents for six years is actually more than the Port of South Whidbey needs for its projects. However, if the port does not utilize the full \$0.45 cents, it would sacrifice the future capacity because of the way the law is currently written. The IDD levies need to be sized for the project that ports have. Small ports need to be able to minimize the tax burdens on its neighbors and the ports. This bill provides ports with additional flexibility; it does not expand or increase the taxing authority of the ports to invest in infrastructure. The bill extends the taxing period from six years out to 20 years, which gives the ports a lot more flexibility in financing.

Persons Testifying: PRO: Bob McChesney, Port of Edmonds; Eric Johnson, Washington Public Ports Association; Dane Anderson, Port of South Whidbey.