

The Residential Infrastructure Fund



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The Need

Currently, among the scores of infrastructure funding programs at the state level, none include funding for infrastructure that specifically expands capacity to accommodate residential development. Yet, many cities are at physical capacity for core services such as water, wastewater, and transportation infrastructure. In the Central Puget Sound alone, the population is projected to increase by more than 1 million people by the year 2040, and local jurisdictions have limited ability to maintain, much less improve, existing infrastructure. At the state level, only \$1 is available for every \$2 to \$10 state dollars that are requested.

The Fund

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Eligible jurisdictions must demonstrate ongoing commitment to meeting the goals of the fund – accommodating growth, density and affordability – through both a solid policy foundation and consistency with regional planning efforts. Jurisdictions may apply for funding for infrastructure projects in areas that, with targeted infrastructure investments, will expand their capacity to develop housing that meets the goals of the fund. Scoring criteria for the fund will include points for housing affordable to low and moderate income households, maximizing capacity to accommodate growth and supporting increased density and transit-proximate residential development. The Fund will be administered by the Washington State Department of Community, Economic Development and Trade.

Financing

The Residential Infrastructure Fund would be funded through the Real Estate Excise Tax (REET), based on a comparison of REET collections as compared to the state’s fiscal growth factor. Any REET collection that exceeds the growth in REET allowed by the fiscal growth factor each year is placed into the infrastructure fund, up to a limit.

In addition to supporting vitally needed residential infrastructure, this mechanism provides more consistent budgeting by the state overall, ensuring that spikes in REET collections are not invested in general fund programs that create a bow wave in future years but rather in one time capital projects. The Residential Infrastructure Fund would have no budget impact in Fiscal Year 2009.

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