

1 NEW SECTION. **Sec. 102.** DEFINITIONS. The definitions in this
2 section apply throughout this chapter unless the context clearly
3 requires otherwise.

4 (1) "Annual state contribution limit" means two million five
5 hundred thousand dollars statewide per fiscal year.

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

8 (3) "Department" means the department of revenue.

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

11 (5) "Local government" means any city, town, county, and port
12 district.

13 (6) "Local property tax allocation revenue" means those tax
14 revenues derived from the receipt of regular property taxes levied on
15 the property tax allocation revenue value and used for local
16 revitalization financing.

17 (7) "Local revitalization financing" means the use of revenues from
18 local public sources, and revenues received from the local option sales
19 and use tax authorized in section 601 of this act, dedicated to pay the
20 principal and interest on bonds authorized under section 701 of this
21 act.

22 (8) "Local sales and use tax increment" means the estimated annual
23 increase in local sales and use taxes as determined and anticipated by
24 the local government in the calendar years following the approval of
25 the revitalization area by the department from taxable activity within
26 the revitalization area.

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

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

31 (11) "Participating local government" means a local government
32 having a revitalization area within its geographic boundaries that has
33 taken action as provided in section 107(1) of this act to allow the use
34 of all or some of its local sales and use tax increment or other
35 revenues from local public sources dedicated for local revitalization
36 financing.

37 (12) "Participating taxing district" means a local government

1 having a revitalization area within its geographic boundaries that has
2 not taken action as provided in section 106(2) of this act.

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

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

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

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

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

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

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

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

36 (d) There is no property tax allocation revenue value if the
37 assessed value of real property in a revitalization area has not

1 increased as a result of any of the reasons specified in (a)(i)(A)
2 through (C) of this subsection.

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

4 (i) For new construction and improvements to property added to the
5 assessment roll, the year during which the new construction and
6 improvements are initially placed on the assessment roll;

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

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

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

17 (a) Design, planning, acquisition, including land acquisition, site
18 preparation including land clearing, construction, reconstruction,
19 rehabilitation, improvement, and installation of public improvements;

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

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

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

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

33 (16) "Public improvements" means:

34 (a) Infrastructure improvements within the revitalization area that
35 include:

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

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

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

1 (iv) Parking, terminal, and dock facilities;
2 (v) Park and ride facilities of a transit authority;
3 (vi) Park facilities, recreational areas, and environmental
4 remediation;
5 (vii) Storm water and drainage management systems;
6 (viii) Electric, gas, fiber, and other utility infrastructures; and
7 (b) Expenditures for any of the following purposes:
8 (i) Providing environmental analysis, professional management,
9 planning, and promotion within the revitalization area, including the
10 management and promotion of retail trade activities in the
11 revitalization area;
12 (ii) Providing maintenance and security for common or public areas
13 in the revitalization area; or
14 (iii) Historic preservation activities authorized under RCW
15 35.21.395.
16 (17) "Real property" has the same meaning as in RCW 84.04.090 and
17 also includes any privately owned improvements located on publicly
18 owned land that are subject to property taxation.
19 (18) "Regular property taxes" means regular property taxes as
20 defined in RCW 84.04.140, except: (a) Regular property taxes levied by
21 public utility districts specifically for the purpose of making
22 required payments of principal and interest on general indebtedness;
23 (b) regular property taxes levied by the state for the support of
24 common schools under RCW 84.52.065; and (c) regular property taxes
25 authorized by RCW 84.55.050 that are limited to a specific purpose.
26 "Regular property taxes" do not include excess property tax levies that
27 are exempt from the aggregate limits for junior and senior taxing
28 districts as provided in RCW 84.52.043.
29 (19)(a) "Revenues from local public sources" means:
30 (i) The local sales and use tax amounts received as a result of
31 interlocal agreement, local sales and use tax amounts from sponsoring
32 local governments based on its local sales and use tax increment, and
33 local property tax allocation revenues, which are dedicated by a
34 sponsoring local government, participating local governments, and
35 participating taxing districts, for payment of bonds under section 701
36 of this act; and
37 (ii) Any other local revenues, except as provided in (b) of this

1 subsection, including revenues derived from federal and private
2 sources, which are dedicated for the payment of bonds under section 701
3 of this act.

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

8 (20) "Revitalization area" means the geographic area adopted by a
9 sponsoring local government and approved by the department, from which
10 local sales and use tax increments are estimated and property tax
11 allocation revenues are derived for local revitalization financing.

12 (21) "Sponsoring local government" means a city, town, county, or
13 any combination thereof, that adopts a revitalization area and applies
14 to the department to use local revitalization financing.

15 (22) "State contribution" means the lesser of:

16 (a) Five hundred thousand dollars;

17 (b) The project award amount approved by the department as provided
18 in section 401 of this act; or

19 (c) The total amount of revenues from local public sources
20 dedicated in the preceding calendar year to the payment of principal
21 and interest on bonds issued under section 701 of this act.

22 (23) "State property tax increment" means the estimated amount of
23 annual tax revenues estimated to be received by the state from the
24 imposition of property taxes levied by the state for the support of
25 common schools under RCW 84.52.065 on the property tax allocation
26 revenue value, as determined by the sponsoring local government in an
27 application under section 401 of this act.

28 (24) "State sales and use tax increment" means the estimated amount
29 of annual increase in state sales and use taxes to be received by the
30 state from taxable activity within the revitalization area in the years
31 following the approval of the revitalization area by the department as
32 determined by the sponsoring local government in an application under
33 section 401 of this act.

34 (25) "State sales and use taxes" means state retail sales and use
35 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in RCW
36 82.08.020(1), less the amount of tax distributions from all local
37 retail sales and use taxes, other than the local sales and use taxes

1 authorized by section 601 of this act for the applicable revitalization
2 area, imposed on the same taxable events that are credited against the
3 state retail sales and use taxes under RCW 82.08.020(1) and 82.12.020.

4 (26) "Taxing district" means a government entity that levies or has
5 levied for it regular property taxes upon real property located within
6 a proposed or approved revitalization area.

7 NEW SECTION. **Sec. 103.** CONDITIONS. A local government may
8 finance public improvements using local revitalization financing
9 subject to the following conditions:

10 (1) The local government has adopted an ordinance designating a
11 revitalization area within its boundaries and specified the public
12 improvements proposed to be financed in whole or in part with the use
13 of local revitalization financing;

14 (2) The public improvements proposed to be financed in whole or in
15 part using local revitalization financing are expected to encourage
16 private development within the revitalization area and to increase the
17 fair market value of real property within the revitalization area;

18 (3) The local government has entered into a contract with a private
19 developer relating to the development of private improvements within
20 the revitalization area or has received a letter of intent from a
21 private developer relating to the developer's plans for the development
22 of private improvements within the revitalization area;

23 (4) Private development that is anticipated to occur within the
24 revitalization area, as a result of the public improvements, will be
25 consistent with the countywide planning policy adopted by the county
26 under RCW 36.70A.210 and the local government's comprehensive plan and
27 development regulations adopted under chapter 36.70A RCW;

28 (5) The local government may not use local revitalization financing
29 to finance the costs associated with the financing, design,
30 acquisition, construction, equipping, operating, maintaining,
31 remodeling, repairing, and reequipping of public facilities funded with
32 taxes collected under RCW 82.14.048 or 82.14.390;

33 (6) The governing body of the local government must make a finding
34 that local revitalization financing:

35 (a) Will not be used for the purpose of relocating a business from
36 outside the revitalization area, but within this state, into the

1 revitalization area unless convincing evidence is provided that the
2 firm being relocated would otherwise leave the state;

3 (b) Will improve the viability of existing business entities within
4 the revitalization area; and

5 (c) Will be used exclusively in areas within the jurisdiction of
6 the local government deemed in need of either economic development or
7 redevelopment, or both, and absent the financing available under this
8 chapter and sections 601 and 602 of this act the proposed economic
9 development or redevelopment would more than likely not occur; and

10 (7) The governing body of the local government finds that the
11 public improvements proposed to be financed in whole or in part using
12 local revitalization financing are reasonably likely to:

- 13 (a) Increase private investment within the revitalization area;
- 14 (b) Increase employment within the revitalization area; and
- 15 (c) Generate, over the period of time that the local sales and use
16 tax will be imposed under section 601 of this act, increases in state
17 and local property, sales, and use tax revenues that are equal to or
18 greater than the respective state and local contributions made under
19 this chapter.

20 NEW SECTION. **Sec. 104.** CREATING A REVITALIZATION AREA. (1)
21 Before adopting an ordinance creating the revitalization area, a
22 sponsoring local government must:

23 (a) Provide notice to all taxing districts and local governments
24 with geographic boundaries within the proposed revitalization area of
25 the sponsoring local government's intent to create a revitalization
26 area. Notice must be provided in writing to the governing body of the
27 taxing districts and local governments at least thirty days in advance
28 of the public hearing as required by (b) of this subsection. The
29 notice must include at least the following information:

- 30 (i) The name of the proposed revitalization area;
- 31 (ii) The date for the public hearing as required by (b) of this
32 subsection;
- 33 (iii) The earliest anticipated date when the sponsoring local
34 government will take action to adopt the proposed revitalization area;
35 and
- 36 (iv) The name of a contact person with phone number of the

1 sponsoring local government and mailing address where a copy of an
2 ordinance adopted under sections 105 and 106 of this act may be sent;
3 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 section 105 of this act;

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 taxing districts that have not
35 adopted an ordinance as described in section 106 of this act to be
36 removed as a participating taxing district;

37 (f) Finds that all of the requirements in section 103 of this act
38 are met;

1 (g) Provides the anticipated rate of sales and use tax under
2 section 601 of this act that the local government will impose if
3 awarded a state contribution under section 401 of this act;

4 (h) Provides the anticipated date when the criteria for the sales
5 and use tax in section 601 of this act will be met and the anticipated
6 date when the sales and use tax in section 601 of this act will be
7 imposed.

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

12 NEW SECTION. **Sec. 105.** LIMITATIONS ON REVITALIZATION AREAS. The
13 designation of a revitalization area is subject to the following
14 limitations:

15 (1) No revitalization area may have within its geographic
16 boundaries any part of a hospital benefit zone under chapter 39.100
17 RCW, any part of a revenue development area created under chapter
18 39.102 RCW, any part of an increment area under chapter 39.89 RCW, or
19 any part of another revitalization area under this chapter;

20 (2) A revitalization area is limited to contiguous tracts, lots,
21 pieces, or parcels of land without the creation of islands of property
22 not included in the revitalization area;

23 (3) The boundaries may not be drawn to purposely exclude parcels
24 where economic growth is unlikely to occur;

25 (4) The public improvements financed through bonds issued under
26 section 701 of this act must be located in the revitalization area;

27 (5) A revitalization area cannot comprise an area containing more
28 than twenty-five percent of the total assessed value of the taxable
29 real property within the boundaries of the sponsoring local government
30 at the time the revitalization area is created;

31 (6) The boundaries of the revitalization area may not be changed
32 for the time period that local property tax allocation revenues, local
33 sales and use taxes of participating local governments, and the local
34 sales and use tax under section 601 of this act are used to pay bonds
35 issued under section 701 of this act; and

36 (7) A revitalization area must be geographically restricted to the
37 location of the public improvement and adjacent locations that the

1 sponsoring local government finds to have a high likelihood of
2 receiving direct positive business and economic impacts due to the
3 public improvement, such as a neighborhood or a block.

4 NEW SECTION. **Sec. 106.** OPTING OUT AS A PARTICIPATING TAXING
5 DISTRICT. (1) Participating taxing districts must allow the use of all
6 of their local property tax allocation revenues for local
7 revitalization financing.

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

13 (b) The taxing district must provide a copy of the adopted
14 ordinance and notice to the sponsoring local government creating the
15 revitalization area before the anticipated date that the sponsoring
16 local government proposes to adopt the ordinance creating the
17 revitalization area as provided in the notice required by section
18 104(1)(a) of this act.

19 NEW SECTION. **Sec. 107.** OPTING IN OR OUT AS A PARTICIPATING LOCAL
20 GOVERNMENT. (1) A participating local government must enter into an
21 interlocal agreement as provided in chapter 39.34 RCW to participate in
22 local revitalization financing with the sponsoring local government.

23 (2)(a) If a local government that imposes a sales and use tax under
24 RCW 82.14.030 does not want to participate in the local revitalization
25 financing of public improvements in a revitalization area, its
26 governing body must adopt an ordinance and notify the sponsoring local
27 government that the taxing authority will not be a participating local
28 government.

29 (b) The local government must provide a copy of the adopted
30 ordinance and the notice to the sponsoring local government creating
31 the revitalization area before the anticipated date that the sponsoring
32 local government proposes to adopt an ordinance creating the
33 revitalization area as provided in the notice required by section
34 104(1)(a) of this act.

1 assessor for property taxation that are not made in accordance with the
2 assessor's revaluation plan under chapter 84.41 RCW or under other
3 authorized revaluation procedures.

4 (3) The distribution of local property tax allocation revenue to
5 the sponsoring local government must cease when local property tax
6 allocation revenues are no longer obligated to pay the costs of the
7 public improvements. Any excess local property tax allocation
8 revenues, and earnings on the revenues, remaining at the time the
9 distribution of local property tax allocation revenue terminates, must
10 be returned to the county treasurer and distributed to the
11 participating taxing districts that imposed regular property taxes, or
12 had regular property taxes imposed for it, in the revitalization area
13 for collection that year, in proportion to the rates of their regular
14 property tax levies for collection that year.

15 (4) The allocation to the revitalization area of that portion of
16 the sponsoring local government's and each participating taxing
17 district's regular property taxes levied upon the property tax
18 allocation revenue value within that revitalization area is declared to
19 be a public purpose of and benefit to the sponsoring local government
20 and each participating taxing district.

21 (5) The distribution of local property tax allocation revenues
22 under this section may not affect or be deemed to affect the rate of
23 taxes levied by or within any sponsoring local government and
24 participating taxing district or the consistency of any such levies
25 with the uniformity requirement of Article VII, section 1 of the state
26 Constitution.

27 **PART III**

28 **LOCAL REVITALIZATION FINANCING**

29 **USE OF LOCAL SALES AND USE TAX INCREMENTS TO PAY FOR**

30 **THE COST OF PUBLIC IMPROVEMENTS**

31 NEW SECTION. **Sec. 301.** LOCAL SALES AND USE TAX INCREMENTS. (1)
32 A sponsoring local government may use annually local sales and use tax
33 amounts equal to some or all of its local sales and use tax increments
34 to finance public improvements in the revitalization area. The amounts
35 of local sales and use tax dedicated by a participating local
36 government must begin and cease on the dates specified in an interlocal

1 agreement authorized in chapter 39.34 RCW. Sponsoring local
2 governments and participating local governments are authorized to
3 allocate some or all of their local sales and use tax increment to the
4 sponsoring local government as provided by section 107(1) of this act.

5 (2) The department must assist sponsoring local governments in
6 estimating sales and use tax revenues from estimated taxable activity
7 in the proposed or adopted revitalization area. The sponsoring local
8 government must provide the department with accurate information
9 describing the geographical boundaries of the revitalization area in an
10 electronic format or in a manner as otherwise prescribed by the
11 department.

12 PART IV

13 LOCAL REVITALIZATION FINANCING--STATE CONTRIBUTION

14 NEW SECTION. **Sec. 401.** APPLICATION PROCESS--DEPARTMENT OF REVENUE
15 APPROVAL. (1) Prior to applying to the department to receive a state
16 contribution, a sponsoring local government shall adopt a
17 revitalization area within the limitations in section 105 of this act
18 and in accordance with section 104 of this act.

19 (2) As a condition to imposing a sales and use tax under section
20 601 of this act, a sponsoring local government must apply to the
21 department and be approved for a project award amount. The application
22 must be in a form and manner prescribed by the department and include,
23 but not be limited to:

24 (a) Information establishing that over the period of time that the
25 local sales and use tax will be imposed under section 601 of this act,
26 increases in state and local property, sales, and use tax revenues as
27 a result of public improvements in the revitalization area will be
28 equal to or greater than the respective state and local contributions
29 made under this chapter;

30 (b) Information demonstrating that the sponsoring local government
31 will meet the requirements necessary to receive the full amount of
32 state contribution it is requesting on an annual basis;

33 (c) The amount of state contribution it is requesting;

34 (d) The anticipated effective date for imposing the tax under
35 section 601 of this act;

36 (e) The estimated number of years that the tax will be imposed;

1 (f) The anticipated rate of tax to be imposed under section 601 of
2 this act, subject to the rate-setting conditions in section 601(3) of
3 this act, should the sponsoring local government be approved for a
4 project award; and

5 (g) The anticipated date when bonds under section 701 of this act
6 will be issued.

7 The department shall make available electronic forms to be used for
8 this purpose. As part of the application, each applicant must provide
9 to the department a copy of the adopted ordinance creating the
10 revitalization area as required in section 104 of this act, copies of
11 any adopted interlocal agreements from participating local governments,
12 and any notices from taxing districts that elect not to be a
13 participating taxing district.

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

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

17 (ii) The availability of a state contribution;

18 (iii) Whether the sponsoring local government would be able to
19 generate enough tax revenue under section 601 of this act to generate
20 the amount of project award requested.

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

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

31 (d) Applications that are not approved for a project award due to
32 lack of available state contribution will be returned to the applicant.

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

35 (f) If the annual contribution limit is increased, applications
36 will be accepted again beginning sixty days after the effective date of
37 the increase.

1 (4) The department shall notify the sponsoring local government of
2 approval or denial of a project award within sixty days of the
3 department's receipt of the sponsoring local government's application.
4 Determination of a project award by the department is final.
5 Notification must include the earliest date when the tax authorized
6 under section 601 of this act may be imposed, subject to conditions in
7 chapter 82.14 RCW. The project award notification must specify the
8 rate requested in the application and any adjustments to the rate that
9 would need to be made based on the project award and rate restrictions
10 in section 601 of this act.

11 (5) The department must begin accepting applications on September
12 1, 2009.

13 **PART V**
14 **ACCOUNTABILITY REPORTS**

15 NEW SECTION. **Sec. 501.** A new section is added to chapter 82.32
16 RCW to read as follows:

17 **REPORTING REQUIREMENTS.** (1) A sponsoring local government
18 receiving a project award under section 401 of this act must provide a
19 report to the department by March 1st of each year beginning March 1st
20 after the project award has been approved. The report must contain the
21 following information:

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

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

27 (c) The amount of local sales and use tax or other revenue from
28 local public sources dedicated by any participating local government
29 used for the payment of bonds under section 701 of this act in the
30 preceding calendar year;

31 (d) The amount of local sales and use tax dedicated by the
32 sponsoring local government, as it relates to the sponsoring local
33 government's local sales and use tax increment, used for the payment of
34 bonds under section 701 of this act;

35 (e) The amounts, other than those listed in (a) through (d) of this

1 subsection, from local public sources, broken down by type or source,
2 used for payment of bonds under section 701 of this act in the
3 preceding calendar year;

4 (f) The anticipated date when bonds under section 701 of this act
5 are expected to be retired;

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

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

14 (i) An estimate of the average wages and benefits received by all
15 employees of businesses locating within the revitalization area as a
16 result of the public improvements undertaken by the sponsoring local
17 government and financed in whole or in part with local revitalization
18 financing;

19 (j) A list of public improvements financed by bonds issued under
20 section 701 of this act and the date on which the bonds are anticipated
21 to be retired;

22 (k) That the sponsoring local government is in compliance with
23 section 103 of this act and the date on which the bonds are anticipated
24 to be retired;

25 (l) At least once every three years, updated estimates of the
26 amounts of state and local sales and use tax increments estimated to
27 have been received since the approval by the department of the project
28 award under section 401 of this act; and

29 (m) Any other information required by the department to enable the
30 department to fulfill its duties under this chapter and section 601 of
31 this act.

32 (2) The department shall make a report available to the public and
33 the legislature by June 1st of each year. The report shall include a
34 summary of the information provided to the department by sponsoring
35 local governments under subsection (1) of this section.

36 **PART VI**

**LOCAL SALES AND USE TAX CREDITED AGAINST THE
STATE SALES AND USE TAXES**

NEW SECTION. **Sec. 601.** LOCAL SALES AND USE TAX. (1) Any city or county that has been approved for a project award under section 401 of this act may impose a sales and use tax under the authority of this section in accordance with the terms of this chapter. Except as provided in this section, the tax is in addition to other taxes authorized by law and must be collected from those persons who are taxable by the state under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event within the taxing jurisdiction of the city or county.

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

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

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

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

(ii) The aggregate rates of all taxes under RCW 82.14.465 and 82.14.475 and this section that are authorized but have not yet been imposed on the same taxable events by a city or county that has been approved to receive a state contribution by the department or the community economic revitalization board under chapter 39.-- RCW (the new chapter created in section 805 of this act) or chapter 39.100 or 39.102 RCW; and

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

(b) The rate, as determined by the city or county in consultation with the department, reasonably necessary to receive the project award under section 401 of this act over ten months.

(4) The department, upon request, must assist a city or county in establishing its tax rate in accordance with subsection (3) of this

1 section. Once the rate of tax is selected through the application
2 process and approved under section 401 of this act, it may not be
3 increased.

4 (5)(a) No tax may be imposed under the authority of this section
5 before:

- 6 (i) July 1, 2011;
- 7 (ii) July 1st of the second calendar year following the year in
8 which the department approved the application made under section 401 of
9 this act;

10 (iii) The state sales and use tax increment for the preceding
11 calendar year equals or exceeds the amount of the project award
12 approved by the department under section 401 of this act; and

13 (iv) Bonds have been issued according to section 701 of this act.

14 (b) The tax imposed under this section expires the earlier of the
15 date that the bonds issued under the authority of section 701 of this
16 act are retired or twenty-five years after the tax is first imposed.

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

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

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

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

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

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

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

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

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

5 (8) The department must determine the amount of tax receipts
6 distributed to each city and county imposing a sales and use tax under
7 the authority of this section and must advise a city or county when tax
8 distributions for the fiscal year equal the amount determined by the
9 department in subsection (10) of this section. Determinations by the
10 department of the amount of tax distributions attributable to a city or
11 county are not appealable. The department must remit any tax receipts
12 in excess of the amounts specified in subsection (6)(c) of this section
13 to the state treasurer who must deposit the money in the general fund.

14 (9) If a city or county fails to comply with section 501 of this
15 act, no tax may be distributed in the subsequent fiscal year until such
16 time as the city or county complies and the department calculates the
17 state contribution amount according to subsection (10) of this section
18 for the fiscal year.

19 (10)(a) For each fiscal year that a city or county imposes the tax
20 under the authority of this section, the department must approve the
21 amount of taxes that may be distributed to the city or county. The
22 amount approved by the department under this subsection is the lesser
23 of:

24 (i) The state contribution;

25 (ii) The amount of project award granted by the department as
26 provided in section 401 of this act; or

27 (iii) The total amount of revenues from local public sources
28 dedicated in the preceding calendar year, as reported in the required
29 annual report under section 501 of this act.

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

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

37 (12) The definitions in section 102 of this act apply to this

1 section subject to subsection (13) of this section and unless the
2 context clearly requires otherwise.

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

4 (a) "Local sales and use taxes" means sales and use taxes imposed
5 by cities, counties, public facilities districts, and other local
6 governments under the authority of this chapter, chapter 67.28 or 67.40
7 RCW, or any other chapter, and that are credited against the state
8 sales and use taxes.

9 (b) "State sales and use taxes" means the taxes imposed in RCW
10 82.08.020(1) and 82.12.020(1).

11 (c) "Initiation of construction" means the date that a building
12 permit is issued under the building code adopted under RCW 19.27.031.

13 NEW SECTION. **Sec. 602.** USE OF SALES AND USE TAX FUNDS. Money
14 collected from the taxes imposed under section 601 of this act may be
15 used only for the purpose of paying debt service on bonds issued under
16 the authority in section 701 of this act.

17 **PART VII**
18 **BOND AUTHORIZATION**

19 NEW SECTION. **Sec. 701.** ISSUANCE OF GENERAL OBLIGATION BONDS. (1)
20 A sponsoring local government creating a revitalization area and
21 authorizing the use of local revitalization financing may incur general
22 indebtedness, and issue general obligation bonds, to finance the public
23 improvements and retire the indebtedness in whole or in part from local
24 revitalization financing it receives, subject to the following
25 requirements:

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

30 (b) The sponsoring local government includes this statement of the
31 intent in all notices required by RCW 39.89.050.

32 (2) The general indebtedness incurred under subsection (1) of this
33 section may be payable from other tax revenues, the full faith and
34 credit of the sponsoring local government, and nontax income, revenues,
35 fees, and rents from the public improvements, as well as contributions,

1 grants, and nontax money available to the local government for payment
2 of costs of the public improvements or associated debt service on the
3 general indebtedness.

4 (3) In addition to the requirements in subsection (1) of this
5 section, a sponsoring local government creating a revitalization area
6 and authorizing the use of local revitalization financing may require
7 any nonpublic participants to provide adequate security to protect the
8 public investment in the public improvement within the revitalization
9 area.

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

21 (5) The sponsoring local government may annually pay into a fund to
22 be established for the benefit of bonds issued under this section a
23 fixed proportion or a fixed amount of any local property tax allocation
24 revenues derived from property or business activity within the
25 revitalization area containing the public improvements funded by the
26 bonds, the payment to continue until all bonds payable from the fund
27 are paid in full. The local government may also annually pay into the
28 fund established in this section a fixed proportion or a fixed amount
29 of any revenues derived from taxes imposed under section 601 of this
30 act, such payment to continue until all bonds payable from the fund are
31 paid in full. Revenues derived from taxes imposed under section 601 of
32 this act are subject to the use restriction in section 602 of this act.

33 (6) In case any of the public officials of the sponsoring local
34 government whose signatures appear on any bonds or any coupons issued
35 under this chapter cease to be the officials before the delivery of the
36 bonds, the signatures must, nevertheless, be valid and sufficient for
37 all purposes, the same as if the officials had remained in office until

1 the delivery. Any provision of any law to the contrary
2 notwithstanding, any bonds issued under this chapter are fully
3 negotiable.

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

7 NEW SECTION. **Sec. 702.** USE OF TAX REVENUE FOR BOND REPAYMENT. A
8 sponsoring local government that issues bonds under section 701 of this
9 act to finance public improvements may pledge for the payment of such
10 bonds all or part of any local property tax allocation revenues derived
11 from the public improvements. The sponsoring local government may also
12 pledge all or part of any revenues derived from taxes imposed under
13 section 601 of this act and held in connection with the public
14 improvements. All of such tax revenues are subject to the use
15 restriction in section 602 of this act.

16 NEW SECTION. **Sec. 703.** LIMITATION ON BONDS ISSUED. The bonds
17 issued by a local government under section 701 of this act to finance
18 public improvements do not constitute an obligation of the state of
19 Washington, either general or special.

20 **PART VIII**
21 **MISCELLANEOUS**

22 NEW SECTION. **Sec. 801.** SEVERABILITY. If any provision of this
23 act or its application to any person or circumstance is held invalid,
24 the remainder of the act or the application of the provision to other
25 persons or circumstances is not affected.

26 NEW SECTION. **Sec. 802.** CAPTIONS AND PART HEADINGS NOT LAW.
27 Captions and part headings used in this act do not constitute any part
28 of the law.

29 NEW SECTION. **Sec. 803.** AUTHORITY. Nothing in this act may be
30 construed to give port districts the authority to impose a sales or use
31 tax under chapter 82.14 RCW.

1 NEW SECTION. **Sec. 804.** ADMINISTRATION BY THE DEPARTMENT. The
2 department of revenue may adopt any rules under chapter 34.05 RCW it
3 considers necessary for the administration of this chapter.

4 NEW SECTION. **Sec. 805.** Sections 101 through 401 and 701 through
5 804 of this act constitute a new chapter in Title 39 RCW.

6 NEW SECTION. **Sec. 806.** Sections 601 and 602 of this act are each
7 added to chapter 82.14 RCW.

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