

Multiple Agency Fiscal Note Summary

Bill Number: 2069 P S HB	Title: Community facility districts
---------------------------------	--

Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Total \$						

Local Gov. Courts *						
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.					
Local Gov. Total						

Estimated Expenditures

Agency Name	2009-11			2011-13			2013-15		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total	0.0	\$0	\$0	0.0	\$0	\$0	0.0	\$0	\$0

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

--

Prepared by: Ryan Black, OFM	Phone: 360-902-0417	Date Published: Final
-------------------------------------	-------------------------------	---------------------------------

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Department of Revenue Fiscal Note

Bill Number: 2069 P S HB	Title: Community facility districts	Agency: 140-Department of Revenue
---------------------------------	--	--

Part I: Estimates

☒ No Fiscal Impact

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Meg Van Schoorl	Phone: 360-786-7105	Date: 02/17/2009
Agency Preparation:	Diana Tibbetts	Phone: 360-570-6085	Date: 02/17/2009
Agency Approval:	Don Gutmann	Phone: 360-570-6073	Date: 02/17/2009
OFM Review:	Ryan Black	Phone: 360-902-0417	Date: 02/17/2009

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects language in draft legislation H-1983.1.

An act relating to creating community facilities districts.

This legislation is intended to facilitate voluntary landowner financing of community facilities by authorizing community facilities districts.

Community facilities district commissions are authorized to impose property tax levies, benefit charges, and special assessments to fund community facilities districts.

Part IV of this bill allows community facilities districts to incur general indebtedness and to retire it by excess property tax levies and benefit charges. Community facilities districts may levy regular property taxes against the real and personal property within the district to carry out district purposes .

Part VI of the bill allows community facilities districts to impose benefit charges on personal property, real property, and improvements to real property within the community facilities district. County assessors and treasurers are authorized to collect an administration fee from the benefit charges collected.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

REVENUE ESTIMATES

This bill has no direct impact on state revenues.

The local impact of this bill can not be accurately estimated due to the unknown size or location of the community facilities districts that may form or how the districts may choose to levy property taxes or benefit charges.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): None.

Local Government, if applicable (cash basis, \$000): The potential utilization of property taxes and benefit charges is indeterminate because the extent that community facilities districts that might levy the taxes and charges is unknown.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing

The Department of Revenue will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

No rule-making is required.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 2069 P S HB	Title: Community facility districts
---------------------------------	--

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Cities authorize new districts after petition and hearing
- ☒ Counties: Counties authorize new districts after petition and hearing
- ☒ Special Districts: Creates a new type of special district
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: District creation costs are paid by petitioners
- ☒ Legislation provides local option: The form of financing used by the district is local option
- ☒ Key variables cannot be estimated with certainty at this time: Number of districts formed over time

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Jurisdiction	FY 2010	FY 2011	2009-11	2011-13	2013-15
City					
County					
Special District					
TOTAL \$					
GRAND TOTAL \$	0				

Part III: Preparation and Approval

Fiscal Note Analyst: Anne Pflug	Phone: 509-925-2608	Date: 02/18/2009
Leg. Committee Contact: Meg Van Schoorl	Phone: 360-786-7105	Date: 02/17/2009
Agency Approval: David Elliott	Phone: (360) 725 5033	Date: 02/18/2009
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 02/18/2009

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

The proposed substitute bill authorizes creation of community facility districts financed by property taxes and/or facility district benefit charges. Creation, election of commissioners, scope and operation of the district are defined.

DIFFERENCES BETWEEN THE BASE BILL AND PROPOSED SUBSTITUTE

The proposed substitute eliminates provisions related to regional community facility financing districts and merger/withdrawal/dissolution of districts; substitutes all property owners within the district for ten percent of registered voters as the petitioners to create the district; provides for a different public and local legislative processes to create the district; modifies provisions related to the election and compensation of commissioners; omits provisions related to procurement; omits authority related to local improvement district assessments; limits property tax authority; and omits approval of benefit charges through election.

See attachment for section by section summary.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

See attachment.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

See attachment.

Bill Number: **PSHB 2069**

Short Title: Community Facility Districts

PART IV / ANALYSIS

A – Summary of Bill

Describes the bill with an emphasis on how it impacts local government.

The proposed substitute bill authorizes creation of community facility districts financed by property taxes and/or facility district benefit charges. Creation, election of commissioners, scope and operation of the district are defined.

Differences between base bill and proposed substitute

The proposed substitute eliminates provisions related to regional community facility financing districts and merger/withdrawal/dissolution of districts; substitutes all property owners within the district for ten percent of registered voters as the petitioners to create the district; provides for a different public and local legislative process to create the district; modifies provisions related to the election and compensation of commissioners; omits provisions related to procurement; omits authority related to local improvement district assessments; limits property tax authority; and omits approval of benefit charges through election.

Sec. 101 Intent

Sec. 102 Definitions including community facility district and petition.

Sec. 201 - 208 Authorizes community facility districts, the method of formation and the public process required for formation. A petition is submitted by all of the property owners (minimum two) in the proposed district to the city, town or county where the district is to be located. The petitioners must agree to pay for the cost of formation. A public hearing, notice, required findings, legislative action and filing are required. Appeal procedure is specified.

Sec. 209 Requires an election by the county, city or town where the district is located at the next general election to elect three district commissioners composed of the largest land owner, an elected official of the county, city or town and a voter residing in the district. The legislative authority of the county, city or town nominates one or more of its members for the commissioner representing their jurisdiction. Term of commissioners is six years.

Sec. 301- 304 Sets out the powers and duties of the commission to conduct the affairs of the district. Powers include:

- o to manage and conduct the business affairs of the district,
- o to make and execute all necessary contracts,
- o to employ any necessary services,
- o to adopt reasonable rules to govern the district and to perform its functions, and
- o generally to perform all acts as may be necessary to carry out the objects of the creation of the district.

Sec. 401 - 404 Designates community facility districts as political subdivisions and municipal corporations with powers consistent with the terms and conditions of the petition or amended petition. Districts may:

- o acquire, purchase, hold, lease, manage, occupy, construct, and sell real and personal property, facilities, or any interest therein,
- o enter into and to perform any and all necessary contracts,
- o appoint and employ the necessary officers, agents, and employees,
- o sue and be sued,
- o levy and enforce the collection of taxes, assessments, and benefit charges against the lands within the district for district revenues, and
- o undertake any and all lawful acts required and expedient to consolidate, provide, or operate community facilities operations and projects.

Sec. 405 - 406 A district may finance through the use of taxes, assessments, and benefit charges, the cost of purchase, construction, expansion, improvement, or rehabilitation of any facility with an estimated life of five years or longer or may finance planning and design work that is directly related to the purchase, construction, expansion, improvement, or rehabilitation of any of the following facilities:

- o Facilities listed in RCW 35.43.040
- o Sanitary sewage systems, including collection, transport, storage, treatment, dispersal, effluent use, and discharge;
- o Drainage and flood control systems, including collection, transport, diversion, storage, detention, retention, dispersal, use, and discharge;
- o Water systems for domestic, industrial, irrigation, municipal, or community facilities purposes, including production, collection, storage, treatment, transport, delivery, connection, and dispersal;
- o Highways, streets, roadways, and parking facilities, including all areas for vehicular use for travel, ingress, egress, and parking;
- o Areas for pedestrian, equestrian, bicycle, or other non-motor vehicle use for travel, ingress, egress, and parking;
- o Pedestrian malls, parks, recreational facilities, and open-space facilities for the use of members of the public for entertainment, assembly, and recreation;
- o Landscaping, including earthworks, structures, lakes, and other water features, plants, trees, and related water delivery systems;
- o Public buildings, public safety facilities, and community facilities;
- o Natural gas transmission and distribution facilities, facilities for the transmission or distribution of electrical energy, and communication facilities including, but not limited to, telephone and internet lines and cables and wireless systems;
- o Lighting systems;
- o Traffic control systems and devices, including signals, controls, markings, and signage;
- o Systems of surface, underground, or overhead railways, tramways, buses, or any other means of mass transportation facilities, including passenger, terminal, station parking, and related facilities and areas for passenger and vehicular use for travel, ingress, egress, and parking;
- o Library, educational, and cultural facilities; and
- o Facilities similar to those listed in this section.

A district may not finance general government operations and services. The facilities may be built inside or outside the district where the facility provides benefit.

Sec. 407 - 408 The commission of the district has the authority to contract indebtedness and to refund the same for any general district purpose, including expenses of maintenance, operation, and administration, and the acquisition and construction of facilities through issuance of general

obligation and/or revenue bonds for not longer than twenty years from the issuing date of the bonds.

Sec. 409, 503 Authorizes a property tax levy by the district to pay bond debt on the properties in the district.

Sec. 501- 502, 504 Requires the county treasurer to receive, disperse and collect taxes, benefit charges and assessments of the district maintaining a series of at least four district funds for this purpose. Requires the treasurer to report monthly to the District. Requires the county treasurer to pay district warrants and allows the treasurer to pay debt service payments.

Sec. 601 - 603 Authorizes benefit charges on personal and real property within the district. Provides for two alternative apportionment methods. Benefit charges on individual properties are established by the district and delivered to the county treasurer. The district contracts with the treasurer for the county collection of benefit charges.

Sec. 701 Exempts the district from development impact fees under RCW 82.02.050 and .090.

B – Expenditure Impacts

Describes and quantifies the potential expenditure impacts of the legislation on local government, distinguishing between city, county and special district impacts when appropriate.

SUMMARY

The bill would have a minor (less than \$50,000 per year) direct impact on local government expenditures. Petitioners pay the cost of district formation (Part II), improvements and financing through the district benefit charges or property taxes (Part IV). Counties are reimbursed for the costs of administering the district benefit charges (Part VI) but not the costs of property tax collection or administering funds (Part V). It is assumed that the cost for election of commissioners is reimbursed by the district. Indirect impacts to local governments may include the long term maintenance and operating costs of facilities owned by the districts (see discussion below).

DISCUSSION

Elections – The cost of elections is assumed to be reimbursed by the district however it is not clear that election or other operating costs can be assessed as part of the property tax limited to debt service or benefit charges for public facilities (See Sec. 406 and 407). It is assumed that the election would occur only within the district boundaries and the electors would be limited to those within the district. It is not clear how a bare land or non-residential district of two or more properties would conduct an election or seat commissioners.

District formation – Sec. 201 provides that all property owners sign the petition for formation of the district. It is unclear whether a district must consist of contiguous property within the boundaries of the district or only those properties that sign the petition. The district would operate for some time prior to property tax or benefit charge revenue being available; it is unclear how those expenses are met. It is assumed that the district either reimburses the expenses from future tax revenue or the private property owners are responsible for financing.

Long term capital facility operating costs – Sec. 405 provides for the construction of facilities and excludes general government operating and service costs. Sec. 407 authorizes the authority to contract for debt to pay for “any general district purpose, including expenses of maintenance,

operation and administration, and the acquisition and the construction of facilities...” It is unclear to what extent local governments would be responsible for operating costs of facilities the district constructed and owns within their boundaries and how or if the ownership of the facilities are transferred to the local government for maintenance and operation. If local governments are responsible for long term operation and maintenance of facilities owned by the district then this could be a significant indirect expenditure impact.

C -- Revenue Impacts

Describes and quantifies the potential impacts of the legislation on local government revenue or revenue authority, distinguishing between city, county and special district impacts when appropriate.

SUMMARY

The bill would have a substantial (greater than \$1 M over time) although indeterminate impact on local government revenue or revenue authority. Both community facility district property taxes to pay debt service and benefit charges are authorized under the bill however, all property owners within the district must agree through signature of a petition to a county, city or town. It is unknown how many districts would be created, the type of improvements they may finance or the type of financing that might be selected. The most common forms of public facilities required for development include water, sewer, drainage and street improvements. Additional types of improvements may be necessary to mitigate impacts of specific types or scale of development. This financing method would increase the financing options available.

DISCUSSION

Capital facilities are required to be in place to support development under the state Growth Management Act (GMA). Cities and counties planning under GMA adopt capital facility elements in their comprehensive plans and financing plans for the capital facilities. Financing is not always available at the state or local level for planned capital facilities to support development and property owners may either wait until public financing is available or finance the improvements themselves. Developer agreements, impact mitigation development approval conditions and local improvement districts are the most commonly used means by which local governments facilitate private methods of public facility construction. Only the formation of local improvement districts allow for the issuance of tax exempt bonds to finance improvements. Bond debt is repaid through assessments on property within the district. Formation of the district through a multi-step process requires participation of a majority of the property owners.

This bill would provide an additional method of financing public facility improvements through benefit charges or property taxes over twenty years to pay bond debt. The local impact of this bill cannot be accurately estimated due to the unknown number, size and location of the community facilities districts that may form and which improvements districts may choose to levy property taxes and/or benefit charges. Tax exempt financing is typically less expensive than other private sector financing methods due to lower interest rates. Public improvement costs financed under this bill would be paid by those that held property ownership over time within the district boundaries. Developers may pay annual charges in the initial years and buyers of the developed property may pay in the remaining years.

D – Sources Consulted :

Department of Revenue Fiscal Note

Office of Financial Management, *Restructuring State Public Infrastructure Programs*, 2008

Department of Community, Trade and Economic Development, *Meeting the Growth Management Challenge in Growing Communities*, 2008

Joint Legislative Transportation Committee, *Transportation Resource Manual*, January 2007

Municipal Research and Services Center web site