

LOCAL INFRASTRUCTURE FINANCING

SCOPE AND OBJECTIVES

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REVIEW COMMITTEE

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Why a JLARC Study of Local Infrastructure Financing?

In 2006, the Legislature passed ESHB 2673 creating the Local Infrastructure Financing Tool (LIFT) program. The goal of the program is to provide state matching funds to local governments to develop public infrastructure in defined areas. The underlying purpose is to use the public investment to attract private investment and improve the economic conditions of the selected areas. Currently, there are nine projects approved under LIFT.

The LIFT legislation requires the Joint Legislative Audit and Review Committee (JLARC) to report to the Legislature on the program every five years beginning in 2013. The program terminates in 2039.

What is LIFT?

LIFT is a variation on a type of program known as tax increment financing. LIFT projects are authorized on the assumption that local public infrastructure investment will result in increased local property values, tax revenues, and economic growth. LIFT projects are financed by locally approved bonds. LIFT projects that demonstrate increases in tax revenues from the project area qualify for state matching funds to help cover the cost of the project. LIFT projects must be approved by the state's Community Economic Revitalization Board (CERB).

The Legislature has also established other, similar financing programs, such as the Local Revitalization Financing (LRF) program. State law limits the total amount of state contributions for both the LIFT and LRF programs. Generally, new projects will require legislation authorizing additional state funding.

Study Scope

JLARC will report to the Legislature every five years for the life of the LIFT program.

In order to conduct its analysis, JLARC will require information on an annual basis from, at a minimum, cities and counties with tax increment financing projects, county assessors, the United States Census, and the departments of Revenue, Employment Security, and Commerce.

The initial report in 2013 will identify the resources and methodology JLARC will use to evaluate local infrastructure financing projects. Beginning in 2018, the reports will provide the descriptive measurements identified by the Legislature on all of the approved projects.

Study Objectives

Initial Report (2013)

The initial report to the Legislature will focus on establishing the data collection and analysis methodology for this large, multi-decade study. The study will address the following questions:

1. What is the current status of the LIFT projects?
2. What methodology does JLARC identify as appropriate to measure changes in employment, property values and taxes, sales and use taxes, housing, and existing businesses within the project areas?
3. Should other tax increment financing programs similar to LIFT be included in the analysis?
4. What methodology does JLARC identify as appropriate to evaluate the economic impacts of Washington's tax increment financing programs?
5. Are any changes in the timing or nature of subsequent reports appropriate?
6. What resources will JLARC need to conduct this study?

Subsequent Reports

The 2013 report will identify the specific objectives for subsequent reports. The objectives will evaluate the effectiveness of the program by focusing on changes and impacts in the project areas. The evaluation will concentrate on the following topics listed in the enacting legislation:

- Property values
- Property taxes
- Sales and use taxes
- Employment
- Housing
- Businesses

These subsequent reports will also address how projects' interim results compare to their selection criteria. The Legislature specifically directed JLARC to report by 2028 on whether the program should be expanded and what impact the expansion would have on economic development in Washington.

Timeframe for the Study

This study requires reports every five years beginning in 2013. Staff will present the first report at the JLARC meeting in September 2013.

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