Economic development

SB 5564 – Creating a new sales tax credit economic development tool

1 Cities compete for state sales tax credits to finance infrastructure improvements.

2 Tax revenue increases help finance improvements.

3 Costs are recovered by the diversified tax base.

Give cities and towns access to new value capture based infrastructure financing resources.

Cities drive Washington State's economy

95% of gross state product

94% of all retail sales

69% of job generating businesses

In AWC's 2018 survey of Washington cities and towns, **respondents named economic development as their number one priority.**

Community leaders in Washington are engaged, enthusiastic supporters of economic growth. These mayors, councilmembers, and city staff are working hard to bring new jobs and expanded economic opportunity to their communities. **Yet these efforts are often hindered by the limited economic development tools available to Washington cities and towns.**

How does value capture financing work?

- Through a competitive process administered through the Community Economic Revitalization Board (CERB), local governments can apply for state sales tax credits to help finance local infrastructure improvements that leverage private investments and increase area sales, and property tax revenue.
- The state contribution is provided through a new local sales and use tax that is credited against the state sales and use tax.
- Taxpayers will not see any increase in sales tax at the register, but instead, some of the state's portions of the sales tax is diverted to the local jurisdiction to help pay for the infrastructure improvements.
- Once development has occurred, excess tax revenues, additional funds from local sources, and the state contribution can then be used to retire loans for the infrastructure improvements.
- After the debt is paid off, the city and state will continue to benefit from the additional tax revenue created by the local development.

Contact:

Candice Bock
Government Relations Director
candiceb@awcnet.org

Brandon Anderson
Legislative & Policy Analyst
brandona@awcnet.org

AWC ASSOCIATION OF WASHINGTON CITIES

Additional information

A history of success in Washington State

The Local Infrastructure Financing Tool (LIFT), created in 2006, and the Local Revitalization Financing (LRF) program, created in 2009, awarded local jurisdictions sales tax credits to fund local infrastructure improvement projects to encourage economic development. In 2017, LRF jurisdictions alone reported a state benefit of $359.4 million. Unfortunately, both tools are no longer accepting new applications as the state contribution limit has been reached. By supporting the Building Business Ecosystems Act, the Legislature can continue to incentivize economic growth in all regions of Washington State.

Recent updates

A substitute version of **SB 5564** was adopted and voted out of the Senate Financial Institutions, Economic Development & Trade Committee and referred to the Senate Ways & Means Committee.

The substitute version of the bill reduced the state's annual credit against the state sales and use tax from $15 million under the original version to $4,965,000 per year and limited the number of allowable projects to three. AWC is requesting a public hearing and an amendment to increase the state contribution rate and remove the limit on the number of projects.

How has the legislation improved since LIFT & LRF?

- Updated competitive criteria to include projects that encourage affordable housing
- Improved data collection and reporting requirements
- $5 million set aside for rural jurisdictions and projects within designated Opportunity Zones
- Requires jurisdictions to impose BBE tax by 2026. If a project isn't under way by then, the funding becomes available and CERB will reopen the application window to award the remaining funds
- Projects may receive up to:
  - $1 million per year for a 20-year period; or
  - $800,000 for a 25-year period; or
  - $665,000 for a 30-year period

Contact:

Candice Bock
Government Relations Director
candiceb@awcnet.org

Brandon Anderson
Legislative & Policy Analyst
brandona@awcnet.org

Association of Washington Cities • 1076 Franklin St SE, Olympia, WA 98501 • 1.800.562.8981 • wacities.org

AWC ASSOCIATION OF WASHINGTON CITIES