

# FINAL BILL REPORT

## HB 2842

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Synopsis as Enacted

**Brief Description:** Financing of improvements for state-owned lands to be transferred for private development.

**Sponsors:** Representatives Schmick, Wylie, Nealey, Reykdal, Dye and Walsh.

**House Committee on Community Development, Housing & Tribal Affairs**  
**House Committee on Finance**  
**Senate Committee on Ways & Means**

### **Background:**

#### Property Taxation.

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

#### Tax Increment Financing.

State law provides for certain local financing options through a model known as tax increment financing (TIF). The traditional TIF model is a method of allocating a portion of taxes to finance specific public improvement projects that promote private development within designated urban areas. Typically, the city or county may issue bonds to pay for public improvements. The bonds are financed by a portion of the regular property taxes levied within a specified district surrounding the public improvement. The increased property value within the district caused by the public improvement project then becomes the tax base used to pay the bonds. While several of these financing options also include a state funding contribution in the form of a credit against the state sales tax, some models involve only local regular property tax revenues.

### **Summary:**

A designated city, with over 60,000 people, east of the Cascade Mountains and abutting the Columbia River on its southern border, may adopt an ordinance to designate a state land

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improvement finance area for the purpose of encouraging private development and increasing property values within the area. The designated area may include any state-owned land that has been sold or is pending sale for private development. The boundaries of the designated area may not exceed 25 percent of the total assessed value on all real property within the city at the time the area is created.

All property taxes levied within the designated area may be directed to finance public improvement projects within the area, except for the state property tax portion used to fund public education. The city using state land improvement financing may issue general obligation bonds to finance public improvement projects. The revenue collected from within the designated area may be used to finance the debt, and the debt is subject to the full faith and credit of the city.

The types of public improvement projects that may be financed include public infrastructure improvements, such as roads and bridges, water and sewer systems, recreational areas, storm water systems, and utility infrastructure. Funding also can be used for planning and analysis, maintenance and security, and historic preservation.

**Votes on Final Passage:**

House	89	9
Senate	48	0

**Effective:** June 9, 2016