

CERTIFICATION OF ENROLLMENT
ENGROSSED SECOND SUBSTITUTE SENATE BILL 6609

61st Legislature
2010 Regular Session

Passed by the Senate March 8, 2010
YEAS 47 NAYS 0

President of the Senate

Passed by the House March 9, 2010
YEAS 96 NAYS 1

Speaker of the House of Representatives

Approved

Governor of the State of Washington

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE SENATE BILL 6609** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE SENATE BILL 6609

Passed Legislature - 2010 Regular Session

State of Washington 61st Legislature 2010 Regular Session

By Senate Ways & Means (originally sponsored by Senators Kastama, Delvin, Hobbs, Kilmer, Gordon, Kauffman, and Shin)

READ FIRST TIME 03/05/10.

1 AN ACT Relating to infrastructure financing for local governments;
2 amending RCW 39.104.020, 39.104.040, 39.104.050, 39.104.060,
3 39.104.080, 39.104.100, 39.104.110, 82.14.505, 82.14.510, 82.32.765,
4 and 82.14.475; reenacting and amending RCW 39.102.020; and providing an
5 expiration date.

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

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

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

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

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

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

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

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

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

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

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

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

22 ((+9)) (10) "Local sales and use taxes" means local revenues
23 derived from the imposition of sales and use taxes authorized in RCW
24 82.14.030.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (e) For purposes of this subsection, "initial year" means:
2 (i) For new construction and improvements to property added to the
3 assessment roll, the year during which the new construction and
4 improvements are initially placed on the assessment roll;
5 (ii) For the cost of new housing construction, conversion, and
6 rehabilitation improvements, when the cost is treated as new
7 construction for purposes of chapter 84.55 RCW, the year when the cost
8 is treated as new construction for purposes of levying taxes for
9 collection in the following year; and
10 (iii) For the cost of rehabilitation of historic property, when the
11 cost is treated as new construction for purposes of chapter 84.55 RCW,
12 the year when such cost is treated as new construction for purposes of
13 levying taxes for collection in the following year.
14 (~~(+15)~~) (16) "Public improvement costs" means the costs of:
15 (a) Design, planning, acquisition, including land acquisition, site
16 preparation including land clearing, construction, reconstruction,
17 rehabilitation, improvement, and installation of public improvements;
18 (b) Demolishing, relocating, maintaining, and operating property
19 pending construction of public improvements;
20 (c) Relocating utilities as a result of public improvements;
21 (d) Financing public improvements, including interest during
22 construction, legal and other professional services, taxes, insurance,
23 principal and interest costs on general indebtedness issued to finance
24 public improvements, and any necessary reserves for general
25 indebtedness; and
26 (e) Administrative expenses and feasibility studies reasonably
27 necessary and related to these costs, including related costs that may
28 have been incurred before adoption of the ordinance authorizing the
29 public improvements and the use of local revitalization financing to
30 fund the costs of the public improvements.
31 (~~(+16)~~) (17) "Public improvements" means:
32 (a) Infrastructure improvements within the revitalization area that
33 include:
34 (i) Street, road, bridge, and rail construction and maintenance;
35 (ii) Water and sewer system construction and improvements;
36 (iii) Sidewalks, streetlights, landscaping, and streetscaping;
37 (iv) Parking, terminal, and dock facilities;
38 (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))~~ sixty days in advance of the
30 public hearing as required by (b) of this subsection. The notice must
31 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 39.104.050 and 2009 c 270 s 105 are each amended to
14 read as follows:

15 The designation of a revitalization area is subject to the
16 following limitations:

17 (1)(a) Except as provided in (b) of this subsection, no
18 revitalization area may have within its geographic boundaries any part
19 of a hospital benefit zone under chapter 39.100 RCW, any part of a
20 revenue development area created under chapter 39.102 RCW, any part of
21 an increment area under chapter 39.89 RCW, or any part of another
22 revitalization area under this chapter;

23 (b) A revitalization area's boundaries may include all or a portion
24 of an existing increment area if:

25 (i) The state of Washington has loaned money for environmental
26 cleanup on such area in order to stimulate redevelopment of
27 brownfields;

28 (ii) The environmental cleanup, for which the state's loans were
29 intended, has been completed; and

30 (iii) The sponsoring local government determines the creation of
31 the revitalization area is necessary for redevelopment and protecting
32 the state's investment by increasing property tax revenue;

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

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

1 (4) The public improvements financed through bonds issued under RCW
2 39.104.110 must be located in the revitalization area;

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

7 (6) The boundaries of the revitalization area may not be changed
8 for the time period that local property tax allocation revenues, local
9 sales and use taxes of participating local governments, and the local
10 sales and use tax under RCW 82.14.510 are used to pay bonds issued
11 under RCW 39.104.110 and public improvement costs within the
12 revitalization area on a pay-as-you-go basis, as provided under this
13 chapter; and

14 (7) A revitalization area must be geographically restricted to the
15 location of the public improvement and adjacent locations that the
16 sponsoring local government finds to have a high likelihood of
17 receiving direct positive business and economic impacts due to the
18 public improvement, such as a neighborhood or a block.

19 **Sec. 4.** RCW 39.104.060 and 2009 c 270 s 106 are each amended to
20 read as follows:

21 (1) Participating taxing districts must allow the use of all of
22 their local property tax allocation revenues for local revitalization
23 financing.

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

29 (b) The taxing district must provide a copy of the adopted
30 ordinance and notice to the sponsoring local government creating the
31 revitalization area before the anticipated date that the sponsoring
32 local government proposes to adopt the ordinance creating the
33 revitalization area as provided in the notice required by RCW
34 39.104.040(1)(a).

35 (3) If a taxing district wants to become a participating taxing
36 district by allowing one or more but not all of its regular property
37 tax levies to be used for the calculation of local property tax

1 allocation revenues, it may do so through an interlocal agreement
2 specifying the regular property taxes that will be used for calculating
3 its local property tax allocation revenues. This subsection does not
4 authorize a taxing district to allow the use of only part of one or
5 more of its regular property tax levies by the sponsoring local
6 government.

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

16 **Sec. 5.** RCW 39.104.080 and 2009 c 270 s 201 are each amended to
17 read as follows:

18 (1) Commencing in the second calendar year following the creation
19 of a revitalization area by a sponsoring local government, the county
20 treasurer (~~shall~~) must distribute receipts from regular taxes imposed
21 on real property located in the revitalization area as follows:

22 (a) Each participating taxing district and the sponsoring local
23 government must receive that portion of its regular property taxes
24 produced by the rate of tax levied by or for the taxing district on the
25 property tax allocation revenue base value for that local
26 revitalization financing project in the taxing district; and

27 (b) The sponsoring local government must receive an additional
28 portion of the regular property taxes levied by it and by or for each
29 participating taxing district upon the property tax allocation revenue
30 value within the revitalization area. However, if there is no property
31 tax allocation revenue value, the sponsoring local government may not
32 receive any additional regular property taxes under this subsection
33 (1)(b). The sponsoring local government may agree to receive less than
34 the full amount of the additional portion of regular property taxes
35 under this subsection (1)(b) as long as bond debt service, reserve, and
36 other bond covenant requirements are satisfied, in which case the
37 balance of these tax receipts shall be allocated to the participating

1 taxing districts that levied regular property taxes, or have regular
2 property taxes levied for them, in the revitalization area for
3 collection that year in proportion to their regular tax levy rates for
4 collection that year. The sponsoring local government may request that
5 the treasurer transfer this additional portion of the property taxes to
6 its designated agent. The portion of the tax receipts distributed to
7 the sponsoring local government or its agent under this subsection
8 (1)(b) may only be expended to finance public improvement costs
9 associated with the public improvements financed in whole or in part by
10 local revitalization financing.

11 (2) The county assessor (~~shall~~) must determine the property tax
12 allocation revenue value and property tax allocation revenue base
13 value. This section does not authorize revaluations of real property
14 by the assessor for property taxation that are not made in accordance
15 with the assessor's revaluation plan under chapter 84.41 RCW or under
16 other authorized revaluation procedures.

17 (3) The distribution of local property tax allocation revenue to
18 the sponsoring local government must cease when local property tax
19 allocation revenues are no longer obligated to pay the costs of the
20 public improvements. Any excess local property tax allocation
21 revenues, and earnings on the revenues, remaining at the time the
22 distribution of local property tax allocation revenue terminates, must
23 be returned to the county treasurer and distributed to the
24 participating taxing districts that imposed regular property taxes, or
25 had regular property taxes imposed for it, in the revitalization area
26 for collection that year, in proportion to the rates of their regular
27 property tax levies for collection that year.

28 (4) The allocation to the revitalization area of that portion of
29 the sponsoring local government's and each participating taxing
30 district's regular property taxes levied upon the property tax
31 allocation revenue value within that revitalization area is declared to
32 be a public purpose of and benefit to the sponsoring local government
33 and each participating taxing district.

34 (5) The distribution of local property tax allocation revenues
35 under this section may not affect or be deemed to affect the rate of
36 taxes levied by or within any sponsoring local government and
37 participating taxing district or the consistency of any such levies

1 with the uniformity requirement of Article VII, section 1 of the state
2 Constitution.

3 (6) This section does not apply to a revitalization area that has
4 boundaries that include all or a portion of the boundaries of an
5 increment area created under chapter 39.89 RCW.

6 **Sec. 6.** RCW 39.104.100 and 2009 c 270 s 401 are each amended to
7 read as follows:

8 (1) Prior to applying to the department to receive a state
9 contribution, a sponsoring local government shall adopt a
10 revitalization area within the limitations in RCW 39.104.050 and in
11 accordance with RCW 39.104.040.

12 (2)(a) As a condition to imposing a sales and use tax under RCW
13 82.14.510, a sponsoring local government must apply to the department
14 and be approved for a project award amount. The application must be in
15 a form and manner prescribed by the department and include, but not be
16 limited to:

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

23 ((+b)) (ii) Information demonstrating that the sponsoring local
24 government will meet the requirements necessary to receive the full
25 amount of state contribution it is requesting on an annual basis;

26 ((+c)) (iii) The amount of state contribution it is requesting;

27 ((+d)) (iv) The anticipated effective date for imposing the tax
28 under RCW 82.14.510;

29 ((+e)) (v) The estimated number of years that the tax will be
30 imposed;

31 ((+f)) (vi) The anticipated rate of tax to be imposed under RCW
32 82.14.510, subject to the rate-setting conditions in RCW 82.14.510(3),
33 should the sponsoring local government be approved for a project award;
34 and

35 ((+g)) (vii) The anticipated date when bonds under RCW 39.104.110
36 will be issued.

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

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

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

11 (ii) The availability of a state contribution;

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

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

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

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

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

30 (f) If the annual contribution limit is increased by making
31 additional funds available for applicants that apply on a first-come
32 basis, applications will be accepted again beginning sixty days after
33 the effective date of the increase. However, in the time period before
34 any new applications are accepted, all sponsoring local governments
35 with a complete application already on file with the department must be
36 provided an opportunity to either withdraw their application or update
37 the information in the application. The updated application must be
38 for a project that is substantially the same as the project in the

1 original application. The department must consider these applications,
2 in the order originally submitted, for project awards prior to
3 considering any new applications.

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

14 (5) The department must begin accepting applications on September
15 1, 2009.

16 **Sec. 7.** RCW 39.104.110 and 2009 c 270 s 701 are each amended to
17 read as follows:

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

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

28 (~~(+b+)~~) (ii) The sponsoring local government includes this
29 statement of (~~(the)~~) intent in all notices required by RCW 39.104.040;
30 or

31 (b) The sponsoring local government adopts a resolution, after
32 opportunity for public comment, that indicates an intent to incur this
33 indebtedness and the maximum amount of this indebtedness that is
34 contemplated.

35 (2) The general indebtedness incurred under subsection (1) of this
36 section may be payable from other tax revenues, the full faith and
37 credit of the sponsoring local government, and nontax income, revenues,

1 fees, and rents from the public improvements, as well as contributions,
2 grants, and nontax money available to the local government for payment
3 of costs of the public improvements or associated debt service on the
4 general indebtedness.

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

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

22 (5) The sponsoring local government may:

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

30 (b) Annually pay into the special fund established ((~~in~~)) pursuant
31 to this section a fixed proportion or a fixed amount of any revenues
32 derived from taxes imposed under RCW 82.14.510, such payment to
33 continue until all bonds payable from the fund are paid in full.
34 Revenues derived from taxes imposed under RCW 82.14.510 are subject to
35 the use restriction in RCW 82.14.515; and

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

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

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

12 **Sec. 8.** RCW 82.14.505 and 2009 c 270 s 402 are each amended to
13 read as follows:

14 (1) Demonstration projects are designated to determine the
15 feasibility of local revitalization financing. For the purpose of this
16 section, "annual state contribution limit" means (~~two million two~~
17 ~~hundred fifty~~) four million two hundred thousand dollars statewide per
18 fiscal year.

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

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

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

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

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

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

32 (~~(f)~~) (vi) The Vancouver Columbia waterfront/downtown project
33 award (~~shall~~) may not exceed two hundred twenty thousand dollars; and

34 (~~(g)~~) (vii) The Spokane University District project award
35 (~~shall~~) may not exceed two hundred fifty thousand dollars.

36 (b) Notwithstanding RCW 39.104.100, the department must approve

1 each demonstration project for 2010 meeting the requirements in
2 subsection (2)(c) of this section as follows:

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

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

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

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

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

15 (vi) The New Castle downtown project may not exceed forty thousand
16 dollars.

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

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

30 (c) The department must not approve any resubmitted application
31 unless an economic analysis by a qualified researcher at the department
32 of economics at the University of Washington confirms that there is an
33 eighty-five percent probability that the application's assumptions and
34 estimates of jobs created and increased tax receipts will be achieved
35 by the project and determines that net state tax revenue will increase
36 as a result of the project by an amount that equals or exceeds the
37 award authorized in subsection (1)(b) of this section. Prior to
38 submitting the economic analysis to the department, the qualified

1 researcher must consult with the economic development commission
2 established in chapter 43.162 RCW regarding his or her preliminary
3 findings. The final economic analysis must include comments and
4 recommendations of the economic development commission.

5 (3) Within (~~sixty~~) ninety days of such submittal, the economic
6 analysis in subsection (2)(c) of this section must be completed and the
7 department (~~shall~~) must either approve demonstration projects that
8 have met these conditions, limitations, and requirements or deny
9 resubmitted applications that have not met these conditions,
10 limitations, and requirements.

11 (4) Local government sponsors of demonstration projects may elect
12 to decline the project awards as designated in this section, and may
13 elect instead to submit applications according to the process described
14 in RCW 39.104.100.

15 (5) If a demonstration project listed in subsection (1)(b) of this
16 section does not update and resubmit its application to the department
17 by the deadline specified in subsection (2)(b) of this section or if
18 the demonstration project withdraws its application, the associated
19 dollar amounts may not be approved for another project and may not be
20 considered part of the annual state contribution limit under RCW
21 39.104.020(1).

22 **Sec. 9.** RCW 82.14.510 and 2009 c 270 s 601 are each amended to
23 read as follows:

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

32 (2) The tax authorized under subsection (1) of this section is
33 credited against the state taxes imposed under RCW 82.08.020(1) and
34 82.12.020 at the rate provided in RCW 82.08.020(1). The department
35 must perform the collection of such taxes on behalf of the city or
36 county at no cost to the city or county. The taxes must be distributed
37 to cities and counties as provided in RCW 82.14.060.

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

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

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

6 (ii) The aggregate rates of all taxes under RCW 82.14.465 and
7 82.14.475 and this section that are authorized but have not yet been
8 imposed on the same taxable events by a city or county that has been
9 approved to receive a state contribution by the department or the
10 community economic revitalization board under chapter 39.104, 39.100,
11 or 39.102 RCW; and

12 (iii) The percentage amount of distributions required under RCW
13 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
14 82.08.020(1); and

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

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

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

24 (i) July 1, 2011;

25 (ii) July 1st of the second calendar year following the year in
26 which the department approved the application made under RCW
27 39.104.100;

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

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

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

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

37 (i) July 1, 2010; and

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

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

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

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

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

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

14 (ii) The amount of revenue distributed to all sponsoring and
15 cosponsoring local governments from taxes imposed under this section
16 (~~by all cities and counties~~) equals the annual state contribution
17 limit;

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

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

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

28 (8) The department must determine the amount of tax receipts
29 distributed to each city and county imposing a sales and use tax under
30 the authority of this section and must advise a city or county when tax
31 distributions for the fiscal year equal the amount determined by the
32 department in subsection (10) of this section. Determinations by the
33 department of the amount of tax distributions attributable to a city or
34 county are not appealable. The department must remit any tax receipts
35 in excess of the amounts specified in subsection (6)(c) of this section
36 to the state treasurer who must deposit the money in the general fund.

37 (9) If a city or county fails to comply with RCW 82.32.765, no tax
38 may be distributed in the subsequent fiscal year until such time as the

1 city or county complies and the department calculates the state
2 contribution amount according to subsection (10) of this section for
3 the fiscal year.

4 (10)(a) For each fiscal year that a city or county imposes the tax
5 under the authority of this section, the department must approve the
6 amount of taxes that may be distributed to the city or county. The
7 amount approved by the department under this subsection is the lesser
8 of:

- 9 (i) The state contribution;
- 10 (ii) The amount of project award granted by the department as
11 provided in RCW 39.104.100; or
- 12 (iii) The total amount of revenues from local public sources
13 dedicated or, in the case of carry forward revenues, deemed dedicated
14 in the preceding calendar year, as reported in the required annual
15 report under RCW 82.32.765.

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

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

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

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

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

32 (b) "State sales and use taxes" means the taxes imposed in RCW
33 82.08.020(1) and 82.12.020.

34 **Sec. 10.** RCW 82.32.765 and 2009 c 270 s 501 are each amended to
35 read as follows:

36 (1) A sponsoring local government receiving a project award under

1 RCW 39.104.100 must provide a report to the department by March 1st of
2 each year beginning March 1st after the project award has been
3 approved. The report must contain the following information:

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

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

9 (c) The amount of local sales and use tax and other revenue from
10 local public sources dedicated by any participating local government
11 used for the payment of bonds under RCW 39.104.110 and public
12 improvement costs within the revitalization area on a pay-as-you-go
13 basis in the preceding calendar year;

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

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

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

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

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

34 (i) An estimate of the average wages and benefits received by all
35 employees of businesses locating within the revitalization area as a
36 result of the public improvements undertaken by the sponsoring local
37 government and financed in whole or in part with local revitalization
38 financing;

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

4 (k) That the sponsoring local government is in compliance with RCW
5 39.104.030;

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

10 (m) The amount of revenues from local public sources that (i) were
11 expended in prior years for the payment of bonds under RCW 39.104.110
12 and public improvement costs within the revitalization area on a pay-
13 as-you-go basis in prior calendar years that were in excess of the
14 project award amount for that year and are carried forward for
15 dedication in future years, (ii) are deemed dedicated to payment of
16 bonds or public improvement costs in the calendar year for which the
17 report is prepared, and (iii) remain available for dedication in future
18 years; and

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

21 (2) The department (~~shall~~) must make a report available to the
22 public and the legislature by June 1st of each year. The report
23 (~~shall~~) must include a summary of the information provided to the
24 department by sponsoring local governments under subsection (1) of this
25 section.

26 **Sec. 11.** RCW 39.102.020 and 2009 c 267 s 1 are each reenacted and
27 amended to read as follows:

28 The definitions in this section apply throughout this chapter
29 unless the context clearly requires otherwise.

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

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

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

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

37 (a) Bellingham waterfront redevelopment project;

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

2 (c) Vancouver riverwest project.

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

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

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

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

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

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

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

29 (12) "Local property tax allocation revenue" means those tax
30 revenues derived from the receipt of regular property taxes levied on
31 the property tax allocation revenue value and used for local
32 infrastructure financing.

33 (13) "Low-income housing" means residential housing for low-income
34 persons or families who lack the means which is necessary to enable
35 them, without financial assistance, to live in decent, safe, and
36 sanitary dwellings, without overcrowding. For the purposes of this
37 subsection, "low income" means income that does not exceed eighty

1 percent of the median family income for the standard metropolitan
2 statistical area in which the revenue development area is located.

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

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

11 (16) "Participating taxing district" means a local government
12 having a revenue development area within its geographic boundaries that
13 has entered into a written agreement with a sponsoring local government
14 as provided in RCW 39.102.080 to allow the use of some or all of its
15 local property tax allocation revenues or other revenues from local
16 public sources dedicated for local infrastructure financing.

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

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

23 (A) The placement of new construction, improvements to property, or
24 both, on the assessment roll, where the new construction and
25 improvements are initiated after the revenue development area is
26 approved by the board;

27 (B) The cost of new housing construction, conversion, and
28 rehabilitation improvements, when such cost is treated as new
29 construction for purposes of chapter 84.55 RCW as provided in RCW
30 84.14.020, and the new housing construction, conversion, and
31 rehabilitation improvements are initiated after the revenue development
32 area is approved by the board;

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

37 (ii) Increases in the assessed value of real property in a revenue
38 development area resulting from (a)(i)(A) through (C) of this

1 subsection are included in the property tax allocation revenue value in
2 the initial year. These same amounts are also included in the property
3 tax allocation revenue value in subsequent years unless the property
4 becomes exempt from property taxation.

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

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

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

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

17 (i) For new construction and improvements to property added to the
18 assessment roll, the year during which the new construction and
19 improvements are initially placed on the assessment roll;

20 (ii) For the cost of new housing construction, conversion, and
21 rehabilitation improvements, when such cost is treated as new
22 construction for purposes of chapter 84.55 RCW, the year when such cost
23 is treated as new construction for purposes of levying taxes for
24 collection in the following year; and

25 (iii) For the cost of rehabilitation of historic property, when
26 such cost is treated as new construction for purposes of chapter 84.55
27 RCW, the year when such cost is treated as new construction for
28 purposes of levying taxes for collection in the following year.

29 (19) "Public improvement costs" means the cost of: (a) Design,
30 planning, acquisition including land acquisition, site preparation
31 including land clearing, construction, reconstruction, rehabilitation,
32 improvement, and installation of public improvements; (b) demolishing,
33 relocating, maintaining, and operating property pending construction of
34 public improvements; (c) the local government's portion of relocating
35 utilities as a result of public improvements; (d) financing public
36 improvements, including interest during construction, legal and other
37 professional services, taxes, insurance, principal and interest costs
38 on general indebtedness issued to finance public improvements, and any

1 necessary reserves for general indebtedness; (e) assessments incurred
2 in revaluing real property for the purpose of determining the property
3 tax allocation revenue base value that are in excess of costs incurred
4 by the assessor in accordance with the revaluation plan under chapter
5 84.41 RCW, and the costs of apportioning the taxes and complying with
6 this chapter and other applicable law; (f) administrative expenses and
7 feasibility studies reasonably necessary and related to these costs;
8 and (g) any of the above-described costs that may have been incurred
9 before adoption of the ordinance authorizing the public improvements
10 and the use of local infrastructure financing to fund the costs of the
11 public improvements.

12 (20) "Public improvements" means:

13 (a) Infrastructure improvements within the revenue development area
14 that include:

15 (i) Street, bridge, and road construction and maintenance,
16 including highway interchange construction;

17 (ii) Water and sewer system construction and improvements,
18 including wastewater reuse facilities;

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

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

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

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

23 (vii) Storm water and drainage management systems;

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

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

29 (22) "Regular property taxes" means regular property taxes as
30 defined in RCW 84.04.140, except: (a) Regular property taxes levied by
31 public utility districts specifically for the purpose of making
32 required payments of principal and interest on general indebtedness;
33 (b) regular property taxes levied by the state for the support of the
34 common schools under RCW 84.52.065; and (c) regular property taxes
35 authorized by RCW 84.55.050 that are limited to a specific purpose.

36 "Regular property taxes" do not include excess property tax levies that
37 are exempt from the aggregate limits for junior and senior taxing
38 districts as provided in RCW 84.52.043.

1 (23) "Relocating a business" means the closing of a business and
2 the reopening of that business, or the opening of a new business that
3 engages in the same activities as the previous business, in a different
4 location within a one-year period, when an individual or entity has an
5 ownership interest in the business at the time of closure and at the
6 time of opening or reopening. "Relocating a business" does not include
7 the closing and reopening of a business in a new location where the
8 business has been acquired and is under entirely new ownership at the
9 new location, or the closing and reopening of a business in a new
10 location as a result of the exercise of the power of eminent domain.

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

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

16 (i) Amounts of local excise tax allocation revenues and local
17 property tax allocation revenues, dedicated by sponsoring local
18 governments, participating local governments, and participating taxing
19 districts, for local infrastructure financing; and

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

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

27 (26) "Small business" has the same meaning as provided in RCW
28 19.85.020.

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

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

34 (a) One million dollars;

35 (b) The total amount of local excise tax allocation revenues, local
36 property tax allocation revenues, and other revenues from local public
37 sources, that are dedicated by a sponsoring local government, any
38 participating local governments, and participating taxing districts, in

1 the preceding calendar year to the payment of principal and interest on
2 bonds issued under RCW 39.102.150 or to pay public improvement costs on
3 a pay-as-you-go basis subject to RCW 39.102.195, or both; (~~or~~)

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

7 (d) The highest amount of state excise tax allocation revenues and
8 state property tax allocation revenues for any one calendar year as
9 determined by the sponsoring local government and reported to the board
10 and the department as required by RCW 39.102.140.

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

18 (30) "State excise taxes" means revenues derived from state retail
19 sales and use taxes under RCW 82.08.020(1) and 82.12.020 at the rate
20 provided in RCW 82.08.020(1), less the amount of tax distributions from
21 all local retail sales and use taxes, other than the local sales and
22 use taxes authorized by RCW 82.14.475 for the applicable revenue
23 development area, imposed on the same taxable events that are credited
24 against the state retail sales and use taxes under chapters 82.08 and
25 82.12 RCW.

26 (31) "State property tax allocation revenue" means an amount equal
27 to the estimated tax revenues derived from the imposition of property
28 taxes levied by the state for the support of common schools under RCW
29 84.52.065 on the property tax allocation revenue value, as set forth in
30 the application submitted to the board under RCW 39.102.040 and updated
31 annually in the report required under RCW 39.102.140(1)(f).

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

35 **Sec. 12.** RCW 82.14.475 and 2009 c 267 s 8 are each amended to read
36 as follows:

37 (1) A sponsoring local government, and any cosponsoring local

1 government, that has been approved by the board to use local
2 infrastructure financing may impose a sales and use tax in accordance
3 with the terms of this chapter and subject to the criteria set forth in
4 this section. Except as provided in this section, the tax is in
5 addition to other taxes authorized by law and (~~shall be~~) is collected
6 from those persons who are taxable by the state under chapters 82.08
7 and 82.12 RCW upon the occurrence of any taxable event within the
8 taxing jurisdiction of the sponsoring local government or cosponsoring
9 local government.

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

17 (3) The aggregate rate of tax imposed by the sponsoring local
18 government, and any cosponsoring local government, must not exceed the
19 lesser of:

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

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

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

29 (iii) The percentage amount of distributions required under RCW
30 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
31 82.08.020(1); and

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

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

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

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

6 (i) ~~((Before July 1, 2008;~~

7 ~~(ii)))~~ Before July 1st of the second calendar year following the
8 year approval by the board under RCW 39.102.040 was made; and

9 ~~((iii) Before the state excise tax allocation revenues and state
10 property tax allocation revenues for the preceding calendar year equal
11 or exceed the amount of project award approved by the board under RCW
12 39.102.040))~~

13 (ii) Until a sponsoring local government reports to the board and
14 the department as required by RCW 39.102.140 that the state has
15 benefited through the receipt of state excise tax allocation revenues
16 or state property tax allocation revenues, or both.

17 (b) The tax imposed under this section ~~((shall))~~ expires when all
18 indebtedness issued under the authority of RCW 39.102.150 is retired
19 and all other contractual obligations relating to the financing of
20 public improvements under chapter 39.102 RCW are satisfied, but not
21 more than twenty-five years after the tax is first imposed.

22 (7) An ordinance adopted by the legislative authority of a
23 sponsoring local government or cosponsoring local government imposing
24 a tax under this section ~~((shall))~~ must provide that:

25 (a) The tax ~~((shall))~~ is first ~~((be))~~ imposed on the first day of
26 a fiscal year;

27 (b) The cumulative amount of tax received by the sponsoring local
28 government, and any cosponsoring local government, in any fiscal year
29 ~~((shall))~~ may not exceed the amount of the state contribution;

30 (c) The tax ~~((shall))~~ will cease to be distributed for the
31 remainder of any fiscal year in which either:

32 (i) The amount of tax received by the sponsoring local government,
33 and any cosponsoring local government, equals the amount of the state
34 contribution;

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

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

4 (d) Neither the local excise tax allocation revenues nor the local
5 property tax allocation revenues may constitute more than eighty
6 percent of the total local funds as described in RCW 39.102.020(28)(b).
7 This requirement applies beginning January 1st of the fifth calendar
8 year after the calendar year in which the sponsoring local government
9 begins allocating local excise tax allocation revenues under RCW
10 39.102.110;

11 (e) The tax (~~shall~~) must be distributed again, should it cease to
12 be distributed for any of the reasons provided in (c) of this
13 subsection, at the beginning of the next fiscal year, subject to the
14 restrictions in this section; and

15 (f) Any revenue generated by the tax in excess of the amounts
16 specified in (c) of this subsection (~~shall~~) belongs to the state of
17 Washington.

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

21 (9) The department (~~shall~~) must determine the amount of tax
22 receipts distributed to each sponsoring local government, and any
23 cosponsoring local government, imposing sales and use tax under this
24 section and shall advise a sponsoring or cosponsoring local government
25 when tax distributions for the fiscal year equal the amount of state
26 contribution for that fiscal year as provided in subsection (11) of
27 this section. Determinations by the department of the amount of tax
28 distributions attributable to each sponsoring or cosponsoring local
29 government are final and (~~shall~~) may not be used to challenge the
30 validity of any tax imposed under this section. The department
31 (~~shall~~) must remit any tax receipts in excess of the amounts
32 specified in subsection (7)(c) of this section to the state treasurer
33 who (~~shall~~) must deposit the money in the general fund.

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

1 (11) Each year, the amount of taxes approved by the department for
2 distribution to a sponsoring or cosponsoring local government in the
3 next fiscal year (~~shall~~) must be equal to the state contribution and
4 (~~shall~~) may be no more than the total local funds as described in RCW
5 39.102.020(28)(b). The department (~~shall~~) must consider information
6 from reports described in RCW 39.102.140 when determining the amount of
7 state contributions for each fiscal year. A sponsoring or cosponsoring
8 local government (~~shall~~) may not receive, in any fiscal year, more
9 revenues from taxes imposed under the authority of this section than
10 the amount approved annually by the department. The department
11 (~~shall~~) may not approve the receipt of more distributions of sales
12 and use tax under this section to a sponsoring or cosponsoring local
13 government than is authorized under subsection (7) of this section.

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

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

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

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

29 (16) The tax imposed under the authority of this section (~~shall~~)
30 must cease to be imposed if the sponsoring local government or
31 cosponsoring local government fails to issue indebtedness under the
32 authority of RCW 39.102.150, and fails to commence construction on
33 public improvements, by June 30th of the fifth fiscal year in which the
34 local tax authorized under this section is imposed.

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

36 (a) "Local sales and use taxes" means sales and use taxes imposed
37 by cities, counties, public facilities districts, and other local

1 governments under the authority of this chapter, chapter 67.28 or
2 67.40 RCW, or any other chapter, and that are credited against the
3 state sales and use taxes.

4 (b) "State sales and use taxes" means the tax imposed in RCW
5 82.08.020(1) and the tax imposed in RCW 82.12.020 at the rate provided
6 in RCW 82.08.020(1).

7 NEW SECTION. **Sec. 13.** Sections 11 and 12 of this act expire June
8 30, 2039.

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