

# HOUSE BILL REPORT

## HJR 4212

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**As Reported by House Committee On:**  
Finance

**Brief Description:** Providing for community redevelopment financing in apportionment districts.

**Sponsors:** Representatives Sullivan, Springer, Stokesbary, Senn, Slatter, Sells, Boehnke, Goehner and Lekanoff.

**Brief History:**

**Committee Activity:**

Finance: 2/6/20, 2/7/20 [DP].

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Amends the Washington Constitution to allow tax increment financing.</li></ul>
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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives Tarleton, Chair; Walen, Vice Chair; Chapman, Frame, Macri, Orwall, Springer, Stokesbary and Wylie.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Vick.

**Staff:** Nick Tucker (786-7383).

**Background:**

Tax Increment Financing.

Tax increment financing (TIF) is a method of allocating a portion of property taxes to finance economic development in urban areas. Typically, under TIF, 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 collected from property owners inside a special district surrounding the site of the public improvements.

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*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.*

Construction of public improvements tends to increase the market values of nearby properties. Increases in value can result in increased property taxes for each taxing district that includes property near the public improvement. Under TIF, the local government making the improvement gets all of the resulting tax revenue increase. For example, if a city makes an improvement that raises nearby property values, the city gets all of the resulting increase in property taxes, rather than sharing that increase with the state, county, and other local districts under the normal property tax allocation system.

#### State Constitution and Property Taxes.

##### *Uniformity (Article VII, section 1).*

The state Constitution requires all taxes to be applied uniformly on property within each taxing district. However, the Legislature may exempt certain property from taxation. All real and personal property in the state is subject to the state property tax, unless specifically exempted under law. Property taxes are based on the assessed fair market value of the property.

##### *Limits (Article VII, section 2).*

The state Constitution also limits regular property tax levies to a maximum of 1 percent of a property's assessed value (AV). This applies collectively to the total taxes levied by the state, local governments, and any other agencies with taxing authority. However, the Constitution specifically exempts port and utility districts from this limitation.

To keep the total tax rate within the 1 percent limit, the Legislature has established individual and aggregate limits for the various tax districts. The tax levy maximum assessed by the state is set at \$3.60 per \$1,000 of the AV. The state levy takes precedence over all other levies. Most of the remaining local tax districts must share an overall maximum rate of \$5.90 per \$1,000 of the AV.

##### *Excess Levies (Article VII, section 2).*

Any taxing district may levy a tax exceeding the 1 percent constitutional limit if approved by at least a three-fifths vote, based on a certain percentage of voters within the district. A school district is authorized to impose an excess levy with simple majority vote.

##### *Indebtedness (Article VIII).*

The state may contract debt up to a limit based on a certain percentage of general state revenues. Local governments generally may incur debt up to 1.5 percent of the total value of taxable property without voter authorization.

##### *Apportionment (Article VII, section 6; Article VIII, section 4).*

All taxes collected for state purposes must be paid to the State Treasury. Money paid out of the treasury must be appropriated by law.

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#### **Summary of Bill:**

The Constitution is amended to allow tax increment financing.

A county, city, town, or port district, if authorized by the Legislature, is allowed to allocate all or a portion of regular property taxes, including the state property tax, imposed within a designated area to fund public infrastructure improvements within the area.

A county, city, town, or port district, if authorized by the Legislature, is also allowed to impose a special property tax exclusively within the designated area for the purpose of funding public improvements.

The allocation of regular property taxes and imposition of a special property tax are exempted from the constitutional requirements relating to: uniformity; the 1 percent limit on property taxes; indebtedness, the funding of schools through the state property tax; and the appropriation of state taxes.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Staff Summary of Public Testimony:**

(In support) Tax increment financing will allow local governments to capture the value that is created when they make public investments in an area. Tax increment financing is used in all other states except for the state of Washington, which puts us at a competitive disadvantage. Tax increment financing will allow for more investment in economic development and will allow for more equitable economic growth and development. There are many large capital projects that could utilize this type of program.

Cities across the state need tax increment financing programs because they allow for financial stability and independence. Local jurisdictions need many different tools to finance projects. Different problems require different solutions; this is another tool to be used for development. This is also a uniquely measurable tool in terms of both output and efficiency.

Tax increment financing represents an opportunity for cities to meet their needs to update infrastructure and will make these projects less expensive. Infrastructure funding is an area that cities often struggle with. Tax increment financing would provide the option for local municipalities to bond for public infrastructure.

(Opposed) None.

**Persons Testifying:** Amber Carter, Identity Clark County and Port of Vancouver; John Caulfield, City of Lakewood; Greg Hannon, National Association for Industrial and Office Parks; Candice Bock, Association of Washington Cities; and John Spencer, Port of Camas-Washougal.

**Persons Signed In To Testify But Not Testifying:** None.