

Land Use & Climate Change Advisory Committee

Funding Recommendation Statements for Final Vote

Introduction

The charge to the LUCC as reflected in Section 4 of ESSB 6580 is to prepare “recommendations for additional funding to implement the recommendations resulting from (a) (ii) of this subsection.”

The funding recommendation statements listed below derive from a consolidation of suggestions made by LUCC members in response to Homework Assignment #3. Thorough review of each response was conducted, and the individual ideas contained in each were combined and organized with similar ideas from other submissions. This consolidation has resulted in twelve total recommendations, with a few recommendations containing several sub parts. It is anticipated that each subpart will require formal consideration (voting) by LUCC members.

Recommendations 1 through 7 focus on maintaining, improving, and/or enhancing existing state infrastructure and GMA planning funding sources. Certain homework assignment responses emphasized anticipated efficiencies associated with using already established funds. Many responses indicated that, irrespective of any specific targeting of or focus on greenhouse gas emission reductions, maintaining and/or enhancing existing infrastructure and GMA planning funds will be critical to supporting well planned growth that, in turn, will support greenhouse gas and dependence on foreign oil reduction aspirations.

Recommendations 8 through 12 address new financing tools, new funds, and new funding sources. In general, the intent of these recommendations is to create explicit incentives for cities and counties to provide for compact, affordable, transit friendly development that specifically supports greenhouse gas and dependence on foreign oil reductions. Recommendations ten, eleven, and twelve are tied specifically to LUCC policy recommendations addressing increased use of SEPA programmatic approaches, encouraging the use of developer incentives, and general support for transfer of development rights (TDR) efforts.

Many of the funding recommendations focus on addressing local community infrastructure needs and many have a large price tag. Given current and anticipated near-term state budget constraints, it will be important to position these recommendations over a time frame consistent with this reality. A recommendation with limited, near-term fiscal feasibility may remain a very good and important recommendation when viewed from a mid- or long-term perspective. Alternatively, certain recommendations may reduce the need for infrastructure funding by reducing infrastructure costs due to more compact development and avoiding future costs of damaged infrastructure by proactively addressing adverse impacts of climate change.

Funding Recommendation Statements

Funding Recommendation 1: The LUCC recommends that additional financial and technical assistance resources must accompany any new responsibilities, obligations, or liabilities under GMA or other related statutes. Cities and counties will need additional resources to meet both the planning and capital/administrative demands associated with these new obligations. For example, if there is a modification to the current GMA Environment Goal, there should be additional fiscal and technical assistance resources for cities and counties conducting their “every seven year updates.”

Funding Recommendation 2: The LUCC recommends that the state maintain current general fund appropriations in support of mandated GMA plan updates and associated plan implementation within the cities and counties of Washington State. There must be no backsliding on commitments made to date to support these critical efforts.

Funding Recommendation 3: The LUCC recommends fully funding existing infrastructure investment sources such as the Public Works Trust Fund, the Community Economic Revitalization Board, Transportation Improvement Board, and SB 6050 (2005) (providing financial assistance to distressed cities, towns, and counties). These programs have the structures already in place, staffed and functioning. By simply fully funding these programs efficiencies will be gained, as local communities already are accustomed to the processes.

Funding Recommendation 4: The LUCC recommends enhancing general fund appropriations to support mandated plan updates and implementation of these plans within the cities and counties of Washington State. Specifically:

- **4A:** Increase Transportation Improvement Board funding by \$35 - \$50 million per year.
- **4B:** Increase the Public Works Trust Fund by 25 percent and include a grant component with new funding for infrastructure needs within designated growth centers and in small cities to “buydown” extraordinary utility rates.
- **4C:** Enhance the Brownfields Revolving Loan Program with additional state funds (current funding is federal at \$5.9m) and adding a grants component.
- **4D:** Protect existing and increase funding within the WWRP (for parks, open space, trails, and ballfields), consider creatively using funding streams tied to initiatives such as the Puget Sound Partnership.
- **4E:** Significantly increase funding provided to the Community Economic Revitalization Board.
- **4F:** Establish a state revolving stormwater improvement fund (funded by a state and/or local vehicle tailpipe user fee) to finance capital stormwater needs.

Funding Recommendation 5: The LUCC recommends enhancing existing state infrastructure funding programs by bonding state dollars for legacy projects. This will leverage the funds and allow for more “room” to fund infrastructure needs. “Legacy projects” are infrastructure projects that last 20 years or more, like sewers, water pipes, wastewater treatment facilities, bridges, etc., that can be paid for over time rather than all at once.

Funding Recommendation 6: The LUCC recommends updating the state’s fee and tax structure by adjusting the state sewer, water, and solid waste taxes and fees. These taxes and fees have not been changed in decades and are needed to refurbish old infrastructure and prepare for 1.5 million people in the upcoming years in Puget Sound alone.

Funding Recommendation 7: The LUCC recommends making existing infrastructure funding tools more useful. For example, reform the Real Estate Excise Tax (first and second quarter local REET do not fund the same things – make them the same).

Funding Recommendation 8: The LUCC recommends authorizing new local infrastructure funding tools targeted to urban centers (must take care in defining “urban centers”) creating compact, mixed use, transit-oriented, affordable infill projects (that exceed minimum residential density and employment density).

- **8A:** Enable Street Utility Authorities – enable cities/counties to charge a street utility fee (possibly based on trip generation or, for counties, enabling annexations of urban designated areas) to meet street maintenance needs.
- **8B:** Enable Transportation Benefit Districts – repeal the 10-year sunset on voter approved sales tax to enable bonding of this revenue stream.
- **8C:** Enable Local Improvement Districts.
- **8D:** Enable state backing for local councilmanic bonds to help lower interest rates.
- **8E:** Enable restoration of local level motor vehicle taxes, local gas tax authority, or an additional optional REET as an alternative to impact fees.

Funding Recommendation 9 (Should be viewed in conjunction with Policy Recommendation 6): The LUCC recommends authorizing new funding targeted to urban centers (must take care in defining “urban centers”) creating compact, mixed use, transit-oriented, affordable infill projects (that exceed minimum residential density and employment density). Such areas could take the form of a “green jobs center” – a place or places where such jobs are sought, located, and that are provided with nearby workforce housing and transportation choices.

- **9A:** Direct a portion of any future cap and trade or carbon tax program revenue to support a fund (which would provide for infrastructure, as well as updating plans and regulations).
- **9B:** Establish a state revolving loan fund to provide cities with the infrastructure tools to promote compact, attractive, and affordable communities. Direct “excess” growth-related taxes presently paid for by development – Real Estate Excise Tax and Construction Sales Tax - to this fund. Allocate either REET and/or Construction Sales Tax revenue achieved in a “peak” year over baseline to this fund. Could define excess REET as revenues in any given year above a rolling five year average of the ratio of REET collections to wages (total REET/total wages), or defined as excess REET collections that exceed the forecasted revenues used to write the state biennial budget.
- **9C:** As part of new funding to the Public Works Trust Fund, the state should create a new pool of money that is only available for designated areas of high intensity growth inside of urban areas.
- **9D:** Create a Residential Infrastructure Fund. This fund would provide local jurisdictions with financing for infrastructure to accommodate growth, support increased density, and enhance affordability. This Fund, financed through a REET surplus mechanism, would specifically be used for one time capital expenditures to expand infrastructure capacity for compact, dense, residential development in ways to help jurisdictions meet state growth management goals, support transit-oriented development, lower the cost of workforce housing, and incentivize transfer of development rights.
- **9E:** Create a Housing Everyone Financing Tool (HEFT). This tool would create an affordable workforce housing and mixed-use development finance mechanism that captures the “incremental” increase in the anticipated growth in state revenues (sales/use and property

taxes) that are the direct result of increased redevelopment or development activity within designated areas of a local jurisdiction. The incremental increase in the states portion of sales use and property taxes is transferred to the local jurisdiction through the use of a local sole use tax credit that is credited against the states portion of the sale use tax. Funding priority is given to proposals that are located in local jurisdictions that plan or elect to plan under the states GMA and or that support the local jurisdictions transit-oriented development (TOD) efforts.

Funding Recommendation 10 (Should be viewed in conjunction with Policy Recommendation 3): The LUCC recommends enhancing the up-front funding available to local jurisdictions for performing programmatic (subarea) SEPA reviews.

- **10A:** Permanently fund the PERF Account.
 - **10A1:** Consider using a building permit or development activity surcharge rather than the General Fund to support this account.
- **10B:** Enable local jurisdictions to establish a “latecomer” or “charge back” (permit) fee, paid by a developer on a proportionate basis at the time development is proposed. (RCW 82.02 is the principal statute addressing what can and cannot be imposed on development. The fee could be an exemption to the prohibition provisions of .020, discussed in the intent section, and/or a new provision on its own.
- **10C:** Use general fund revenues to create a state fund, coupled with the ability to recoup at the local level a fee from the development community on a voluntary basis for those projects that make use of the programmatic SEPA approach.
- **10D:** Enable local jurisdictions to borrow against local CIP monies to fund programmatic SEPA (use “charge back” fee to pay back CIP).
- **10E:** Enable use of state backed councilmanic bonds to fund programmatic SEPA (use “charge back” fee to pay back bonds).

Funding Recommendation 11 (Should be viewed in conjunction with Policy Recommendation 5): The LUCC recommends directing CTED to develop a menu of model ordinances and policies that local governments can adopt to encourage compact urban development. These would include TOD, cottage housing, infill, ADUs, and TDRs. Projects in jurisdictions that use these model ordinances to encourage compact urban development should be provided incentives through tax reductions.

Funding Recommendation 12 (Should be viewed in conjunction with Policy Recommendation 7): The LUCC recommends establishing targeted funding to support local jurisdiction Transfer of Development Rights program implementation.

- **12A:** Propose legislation to allow cities to collect a conservation futures tax to fund parks, open space, and other public amenities.
- **12B:** Encourage counties to increase their locally adopted conservation futures levy to the statutory maximum rate with voter approval.
- **12C:** Allow a city or county to retain a portion of the state sales tax on construction for funding in designated TDR receiving areas. The funding may be used for infrastructure or other amenities to support increased density or intensity using TDRs under a locally adopted program.
- **12D:** Allow counties and cities to charge an additional quarter percent of the local Real Estate Excise Tax (REET) to fund infrastructure and amenities that support increased density or intensity using TDRs in a receiving area under a locally adopted program.
- **12E:** Ensure state assistance is available to fund TDR guidance document development, as well as providing statewide assistance in implementing TDRs at the local level.