

## MEMORANDUM

DATE: May 20, 2003

TO: Rep. Dave Upthegrove, Vice Chair, Local Government Committee

FROM: Rick Peterson, Fiscal Analyst (786-7150)  
Ethan Moreno, Research Analyst (786-7386)

RE: AVIATION MITIGATION ZONES – HB 2276 STRIKING AMENDMENT (H-3175.2/03)

Attached is the striking amendment you requested for HB 2276, an act relating to establishing aviation mitigation zones for large regional airports. Although the striking amendment includes several provisions within the underlying bill, key differences include:

- Removing the section exempting real property within the aviation mitigation zone (AMZ) from port taxes and state property taxes;
- Requiring a qualifying port district to levy an annual \$10 million tax for four years (2004-2007) for deposit into the aviation mitigation account;
- Limiting expenditures from the mitigation account only to areas within an AMZ; and
- Establishing an airport impact mitigation advisory board to assist CTED in developing mitigation criteria and awarding related grants.

To assist in your review of this draft, document # H-3175.2/03, this memorandum provides general background information, summarizes the provisions of the draft, and provides fiscal impact information.

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### **I. Brief Summary of Enclosed Draft – H-3175.2/03**

- Requires the Department of Community, Trade, and Economic Development (CTED) to establish an aviation mitigation zone (AMZ) using specified criteria for any qualifying large regional airport;
- Requires the Department of Revenue to develop an AMZ noise exposure map for any qualifying large regional airport using a specific methodology;
- Requires a qualifying port district to levy an annual \$10 million tax for four years (2004-2007) for deposit in a newly created aviation mitigation account; and
- Specifies that aviation mitigation account funds may be used only for mitigation purposes within an AMZ and only after appropriate authorization from the CTED.

## **II. Background**

All real and personal property in Washington is subject to the property tax every year based on its value unless a specific exemption is provided by law. The State Constitution limits the amount of property taxes that may be imposed on an individual parcel of property without voter approval to one percent of its true and fair value, except levies by port districts and public utility districts. Port districts are authorized by statute to levy up to \$0.45 per \$1,000 of assessed value for general port purposes.

The U.S. Aviation Safety and Noise Abatement Act of 1979 (ASNA) required the Federal Aviation Administration (FAA) to establish a system for: (1) measuring noise at airports and surrounding areas; and (2) determining exposure of individuals to noise resulting from airport operations. The procedures, standards, and methodology governing compliance with the ASNA are codified in Title 14, Chapter I, Part 150 of the Code of Federal Regulations.

Airport operators seeking federal noise mitigation funds must, in part, develop noise exposure maps. Noise exposure maps must be prepared according to federal requirements and must identify a yearly day-night average sound level (Ldn or DNL) for the airport and surrounding areas. Noise exposure levels are displayed as Ldn contours on the exposure maps. The FAA generally identifies 65 Ldn as the eligibility threshold for funding noise mitigation actions.

## **III. Summary of Enclosed Draft – H-3175.2/03**

### *Aviation Mitigation Zone – Establishment Provisions*

For purposes of comparison, the language amending the Growth Management Act and requiring the Department of Community, Trade, and Economic Development (CTED) to establish an aviation mitigation zone (AMZ) by October 1, 2003, for any qualifying large regional airport remains largely unchanged. In following, “large regional airport” continues to mean an airport serving more than twenty scheduled jet aircraft flights per day operated by a port district in a county with a population greater than one million (*i.e.*, Seattle-Tacoma International Airport). An AMZ must only include:

- Cities with a population fewer than 40,000 adjacent to the city within which the qualifying large regional airport is located (*i.e.*, Burien, Des Moines, and Tukwila);
- Cities with a population fewer than 10,000 adjacent to a city qualifying for inclusion under the previous criteria (*i.e.*, Normandy Park); and
- Any portion of any incorporated or unincorporated area that is within a 60 yearly day-night average sound level (Ldn) noise level contour as determined by a specific methodology.

In addition to the cities qualifying for inclusion within an AMZ under the previous criteria, the area within a 60 Ldn noise level contour map for the Seattle-Tacoma International Airport would likely include portions of the following:

- The cities of SeaTac, Federal Way, Kent, and Seattle; and
- Unincorporated King County north of the City of SeaTac.

For the purposes of establishing an AMZ, the Department of Revenue (DOR) must develop a noise exposure map for any qualifying large regional airport by September 15, 2003. The map must be prepared in accordance with applicable federal regulations and must include a 60 Ldn noise level contour. The DOR may use noise exposure data collected or produced by an applicable port district.

The port and state property tax exemption provisions of the underlying bill have been removed. A new provision of the striking amendment requires a port district in a county with a population greater than one million operating an airport serving more than 20 scheduled jet aircraft flights per day (*i.e.*, Port of Seattle) to levy an annual \$10 million tax for four years (2004-2007) for deposit into the aviation mitigation account established by the act.

#### Levy and Account Creation Provisions

Unlike the underlying bill, the striking amendment makes the aviation mitigation account created by the bill a non-appropriated (*i.e.*, an appropriation is not required for expenditures) account in the custody of the state treasurer. Also in contrast to the underlying bill, expenditures from the account may only be used for aviation mitigation purposes within an established AMZ. Only the director of CTED or the director's designee may authorize expenditures from this account. As drafted, the account is not subject to allotment procedures under chapter 43.88 RCW (*i.e.*, overseen by the Office of Financial Management).

#### Airport Impact Mitigation Advisory Board

The amendment includes new language establishing the airport impact mitigation advisory board (Board). The objective of the board is to assist the CTED in developing criteria and awarding grants for the purpose of mitigating the impacts qualifying airports for which an AMZ has been established. The members of the Board must be appointed by the governor by December 31, 2003, and serve at the pleasure of the governor. The Board may not exceed nine members and must be comprised of one resident from each city within an AMZ, as well as one resident from any unincorporated area within an AMZ. The Board must receive necessary staff support, as deemed appropriate by the director of CTED, from within existing CTED resources and operations.

#### Grant Distributions

New amendatory language requires CTED to establish a competitive process to prioritize applications for airport mitigation assistance, and to solicit applications for the assistance from eligible applicants within an AMZ. Eligible applicants include, but are not limited to, public entities such as cities, counties, schools, parks, fire districts, and nonprofit organizations eligible to apply for specific grants under RCW 43.63A.125. Minimum mitigation grant eligibility criteria is specified in the amendment. Furthermore, the director of CTED must award grants annually to the extent funds are available in the newly created mitigation account.

#### AMZ Review

A new provision in the striking amendment requires CTED to also review and, if needed, revise or establish AMZs by October 1, 2013, and every ten years thereafter. A corresponding provision requiring DOR to create a noise exposure map for any qualifying airport every ten years after the initial map creation (September 15, 2003) is also included within the amendment.

#### Miscellaneous Provisions

The intent language (Sec. 1) of the amendment has been rewritten to reflect testimony made at the Committee hearing for the bill. Additionally, per your request, the intent section now includes non-binding, non-supplanting language regarding mitigation funding.

And finally, as with the underlying bill, the amendment includes an emergency clause and would take effect immediately.

**IV. Fiscal Impacts - H-3175.2/03**

A levy of \$10 million dollar per year would require a tax rate of about 4.75 cents per \$1,000 of assessed value for the Port of Seattle. The Port of Seattle is currently imposing a rate of 26 cents per \$1,000 of assessed value. Under this proposal they can either impose an additional 4.75 cents per \$1,000 of assessed value or use a portion of their current levy rate to fund the \$10 million payment to the mitigation fund.

Please contact Rick Peterson or me if you have any questions or comments, or if we can provide additional assistance.

Thank you.

HB 2276 - H AMD

By Representative Upthegrove

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that large regional  
4 airports are facilities of great public and private significance. The  
5 legislature recognizes that these airports provide numerous and  
6 measurable benefits to Washingtonians on statewide and regional levels,  
7 qualify as essential public facilities under the growth management act,  
8 and serve as vital economic development and travel nexus for businesses  
9 and individuals.

10 The legislature also finds that, while of great benefit to  
11 Washington's economic, recreational, and cultural well-being, these  
12 large regional airports can substantially impact surrounding areas in  
13 ways that often prove financially disadvantageous and otherwise  
14 detrimental to the quality of life for residents and communities in  
15 impacted areas. These impacts can include, but are not limited to,  
16 diminished real property values, noise and vibration-related property  
17 damage, and significant reductions in local government revenues.

18 In recognition of the inequitable burden borne by the residents in  
19 areas measurably affected by large regional airports, the legislature  
20 intends to establish a mechanism to mitigate the unparalleled adverse  
21 impacts that these airports impose upon surrounding residents and  
22 communities. The legislature also intends for any mitigation  
23 assistance provided to eligible recipients as a result of this act to  
24 be separate and distinct from any periodic or ongoing funding sources  
25 traditionally associated with the recipients and unrelated to other  
26 aviation mitigation purposes.

27 NEW SECTION. **Sec. 2.** A new section is added to chapter 36.70A RCW  
28 to read as follows:

29 (1) The department shall establish an aviation mitigation zone for

1 prioritize applications for airport impact mitigation assistance  
2 through the account created in section 5 of this act.

3 (2) The department shall conduct a solicitation of project  
4 applications from eligible applicants within an aviation mitigation  
5 zone established by section 2 of this act. Eligible applicants  
6 include, but are not limited to, public entities such as cities,  
7 counties, schools, parks, fire districts, and organizations eligible to  
8 apply for grants under RCW 43.63A.125.

9 (3) The department shall evaluate and rank applications in  
10 consultation with the airport impact mitigation advisory board  
11 established by section 6 of this act using objective criteria developed  
12 jointly by the department and the airport impact mitigation advisory  
13 board. At a minimum, the criteria must consider: The extent to which  
14 the applicant is impacted by the activities of an airport for which an  
15 aviation mitigation zone has been established as required by section 2  
16 of this act; and the other resources available to the applicant to  
17 mitigate the impact, including other mitigation funds.

18 (4) The director shall award grants annually to the extent funds  
19 are available in the account created in section 5 of this act.

20 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.330 RCW  
21 to read as follows:

22 The airport impact mitigation advisory board established in section  
23 6 of this act must receive the necessary staff support from the staff  
24 resources of the department, as deemed appropriate by the director,  
25 within existing resources and operations.

26 NEW SECTION. **Sec. 9.** This act is necessary for the immediate  
27 preservation of the public peace, health, or safety, or support of the  
28 state government and its existing public institutions, and takes effect  
29 immediately."

30 Correct the title.

EFFECT: (1) Requires the Department of Community, Trade, and

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24 be separate and distinct from any periodic or ongoing funding sources  
25 traditionally associated with the recipients and unrelated to other  
26 aviation mitigation purposes.

27 NEW SECTION. **Sec. 2.** A new section is added to chapter 36.70A RCW  
28 to read as follows:

29 (1) The department shall establish an aviation mitigation zone for

1 any large regional airport meeting the criteria established by section  
2 2 of this act by September 15, 2003, and every ten years thereafter.  
3 The noise exposure map shall be prepared in accordance with the  
4 methodology described in 14 C.F.R., Appendix A to Part 150 -- Noise  
5 Exposure Maps, as of the effective date of this section. The noise  
6 exposure map shall include a 60 Ldn noise level contour. The  
7 department may use noise exposure data collected or produced by an  
8 applicable port district when developing a noise exposure map required  
9 by this section.

10 (2) For the purposes of this section, "Ldn" has the same meaning as  
11 defined in section 2 of this act.

12 **Sec. 4.** RCW 53.36.020 and 1973 1st ex.s. c 195 s 56 are each  
13 amended to read as follows:

14 (1) A district may raise revenue by levy of an annual tax not to  
15 exceed forty-five cents per thousand dollars of assessed value against  
16 the assessed valuation of the taxable property in such port district  
17 for general port purposes, including the establishment of a capital  
18 improvement fund for future capital improvements, except that any levy  
19 for the payment of the principal and interest of the general bonded  
20 indebtedness of the port district shall be in excess of any levy made  
21 by the port district under the forty-five cents per thousand dollars of  
22 assessed value limitation. The levy shall be made and taxes collected  
23 in the manner provided for the levy and collection of taxes in school  
24 districts of the first class.

25 (2) For taxes levied for collection in 2004 through 2007, a port  
26 district in a county with a population greater than one million  
27 operating an airport serving more than twenty scheduled jet aircraft  
28 flights per day shall levy a tax under this section sufficient to  
29 deposit ten million dollars per year into the aviation mitigation  
30 account created in section 5 of this act, or as much of the amount  
31 under this subsection that does not directly impair contracts or  
32 obligations existing on the effective date of this section.

33 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.79 RCW  
34 to read as follows:

35 The aviation mitigation account is created in the custody of the

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2 through the account created in section 5 of this act.

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26 NEW SECTION. **Sec. 9.** This act is necessary for the immediate  
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STATE OF WASHINGTON  
DEPARTMENT OF REVENUE

May 14, 2003

The Honorable Dave Upthegrove  
Washington State Representative  
336 John L. O'Brien Building  
Post Office Box 40600  
Olympia, Washington 98504-0600

Dear Representative Upthegrove:

The Department of Revenue is writing to inform you of some administrative concerns and potential remedies relating to HB 2276.

### **What the Bill Does**

The bill requires the Department of Community, Trade, and Economic Development to establish an "aviation mitigation zone" (AMZ) using specified criteria that reflects noise levels surrounding a "large regional airport." A "large regional airport" is defined to be one that serves more than 20 scheduled flights per day and is operated by a port district in a county with a population of more than one million (i.e., Sea-Tac).

HB 2276 also requires the Department of Revenue to develop an AMZ noise exposure map for any qualifying large regional airport, using a specified methodology. Real property within an AMZ (in whole or in part) would be exempt from port district levies and the state property tax. Port districts are required to reduce their levy rates in order to avoid shifting the savings realized by property in the AMZ to other property within the port district. The result will be a loss of revenue to the port district. The state, however, is allowed to adjust its levy rate upward, and shift the burden, in order to avoid a loss of revenue.

### **Technical Concerns**

The Department has the following technical concerns with HB 2276.

1. Section 4(3) provides that the county assessor shall not require an exemption application for properties the assessor knows to be in the AMZ and to be eligible for exemption. In addition, a property owner may submit a written request to the assessor asking for the exemption. The assessor is to deny or approve this exemption request within 30 days of receipt. The property owner may appeal a denial to the county board of equalization within 30 days of the date the

Property Tax Division

P O Box 47471 ♦ Olympia, Washington 98504-7471 ♦ Phone (360) 570-5900 ♦ Fax (360) 586-7602



denial notice is mailed. This language would create an inconsistency with the existing property tax appeal process.

- In 2001, the Legislature enacted a law to create consistency in the process and time frame for filing petitions to the county boards of equalization related to property tax matters. These standardized procedures are codified in RCW 84.40.038. For example, this statute requires petitions to the board to be made within 30 days of the date the notification is mailed to the taxpayer that is the subject of the petition. The 30-day requirement can be extended, up to 60 days, by the county legislative authority. King County is one of the counties that has adopted the extension allowing taxpayers up to 60 days to file their petitions.
- HB 2276 does not cross reference RCW 84.40.038. Thus, it would reintroduce an inconsistency that the 2001 legislation sought to eliminate. A King County property owner filing a petition due to a denial for exemption set forth in HB 2276 in King County would be required to file this petition within 30 days, while petitions seeking a remedy for other kinds of property tax issues would not have to be submitted for 60 days.

A possible remedy to this situation would be to change the language on page 3 of HB 2276, line 24, after "located," by striking "within thirty days of the date the denial notice is mailed," and inserting "in accordance with the provisions of RCW 84.40.038."

2. Section 4(3) does not specify a date by which a property owner must apply for this exemption. As a result, it is possible that a request for exemption may be made after the property taxes have been paid. If this occurs a refund would seem to be in order. However, if the port district does not have cash available to make the refund, Section 5 of HB 2276 would seem to preclude the port district from resorting to the usual procedure in such cases in order to generate the money; that is, to make a refund levy.
  - If a port district does not have cash in hand, a refund claim would normally be paid from the proceeds of a refund levy on all taxpayers within the taxing district. A refund levy would obviously cause taxpayers outside of the AMZ to pay a higher port district levy rate than otherwise would be the case. This higher rate effectively conflicts with section 5.
  - There is no provision in the existing refund statutes to allow the county treasurer to refund property taxes paid as a result of a taxpayer's failure to claim or the assessor's failure to grant the exemption granted in section 4 of this bill.

A possible remedy to this situation would be to:

- (a) Add a new subsection to RCW 84.69.020, (17), that would allow the county treasurer to refund taxes if they were "paid as a result of a mistake,

inadvertence, or lack of knowledge by any person exempted from paying real property taxes or a portion thereof under section 4 of this act.” This would allow the county treasurer to refund taxes from any taxes “in hand” so to speak; and

- (b) Add a new section to chapter 84.52 RCW that would provide that no levy by a port district formed in accordance with chapter 53.04 RCW may be imposed to refund taxes under RCW 84.69.020(17). This would prohibit a refund levy by a port district to be made at a higher levy rate as a result of the refund claim.

### **Policy Concerns**

The tax policy reflected in Section 5 of the bill, as it applies to port district levies, represents a marked departure from the policy inherent in every other property tax exemption currently in statute. For the many property tax exemptions enacted by the Legislature over the years, the savings realized by the property owners who receive the exemption are paid for by increased property taxes on the remaining taxable property. As a result, taxing districts do not experience a loss of revenue unless the rate they would have to impose exceeds statutorily authorized maximums. This is also the policy that HB 2276 employs for the exemption from the state property tax levy.

However, Section 5 of HB 2276 would not allow the shift of the burden of port levies for the exempt AMZ real property. A port district with an AMZ would simply experience a loss in revenue. In the past the Governor vetoed almost identical language in the farm machinery and equipment exemption legislation (chapter 24, laws of 2001, 2nd special session) as applied to the state property tax levy. The only case in which a property tax program requires the levy rate on other property not be increased is for the senior citizen property tax deferral program. In that instance, the Legislature appropriates money to be paid to the taxing districts so they will not experience a loss of revenue.

The Department believes that the choice of whether taxing districts should lose revenue as a result of property tax exemptions, or whether tax saving for some should be shifted to others, is best examined on a comprehensive rather than a piecemeal basis. Administering the exemption in HB 2276 at the county level will also add complexity and cost to an already complex and costly property tax system.

Another policy concern arises from exempting real property based on an intangible characteristic of the property. Under this legislation, real property within an AMZ would qualify for an exemption because of noise, an intangible characteristic of the property. However, the true and fair value (i.e., market value) of the real property within an AMZ already reflects the intangible characteristics of the property. Thus, the effect of noise from Sea-Tac airport is already reflected in the amount of property taxes paid by property owners residing within an AMZ. Moreover, the exemption

The Honorable Dave Upthegrove  
May 14, 2003  
Page 4

provided in this legislation is in contrast to nearly all existing exemptions for real property, which are based on the type of property or the use of property.

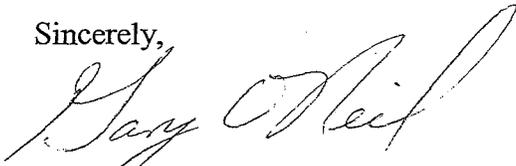
This new exemption also raises a constitutional issue in regard to uniformity by exempting all real property within an AMZ.

The state Constitution requires that all taxes be uniform upon the same class of property within any taxing district. All real estate constitutes one class of property. A uniformity concern arises because only some of the real property within the Port of Seattle would be exempt from property taxation. From initial estimates, real property east of I-5 and within the Port of Seattle would not be included within the AMZ and would be ineligible for the exemption from property taxes imposed by the port. Because the exemption from port taxes does not apply throughout the entire port district, there may be a nonuniform application of an exemption within a taxing district under this legislation.

Similarly, the bill provides an exemption from state property taxes for real property within an AMZ. The state is a taxing district; however, the exemption from state property taxes would not be available throughout the entire state. It would only be available to property within an AMZ in a county with a population greater than 1 million. This may also create a nonuniform application of an exemption.

Thank you for the opportunity to explain our concerns regarding HB 2276. Enclosed you will find suggested edits to the bill and the effect of each proposed amendment. We would be pleased to work further with you or House staff members on this amendatory language to address these issues.

Sincerely,



Gary O'Neil  
Acting Assistant Director  
Property Tax Division

Enclosure

cc: The Honorable Jeff Gombosky, Washington State House of Representatives  
Jim Schmidt, Senior Executive Policy Coordinator, OFM  
Will Rice, Acting Director  
Russ Brubaker, Assistant Director, Legislation and Policy  
Peri Maxey, Technical Programs Manager, Property Tax  
Julie Sexton, Legislative Coordinator



*file:*  
*mitigation*  
*bill*

STATE OF WASHINGTON  
DEPARTMENT OF REVENUE

May 14, 2003

The Honorable Dave Upthegrove  
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HB 2276 also requires the Department of Revenue to develop an AMZ noise exposure map for any qualifying large regional airport, using a specified methodology. Real property within an AMZ (in whole or in part) would be exempt from port district levies and the state property tax. Port districts are required to reduce their levy rates in order to avoid shifting the savings realized by property in the AMZ to other property within the port district. The result will be a loss of revenue to the port district. The state, however, is allowed to adjust its levy rate upward, and shift the burden, in order to avoid a loss of revenue.

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denial notice is mailed. This language would create an inconsistency with the existing property tax appeal process.

- In 2001, the Legislature enacted a law to create consistency in the process and time frame for filing petitions to the county boards of equalization related to property tax matters. These standardized procedures are codified in RCW 84.40.038. For example, this statute requires petitions to the board to be made within 30 days of the date the notification is mailed to the taxpayer that is the subject of the petition. The 30-day requirement can be extended, up to 60 days, by the county legislative authority. King County is one of the counties that has adopted the extension allowing taxpayers up to 60 days to file their petitions.
- HB 2276 does not cross reference RCW 84.40.038. Thus, it would reintroduce an inconsistency that the 2001 legislation sought to eliminate. A King County property owner filing a petition due to a denial for exemption set forth in HB 2276 in King County would be required to file this petition within 30 days, while petitions seeking a remedy for other kinds of property tax issues would not have to be submitted for 60 days.

A possible remedy to this situation would be to change the language on page 3 of HB 2276, line 24, after "located," by striking "within thirty days of the date the denial notice is mailed," and inserting "in accordance with the provisions of RCW 84.40.038."

2. Section 4(3) does not specify a date by which a property owner must apply for this exemption. As a result, it is possible that a request for exemption may be made after the property taxes have been paid. If this occurs a refund would seem to be in order. However, if the port district does not have cash available to make the refund, Section 5 of HB 2276 would seem to preclude the port district from resorting to the usual procedure in such cases in order to generate the money; that is, to make a refund levy.
  - If a port district does not have cash in hand, a refund claim would normally be paid from the proceeds of a refund levy on all taxpayers within the taxing district. A refund levy would obviously cause taxpayers outside of the AMZ to pay a higher port district levy rate than otherwise would be the case. This higher rate effectively conflicts with section 5.
  - There is no provision in the existing refund statutes to allow the county treasurer to refund property taxes paid as a result of a taxpayer's failure to claim or the assessor's failure to grant the exemption granted in section 4 of this bill.

A possible remedy to this situation would be to:

- (a) Add a new subsection to RCW 84.69.020, (17), that would allow the county treasurer to refund taxes if they were "paid as a result of a mistake,"

The Honorable Dave Upthegrove  
May 14, 2003  
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provided in this legislation is in contrast to nearly all existing exemptions for real property, which are based on the type of property or the use of property.

This new exemption also raises a constitutional issue in regard to uniformity by exempting all real property within an AMZ.

The state Constitution requires that all taxes be uniform upon the same class of property within any taxing district. All real estate constitutes one class of property. A uniformity concern arises because only some of the real property within the Port of Seattle would be exempt from property taxation. From initial estimates, real property east of I-5 and within the Port of Seattle would not be included within the AMZ and would be ineligible for the exemption from property taxes imposed by the port. Because the exemption from port taxes does not apply throughout the entire port district, there may be a nonuniform application of an exemption within a taxing district under this legislation.

Similarly, the bill provides an exemption from state property taxes for real property within an AMZ. The state is a taxing district; however, the exemption from state property taxes would not be available throughout the entire state. It would only be available to property within an AMZ in a county with a population greater than 1 million. This may also create a nonuniform application of an exemption.

Thank you for the opportunity to explain our concerns regarding HB 2276. Enclosed you will find suggested edits to the bill and the effect of each proposed amendment. We would be pleased to work further with you or House staff members on this amendatory language to address these issues.

Sincerely,



Gary Neil  
Acting Assistant Director  
Property Tax Division

Enclosure

cc: The Honorable Jeff Gombosky, Washington State House of Representatives  
Jim Schmidt, Senior Executive Policy Coordinator, OFM  
Will Rice, Acting Director  
Russ Brubaker, Assistant Director, Legislation and Policy  
Peri Maxey, Technical Programs Manager, Property Tax  
Julie Sexton, Legislative Coordinator

**Aviation Mitigation Zone  
Property Tax Exemption Proposal**  
*contained within HB 2276*

**(1) Directly addresses the main impact**

The SeaTac International Airport Impact Mitigation Study estimated that 80% of the cost of mitigation is related to noise and vibration impacts that reduce property values. Property tax reductions will have the effect of “restoring” some of the lost value in people’s homes. There is a perfect logical nexus between the impact and the mitigation.

**(2) Benefits go to the people and will be politically popular**

Funding to local governments and the expenditure of state funds within the aviation mitigation zone will also be critical, but will not provide any direct assistance to the residents who are impacted. Property tax relief, if substantial, will be noticed and appreciated by the residents surrounding the airport.

**(3) Doesn’t cost a penny to state, county or city governments**

The State of Washington is closing a \$2.6 billion budget hole. The federal government is returning to huge budget deficits. Cities and counties are facing tough times and budget cuts. The airline industry is hurting. This proposal is therefore the only way to provide mitigation in the amount needed to address the impacts.

**(4) It is a fair method of mitigation**

The entire State of Washington—especially people and businesses in the Puget Sound region—benefit from Seattle-Tacoma International Airport. The adverse impacts of the proposed SeaTac expansion, however, are borne by those communities immediately surrounding the airport. A property tax shift would be a fair way to ensure that those who share in the benefits share in the cost.

**(5) Provides incentives for economic development**

Because the property tax exemptions will apply not only to residential property, but also to commercial property, businesses will have an incentive to locate and/or expand within the aviation mitigation zone.

**(6) Is simple to implement**

This proposal does not involve negotiations among adversarial parties, nor does it require additional ongoing studies and decisions. It is simple and elegant and can be implemented immediately by the Legislature.

Seattle proper. The study also did not address impacted areas in Pierce County, nor in the City of SeaTac, which refused to participate.

That study provided a detailed analysis of the loss of property values that results from jet-plane noise. In the study area, about \$39 million in lost value was to be expected 20 years after the third runway's opening date. Again, this analysis did not include lost property values in the northern or extreme southern parts of the impact area.

This would translate into (additional) lost tax revenues of \$5,900,000 over 20 years in the four cities of Burien, Des Moines, Federal Way, and Normandy Park.

The study also noted that as property values decline, there is a distinct downward shift in the proportion of owner-occupied homes. As the proportion of renters increases, the population becomes younger, with more young children but lower incomes, and with more new arrivals. The need for social services goes up sharply, and local governments (including schools) experience significantly greater budgetary demands, just as tax revenues are declining.

Another adverse impact is increased ground-vehicle traffic in a wide area around the Airport. While the City of SeaTac is supposed to receive some help in this respect from the Port (mostly in the form of better access to the Airport), no other city has been offered any help by the Port.

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Conclusion: New flight corridors to serve the third runway will bring new noise over areas, with resulting interruption of classroom activity, loss of property values for property owners, and reduction of tax revenues for near-by cities. No mitigation for any of these impacts has been offered by the Port, the FAA, or anyone else.

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Property Tax Exemption Proposal**  
*contained within H-2730.4/03*

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## **Recent history of mitigation of community impacts from Sea-Tac airport**

Below is a brief snapshot of the mitigation which has, and has not, been achieved since construction of the second runway at Sea-Tac, opened in 1971. In summary, no community mitigation has been offered to near-by cities (except for the City of SeaTac); mitigation for individuals and businesses very close to the Airport has consisted of nothing more than noise insulation for homes, or in extreme cases, purchase of the property. No environmental mitigation has been offered by the Port of Seattle.

### **Impacts to Highline public schools:**

A noise mitigation package for the Highline Public Schools was finally negotiated between the Port of Seattle, the Federal Aviation Administration, and the State of Washington in 2001. This included a commitment of \$50 million from the State (\$5 million per year for 10 years), \$50 million from the Port of Seattle, and \$50 million from the FAA. This money was required to be matched by taxpayers in the Highline School District through passage of a construction bond (\$189 million), which passed in February of 2002.

It appears that the Port's \$50 million will come from increased real-property taxes levied by the Port – paid for by the property owners in the affected area (while they also pay for the School Bond for noise mitigation). This mitigation is for noise from the second runway. Noise from the existing runways affects two-thirds of the schools in the District, which has more than 18,000 enrolled students. There is nothing in the works for third-runway impacts on the Highline schools.

### **Impacts to Seattle public & private schools**

The third runway would bring new and additional jet-plane noise over Cleveland High School, two elementary public schools, and other educational facilities in Seattle, as the result of shifting the corridor for arrival traffic a half-mile to the West. There is nothing in the works for third-runway impacts on schools in Seattle.

### **Residential noise mitigation:**

The second runway had been open for 14 years before the Port of Seattle began a noise mitigation program in 1985. This program is federally funded and requires acquisition of the most severely noise impacted areas (noise levels above 70 decibels are considered dangerous by the FAA and EPA) and insulation of homes that incur airport noise at or above 65 decibels. This noise-mitigation program has resulted in insulation of 8500 homes (all single-family residences or owner-occupied duplexes), with another 350 or so scheduled for insulation in the coming years. These projects were all completed with federal FAA funds.

Measures to mitigate noise in seven local mobile-home parks (by relocation), and to insulate multi-family units (including apartment houses and condominiums), and other