



Tax increment financing

HB 2804, HB 2778/HJR 4212

Cities and towns need tax increment financing options to boost economic growth and opportunity for all Washingtonians.

1 Tax increment financing (TIF) can help cities build public infrastructure to spur economic and job growth throughout the state.

2 Washington's Local Revitalization Financing (LRF) program (closely akin to TIF) can fund local infrastructure improvement projects and encourage economic development.

3 An amendment to the state constitution is needed to allow a traditional property-tax-based TIF program.

1 A designated TIF district can spark public-private partnerships to help fund useful infrastructure projects that may not otherwise be appealing to investors. It can also create new economic activity in a region that may not otherwise see investments. This enables a city to widen its tax base and create economic development that pays for itself. Similar approaches are already used in 49 other states and Washington, D.C.

In 2018, LRF jurisdictions alone reported a state benefit of \$633.8 million.

2 Created in 2009, the Local Revitalization Financing (LRF) program awarded local jurisdictions sales tax credits to fund local infrastructure improvement projects to encourage economic development. In 2018, the 18 LRF jurisdictions reported a state benefit of \$633.8 million, as well as the creation of 19,159 jobs by 2,555 new businesses (see next page for examples).

Unfortunately, LRF is no longer accepting new applications, as the state contribution limit has been reached. The Legislature can incentivize economic growth throughout the state by investing in the LRF program again.

3 Attempts to authorize the use of state property tax revenue in Washington to finance developments through TIF have been struck down by the courts. A constitutional amendment allowing for a property-tax-based approach would allow cities to access critically needed funding for local economic development projects. This approach doesn't raise property taxes on residents but allows development to pay for the public infrastructure needed.

Every **\$1** invested in infrastructure generates **\$1.50** in economic output.



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Additional information

Forty-nine states and Washington, D.C. have successfully implemented various versions of TIF. One example is Oregon, where the state implemented TIF to provide revenue for local infrastructure and development projects in more than 50 communities.

Here's how three Oregon cities used TIF:

The City of Portland used TIF to help develop its Oregon Convention Center, Downtown Waterfront, and various neighborhoods.

The City of Bend used TIF for capital improvement loans for small or startup businesses, parks and plazas, and utility and infrastructure projects to support new development.

The City of Hillsboro used TIF to solidify Intel's presence and tech-sector job growth in the city.

Here's how four Washington cities used LRF:

In Washington, 18 local jurisdictions participated in the state-funded Local Revitalization Financing (LRF) program established in 2009. Projects in these communities have created thousands of new jobs and boosted private investment.

The City of Kennewick received \$500,000 in LRF funds to improve streets and local infrastructure and develop and build a 52-acre sports and events complex. In 2018, the city reported \$19 million in state benefit, and 52 new businesses have chosen to locate in the revitalization area, creating 409 new jobs.

The City of Bremerton received \$330,000 in LRF funds to develop a multiuse parking garage and to revitalize the Park Plaza district through street, sidewalk, and streetscape improvements. In 2018, the city reported \$493,335 in state benefit, and 31 new businesses have chosen to locate in the revitalization area, creating 214 new jobs.

The City of Wenatchee received \$500,000 in LRF funds to improve water, sewer, and storm systems and to construct sidewalks, parking facilities, and docking facilities and carry out environmental remediation projects. To date, the city has reported \$1.6 million in state benefit, and 30 new businesses have chosen to locate in the revitalization area, creating 228 new jobs.

The City of Spokane received \$250,000 in LRF funds to construct and improve water and sewer systems, park and ride facilities, parks and recreational areas, and bicycle infrastructure. To date, the city has reported \$1.5 million in state benefit, and three new businesses have chosen to locate in the revitalization area, creating 68 new jobs.

71%



of cities face significant challenges to local employment opportunities, due largely to low economic development investments.

94%



of cities report that creating new and enhanced state programs to help spur economic development would have a significant positive community impact.

54%



of cities report broadband infrastructure as a significant barrier to economic development in their community.

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