
Finance Committee

HB 2196

Brief Description: Providing for expansion of the local option real estate excise tax to fund capital projects.

Sponsors: Representatives Clibborn and Moeller.

Brief Summary of Bill

- Provides that the Legislature recognizes the need to provide local governments with a new source of funding for capital improvements.
- Provides that the Legislature recognizes the need to fund growth in school districts and to provide affordable housing relief.

Hearing Date: 3/3/05

Staff: Mark Matteson (786-7145).

Background:

Impact fees - GMA. Counties, cities, and towns that plan under the major provisions of the Growth Management Act (GMA) are authorized to impose impact fees on development activity as part of the financing of public facilities. Impact fees are payments of money required of developers as a condition of development approval and apply to both new development and the expansion of existing development.

The imposition of impact fees is subject to several conditions. Such fees:

- may be imposed only with respect to certain public facilities that are reasonably related to the impact of the development on the facilities;
- may not exceed a proportionate share of certain public facilities' costs related to the impact of the development; and
- must be used for certain public facilities that reasonably benefit the new development.

The public facilities for which the impact fees may be imposed and spent are limited to certain capital facilities that are owned or operated by government entities. These include public streets and roads; publically owned parks, open space, and recreation facilities; school facilities; and fire protection facilities in jurisdictions that are not part of a fire district.

Local ordinances imposing impact fees must include a schedule of fees specific to each type of development activity. The method of fee calculation must take into account the type of development in determining the cost of its anticipated impact. Impact fees:

In determining the proportionate share of the fee to be paid by a developer, the formula or method must incorporate:

- the cost of public facilities necessitated by new development;
- an adjustment to the cost of the public facilities for past or future payments made or reasonably anticipated to be made by new development to pay for particular system improvements in the form of user fees, debt service payments, taxes, or other payments earmarked for or proratable to the particular system improvement;
- the availability of other means of funding public facility improvements;
- the cost of existing public facilities improvements; and
- the methods by which public facilities improvements were financed.

Impact fees - State Environmental Policy Act. The State Environmental Policy Act (SEPA) requires every governmental agency to review its proposed major actions and determine if a probable significant adverse environmental impact will arise from the proposed action.

The review process involves a number of potential steps that could result in the preparation of an environmental impact statement for a proposed governmental action. However, very few proposed governmental actions result in the preparation of an environmental impact statement. Many actions are categorically exempted from the analysis. Proposed actions may be modified or actions may be taken to remove the probable significant adverse environmental impact. The action taken may include the payment of fees to compensate for the adverse impact. The SEPA analysis must consider any and all mitigation measures to determine if, after modification or after the mitigation measures have been taken, a probable significant adverse impact still would arise.

The SEPA analysis reviews a variety of subjects, including the probable impact of a governmental decision on public facilities.

Real estate excise tax. The real estate excise tax (REET) is imposed on each sale of real property, which includes both the transfer of ownership and the transfer of controlling interests. Real property includes any interest in land or anything affixed to land. The state tax rate is 1.28 percent. Additional local rates are allowed. The combined state and local rate in most areas is 1.78 percent or less. The highest rate is 2.78 percent in the City of Friday Harbor.

The Growth Management Act included a modification to the original 0.25 percent REET authority enacted for local governments and a new 0.25 percent REET authority, for the purposes of providing assistance to local governments required to or choosing to plan under the GMA. The changes meant that local governments subject to GMA requirements could impose taxes of up to 0.5 percent and that the proceeds would be used to finance capital projects identified in a capital facilities plan element of a comprehensive plan. The modification to the original 0.25 percent REET authority did not affect jurisdictions not planning under GMA but who were otherwise eligible to impose the REET. There are 267 cities and 37 counties that impose the original REET and 127 cities and 14 counties that impose the new REET added under the GMA.

Summary of Bill:

The Legislature recognizes that local governments are in need of an additional source of revenue for capital improvements, that school growth should be adequately funded, and that there should be relief for the affordable housing crisis.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.