Tax Increment Financing

Update on HB 1189

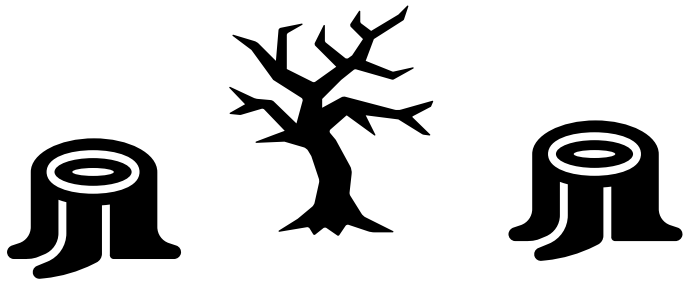
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What is TIF?

Generally, TIF captures property taxes generated from the increased assessed valuation on the site that results from private development following infrastructure investment.

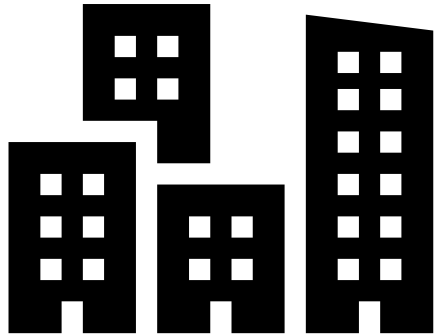
Parcel A: Undeveloped Site

Assessed valuation of $6 million
x 4.75 levy rate per $1,000 AV
= $28,500 in local property taxes paid



Parcel B: Developed Site

Assessed valuation of $121 million
x 4.75 levy rate per $1,000 AV
= $574,750 in local property taxes paid



History

Previous efforts to authorize tax increment financing struck down by voters and the courts

- Washington State Constitution requires state property tax to be allocated to the common school fund.
- Legislature approved the Community Development Refinancing Act in 1982
  - Overturned for two reasons: 1) gifting of public funds and 2) uniform property tax rate

Since then, the Legislature authorized several versions of “TIF lite” that relied on a credit against the state sales tax.

- LIFT, LRF - Fell out of favor because these programs rely on investments from the state general fund

2021 Legislature approved HB 1189, authorizing tax increment financing.

- Constitutional, carefully crafted: school levy exempted, uniform property tax levies, funds used for public benefit

Overview of HB 1189

- Economic development tool available to cities, counties and ports
- Designed for a specific project/site where there is certainty that the infrastructure will result in development (not "build infrastructure, development will follow")
- Must be able to demonstrate that the **infrastructure will result in private development**, which will increase the assessed valuation of the project/site.
- **"But for" test:** private development would not otherwise occur within the reasonably foreseeable future but for an investment in infrastructure

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Overview of HB 1189

Eligible Infrastructure improvements owned by a local government within or outside of and serving the increment area that include:

- Street and road construction;
- Water and sewer system construction and improvements;
- Sidewalks and other non-motorized transportation improvements and streetlights;
- Parking, terminal, and dock facilities;
- Park and ride facilities or other transit facilities;
- Park and community facilities and recreational areas;
- Stormwater and drainage management systems;
- Electric, broadband, or rail service;
- Mitigation of brownfields; **or**

Eligible expenditures for any of the following purposes:

- Purchasing, rehabilitating, retrofitting for energy efficiency, and constructing housing for the purpose of creating or preserving long-term affordable housing;
- Purchasing, rehabilitating, retrofitting for energy efficiency, and constructing childcare facilities serving children and youth that are low-income, homeless, or in foster care; Providing maintenance and security for the public improvements; or
- Historic preservation activities authorized under RCW 35.21.395.

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Project Analysis

- Must prepare project analysis. Highlights:
  - A description of the expected private development within the increment area, including a comparison of scenarios with and without proposed public improvements.
  - An assessment of any impacts and necessary mitigation to address impacts on the following:
    - Affordable and low-income housing
    - Local business community
    - Local school districts
    - Local fire service
      - If 20% of the assessed valuation in fire district is within the increment level or there is an increase in level of service to increment area, must negotiate a mitigation plan.

Required Outreach

- Hold two public hearings exclusively on the project
- Submit a project analysis to the state office of the treasurer for review
- Publish notice in public newspaper
- Notice to county treasurer, county assessor, and governing body of each taxing district where the increment area is located

Current TIF projects

- Port of Pasco
  - Holding public briefings (October & November)
  - Submitted project analysis to Treasurer for review
  - Project: Reimann Industrial Center (150 acres)
    - Darigold facility ($500 million investment; 200 new job & 350 farm jobs)
    - $20 million in infrastructure needs (water, sewer, transportation, other utilities)
    - $8.2 million generated from TIF

Current TIF projects

- Port of Vancouver
  - Early stages – hired a consultant to develop project analysis and meeting with Treasurer's office
  - TIF would provide critical portion of funding, but not all funding

