



HJR 22

House Joint Resolution
Proposed Constitutional Amendment

Ballot Title:

May the legislature authorize urban development or redevelopment financing from property taxes attributable to increased valuations resulting from such projects?

Vote cast by members of the 1973 Legislature on final passage:
HOUSE: (98 members) Yeas, 72; Nays, 25; Absent or not voting, 1.
SENATE: (49 members) Yeas, 42; Nays, 4; Absent or not voting, 3.

Statement for

Increased Property Values Will Pay for Improvements

HJR 22 would provide Constitutional authority to the State and other taxing districts to define areas for urban development or redevelopment. Thereafter, anticipated increased tax revenue due to property value increases caused by the improvements within such an area would be pledged to retire the bonds which were used to finance the public improvements.

Existing Units of Government Lose No Revenue

Existing units of government would continue to receive the same tax revenues they would have received if the area had not been designated as a development or redevelopment project. Upon final payment of the costs of the project, all units of government would share the higher tax yield of those increased property values caused by the improvement.

Will Not Increase Property Tax Rates

HJR 22 will not in any way whatsoever alter the 1% tax on true and fair value of property. Only properties whose market values increase as a result of a project will be involved. The homeowner or businessman outside the project area will share the community benefit without any related property tax increase. HJR 22 will provide a method of economic stimulation without imposing additional taxes on such property owners.

Examples

California, Oregon and Minnesota have already utilized the concept of tax-increment financing, with excellent results. In Washington, for example, Seattle's Pioneer Square Restoration or EXPO '74 in Spokane could have been accomplished much more quickly and economically had HJR 22 been a reality.

Rebuttal of Statement against

The opponents say:

- *Radically new and untried.* FALSE! California, Oregon and Minnesota have experienced success with this plan for years.
- *Removes statutory safeguards.* FALSE! HJR 22 changes no statutory safeguards whatsoever.
- *Permits "siphoning" from general taxes.* MISLEADING! Bonds issued may be restricted only to taxes attributable to the increased property values resulting from the public improvements being financed.
- *Feasibility.* The project's feasibility has to be shown in advance; otherwise the financial markets will refuse to issue the bonds.

Committee FOR House Joint Resolution 22:

JOHN L. O'BRIEN, Speaker Pro Tempore, House of Representatives; ROBERT R. GREIVE, State Senator; PAUL B. KRAABEL, State Representative.

Advisory Committee: AVERY GARRETT, Mayor, City of Renton; AL STRATTON, Councilman, City of Spokane; KING LYSEN, State Representative; PAUL BARDEN, State Representative; LOWELL MICKELWAIT, Past President, Seattle Chamber of Commerce.

The Law as it now exists:

The state constitution presently requires all taxes upon real estate to be uniform within the territorial limits of the taxing district which imposes the tax. Accordingly, any increase in the property tax base (i.e., in assessed valuation) attributable to an urban development or redevelopment project can be taxed by the city or other taxing district sponsoring the project only at that taxing district's ordinary statutory millage rate. This has the effect of requiring the city or other taxing district sponsoring an urban development or redevelopment project to share the potential increase in revenue from that project with all of the other overlapping taxing districts in which the project is also located.

Effect of HJR 22 if approved into Law:

This proposed constitutional amendment would allow the legislature to permit a taxing district (such as a city) sponsoring an urban development or redevelopment project to obtain and use all of the increased property tax revenue arising by reason of the project in order to pay for indebtedness incurred in financing it.

NOTE: Ballot title and the above explanatory comment were written by the Attorney General as required by state law. Complete text of House Joint Resolution 22 appears on Page 25.

Statement against

Dangers Outweigh Benefits

The purpose of this proposal is to open up a radically new and untested method for financing public projects, principally by cities. Though its purpose be laudable, the dangers outweigh the benefits.

At present, there are two principal ways to issue bonds for a major public project, be it a new school or a new transit system. Either the voters must approve a special levy, or the governmental body must find enough money out of its regular revenues, within the safeguards provided by present statutory and constitutional limitations. Either way, there is a check on extravagant or unneeded projects.

Would Remove Existing Checks

The amendment would remove both checks. It will allow cities to siphon off from counties, schools, etc., regular (non-voter approved) property tax revenues resulting from the increase in valuation (real or imaginary) attributable to the project.

Implementing Legislation Not Drafted

This "siphoning" technique will require implementing legislation, which is not yet even drafted. But the statements made by the proponents of HJR 22 in House debate show the direction they are heading. They will demand that bonds issued under this technique be general obligation bonds, secured not just by revenues directly attributable to increased property valuations that hopefully will accrue in the designated project area, but also all of the revenue of all the taxing districts within the county.

The project's feasibility is not to be determined in the financial markets, but rather by the legislature's imagination in defining the increased revenue supposedly attributable to the project.

Rebuttal of Statement for

Property tax rates should be cut. HJR 22 would freeze present rates.

Urban developments have caused devaluation of some properties, higher valuation of others. HJR 22 is a gimmick for debt financing of improvements but does not compensate for taxes lost from devaluation.

Proponents say projects will be financed solely from projected increased values in defined area. Fact: They defeated House Floor Amendment that would have imposed such a restriction.

Committee AGAINST House Joint Resolution 22:

S. E. "Sid" FLANAGAN, State Representative; PERRY B. WOODALL, State Senator; WILLIAM LECKENBY, State Representative.

COMPLETE TEXT OF

HOUSE JOINT RESOLUTION

22

Proposed Constitutional Amendment

Ballot Title as issued by the Attorney General:

May the legislature authorize urban development or redevelopment financing from property taxes attributable to increased valuations resulting from such projects?

BE IT RESOLVED, *By the Senate and House of Representatives of the State of Washington, in Legislative Session Assembled:*

THAT, At the next general election to be held in this state there shall be submitted to the qualified voters of the state for their approval and ratification, or rejection, an amendment to Article VII of the Constitution of the state of Washington by adding a new section to be known as Section 12, such new section to read as follows:

NEW SECTION. Article VII, section 12. The legislature may, notwithstanding any other provision of this Constitution, provide that the ad valorem taxes levied by the state or by any taxing district in which there is located all or a part of an area included in an urban development or redevelopment project, as those two terms shall be defined by the legislature, may be divided so that the taxes levied against any increase in the true and fair value, as defined by law, which may be reasonably construed to have arisen from an associated project, of property in such area obtaining after the effective date of the ordinance or resolution approving the project, or obtaining after the date of the acquisition of the property for urban development or redevelopment purposes, as determined by the legislature, shall be used to pay any indebtedness incurred for the project. The legislature may enact such laws as may be necessary to carry out the purposes of this section.

BE IT FURTHER RESOLVED, That the secretary of state shall cause notice of the foregoing constitutional amendment to be published at least four times during the four weeks next preceding the election in every legal newspaper in the state.

Passed the House April 7, 1973.
LEONARD A. SAWYER,
Speaker of the House.

Passed the Senate April 14, 1973.
JOHN A. CHERBERG,
President of the Senate.

COMPLETE TEXT OF

House Joint Resolution

37

Proposed Constitutional Amendment

Ballot Title as issued by the Attorney General:

Shall a graduated net income tax be authorized, excess levies for school operations be prohibited, and some excise taxes limited?

BE IT RESOLVED, *By the Senate and House of Representatives of the State of Washington, in Legislative Session Assembled:*

THAT, At the next general election to be held in this state there shall be submitted to the qualified electors of the state for their approval and ratification, or rejection, an amendment to Article VII of the Constitution of the State of Washington by adding a new Section 12 thereto to read as follows:

NEW SECTION. Article VII, Section 12. (1) Income shall not be deemed property within the meaning of this Article, and a tax imposed upon or measured by income shall not be deemed a tax on property.

(2) The legislature shall have the power to impose a tax upon, or to measure a tax by, net income as defined by the legislature in accordance with the following condition:

(a) The highest rate of any tax imposed upon or measured by the net income of individuals shall not exceed eight percent and the highest rate of any tax imposed upon or measured by the net income of corporations shall not exceed twelve percent.

(b) The rate schedule for a tax imposed upon or measured by the net income of individuals shall be at rates progressively higher on income amounts over specified levels and shall contain no less than six different rates, the difference between each of which shall be equal and shall be no less than one-half of one percent.

(c) In the first statute implementing this amendment the highest rate of the rate schedule for a net income tax imposed upon individuals shall not exceed six and one-half percent and the highest rate of the rate schedule for a net income tax imposed upon corporations shall not exceed ten percent. The rate limitations prescribed in this subsection may be exceeded only if those sections of an act which change such rates are enacted by a majority of the members of each of the two houses of the legislature and are referred to the people and approved by a majority vote thereon at a general election.

(d) From and after the initial adoption of an act by the legislature imposing a tax upon or measured by net income no amendment to such act which changes: (i) the definition of taxable income, (ii) a rate or rates, within the limitations set forth in (a), (b) or (c) above or (iii) an amount or amounts of taxable income in the rate schedule, shall be valid unless such amendment is enacted by a majority of the members of each of the two houses of the legislature, and is subject to referendum petition.

(3) Notwithstanding any other provision of this Constitution, not later than twelve months after a tax imposed upon or measured by net income takes effect, and during the time such tax is in effect thereafter:

(a) No school district in any year shall, for maintenance and operations purposes, impose a tax upon property pursuant to the provisions of paragraph (a) of section 2, as now or hereafter amended, of this Article VII.

(b) The state shall guarantee full funding of a basic program of education, as defined by the legislature.

(c) No sale or use tax shall be imposed on the sale or use of the following articles as defined by the legislature: (i) food products for off-premises human consumption, and (ii) prescription drugs.

(d) The aggregate rate of any general retail sales or use tax as imposed by the state and political subdivisions thereof may not exceed five and three-tenths percent.

(e) The state shall not impose any general business and occupation tax at a greater rate than one-quarter of one percent of gross income where such tax is imposed as of January 1, 1973 by session laws sections 82.04.010 through 82.04.290, chapter 15, Laws of 1961, as amended and where such income