Proposed Final Report

Local Infrastructure Financing Tool (LIFT)

While economic activity has increased in designated areas, it is unknown how much can be attributed to LIFT.

Ryan McCord

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WASHINGTON JLARC

Legislative Auditor's Recommendation

The **Department of Revenue** and the **Community Economic Revitalization Board** should work with participating cities to **clarify** the annual reporting form, **standardize** calculation methods, and **provide training** and/or instructions to avoid reporting errors.

- CERB concurs.
- Participating cities, through Association of Washington Cities, concur.
- DOR partially concurs.

Selected cities can use LIFT to fund public infrastructure projects, aiming to improve economic conditions in designated areas

Premise: Public infrastructure leads to private development and new tax revenue.

Nine cities participate. Each created a Revenue Development Area (RDA).

$166 million infrastructure investment through CY 2018.

$41 million state LIFT contribution through FY 2019.

Economic Indicators

We compared changes inside the geographic area of each RDA to the surrounding city.

- Economic activity in most RDAs grew more quickly compared to non-RDA parts of the cities.
- It is unknown how much activity is attributable to LIFT.

LIFT is one of many factors that affect economic activity

Employment rates and interest rates.

Local business decisions.

Size and composition of RDA.

Economic Modeling

We used economic modeling tools to estimate a range of possible short-term job impacts.

- Economic models estimate a range of short-term job impacts from LIFT-related construction depending on assumptions.
- Sufficient data does not exist to allow accurate modeling of long-term impacts.

Determining the long-term impact of infrastructure improvements requires specific and accurate data that does not exist

Economists emphasize that the impact of any infrastructure project depends on its specific characteristics.

For example, a transportation project requires data such as measuring changes in congestion and travel time in the project area.

This type of project-specific data needed to create estimates for the LIFT-related projects does not exist.

Cities' reporting errors and a lack of state oversight led to **potential excess payments** and **incomplete information** for monitoring projects.

Estimating tax revenue increase is complex and leads to errors

	Errors
Property tax revenue	• Errors include counting tax-exempt properties and counting all parcels in RDA, not just those that have had new construction.
Excise tax revenue	• Data specific to RDAs does not exist. Cities must estimate. • Cities have not received guidance. • Errors include counting total revenue growth since beginning of program, instead of just one-year increases.

JLARC staff identified $14 million in potential excess distributions

We independently estimated state contributions for each city and fiscal year.

In 27 instances cities' overestimates may have led to an excess state contribution.

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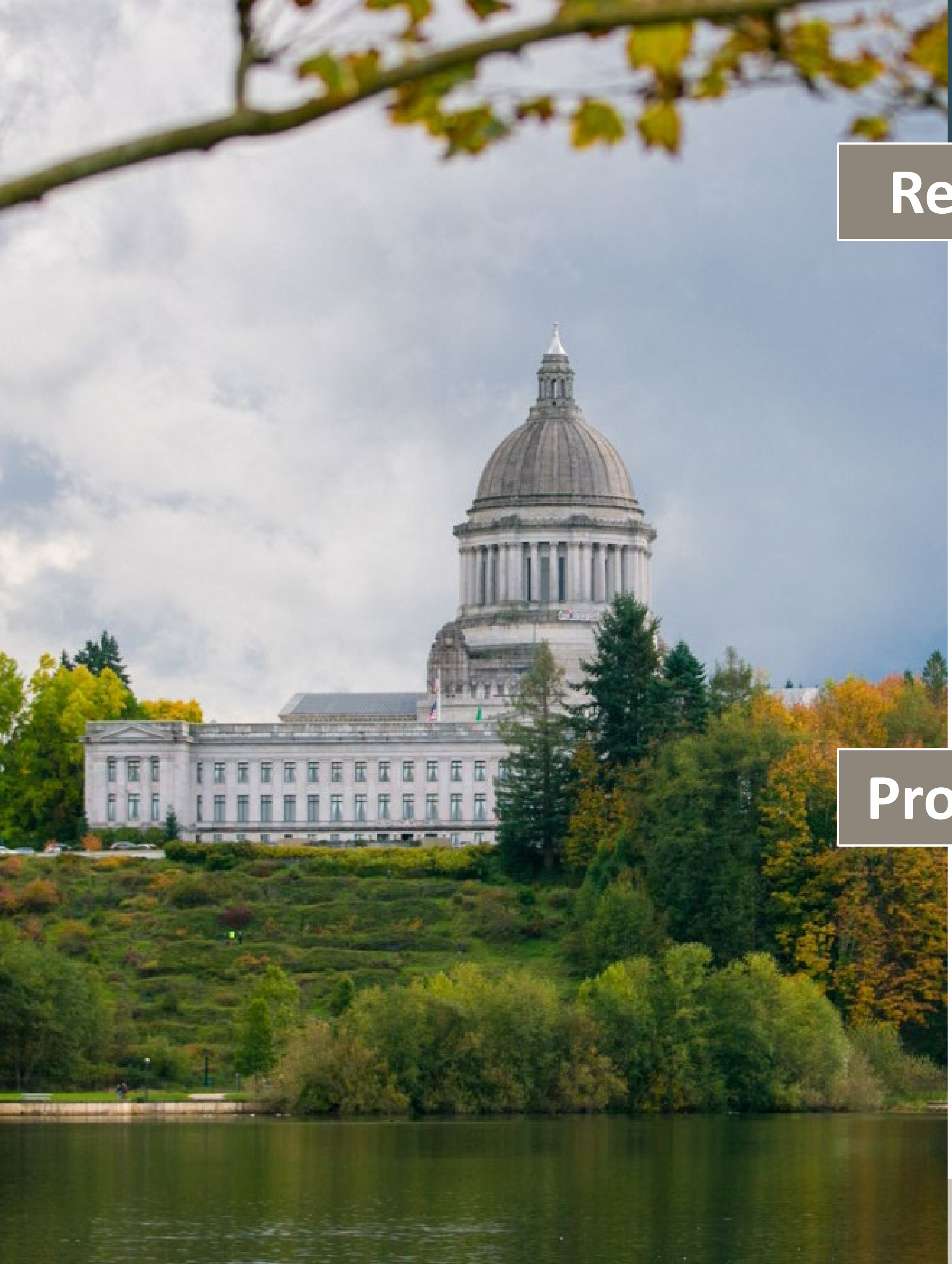
JLARC scheduled to evaluate every 5 years

LIFT ends in 2044.

JLARC will not be able to determine if LIFT caused economic changes.

Unlikely to be able to recommend whether or not to expand.



Contact Us

Research Analysts

Ryan McCord
360.786.5186
ryan.mccord@leg.wa.gov

Aaron Cavin
360.786.5194
aaron.cavin@leg.wa.gov

Scott Hancock
360.786.5193
scott.hancock@leg.wa.gov

Rachel Murata
360.786.5293
rachel.murata@leg.wa.gov

Project Coordinator

Valerie Whitener
360.786.5191
valerie.whitener@leg.wa.gov

Legislative Auditor

Keenan Konopaski
360.786.5187
keenan.konopaski@leg.wa.gov

Full Report: **www.leg.wa.gov/jlarc**