SENATE BILL REPORT
SB 6700

As Reported By Senate Committee On:
International Trade & Economic Development, January 31, 2006

Title: An act relating to community revitalization financing.

Brief Description: Promoting economic development and community revitalization.

Sponsors: Senators Brown, McCaslin, McAuliffe, Franklin and Rasmussen.

Brief History:
Committee Activity: International Trade & Economic Development: 1/31/06 [DP-WM].
Ways & Means: 2/7/06.

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Shin, Chair; Sheldon, Vice Chair; Pflug, Ranking Minority Member; Doumit, Eide, Roach and Zarelli.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. The use tax is imposed at the same rate as the retail sales tax on items used in Washington that were not subject to the sales tax. Sales and use taxes are imposed by the state, counties, and cities.

Public Infrastructure funding is accomplished in a number of different ways in the state, including through local public facilities districts, and state funding approved by the Public Works Board or the Community Economic Revitalization Board. The Legislature has in recent years examined a number of ways to increase investment in public infrastructure in the state.

Summary of Substitute Bill: Local governments may finance public improvements within a defined area, called a revitalization area, using revenue generated through a new sales and use tax, up to $1.5 million per project per year, credited against the state sales and use tax, and matched with an equivalent amount of local resources.

The public improvements that may be financed are infrastructure improvements that include street and road construction and maintenance; water and sewer system construction and improvements; sidewalks and streetlights; parking, terminal, and dock facilities; park and ride facilities of a transit authority; park facilities and recreational areas; and storm water and drainage management systems.

Conditions under which community revitalization financing may be used are enumerated, including the adoption of an ordinance, the expectation that the improvement will encourage private development, and the expectation that any related private developments will be consistent with the local comprehensive plan.

A local government that uses community revitalization financing and receives approval from the Department of Revenue may impose a new local sales and use tax. The rate of tax is calculated to equal the lesser of the amount of increased state sales tax expected in the area or $1.5 million per year. The tax may be first imposed on July 1, 2008. Money from the tax must be used for principal and interest payments on bonds issued for the public improvement and must be matched with an equal amount from local public sources. The tax expires when the bonds are retired, but not more than twenty-five years after the tax is first imposed. A local government that uses community revitalization financing may issue general obligation bonds to finance the public improvements.

Applications to the department may be made beginning August 1, 2006. No applications may be made after September 30th three years after the first application. The aggregate statewide limit for credit against the state sale and use tax is $5 million per year. The $5 million cap is adjusted by the fiscal growth factor each year beginning July 1, 2008.

The local government using the new sales and use tax must provide an annual report to the Department of Revenue by March 1 of each year. The report must include an accounting of revenues allocated for the purposes of the program, as well as business, employment, and wage information pertaining to the revitalization area. The department shall make a report available to the public and the Legislature by June 1 of each year.

Substitute Bill Compared to Original Bill: The substitute renamed increment area to revitalization area. The requirement that a revitalization area may not be established without authorization from taxing authorities that impose at least sixty percent of the sales and use taxes with the area is removed. The amount of new taxes in a single jurisdiction is increased from $1 million to $1.5 million.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For (International Trade & Economic Development): This will increase jobs and tax revenues in the state. This will make us more competitive. This will put us on a level playing field with other jurisdictions. We need more tools. This is on all economic development practitioners' list of important policies.

Testimony Against (International Trade & Economic Development): None.

Who Testified (International Trade & Economic Development): PRO: Deborah Knutson, EDC of Snohomish County; Mark Brown, City of Vancouver, Columbia River EDC; Curt Smelser, Triway Enterprises; Jim Hedrick, Spokane Regional chamber of Commerce; Ron Newbry, WA Economic Development Association.

Testimony For (Ways & Means): Forty-five other states use this mechanism. It gives local government the tools necessary for economic development.

Testimony Against (Ways & Means): None.

Who Testified (Ways & Means): PRO: Ron Newbry, WA Economic Development Assn.