



Washington Fire Service – Tax Increment Financing Reform

Proposal

Fire districts and Regional Fire Authorities (RFAs) are dependent on property taxes for the vast majority of their revenue. Tax Increment Areas (TIAs) dramatically impact the collection of operating revenue by forcing fire districts and RFAs to forego the increased revenue that would normally be assessed with growth. Fire districts and RFAs do not receive any sales tax proceeds from a TIA.

The fire service supports the following modification to the current law to protect fire district and RFA revenue and delivery of services:

- Eliminate the unilateral ability of cities, ports, or counties to compel other districts to participate in a TIA by allowing them to choose to opt in, whereby the governing boards of each local government within the proposed area would have to affirmatively choose to participate at the outset.
- Clarify that a TIA will expire once the bonds have been satisfied, if prior to the 25-year limit.

Case Studies

In the city of **Chelan**, a community of roughly 4,200 residents, a proposed TIA would support infrastructure to:

- Accommodate over 850 new residential units, meaning over 2,200 new residents to serve.
- Support, with 50,000 square feet of winery, live-work businesses and homes.
- Support an additional 8,000 square feet of light industrial space, which will bring even more people.

Chelan Fire & Rescue (CFR) will be tasked with responding to the increased call volume associated with these developments. However, under the current law, CFR will be forced to forego at least \$11 million in new revenue that without the TIA would come from the increase in assessed values, which would help offset the associated rise in service demands from the development.

CFR proposed mitigation based on a per-call basis above the current baseline, but the City declined, and no mitigation has yet been agreed upon.

In **Ridgefield**, a proposed TIA would support infrastructure to accommodate a regional employment center for *thousands* of new workers. Clark-Cowlitz Fire Rescue (CCFR) will be tasked with responding to the increased service demands of thousands of new employees, and yet because of current TIA law, CCFR is projected to go without over \$1 million per year that would otherwise have helped offset the increased service demands, with total foregone revenue projected to be \$33 million or more over the quarter-century life of the TIA.

The City agreed to minor mitigation with CCFR, agreeing to take out \$2 million in additional bond revenue to purchase CCFR a site for a future fire station, and also to meet periodically after the fifth year to review impacts.



Both examples show that the current mitigation language is insufficient to protect fire agencies impacted by TIAs and allow them to adequately serve the growing population and keep up with increased service demands.

Background

In 2021, the Legislature passed HB 1189, establishing a local tax increment financing program for cities, counties, and ports. The intent of the legislation is to spur growth that will have a positive impact on local governments and communities. At the time, the fire service expressed concerns about TIAs potentially having negative impacts on revenues for fire districts and RFAs.

Language was included in the bill to require mitigation should the TIA impact 20% or more of a fire agency's assessed value. Mitigation may also be triggered by showing an increase in call volume in the department's annual report, although by the time that data is available the TIA would already be in place with limited options for mitigation.

As more TIAs are being proposed, it is unfortunately becoming clear that the current protections in place are not sufficient to ensure that fire and EMS agencies are able to adequately staff and respond to increased service demands from the new growth associated with these TIAs. Mitigation proposals from the TIAs fall far short of making the fire service whole and continue to unilaterally reallocate fire service revenue for economic development purposes, which is contrary to the authorizing statutes for fire districts and RFAs. Accordingly, the fire service is seeking meaningful reform to ensure that fire and life safety services are not harmed by TIAs being formed in their communities.

Conclusion

The fire service is united in addressing the negative impacts of TIAs on fire districts and RFAs. The unilateral ability for cities, ports, and counties to impose TIAs on fire service agencies does not strike the right balance toward ensuring fire and EMS services are properly funded to meet the increased demands of new development. Much-needed fire service revenues should not be diverted for development absent the express approval of the independently elected governing boards of fire districts and RFAs.