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**SUBSTITUTE SENATE BILL 6609**

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**State of Washington**

**61st Legislature**

**2010 Regular Session**

**By** Senate Economic Development, Trade & Innovation (originally sponsored by Senators Kastama, Delvin, Hobbs, Kilmer, Gordon, Kauffman, and Shin)

READ FIRST TIME 01/28/10.

1       AN ACT Relating to infrastructure financing for local governments;  
2 amending RCW 39.104.020, 39.104.040, 39.104.060, 39.104.100,  
3 39.104.110, 82.14.505, 82.14.510, 82.32.765, and 82.14.475; reenacting  
4 and amending RCW 39.102.020; and providing an expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6       **Sec. 1.** RCW 39.104.020 and 2009 c 270 s 102 are each amended to  
7 read as follows:

8       The definitions in this section apply throughout this chapter  
9 unless the context clearly requires otherwise.

10       (1) "Annual state contribution limit" means two million five  
11 hundred thousand dollars statewide per fiscal year (~~(and)~~), plus the  
12 additional amounts (~~(designated)~~) approved for demonstration projects  
13 in RCW 82.14.505.

14       (2) "Assessed value" means the valuation of taxable real property  
15 as placed on the last completed assessment roll.

16       (3) "Bond" means a bond, a note or other evidence of indebtedness,  
17 including but not limited to a lease-purchase agreement or an executory  
18 conditional sales contract.

19       (4) "Department" means the department of revenue.

1 ((+4)) (5) "Fiscal year" means the twelve-month period beginning  
2 July 1st and ending the following June 30th.

3 ((+5)) (6) "Local government" means any city, town, county, and  
4 port district.

5 ((+6)) (7) "Local property tax allocation revenue" means those tax  
6 revenues derived from the receipt of regular property taxes levied on  
7 the property tax allocation revenue value and used for local  
8 revitalization financing.

9 ((+7)) (8) "Local revitalization financing" means the use of  
10 revenues from local public sources, dedicated to pay the principal and  
11 interest on bonds authorized under RCW 39.104.110 and public  
12 improvement costs within the revitalization area on a pay-as-you-go  
13 basis, and revenues received from the local option sales and use tax  
14 authorized in RCW 82.14.510, dedicated to pay the principal and  
15 interest on bonds authorized under RCW 39.104.110.

16 ((+8)) (9) "Local sales and use tax increment" means the estimated  
17 annual increase in local sales and use taxes as determined by the local  
18 government in the calendar years following the approval of the  
19 revitalization area by the department from taxable activity within the  
20 revitalization area.

21 ((+9)) (10) "Local sales and use taxes" means local revenues  
22 derived from the imposition of sales and use taxes authorized in RCW  
23 82.14.030.

24 ((+10)) (11) "Ordinance" means any appropriate method of taking  
25 legislative action by a local government.

26 ((+11)) (12) "Participating local government" means a local  
27 government having a revitalization area within its geographic  
28 boundaries that has taken action as provided in RCW 39.104.070(1) to  
29 allow the use of all or some of its local sales and use tax increment  
30 or other revenues from local public sources dedicated for local  
31 revitalization financing.

32 ((+12)) (13) "Participating taxing district" means a ~~(local~~  
33 ~~government having))~~ taxing district that:

34 (a) Has a revitalization area wholly or partially within its  
35 geographic boundaries ((that));

36 (b) Levies or has levied for it regular property taxes as defined  
37 in this section; and

38 (c) Has not taken action as provided in RCW 39.104.060(2).

1           (~~(13)~~) (14) "Property tax allocation revenue base value" means  
2 the assessed value of real property located within a revitalization  
3 area, less the property tax allocation revenue value.

4           (~~(14)~~) (15)(a)(i) "Property tax allocation revenue value" means  
5 seventy-five percent of any increase in the assessed value of real  
6 property in a revitalization area resulting from:

7           (A) The placement of new construction, improvements to property, or  
8 both, on the assessment roll, where the new construction and  
9 improvements are initiated after the revitalization area is approved by  
10 the department;

11           (B) The cost of new housing construction, conversion, and  
12 rehabilitation improvements, when the cost is treated as new  
13 construction for purposes of chapter 84.55 RCW as provided in RCW  
14 84.14.020, and the new housing construction, conversion, and  
15 rehabilitation improvements are initiated after the revitalization area  
16 is approved by the department;

17           (C) The cost of rehabilitation of historic property, when the cost  
18 is treated as new construction for purposes of chapter 84.55 RCW as  
19 provided in RCW 84.26.070, and the rehabilitation is initiated after  
20 the revitalization area is approved by the department.

21           (ii) Increases in the assessed value of real property in a  
22 revitalization area resulting from (a)(i)(A) through (C) of this  
23 subsection are included in the property tax allocation revenue value in  
24 the initial year. These same amounts are also included in the property  
25 tax allocation revenue value in subsequent years unless the property  
26 becomes exempt from property taxation.

27           (b) "Property tax allocation revenue value" includes seventy-five  
28 percent of any increase in the assessed value of new construction  
29 consisting of an entire building in the years following the initial  
30 year, unless the building becomes exempt from property taxation.

31           (c) Except as provided in (b) of this subsection, "property tax  
32 allocation revenue value" does not include any increase in the assessed  
33 value of real property after the initial year.

34           (d) There is no property tax allocation revenue value if the  
35 assessed value of real property in a revitalization area has not  
36 increased as a result of any of the reasons specified in (a)(i)(A)  
37 through (C) of this subsection.

38           (e) For purposes of this subsection, "initial year" means:

1 (i) For new construction and improvements to property added to the  
2 assessment roll, the year during which the new construction and  
3 improvements are initially placed on the assessment roll;

4 (ii) For the cost of new housing construction, conversion, and  
5 rehabilitation improvements, when the cost is treated as new  
6 construction for purposes of chapter 84.55 RCW, the year when the cost  
7 is treated as new construction for purposes of levying taxes for  
8 collection in the following year; and

9 (iii) For the cost of rehabilitation of historic property, when the  
10 cost is treated as new construction for purposes of chapter 84.55 RCW,  
11 the year when such cost is treated as new construction for purposes of  
12 levying taxes for collection in the following year.

13 (~~(15)~~) (16) "Public improvement costs" means the costs of:

14 (a) Design, planning, acquisition, including land acquisition, site  
15 preparation including land clearing, construction, reconstruction,  
16 rehabilitation, improvement, and installation of public improvements;

17 (b) Demolishing, relocating, maintaining, and operating property  
18 pending construction of public improvements;

19 (c) Relocating utilities as a result of public improvements;

20 (d) Financing public improvements, including interest during  
21 construction, legal and other professional services, taxes, insurance,  
22 principal and interest costs on general indebtedness issued to finance  
23 public improvements, and any necessary reserves for general  
24 indebtedness; and

25 (e) Administrative expenses and feasibility studies reasonably  
26 necessary and related to these costs, including related costs that may  
27 have been incurred before adoption of the ordinance authorizing the  
28 public improvements and the use of local revitalization financing to  
29 fund the costs of the public improvements.

30 (~~(16)~~) (17) "Public improvements" means:

31 (a) Infrastructure improvements within the revitalization area that  
32 include:

33 (i) Street, road, bridge, and rail construction and maintenance;

34 (ii) Water and sewer system construction and improvements;

35 (iii) Sidewalks, streetlights, landscaping, and streetscaping;

36 (iv) Parking, terminal, and dock facilities;

37 (v) Park and ride facilities of a transit authority;

1 (vi) Park facilities, recreational areas, and environmental  
2 remediation;

3 (vii) Storm water and drainage management systems;

4 (viii) Electric, gas, fiber, and other utility infrastructures; and

5 (b) Expenditures for any of the following purposes:

6 (i) Providing environmental analysis, professional management,  
7 planning, and promotion within the revitalization area, including the  
8 management and promotion of retail trade activities in the  
9 revitalization area;

10 (ii) Providing maintenance and security for common or public areas  
11 in the revitalization area; or

12 (iii) Historic preservation activities authorized under RCW  
13 35.21.395.

14 (~~(17)~~) (18) "Real property" has the same meaning as in RCW  
15 84.04.090 and also includes any privately owned improvements located on  
16 publicly owned land that are subject to property taxation.

17 (~~(18)~~) (19)(a) "Regular property taxes" means regular property  
18 taxes as defined in RCW 84.04.140, except: (~~(a)~~) (i) Regular  
19 property taxes levied by public utility districts specifically for the  
20 purpose of making required payments of principal and interest on  
21 general indebtedness; (~~(b)~~) (ii) regular property taxes levied by the  
22 state for the support of common schools under RCW 84.52.065; and  
23 (~~(c)~~) (iii) regular property taxes authorized by RCW 84.55.050 that  
24 are limited to a specific purpose.

25 (b) "Regular property taxes" do not include:

26 (i) Excess property tax levies that are exempt from the aggregate  
27 limits for junior and senior taxing districts as provided in RCW  
28 84.52.043; and

29 (ii) Property taxes that are specifically excluded through an  
30 interlocal agreement between the sponsoring local government and a  
31 participating taxing district as set forth in RCW 39.104.060(3).

32 (~~(19)~~) (20)(a) "Revenues from local public sources" means:

33 (i) The local sales and use tax amounts received as a result of  
34 interlocal agreement, local sales and use tax amounts from sponsoring  
35 local governments based on its local sales and use tax increment, and  
36 local property tax allocation revenues, which are dedicated by a  
37 sponsoring local government, participating local governments, and

1 participating taxing districts, for payment of bonds under RCW  
2 39.104.110 or public improvement costs within the revitalization area  
3 on a pay-as-you-go basis; and

4 (ii) Any other local revenues, except as provided in (b) of this  
5 subsection, including revenues derived from federal and private sources  
6 and amounts received by taxing districts as set forth by an interlocal  
7 agreement as described in RCW 39.104.060(4), which are dedicated for  
8 the payment of bonds under RCW 39.104.110 or public improvement costs  
9 within the revitalization area on a pay-as-you-go basis.

10 (b) Revenues from local public sources do not include any local  
11 funds derived from state grants, state loans, or any other state moneys  
12 including any local sales and use taxes credited against the state  
13 sales and use taxes imposed under chapter 82.08 or 82.12 RCW.

14 ~~((+20))~~ (21) "Revitalization area" means the geographic area  
15 adopted by a sponsoring local government and approved by the  
16 department, from which local sales and use tax increments are estimated  
17 and property tax allocation revenues are derived for local  
18 revitalization financing.

19 ~~((+21))~~ (22) "Sponsoring local government" means a city, town,  
20 county, or any combination thereof, that adopts a revitalization area.

21 ~~((+22))~~ (23) "State contribution" means the lesser of:

22 (a) Five hundred thousand dollars;

23 (b) The project award amount approved by the department as provided  
24 in RCW 39.104.100 or 82.14.505; or

25 (c) The total amount of revenues from local public sources  
26 dedicated in the preceding calendar year to the payment of principal  
27 and interest on bonds issued under RCW 39.104.110 and public  
28 improvement costs within the revitalization area on a pay-as-you-go  
29 basis. Revenues from local public sources dedicated in the preceding  
30 calendar year that are in excess of the project award may be carried  
31 forward and used in later years for the purpose of this subsection  
32 ~~((+22))~~ (23)(c).

33 ~~((+23))~~ (24) "State property tax increment" means the estimated  
34 amount of annual tax revenues estimated to be received by the state  
35 from the imposition of property taxes levied by the state for the  
36 support of common schools under RCW 84.52.065 on the property tax  
37 allocation revenue value, as determined by the sponsoring local

1 government in an application under RCW 39.104.100 and updated  
2 periodically as required in RCW 82.32.765.

3 ~~((24))~~ (25) "State sales and use tax increment" means the  
4 estimated amount of annual increase in state sales and use taxes to be  
5 received by the state from taxable activity within the revitalization  
6 area in the years following the approval of the revitalization area by  
7 the department as determined by the sponsoring local government in an  
8 application under RCW 39.104.100 and updated periodically as required  
9 in RCW 82.32.765.

10 ~~((25))~~ (26) "State sales and use taxes" means state retail sales  
11 and use taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided  
12 in RCW 82.08.020(1), less the amount of tax distributions from all  
13 local retail sales and use taxes, other than the local sales and use  
14 taxes authorized by RCW 82.14.510 for the applicable revitalization  
15 area, imposed on the same taxable events that are credited against the  
16 state retail sales and use taxes under RCW 82.08.020(1) and 82.12.020.

17 ~~((26))~~ (27) "Taxing district" means a government entity that  
18 levies or has levied for it regular property taxes upon real property  
19 located within a proposed or approved revitalization area.

20 **Sec. 2.** RCW 39.104.040 and 2009 c 270 s 104 are each amended to  
21 read as follows:

22 (1) Before adopting an ordinance creating the revitalization area,  
23 a sponsoring local government must:

24 (a) Provide notice to all taxing districts that levy or have levied  
25 for it regular property taxes and local governments with geographic  
26 boundaries within the proposed revitalization area of the sponsoring  
27 local government's intent to create a revitalization area. Notice must  
28 be provided in writing to the governing body of the taxing districts  
29 and local governments at least ~~((thirty))~~ one hundred twenty days in  
30 advance of the public hearing as required by (b) of this subsection.  
31 The notice must include at least the following information:

32 (i) The name of the proposed revitalization area;

33 (ii) The date for the public hearing as required by (b) of this  
34 subsection;

35 (iii) The earliest anticipated date when the sponsoring local  
36 government will take action to adopt the proposed revitalization area;  
37 and

1 (iv) The name of a contact person with phone number of the  
2 sponsoring local government and mailing address where a copy of an  
3 ordinance adopted under RCW 39.104.050 and 39.104.060 may be sent; and

4 (b) Hold a public hearing on the proposed financing of the public  
5 improvements in whole or in part with local revitalization financing.  
6 Notice of the public hearing must be published in a legal newspaper of  
7 general circulation within the proposed revitalization area at least  
8 ten days before the public hearing and posted in at least six  
9 conspicuous public places located in the proposed revitalization area.  
10 Notices must describe the contemplated public improvements, estimate  
11 the costs of the public improvements, describe the portion of the costs  
12 of the public improvements to be borne by local revitalization  
13 financing, describe any other sources of revenue to finance the public  
14 improvements, describe the boundaries of the proposed revitalization  
15 area, and estimate the period during which local revitalization  
16 financing is contemplated to be used. The public hearing may be held  
17 by either the governing body of the sponsoring local government, or a  
18 committee of the governing body that includes at least a majority of  
19 the whole governing body.

20 (2) To create a revitalization area, a sponsoring local government  
21 must adopt an ordinance establishing the revitalization area that:

22 (a) Describes the public improvements proposed to be made in the  
23 revitalization area;

24 (b) Describes the boundaries of the revitalization area, subject to  
25 the limitations in RCW 39.104.050;

26 (c) Estimates the cost of the proposed public improvements and the  
27 portion of these costs to be financed by local revitalization  
28 financing;

29 (d) Estimates the time during which local property tax allocation  
30 revenues, and other revenues from local public sources, such as amounts  
31 of local sales and use taxes from participating local governments, are  
32 to be used for local revitalization financing;

33 (e) Provides the date when the use of local property tax allocation  
34 revenues will commence and a list of the participating taxing districts  
35 (~~((that have not adopted an ordinance as described in RCW 39.104.060 to~~  
36 ~~be removed as a participating taxing district))~~ and the regular  
37 property taxes that must be used to calculate property tax allocation  
38 revenues;



1 (f) Finds that all of the requirements in RCW 39.104.030 are met;

2 (g) Provides the anticipated rate of sales and use tax under RCW  
3 82.14.510 that the local government will impose if awarded a state  
4 contribution under RCW 39.104.100;

5 (h) Provides the anticipated date when the criteria for the sales  
6 and use tax in RCW 82.14.510 will be met and the anticipated date when  
7 the sales and use tax in RCW 82.14.510 will be imposed.

8 (3) The sponsoring local government must deliver a certified copy  
9 of the adopted ordinance to the county treasurer, county assessor, the  
10 governing body of each participating taxing authority and participating  
11 taxing district within which the revitalization area is located, and  
12 the department.

13 **Sec. 3.** RCW 39.104.060 and 2009 c 270 s 106 are each amended to  
14 read as follows:

15 (1) Participating taxing districts must allow the use of all of  
16 their local property tax allocation revenues for local revitalization  
17 financing.

18 (2)(a) If a taxing district does not want to allow the use of its  
19 property tax revenues for the local revitalization financing of public  
20 improvements in a revitalization area, its governing body must adopt an  
21 ordinance to remove itself as a participating taxing district and must  
22 notify the sponsoring local government.

23 (b) The taxing district must provide a copy of the adopted  
24 ordinance and notice to the sponsoring local government creating the  
25 revitalization area before the anticipated date that the sponsoring  
26 local government proposes to adopt the ordinance creating the  
27 revitalization area as provided in the notice required by RCW  
28 39.104.040(1)(a).

29 (3) If a taxing district wants to become a participating taxing  
30 district by allowing one or more but not all of its regular property  
31 tax levies to be used for the calculation of local property tax  
32 allocation revenues, it may do so through an interlocal agreement  
33 specifying the regular property taxes that will be used for calculating  
34 its local property tax allocation revenues. This subsection does not  
35 authorize a taxing district to allow the use of only part of one or  
36 more of its regular property tax levies by the sponsoring local  
37 government.

1       (4) If a taxing district wants to participate on a partial basis by  
2 providing a specified amount of money to a sponsoring local government  
3 to be used for local revitalization financing for a specified amount of  
4 time, it may do so through an interlocal agreement. However, the  
5 taxing district must adopt an ordinance as described in subsection (2)  
6 of this section to remove itself as a participating taxing district for  
7 purposes of calculating property tax allocation revenues and instead  
8 partially participate through an interlocal agreement outlining the  
9 specifics of its participation.

10       **Sec. 4.** RCW 39.104.100 and 2009 c 270 s 401 are each amended to  
11 read as follows:

12       (1) Prior to applying to the department to receive a state  
13 contribution, a sponsoring local government shall adopt a  
14 revitalization area within the limitations in RCW 39.104.050 and in  
15 accordance with RCW 39.104.040.

16       (2)(a) As a condition to imposing a sales and use tax under RCW  
17 82.14.510, a sponsoring local government must apply to the department  
18 and be approved for a project award amount. The application must be in  
19 a form and manner prescribed by the department and include, but not be  
20 limited to:

21       ~~((a))~~ (i) Information establishing that over the period of time  
22 that the local sales and use tax will be imposed under RCW 82.14.510,  
23 increases in state and local property, sales, and use tax revenues as  
24 a result of public improvements in the revitalization area will be  
25 equal to or greater than the respective state and local contributions  
26 made under this chapter;

27       ~~((b))~~ (ii) Information demonstrating that the sponsoring local  
28 government will meet the requirements necessary to receive the full  
29 amount of state contribution it is requesting on an annual basis;

30       ~~((c))~~ (iii) The amount of state contribution it is requesting;

31       ~~((d))~~ (iv) The anticipated effective date for imposing the tax  
32 under RCW 82.14.510;

33       ~~((e))~~ (v) The estimated number of years that the tax will be  
34 imposed;

35       ~~((f))~~ (vi) The anticipated rate of tax to be imposed under RCW  
36 82.14.510, subject to the rate-setting conditions in RCW 82.14.510(3),

1 should the sponsoring local government be approved for a project award;  
2 and

3 ~~((g))~~ (vii) The anticipated date when bonds under RCW 39.104.110  
4 will be issued.

5 (b) The department ~~((shall))~~ must make available electronic forms  
6 to be used for this purpose. As part of the application, each  
7 applicant must provide to the department a copy of the adopted  
8 ordinance creating the revitalization area as required in RCW  
9 39.104.040, copies of any adopted interlocal agreements from  
10 participating local governments, and any notices from taxing districts  
11 that elect not to be a participating taxing district.

12 (3)(a) Project awards must be determined on:

13 (i) A first-come basis for applications completed in their entirety  
14 and submitted electronically;

15 (ii) The availability of a state contribution;

16 (iii) Whether the sponsoring local government would be able to  
17 generate enough tax revenue under RCW 82.14.510 to generate the amount  
18 of project award requested.

19 (b) The total of all project awards may not exceed the annual state  
20 contribution limit.

21 (c) If the level of available state contribution is less than the  
22 amount requested by the next available applicant, the applicant must be  
23 given the first opportunity to accept the lesser amount of state  
24 contribution but only if the applicant produces a new application  
25 within sixty days of being notified by the department and the  
26 application describes the impact on the proposed project as a result of  
27 the lesser award in addition to new application information outlined in  
28 subsection (2) of this section.

29 (d) Applications that are not approved for a project award due to  
30 lack of available state contribution must be retained on file by the  
31 department in order of the date of their receipt.

32 (e) Once total project awards reach the amount of annual state  
33 contribution limit, no more applications will be accepted.

34 (f) If the annual contribution limit is increased by making  
35 additional funds available for applicants that apply on a first-come  
36 basis, applications will be accepted again beginning sixty days after  
37 the effective date of the increase. However, in the time period before  
38 any new applications are accepted, all sponsoring local governments

1 with a complete application already on file with the department must be  
2 provided an opportunity to either withdraw their application or update  
3 the information in the application. The updated application must be  
4 for a project that is substantially the same as the project in the  
5 original application. The department must consider these applications,  
6 in the order originally submitted, for project awards prior to  
7 considering any new applications.

8 (4) The department (~~shall~~) must notify the sponsoring local  
9 government of approval or denial of a project award within sixty days  
10 of the department's receipt of the sponsoring local government's  
11 application. Determination of a project award by the department is  
12 final. Notification must include the earliest date when the tax  
13 authorized under RCW 82.14.510 may be imposed, subject to conditions in  
14 chapter 82.14 RCW. The project award notification must specify the  
15 rate requested in the application and any adjustments to the rate that  
16 would need to be made based on the project award and rate restrictions  
17 in RCW 82.14.510.

18 (5) The department must begin accepting applications on September  
19 1, 2009.

20 **Sec. 5.** RCW 39.104.110 and 2009 c 270 s 701 are each amended to  
21 read as follows:

22 (1) A sponsoring local government creating a revitalization area  
23 and authorizing the use of local revitalization financing may incur  
24 general indebtedness, (~~and—issue~~) including issuing general  
25 obligation bonds, to finance the public improvements and retire the  
26 indebtedness in whole or in part from local revitalization financing it  
27 receives, subject to the following requirements:

28 (a)(i) The ordinance adopted by the sponsoring local government  
29 creating the revitalization area and authorizing the use of local  
30 revitalization financing indicates an intent to incur this indebtedness  
31 and the maximum amount of this indebtedness that is contemplated; and

32 (~~(b)~~) (ii) The sponsoring local government includes this  
33 statement of (~~the~~) intent in all notices required by RCW 39.104.040;  
34 or

35 (b) The sponsoring local government adopts a resolution, after  
36 opportunity for public comment, that indicates an intent to incur this

1 indebtedness and the maximum amount of this indebtedness that is  
2 contemplated.

3 (2) The general indebtedness incurred under subsection (1) of this  
4 section may be payable from other tax revenues, the full faith and  
5 credit of the sponsoring local government, and nontax income, revenues,  
6 fees, and rents from the public improvements, as well as contributions,  
7 grants, and nontax money available to the local government for payment  
8 of costs of the public improvements or associated debt service on the  
9 general indebtedness.

10 (3) In addition to the requirements in subsection (1) of this  
11 section, a sponsoring local government creating a revitalization area  
12 and authorizing the use of local revitalization financing may require  
13 any nonpublic participants to provide adequate security to protect the  
14 public investment in the public improvement within the revitalization  
15 area.

16 (4) Bonds issued under this section must be authorized by ordinance  
17 of the sponsoring local government and may be issued in one or more  
18 series and must bear a date or dates, be payable upon demand or mature  
19 at a time or times, bear interest at a rate or rates, be in a  
20 denomination or denominations, be in a form either coupon or registered  
21 as provided in RCW 39.46.030, carry conversion or registration  
22 privileges, have a rank or priority, be executed in a manner, be  
23 payable in a medium of payment, at a place or places, and be subject to  
24 terms of redemption with or without premium, be secured in a manner,  
25 and have other characteristics, as may be provided by an ordinance or  
26 trust indenture or mortgage issued pursuant thereto.

27 (5) The sponsoring local government may:

28 (a) Annually pay into a special fund to be established for the  
29 benefit of bonds issued under this section a fixed proportion or a  
30 fixed amount of any local property tax allocation revenues derived from  
31 property within the revitalization area containing the public  
32 improvements funded by the bonds, the payment to continue until all  
33 bonds payable from the fund are paid in full((~~The local government~~  
34 may also));

35 (b) Annually pay into the special fund established ((in)) pursuant  
36 to this section a fixed proportion or a fixed amount of any revenues  
37 derived from taxes imposed under RCW 82.14.510, such payment to

1 continue until all bonds payable from the fund are paid in full.  
2 Revenues derived from taxes imposed under RCW 82.14.510 are subject to  
3 the use restriction in RCW 82.14.515; and

4 (c) Issue revenue bonds payable from any or all revenues deposited  
5 in the special fund established pursuant to this section.

6 (6) In case any of the public officials of the sponsoring local  
7 government whose signatures appear on any bonds or any coupons issued  
8 under this chapter cease to be the officials before the delivery of the  
9 bonds, the signatures must, nevertheless, be valid and sufficient for  
10 all purposes, the same as if the officials had remained in office until  
11 the delivery. Any provision of any law to the contrary  
12 notwithstanding, any bonds issued under this chapter are fully  
13 negotiable.

14 (7) Notwithstanding subsections (4) through (6) of this section,  
15 bonds issued under this section may be issued and sold in accordance  
16 with chapter 39.46 RCW.

17 **Sec. 6.** RCW 82.14.505 and 2009 c 270 s 402 are each amended to  
18 read as follows:

19 (1) Demonstration projects are designated to determine the  
20 feasibility of local revitalization financing. For the purpose of this  
21 section, "annual state contribution limit" means (~~two million two~~  
22 ~~hundred fifty~~) four million two hundred thousand dollars statewide per  
23 fiscal year.

24 (a) Notwithstanding RCW 39.104.100, the department (~~shall~~) must  
25 approve each demonstration project for 2009 as follows:

26 (~~(a)~~) (i) The Whitman county Pullman/Moscow corridor improvement  
27 project award (~~shall~~) may not exceed two hundred thousand dollars;

28 (~~(b)~~) (ii) The University Place improvement project award  
29 (~~shall~~) may not exceed five hundred thousand dollars;

30 (~~(c)~~) (iii) The Tacoma international financial services  
31 area/Tacoma dome project award (~~shall~~) may not exceed five hundred  
32 thousand dollars;

33 (~~(d)~~) (iv) The Bremerton downtown improvement project award  
34 (~~shall~~) may not exceed three hundred thirty thousand dollars;

35 (~~(e)~~) (v) The Auburn downtown redevelopment project award  
36 (~~shall~~) may not exceed two hundred fifty thousand dollars;

1       (~~(f)~~) (vi) The Vancouver Columbia waterfront/downtown project  
2 award (~~(shall)~~) may not exceed two hundred twenty thousand dollars; and  
3       (~~(g)~~) (vii) The Spokane University District project award  
4 (~~(shall)~~) may not exceed two hundred fifty thousand dollars.

5       (b) Notwithstanding RCW 39.104.100, the department must approve  
6 each demonstration project for 2010 as follows:

7       (i) The Richland revitalization area for industry, science and  
8 education project award may not exceed three hundred thirty thousand  
9 dollars;

10       (ii) The Lacey gateway town center project award may not exceed  
11 five hundred thousand dollars;

12       (iii) The Mill Creek east gateway planned urban village  
13 revitalization area project award may not exceed three hundred thirty  
14 thousand dollars;

15       (iv) The Puyallup river road revitalization area project award may  
16 not exceed two hundred fifty thousand dollars;

17       (v) The Renton south Lake Washington project award may not exceed  
18 five hundred thousand dollars; and

19       (vi) The New Castle downtown project may not exceed forty thousand  
20 dollars.

21       (2)(a) Local government sponsors of demonstration projects under  
22 subsection (1)(a) of this section must submit to the department no  
23 later than September 1, 2009, documentation that substantiates that the  
24 project has met the conditions, limitations, and requirements provided  
25 in chapter 270, Laws of 2009.

26       (b) Sponsoring local government of demonstration projects under  
27 subsection (1)(b) of this section must update and resubmit to the  
28 department no later than September 1, 2010, the application already on  
29 file with the department to substantiate that the project has met the  
30 conditions, limitations, and requirements provided in chapter 270, Laws  
31 of 2009 and this act and the project is substantially the same as the  
32 project in the original application submitted to the department in  
33 2009.

34       (3) Within sixty days of such submittal, the department (~~(shall)~~)  
35 must approve demonstration projects that have met these conditions,  
36 limitations, and requirements.

37       (4) Local government sponsors of demonstration projects may elect

1 to decline the project awards as designated in this section, and may  
2 elect instead to submit applications according to the process described  
3 in RCW 39.104.100.

4 (5) If a demonstration project listed in subsection (1)(b) of this  
5 section does not update and resubmit its application to the department  
6 by the deadline specified in subsection (2)(b) of this section or if  
7 the demonstration project withdraws its application, the associated  
8 dollar amounts may not be approved for another project and may not be  
9 considered part of the annual state contribution limit under RCW  
10 39.104.020(1).

11 **Sec. 7.** RCW 82.14.510 and 2009 c 270 s 601 are each amended to  
12 read as follows:

13 (1) Any city or county that has been approved for a project award  
14 under RCW 39.104.100 may impose a sales and use tax under the authority  
15 of this section in accordance with the terms of this chapter. Except  
16 as provided in this section, the tax is in addition to other taxes  
17 authorized by law and must be collected from those persons who are  
18 taxable by the state under chapters 82.08 and 82.12 RCW upon the  
19 occurrence of any taxable event within the taxing jurisdiction of the  
20 city or county.

21 (2) The tax authorized under subsection (1) of this section is  
22 credited against the state taxes imposed under RCW 82.08.020(1) and  
23 82.12.020 at the rate provided in RCW 82.08.020(1). The department  
24 must perform the collection of such taxes on behalf of the city or  
25 county at no cost to the city or county. The taxes must be distributed  
26 to cities and counties as provided in RCW 82.14.060.

27 (3) The rate of tax imposed by a city or county may not exceed the  
28 lesser of:

29 (a) The rate provided in RCW 82.08.020(1), less:

30 (i) The aggregate rates of all other local sales and use taxes  
31 imposed by any taxing authority on the same taxable events;

32 (ii) The aggregate rates of all taxes under RCW 82.14.465 and  
33 82.14.475 and this section that are authorized but have not yet been  
34 imposed on the same taxable events by a city or county that has been  
35 approved to receive a state contribution by the department or the  
36 community economic revitalization board under chapter 39.104, 39.100,  
37 or 39.102 RCW; and



1 (iii) The percentage amount of distributions required under RCW  
2 82.08.020(5) multiplied by the rate of state taxes imposed under RCW  
3 82.08.020(1); and

4 (b) The rate, as determined by the city or county in consultation  
5 with the department, reasonably necessary to receive the project award  
6 under RCW 39.104.100 over ten months.

7 (4) The department, upon request, must assist a city or county in  
8 establishing its tax rate in accordance with subsection (3) of this  
9 section. Once the rate of tax is selected through the application  
10 process and approved under RCW 39.104.100, it may not be increased.

11 (5)(a) Except as provided in (c) of this subsection, no tax may be  
12 imposed under the authority of this section before:

13 (i) July 1, 2011;

14 (ii) July 1st of the second calendar year following the year in  
15 which the department approved the application made under RCW  
16 39.104.100;

17 (iii) The state sales and use tax increment and state property tax  
18 increment for the preceding calendar year equal or exceed the amount of  
19 the project award approved by the department under RCW 39.104.100; and

20 (iv) Bonds have been issued according to RCW 39.104.110.

21 (b) The tax imposed under this section expires the earlier of the  
22 date that the bonds issued under the authority of RCW 39.104.110 are  
23 retired or twenty-five years after the tax is first imposed.

24 (c) For a demonstration project described in RCW 82.14.505(1)(a),  
25 no tax may be imposed under the authority of this section before:

26 (i) July 1, 2010; and

27 (ii) Bonds have been issued according to RCW 39.104.110.

28 (6) An ordinance or resolution adopted by the legislative authority  
29 of the city or county imposing a tax under this section must provide  
30 that:

31 (a) The tax will first be imposed on the first day of a fiscal  
32 year;

33 (b) The cumulative amount of tax received by the city or county, in  
34 any fiscal year, may not exceed the amount approved by the department  
35 under subsection (10) of this section;

36 (c) The department must cease distributing the tax for the  
37 remainder of any fiscal year in which either:

1 (i) The amount of tax received by the city or county equals the  
2 amount of distributions approved by the department for the fiscal year  
3 under subsection (10) of this section; or

4 (ii) The amount of revenue from taxes imposed under this section by  
5 all cities and counties equals the annual state contribution limit;

6 (d) The tax will be distributed again, should it cease to be  
7 distributed for any of the reasons provided in (c) of this subsection,  
8 at the beginning of the next fiscal year, subject to the restrictions  
9 in this section; and

10 (e) The state is entitled to any revenue generated by the tax in  
11 excess of the amounts specified in (c) of this subsection.

12 (7) If a city or county receives approval for more than one  
13 revitalization area within its jurisdiction, the city or county may  
14 impose a sales and use tax under this section for each revitalization  
15 area.

16 (8) The department must determine the amount of tax receipts  
17 distributed to each city and county imposing a sales and use tax under  
18 the authority of this section and must advise a city or county when tax  
19 distributions for the fiscal year equal the amount determined by the  
20 department in subsection (10) of this section. Determinations by the  
21 department of the amount of tax distributions attributable to a city or  
22 county are not appealable. The department must remit any tax receipts  
23 in excess of the amounts specified in subsection (6)(c) of this section  
24 to the state treasurer who must deposit the money in the general fund.

25 (9) If a city or county fails to comply with RCW 82.32.765, no tax  
26 may be distributed in the subsequent fiscal year until such time as the  
27 city or county complies and the department calculates the state  
28 contribution amount according to subsection (10) of this section for  
29 the fiscal year.

30 (10)(a) For each fiscal year that a city or county imposes the tax  
31 under the authority of this section, the department must approve the  
32 amount of taxes that may be distributed to the city or county. The  
33 amount approved by the department under this subsection is the lesser  
34 of:

35 (i) The state contribution;

36 (ii) The amount of project award granted by the department as  
37 provided in RCW 39.104.100; or

1 (iii) The total amount of revenues from local public sources  
2 dedicated or, in the case of carry forward revenues, deemed dedicated  
3 in the preceding calendar year, as reported in the required annual  
4 report under RCW 82.32.765.

5 (b) A city or county may not receive, in any fiscal year, more  
6 revenues from taxes imposed under the authority of this section than  
7 the amount approved annually by the department.

8 (11) The amount of tax distributions received from taxes imposed  
9 under the authority of this section by all cities and counties is  
10 limited annually to not more than the amount of annual state  
11 contribution limit.

12 (12) The definitions in RCW 39.104.020 apply to this section  
13 subject to subsection (13) of this section and unless the context  
14 clearly requires otherwise.

15 (13) For purposes of this section, the following definitions apply:

16 (a) "Local sales and use taxes" means sales and use taxes imposed  
17 by cities, counties, public facilities districts, and other local  
18 governments under the authority of this chapter, chapter 67.28 or 67.40  
19 RCW, or any other chapter, and that are credited against the state  
20 sales and use taxes.

21 (b) "State sales and use taxes" means the taxes imposed in RCW  
22 82.08.020(1) and 82.12.020.

23 **Sec. 8.** RCW 82.32.765 and 2009 c 270 s 501 are each amended to  
24 read as follows:

25 (1) A sponsoring local government receiving a project award under  
26 RCW 39.104.100 must provide a report to the department by March 1st of  
27 each year beginning March 1st after the project award has been  
28 approved. The report must contain the following information:

29 (a) The amounts of local property tax allocation revenues received  
30 in the preceding calendar year broken down by sponsoring local  
31 government and participating taxing district;

32 (b) The amount of state property tax allocation revenues estimated  
33 to have been received by the state in the preceding calendar year;

34 (c) The amount of local sales and use tax and other revenue from  
35 local public sources dedicated by any participating local government  
36 used for the payment of bonds under RCW 39.104.110 and public

1 improvement costs within the revitalization area on a pay-as-you-go  
2 basis in the preceding calendar year;

3 (d) The amount of local sales and use tax dedicated by the  
4 sponsoring local government, as it relates to the sponsoring local  
5 government's local sales and use tax increment, used for the payment of  
6 bonds under RCW 39.104.110 and public improvement costs within the  
7 revitalization area on a pay-as-you-go basis;

8 (e) The amounts, other than those listed in (a) through (d) of this  
9 subsection, from local public sources, broken down by type or source,  
10 used for payment of bonds under RCW 39.104.110 or public improvement  
11 costs within the revitalization area on a pay-as-you-go basis in the  
12 preceding calendar year;

13 (f) The anticipated date when bonds under RCW 39.104.110 are  
14 expected to be retired;

15 (g) The names of any businesses locating within the revitalization  
16 area as a result of the public improvements undertaken by the  
17 sponsoring local government and financed in whole or in part with local  
18 revitalization financing;

19 (h) An estimate of the cumulative number of permanent jobs created  
20 in the revitalization area as a result of the public improvements  
21 undertaken by the sponsoring local government and financed in whole or  
22 in part with local revitalization financing;

23 (i) An estimate of the average wages and benefits received by all  
24 employees of businesses locating within the revitalization area as a  
25 result of the public improvements undertaken by the sponsoring local  
26 government and financed in whole or in part with local revitalization  
27 financing;

28 (j) A list of public improvements financed by bonds issued under  
29 RCW 39.104.110 and the date on which the bonds are anticipated to be  
30 retired;

31 (k) That the sponsoring local government is in compliance with RCW  
32 39.104.030;

33 (l) At least once every three years, updated estimates of the  
34 amounts of state and local sales and use tax increments estimated to  
35 have been received since the approval by the department of the project  
36 award under RCW 39.104.100; (~~and~~)

37 (m) The amount of revenues from local public sources that (i) were  
38 expended in prior years for the payment of bonds under RCW 39.104.110

1 and public improvement costs within the revitalization area on a pay-  
2 as-you-go basis in prior calendar years that were in excess of the  
3 project award amount for that year and are carried forward for  
4 dedication in future years, (ii) are deemed dedicated to payment of  
5 bonds or public improvement costs in the calendar year for which the  
6 report is prepared, and (iii) remain available for dedication in future  
7 years; and

8 (n) Any other information required by the department to enable the  
9 department to fulfill its duties under this chapter and RCW 82.14.510.

10 (2) The department (~~shall~~) must make a report available to the  
11 public and the legislature by June 1st of each year. The report  
12 (~~shall~~) must include a summary of the information provided to the  
13 department by sponsoring local governments under subsection (1) of this  
14 section.

15 **Sec. 9.** RCW 39.102.020 and 2009 c 267 s 1 are each reenacted and  
16 amended to read as follows:

17 The definitions in this section apply throughout this chapter  
18 unless the context clearly requires otherwise.

19 (1) "Annual state contribution limit" means seven million five  
20 hundred thousand dollars statewide per fiscal year.

21 (2) "Assessed value" means the valuation of taxable real property  
22 as placed on the last completed assessment roll.

23 (3) "Board" means the community economic revitalization board under  
24 chapter 43.160 RCW.

25 (4) "Demonstration project" means one of the following projects:

26 (a) Bellingham waterfront redevelopment project;

27 (b) Spokane river district project at Liberty Lake; and

28 (c) Vancouver riverwest project.

29 (5) "Department" means the department of revenue.

30 (6) "Fiscal year" means the twelve-month period beginning July 1st  
31 and ending the following June 30th.

32 (7) "Local excise tax allocation revenue" means an amount of local  
33 excise taxes equal to some or all of the sponsoring local government's  
34 local excise tax increment, amounts of local excise taxes equal to some  
35 or all of any participating local government's excise tax increment as  
36 agreed upon in the written agreement under RCW 39.102.080(1), or both,  
37 and dedicated to local infrastructure financing.

1 (8) "Local excise tax increment" means an amount equal to the  
2 estimated annual increase in local excise taxes in each calendar year  
3 following the approval of the revenue development area by the board  
4 from taxable activity within the revenue development area, as set forth  
5 in the application provided to the board under RCW 39.102.040, and  
6 updated in accordance with RCW 39.102.140(1)(f).

7 (9) "Local excise taxes" means local revenues derived from the  
8 imposition of sales and use taxes authorized in RCW 82.14.030.

9 (10) "Local government" means any city, town, county, port  
10 district, and any federally recognized Indian tribe.

11 (11) "Local infrastructure financing" means the use of revenues  
12 received from local excise tax allocation revenues, local property tax  
13 allocation revenues, other revenues from local public sources, and  
14 revenues received from the local option sales and use tax authorized in  
15 RCW 82.14.475, dedicated to pay either the principal and interest on  
16 bonds authorized under RCW 39.102.150 or to pay public improvement  
17 costs on a pay-as-you-go basis subject to RCW 39.102.195, or both.

18 (12) "Local property tax allocation revenue" means those tax  
19 revenues derived from the receipt of regular property taxes levied on  
20 the property tax allocation revenue value and used for local  
21 infrastructure financing.

22 (13) "Low-income housing" means residential housing for low-income  
23 persons or families who lack the means which is necessary to enable  
24 them, without financial assistance, to live in decent, safe, and  
25 sanitary dwellings, without overcrowding. For the purposes of this  
26 subsection, "low income" means income that does not exceed eighty  
27 percent of the median family income for the standard metropolitan  
28 statistical area in which the revenue development area is located.

29 (14) "Ordinance" means any appropriate method of taking legislative  
30 action by a local government.

31 (15) "Participating local government" means a local government  
32 having a revenue development area within its geographic boundaries that  
33 has entered into a written agreement with a sponsoring local government  
34 as provided in RCW 39.102.080 to allow the use of all or some of its  
35 local excise tax allocation revenues or other revenues from local  
36 public sources dedicated for local infrastructure financing.

37 (16) "Participating taxing district" means a (~~local government~~  
38 ~~having~~) taxing district that:

1        (a) Has a revenue development area wholly or partially within its  
2 geographic boundaries (~~(that)~~);

3        (b) Has a regular property tax; and

4        (c) Has entered into a written agreement with a sponsoring local  
5 government as provided in RCW 39.102.080 to allow the use of some or  
6 all of its local property tax allocation revenues or other revenues  
7 from local public sources dedicated for local infrastructure financing.

8        (17) "Property tax allocation revenue base value" means the  
9 assessed value of real property located within a revenue development  
10 area less the property tax allocation revenue value.

11        (18)(a)(i) "Property tax allocation revenue value" means  
12 seventy-five percent of any increase in the assessed value of real  
13 property in a revenue development area resulting from:

14        (A) The placement of new construction, improvements to property, or  
15 both, on the assessment roll, where the new construction and  
16 improvements are initiated after the revenue development area is  
17 approved by the board;

18        (B) The cost of new housing construction, conversion, and  
19 rehabilitation improvements, when such cost is treated as new  
20 construction for purposes of chapter 84.55 RCW as provided in RCW  
21 84.14.020, and the new housing construction, conversion, and  
22 rehabilitation improvements are initiated after the revenue development  
23 area is approved by the board;

24        (C) The cost of rehabilitation of historic property, when such cost  
25 is treated as new construction for purposes of chapter 84.55 RCW as  
26 provided in RCW 84.26.070, and the rehabilitation is initiated after  
27 the revenue development area is approved by the board.

28        (ii) Increases in the assessed value of real property in a revenue  
29 development area resulting from (a)(i)(A) through (C) of this  
30 subsection are included in the property tax allocation revenue value in  
31 the initial year. These same amounts are also included in the property  
32 tax allocation revenue value in subsequent years unless the property  
33 becomes exempt from property taxation.

34        (b) "Property tax allocation revenue value" includes seventy-five  
35 percent of any increase in the assessed value of new construction  
36 consisting of an entire building in the years following the initial  
37 year, unless the building becomes exempt from property taxation.

1 (c) Except as provided in (b) of this subsection, "property tax  
2 allocation revenue value" does not include any increase in the assessed  
3 value of real property after the initial year.

4 (d) There is no property tax allocation revenue value if the  
5 assessed value of real property in a revenue development area has not  
6 increased as a result of any of the reasons specified in (a)(i)(A)  
7 through (C) of this subsection.

8 (e) For purposes of this subsection, "initial year" means:

9 (i) For new construction and improvements to property added to the  
10 assessment roll, the year during which the new construction and  
11 improvements are initially placed on the assessment roll;

12 (ii) For the cost of new housing construction, conversion, and  
13 rehabilitation improvements, when such cost is treated as new  
14 construction for purposes of chapter 84.55 RCW, the year when such cost  
15 is treated as new construction for purposes of levying taxes for  
16 collection in the following year; and

17 (iii) For the cost of rehabilitation of historic property, when  
18 such cost is treated as new construction for purposes of chapter 84.55  
19 RCW, the year when such cost is treated as new construction for  
20 purposes of levying taxes for collection in the following year.

21 (19) "Public improvement costs" means the cost of: (a) Design,  
22 planning, acquisition including land acquisition, site preparation  
23 including land clearing, construction, reconstruction, rehabilitation,  
24 improvement, and installation of public improvements; (b) demolishing,  
25 relocating, maintaining, and operating property pending construction of  
26 public improvements; (c) the local government's portion of relocating  
27 utilities as a result of public improvements; (d) financing public  
28 improvements, including interest during construction, legal and other  
29 professional services, taxes, insurance, principal and interest costs  
30 on general indebtedness issued to finance public improvements, and any  
31 necessary reserves for general indebtedness; (e) assessments incurred  
32 in revaluing real property for the purpose of determining the property  
33 tax allocation revenue base value that are in excess of costs incurred  
34 by the assessor in accordance with the revaluation plan under chapter  
35 84.41 RCW, and the costs of apportioning the taxes and complying with  
36 this chapter and other applicable law; (f) administrative expenses and  
37 feasibility studies reasonably necessary and related to these costs;  
38 and (g) any of the above-described costs that may have been incurred



1 before adoption of the ordinance authorizing the public improvements  
2 and the use of local infrastructure financing to fund the costs of the  
3 public improvements.

4 (20) "Public improvements" means:

5 (a) Infrastructure improvements within the revenue development area  
6 that include:

7 (i) Street, bridge, and road construction and maintenance,  
8 including highway interchange construction;

9 (ii) Water and sewer system construction and improvements,  
10 including wastewater reuse facilities;

11 (iii) Sidewalks, traffic controls, and streetlights;

12 (iv) Parking, terminal, and dock facilities;

13 (v) Park and ride facilities of a transit authority;

14 (vi) Park facilities and recreational areas, including trails; and

15 (vii) Storm water and drainage management systems;

16 (b) Expenditures for facilities and improvements that support  
17 affordable housing as defined in RCW 43.63A.510.

18 (21) "Real property" has the same meaning as in RCW 84.04.090 and  
19 also includes any privately owned improvements located on publicly  
20 owned land that are subject to property taxation.

21 (22) "Regular property taxes" means regular property taxes as  
22 defined in RCW 84.04.140, except: (a) Regular property taxes levied by  
23 public utility districts specifically for the purpose of making  
24 required payments of principal and interest on general indebtedness;  
25 (b) regular property taxes levied by the state for the support of the  
26 common schools under RCW 84.52.065; and (c) regular property taxes  
27 authorized by RCW 84.55.050 that are limited to a specific purpose.  
28 "Regular property taxes" do not include excess property tax levies that  
29 are exempt from the aggregate limits for junior and senior taxing  
30 districts as provided in RCW 84.52.043.

31 (23) "Relocating a business" means the closing of a business and  
32 the reopening of that business, or the opening of a new business that  
33 engages in the same activities as the previous business, in a different  
34 location within a one-year period, when an individual or entity has an  
35 ownership interest in the business at the time of closure and at the  
36 time of opening or reopening. "Relocating a business" does not include  
37 the closing and reopening of a business in a new location where the

1 business has been acquired and is under entirely new ownership at the  
2 new location, or the closing and reopening of a business in a new  
3 location as a result of the exercise of the power of eminent domain.

4 (24) "Revenue development area" means the geographic area adopted  
5 by a sponsoring local government and approved by the board, from which  
6 local excise and property tax allocation revenues are derived for local  
7 infrastructure financing.

8 (25)(a) "Revenues from local public sources" means:

9 (i) Amounts of local excise tax allocation revenues and local  
10 property tax allocation revenues, dedicated by sponsoring local  
11 governments, participating local governments, and participating taxing  
12 districts, for local infrastructure financing; and

13 (ii) Any other local revenues, except as provided in (b) of this  
14 subsection, including revenues derived from federal and private  
15 sources.

16 (b) Revenues from local public sources do not include any local  
17 funds derived from state grants, state loans, or any other state moneys  
18 including any local sales and use taxes credited against the state  
19 sales and use taxes imposed under chapter 82.08 or 82.12 RCW.

20 (26) "Small business" has the same meaning as provided in RCW  
21 19.85.020.

22 (27) "Sponsoring local government" means a city, town, or county,  
23 and for the purpose of this chapter a federally recognized Indian tribe  
24 or any combination thereof, that adopts a revenue development area and  
25 applies to the board to use local infrastructure financing.

26 (28) "State contribution" means the lesser of:

27 (a) One million dollars;

28 (b) The total amount of local excise tax allocation revenues, local  
29 property tax allocation revenues, and other revenues from local public  
30 sources, that are dedicated by a sponsoring local government, any  
31 participating local governments, and participating taxing districts, in  
32 the preceding calendar year to the payment of principal and interest on  
33 bonds issued under RCW 39.102.150 or to pay public improvement costs on  
34 a pay-as-you-go basis subject to RCW 39.102.195, or both; (~~(or)~~)

35 (c) The amount of project award granted by the board in the notice  
36 of approval to use local infrastructure financing under RCW 39.102.040;  
37 or

1       (d) The state excise tax allocation revenue and state property tax  
2 allocation revenue for the proceeding calendar year. This subsection  
3 (28)(d) only applies until the state excise tax allocation revenues and  
4 state property tax allocation revenues for the preceding calendar year  
5 equal or exceed the amount of project award approved by the board under  
6 RCW 39.102.040.

7       (29) "State excise tax allocation revenue" means an amount equal to  
8 the annual increase in state excise taxes estimated to be received by  
9 the state in each calendar year following the approval of the revenue  
10 development area by the board, from taxable activity within the revenue  
11 development area as set forth in the application provided to the board  
12 under RCW 39.102.040 and periodically updated and reported as required  
13 in RCW 39.102.140(1)(f).

14       (30) "State excise taxes" means revenues derived from state retail  
15 sales and use taxes under RCW 82.08.020(1) and 82.12.020 at the rate  
16 provided in RCW 82.08.020(1), less the amount of tax distributions from  
17 all local retail sales and use taxes, other than the local sales and  
18 use taxes authorized by RCW 82.14.475 for the applicable revenue  
19 development area, imposed on the same taxable events that are credited  
20 against the state retail sales and use taxes under chapters 82.08 and  
21 82.12 RCW.

22       (31) "State property tax allocation revenue" means an amount equal  
23 to the estimated tax revenues derived from the imposition of property  
24 taxes levied by the state for the support of common schools under RCW  
25 84.52.065 on the property tax allocation revenue value, as set forth in  
26 the application submitted to the board under RCW 39.102.040 and updated  
27 annually in the report required under RCW 39.102.140(1)(f).

28       (32) "Taxing district" means a government entity that levies or has  
29 levied for it regular property taxes upon real property located within  
30 a proposed or approved revenue development area.

31       **Sec. 10.** RCW 82.14.475 and 2009 c 267 s 8 are each amended to read  
32 as follows:

33       (1) A sponsoring local government, and any cosponsoring local  
34 government, that has been approved by the board to use local  
35 infrastructure financing may impose a sales and use tax in accordance  
36 with the terms of this chapter and subject to the criteria set forth in  
37 this section. Except as provided in this section, the tax is in

1 addition to other taxes authorized by law and shall be collected from  
2 those persons who are taxable by the state under chapters 82.08 and  
3 82.12 RCW upon the occurrence of any taxable event within the taxing  
4 jurisdiction of the sponsoring local government or cosponsoring local  
5 government.

6 (2) The tax authorized under subsection (1) of this section shall  
7 be credited against the state taxes imposed under RCW 82.08.020(1) and  
8 82.12.020 at the rate provided in RCW 82.08.020(1). The department  
9 shall perform the collection of such taxes on behalf of the sponsoring  
10 local government or cosponsoring local government at no cost to the  
11 sponsoring local government or cosponsoring local government and shall  
12 remit the taxes as provided in RCW 82.14.060.

13 (3) The aggregate rate of tax imposed by the sponsoring local  
14 government, and any cosponsoring local government, must not exceed the  
15 lesser of:

16 (a) The rate provided in RCW 82.08.020(1) less:

17 (i) The aggregate rates of all other local sales and use taxes  
18 imposed by any taxing authority on the same taxable events;

19 (ii) The aggregate rates of all taxes under RCW 82.14.465 and this  
20 section that are authorized to be imposed on the same taxable events  
21 but have not yet been imposed by a sponsoring local government or  
22 cosponsoring local government that has been approved by the department  
23 or the community economic revitalization board to receive a state  
24 contribution under chapter(~~s~~ ~~chapter~~) 39.100 or 39.102 RCW; and

25 (iii) The percentage amount of distributions required under RCW  
26 82.08.020(5) multiplied by the rate of state taxes imposed under RCW  
27 82.08.020(1); and

28 (b) The rate, as determined by the sponsoring local government, and  
29 any cosponsoring local government, in consultation with the department,  
30 reasonably necessary to receive the state contribution over ten months.

31 (4) Sponsoring local governments that have been approved before  
32 October 1, 2008, by the community economic revitalization board for a  
33 state contribution must select the rate of tax under this section no  
34 later than September 1, 2009.

35 (5) The department, upon request, must assist a sponsoring local  
36 government and cosponsoring local government in establishing their tax  
37 rate in accordance with subsection (3) of this section. Once the rate  
38 of tax is selected, it may not be increased.

1 (6)(a) No tax may be imposed under the authority of this section:

2 (i) Before July 1, 2008; and

3 (ii) Before July 1st of the second calendar year following the year  
4 approval by the board under RCW 39.102.040 was made(~~(i) and~~

5 ~~(iii) Before the state excise tax allocation revenues and state~~  
6 ~~property tax allocation revenues for the preceding calendar year equal~~  
7 ~~or exceed the amount of project award approved by the board under RCW~~  
8 ~~39.102.040)).~~

9 (b) The tax imposed under this section shall expire when all  
10 indebtedness issued under the authority of RCW 39.102.150 is retired  
11 and all other contractual obligations relating to the financing of  
12 public improvements under chapter 39.102 RCW are satisfied, but not  
13 more than twenty-five years after the tax is first imposed.

14 (7) An ordinance adopted by the legislative authority of a  
15 sponsoring local government or cosponsoring local government imposing  
16 a tax under this section shall provide that:

17 (a) The tax shall first be imposed on the first day of a fiscal  
18 year;

19 (b) The cumulative amount of tax received by the sponsoring local  
20 government, and any cosponsoring local government, in any fiscal year  
21 shall not exceed the amount of the state contribution;

22 (c) The tax shall cease to be distributed for the remainder of any  
23 fiscal year in which either:

24 (i) The amount of tax received by the sponsoring local government,  
25 and any cosponsoring local government, equals the amount of the state  
26 contribution;

27 (ii) The amount of revenue from taxes imposed under this section by  
28 all sponsoring and cosponsoring local governments equals the annual  
29 state contribution limit; or

30 (iii) The amount of tax received by the sponsoring local government  
31 equals the amount of project award granted in the approval notice  
32 described in RCW 39.102.040;

33 (d) Neither the local excise tax allocation revenues nor the local  
34 property tax allocation revenues may constitute more than eighty  
35 percent of the total local funds as described in RCW 39.102.020(28)(b).  
36 This requirement applies beginning January 1st of the fifth calendar  
37 year after the calendar year in which the sponsoring local government

1 begins allocating local excise tax allocation revenues under RCW  
2 39.102.110;

3 (e) The tax shall be distributed again, should it cease to be  
4 distributed for any of the reasons provided in (c) of this subsection,  
5 at the beginning of the next fiscal year, subject to the restrictions  
6 in this section; and

7 (f) Any revenue generated by the tax in excess of the amounts  
8 specified in (c) of this subsection shall belong to the state of  
9 Washington.

10 (8) If a county and city cosponsor a revenue development area, the  
11 combined amount of distributions received by both the city and county  
12 may not exceed the state contribution.

13 (9) The department shall determine the amount of tax receipts  
14 distributed to each sponsoring local government, and any cosponsoring  
15 local government, imposing sales and use tax under this section and  
16 shall advise a sponsoring or cosponsoring local government when tax  
17 distributions for the fiscal year equal the amount of state  
18 contribution for that fiscal year as provided in subsection (11) of  
19 this section. Determinations by the department of the amount of tax  
20 distributions attributable to each sponsoring or cosponsoring local  
21 government are final and shall not be used to challenge the validity of  
22 any tax imposed under this section. The department shall remit any tax  
23 receipts in excess of the amounts specified in subsection (7)(c) of  
24 this section to the state treasurer who shall deposit the money in the  
25 general fund.

26 (10) If a sponsoring or cosponsoring local government fails to  
27 comply with RCW 39.102.140, no tax may be distributed in the subsequent  
28 fiscal year until such time as the sponsoring or cosponsoring local  
29 government complies and the department calculates the state  
30 contribution amount for such fiscal year.

31 (11) Each year, the amount of taxes approved by the department for  
32 distribution to a sponsoring or cosponsoring local government in the  
33 next fiscal year shall be equal to the state contribution and shall be  
34 no more than the total local funds as described in RCW  
35 39.102.020(28)(b). The department shall consider information from  
36 reports described in RCW 39.102.140 when determining the amount of  
37 state contributions for each fiscal year. A sponsoring or cosponsoring  
38 local government shall not receive, in any fiscal year, more revenues

1 from taxes imposed under the authority of this section than the amount  
2 approved annually by the department. The department shall not approve  
3 the receipt of more distributions of sales and use tax under this  
4 section to a sponsoring or cosponsoring local government than is  
5 authorized under subsection (7) of this section.

6 (12) The amount of tax distributions received from taxes imposed  
7 under the authority of this section by all sponsoring and cosponsoring  
8 local governments is limited annually to not more than seven million  
9 five hundred thousand dollars.

10 (13) The definitions in RCW 39.102.020 apply to this section unless  
11 the context clearly requires otherwise.

12 (14) If a sponsoring local government is a federally recognized  
13 Indian tribe, the distribution of the sales and use tax authorized  
14 under this section shall be authorized through an interlocal agreement  
15 pursuant to chapter 39.34 RCW.

16 (15) Subject to RCW 39.102.195, the tax imposed under the authority  
17 of this section may be applied either to provide for the payment of  
18 debt service on bonds issued under RCW 39.102.150 by the sponsoring  
19 local government or to pay public improvement costs on a pay-as-you-go  
20 basis, or both.

21 (16) The tax imposed under the authority of this section shall  
22 cease to be imposed if the sponsoring local government or cosponsoring  
23 local government fails to issue indebtedness under the authority of RCW  
24 39.102.150, and fails to commence construction on public improvements,  
25 by June 30th of the fifth fiscal year in which the local tax authorized  
26 under this section is imposed.

27 (17) For purposes of this section, the following definitions apply:

28 (a) "Local sales and use taxes" means sales and use taxes imposed  
29 by cities, counties, public facilities districts, and other local  
30 governments under the authority of this chapter, chapter 67.28 or  
31 67.40 RCW, or any other chapter, and that are credited against the  
32 state sales and use taxes.

33 (b) "State sales and use taxes" means the tax imposed in RCW  
34 82.08.020(1) and the tax imposed in RCW 82.12.020 at the rate provided  
35 in RCW 82.08.020(1).

1        NEW SECTION.   **Sec. 11.**   Sections 9 and 10 of this act expire June  
2   30, 2039.

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