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HOUSE BILL 2746

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State of Washington

62nd Legislature

2012 Regular Session

By Representatives Springer, Haler, and Anderson

Read first time 01/30/12. Referred to Committee on Community & Economic Development & Housing.

1 AN ACT Relating to community redevelopment financing in  
2 apportionment districts; adding new sections to chapter 82.14 RCW;  
3 adding a new section to chapter 82.32 RCW; adding a new chapter to  
4 Title 39 RCW; and repealing RCW 39.88.010, 39.88.020, 39.88.030,  
5 39.88.040, 39.88.050, 39.88.060, 39.88.070, 39.88.080, 39.88.090,  
6 39.88.100, 39.88.110, 39.88.120, 39.88.130, 39.88.900, 39.88.905,  
7 39.88.910, and 39.88.915.

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

9 NEW SECTION. **Sec. 1.** The legislature recognizes that the state as  
10 a whole benefits from investment in public infrastructure because it  
11 promotes community and economic development. Public investment  
12 stimulates business activity and helps create jobs, stimulates the  
13 redevelopment of brownfields and blighted areas in the inner city,  
14 lowers the cost of housing, and promotes efficient land use. The  
15 legislature finds that the Washington state jobs investment act  
16 generates revenue for the state and that it is in the public interest  
17 to provide a sales and use tax credit to those local governments for  
18 those project investments and job creation activities that can  
19 demonstrate a net positive return to the state.

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

3        (1) "Assessed value" means the valuation of taxable real property  
4 as placed on the last completed assessment roll.

5        (2) "Board" means the community economic revitalization board.

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

9        (4) "Community redevelopment financing" means the use of revenues  
10 from local public sources, dedicated to pay the principal and interest  
11 on bonds authorized under section 11 of this act and public improvement  
12 costs within the redevelopment area on a pay-as-you-go basis, and  
13 revenues received from the local option sales and use tax authorized in  
14 section 16 of this act, dedicated to pay the principal and interest on  
15 bonds authorized under section 11 of this act.

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

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

19        (7) "Local government" means any city, town, county, and port  
20 district.

21        (8) "Local property tax allocation revenue" means those tax  
22 revenues derived from the receipt of regular property taxes levied on  
23 the property tax allocation revenue value and used for community  
24 redevelopment financing.

25        (9) "Local sales and use tax increment" means the estimated annual  
26 increase in local sales and use taxes as determined by the local  
27 government in the calendar years following the approval of the  
28 redevelopment area by the board from taxable activity within the  
29 redevelopment area.

30        (10) "Local sales and use taxes" means local revenues derived from  
31 the imposition of sales and use taxes authorized in RCW 82.14.030.

32        (11) "Ordinance" means any appropriate method of taking legislative  
33 action by a local government.

34        (12) "Participating local government" means a local government  
35 having a redevelopment area within its geographic boundaries that has  
36 taken action as provided in section 7(1) of this act to allow the use  
37 of all or some of its local sales and use tax increment or other

1 revenues from local public sources dedicated for community  
2 redevelopment financing.

3 (13) "Participating taxing district" means a taxing district that:

4 (a) Has a redevelopment area wholly or partially within its  
5 geographic boundaries;

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

8 (c) Has not taken action as provided in section 6(2) of this act.

9 (14) "Property tax allocation revenue base value" means the  
10 assessed value of real property located within a redevelopment area,  
11 less the property tax allocation revenue value.

12 (15)(a)(i) "Property tax allocation revenue value" means up to one  
13 hundred percent of any increase in the assessed value of real property  
14 in a redevelopment area resulting from:

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

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

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

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

35 (b) "Property tax allocation revenue value" includes up to one  
36 hundred percent of any increase in the assessed value of new  
37 construction consisting of an entire building in the years following

1 the initial year, unless the building becomes exempt from property  
2 taxation.

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

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

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

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

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

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

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

24 (a) Design, planning, acquisition, including land acquisition, site  
25 preparation including land clearing, construction, reconstruction,  
26 rehabilitation, improvement, and installation of public improvements;

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

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

30 (d) Financing public improvements, including interest during  
31 construction, legal and other professional services, taxes, insurance,  
32 principal and interest costs on general indebtedness issued to finance  
33 public improvements, and any necessary reserves for general  
34 indebtedness; and

35 (e) Administrative expenses and feasibility studies reasonably  
36 necessary and related to these costs, including related costs that may  
37 have been incurred before adoption of the ordinance authorizing the

1 public improvements and the use of community redevelopment financing to  
2 fund the costs of the public improvements.

3 (17) "Public improvements" means:

4 (a) Infrastructure improvements within the redevelopment area that  
5 include:

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

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

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

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

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

11 (vi) Park facilities, recreational areas, and environmental  
12 remediation;

13 (vii) Storm water and drainage management systems;

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

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

16 (i) Providing environmental analysis, professional management,  
17 planning, and promotion within the redevelopment area, including the  
18 management and promotion of retail trade activities in the  
19 redevelopment area;

20 (ii) Providing maintenance and security for common or public areas  
21 in the redevelopment area; or

22 (iii) Historic preservation activities authorized under RCW  
23 35.21.395.

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

27 (19)(a) "Regular property taxes" means regular property taxes as  
28 defined in RCW 84.04.140, except:

29 (i) Regular property taxes levied by public utility districts  
30 specifically for the purpose of making required payments of principal  
31 and interest on general indebtedness;

32 (ii) Regular property taxes levied by the state for the support of  
33 common schools under RCW 84.52.065; and

34 (iii) Regular property taxes authorized by RCW 84.55.050 that are  
35 limited to a specific purpose.

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

37 (i) Excess property tax levies that are exempt from the aggregate

1 limits for junior and senior taxing districts as provided in RCW  
2 84.52.043; and

3 (ii) Property taxes that are specifically excluded through an  
4 interlocal agreement between the sponsoring local government and a  
5 participating taxing district as set forth in section 6(3) of this act.

6 (20)(a) "Revenues from local public sources" means:

7 (i) The local sales and use tax amounts received as a result of  
8 interlocal agreement, local sales and use tax amounts from sponsoring  
9 local governments based on its local sales and use tax increment, and  
10 local property tax allocation revenues, which are dedicated by a  
11 sponsoring local government, participating local governments, and  
12 participating taxing districts, for payment of bonds under section 11  
13 of this act or public improvement costs within the redevelopment area  
14 on a pay-as-you-go basis; and

15 (ii) Any other local revenues, except as provided in (b) of this  
16 subsection, including revenues derived from federal and private sources  
17 and amounts received by taxing districts as set forth by an interlocal  
18 agreement as described in section 6(4) of this act, which are dedicated  
19 for the payment of bonds under section 11 of this act or public  
20 improvement costs within the redevelopment area on a pay-as-you-go  
21 basis.

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

26 (21) "Redevelopment area" means the geographic area adopted by a  
27 sponsoring local government and approved by the department, from which  
28 local sales and use tax increments are estimated and property tax  
29 allocation revenues are derived for community redevelopment financing.

30 (22) "Sponsoring local government" means a city, town, county, or  
31 any combination thereof, that adopts a redevelopment area.

32 (23) "State amount" means the amount approved by the department  
33 under section 10(2)(a) of this act.

34 (24) "State sales and use tax increment" means the estimated amount  
35 of annual increase in state sales and use taxes to be received by the  
36 state from taxable activity within the redevelopment area in the years  
37 following the approval of the redevelopment area by the department as

1 determined by the sponsoring local government in an application under  
2 section 10 of this act and updated periodically as required in section  
3 18 of this act.

4 (25) "State sales and use taxes" means state retail sales and use  
5 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in RCW  
6 82.08.020(1), less the amount of tax distributions from all local  
7 retail sales and use taxes, other than the local sales and use taxes  
8 authorized by section 16 of this act for the applicable redevelopment  
9 area, imposed on the same taxable events that are credited against the  
10 state retail sales and use taxes under RCW 82.08.020(1) and 82.12.020.

11 (26) "Taxing district" means a government entity that levies or has  
12 levied for it regular property taxes upon real property located within  
13 a proposed or approved redevelopment area.

14 NEW SECTION. **Sec. 3.** A local government may finance public  
15 improvements using community redevelopment financing subject to the  
16 following conditions:

17 (1) The local government has adopted an ordinance designating a  
18 redevelopment area within its boundaries and specified the public  
19 improvements proposed to be financed in whole or in part with the use  
20 of community redevelopment financing;

21 (2) The public improvements proposed to be financed in whole or in  
22 part using community redevelopment financing are expected to encourage  
23 private development within the redevelopment area and to increase the  
24 fair market value of real property within the redevelopment area;

25 (3) The local government has entered into a contract with a private  
26 developer relating to the development of private improvements within  
27 the redevelopment area or has received a letter of intent from a  
28 private developer relating to the developer's plans for the development  
29 of private improvements within the redevelopment area;

30 (4) Private development that is anticipated to occur within the  
31 redevelopment area, as a result of the public improvements, will be  
32 consistent with the countywide planning policy adopted by the county  
33 under RCW 36.70A.210 and the local government's comprehensive plan and  
34 development regulations adopted under chapter 36.70A RCW;

35 (5) The local government may not use community redevelopment  
36 financing to finance the costs associated with the financing, design,

1 acquisition, construction, equipping, operating, maintaining,  
2 remodeling, repairing, and reequipping of public facilities funded with  
3 taxes collected under RCW 82.14.048 or 82.14.390;

4 (6) The governing body of the local government must make a finding  
5 that community redevelopment financing:

6 (a) Will not be used for the purpose of relocating a business from  
7 outside the redevelopment area, but within this state, into the  
8 redevelopment area unless convincing evidence is provided that the firm  
9 being relocated would otherwise leave the state;

10 (b) Will improve the viability of existing business entities within  
11 the redevelopment area; and

12 (c) Will be used exclusively in areas within the jurisdiction of  
13 the local government deemed in need of either economic development or  
14 redevelopment, or both, and absent the financing available under this  
15 chapter, section 16 of this act, and section 17 of this act the  
16 proposed economic development or redevelopment would more than likely  
17 not occur; and

18 (7) The governing body of the local government finds that the  
19 public improvements proposed to be financed in whole or in part using  
20 community redevelopment financing are reasonably likely to:

21 (a) Increase private investment within the redevelopment area;

22 (b) Increase employment within the redevelopment area; and

23 (c) Generate, over the period of time that the local sales and use  
24 tax will be imposed under section 16 of this act, increases in state  
25 and local property, sales, and use tax revenues that are equal to or  
26 greater than the respective state and local contributions made under  
27 this chapter.

28 NEW SECTION. **Sec. 4.** (1) Before adopting an ordinance creating  
29 the redevelopment area, a sponsoring local government must:

30 (a) Provide notice to all taxing districts that levy or have levied  
31 for it regular property taxes and local governments with geographic  
32 boundaries within the proposed redevelopment area of the sponsoring  
33 local government's intent to create a redevelopment area. Notice must  
34 be provided in writing to the governing body of the taxing districts  
35 and local governments at least sixty days in advance of the public  
36 hearing as required by (b) of this subsection. The notice must include  
37 at least the following information:

1 (i) The name of the proposed redevelopment area;

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

4 (iii) The earliest anticipated date when the sponsoring local  
5 government will take action to adopt the proposed redevelopment area;  
6 and

7 (iv) The name of a contact person with phone number of the  
8 sponsoring local government and mailing address where a copy of an  
9 ordinance adopted under sections 5 and 6 of this act may be sent; and

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

26 (2) To create a redevelopment area, a sponsoring local government  
27 must adopt an ordinance establishing the redevelopment area that:

28 (a) Describes the public improvements proposed to be made in the  
29 redevelopment area;

30 (b) Describes the boundaries of the redevelopment area, subject to  
31 the limitations in section 5 of this act;

32 (c) Estimates the cost of the proposed public improvements and the  
33 portion of these costs to be financed by community redevelopment  
34 financing;

35 (d) Estimates the time during which local property tax allocation  
36 revenues, and other revenues from local public sources, such as amounts  
37 of local sales and use taxes from participating local governments, are  
38 to be used for community redevelopment financing;

1 (e) Provides the date when the use of local property tax allocation  
2 revenues will commence and a list of the participating taxing districts  
3 and the regular property taxes that must be used to calculate property  
4 tax allocation revenues;

5 (f) Finds that all of the requirements in section 3 of this act are  
6 met;

7 (g) Provides the anticipated rate of sales and use tax under  
8 section 16 of this act that the local government will impose if awarded  
9 a state amount under section 10 of this act;

10 (h) Provides the anticipated date when the criteria for the sales  
11 and use tax in section 16 of this act will be met and the anticipated  
12 date when the sales and use tax in section 16 of this act will be  
13 imposed.

14 (3) The sponsoring local government must deliver a certified copy  
15 of the adopted ordinance to the county treasurer, county assessor, the  
16 governing body of each participating taxing authority and participating  
17 taxing district within which the redevelopment area is located, and the  
18 department.

19 NEW SECTION. **Sec. 5.** The designation of a redevelopment area is  
20 subject to the following limitations:

21 (1)(a) Except as provided in (b) of this subsection, no  
22 redevelopment area may have within its geographic boundaries any part  
23 of a hospital benefit zone under chapter 39.100 RCW, any part of a  
24 revenue development area created under chapter 39.102 RCW, any part of  
25 an increment area under chapter 39.89 RCW, any revitalization area  
26 under chapter 39.104 RCW, or any part of another redevelopment area  
27 under this chapter;

28 (b) A redevelopment area's boundaries may include all or a portion  
29 of an existing increment area if:

30 (i) The state of Washington has loaned money for environmental  
31 cleanup on such area in order to stimulate redevelopment of  
32 brownfields;

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

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

1 (2) A redevelopment area is limited to contiguous tracts, lots,  
2 pieces, or parcels of land without the creation of islands of property  
3 not included in the redevelopment area;

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

6 (4) The public improvements financed through bonds issued under  
7 section 11 of this act must be located in the redevelopment area;

8 (5) A redevelopment area cannot comprise an area containing more  
9 than twenty-five percent of the total assessed value of the taxable  
10 real property within the boundaries of the sponsoring local government  
11 at the time the redevelopment area is created;

12 (6) The boundaries of the redevelopment area may not be changed for  
13 the time period that local property tax allocation revenues, local  
14 sales and use taxes of participating local governments, and the local  
15 sales and use tax under section 16 of this act are used to pay bonds  
16 issued under section 11 of this act and public improvement costs within  
17 the redevelopment area on a pay-as-you-go basis, as provided under this  
18 chapter; and

19 (7) A redevelopment area must be geographically restricted to the  
20 location of the public improvement and adjacent locations that the  
21 sponsoring local government finds to have a high likelihood of  
22 receiving direct positive business and economic impacts due to the  
23 public improvement, such as a neighborhood or a block.

24 NEW SECTION. **Sec. 6.** (1) Participating taxing districts must  
25 allow the use of all of their local property tax allocation revenues  
26 for community redevelopment financing.

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

32 (b) The taxing district must provide a copy of the adopted  
33 ordinance and notice to the sponsoring local government creating the  
34 redevelopment area before the anticipated date that the sponsoring  
35 local government proposes to adopt the ordinance creating the  
36 redevelopment area as provided in the notice required by section  
37 4(1)(a) of this act.

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

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

19 NEW SECTION. **Sec. 7.** (1) A participating local government must  
20 enter into an interlocal agreement as provided in chapter 39.34 RCW to  
21 participate in community redevelopment financing with the sponsoring  
22 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 community  
25 redevelopment financing of public improvements in a redevelopment area,  
26 its governing body must adopt an ordinance and notify the sponsoring  
27 local government that the taxing authority will not be a participating  
28 local 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 redevelopment area before the anticipated date that the sponsoring  
32 local government proposes to adopt an ordinance creating the  
33 redevelopment area as provided in the notice required by section  
34 4(1)(a) of this act.

35 NEW SECTION. **Sec. 8.** (1) Commencing in the second calendar year  
36 following the creation of a redevelopment area by a sponsoring local

1 government, the county treasurer must distribute receipts from regular  
2 taxes imposed on real property located in the redevelopment area as  
3 follows:

4 (a) Each participating taxing district and the sponsoring local  
5 government must receive that portion of its regular property taxes  
6 produced by the rate of tax levied by or for the taxing district on the  
7 property tax allocation revenue base value for that community  
8 redevelopment financing project in the taxing district; and

9 (b) The sponsoring local government must receive an additional  
10 portion of the regular property taxes levied by it and by or for each  
11 participating taxing district upon the property tax allocation revenue  
12 value within the redevelopment area. However, if there is no property  
13 tax allocation revenue value, the sponsoring local government may not  
14 receive any additional regular property taxes under this subsection  
15 (1)(b). The sponsoring local government may agree to receive less than  
16 the full amount of the additional portion of regular property taxes  
17 under this subsection (1)(b) as long as bond debt service, reserve, and  
18 other bond covenant requirements are satisfied, in which case the  
19 balance of these tax receipts must be allocated to the participating  
20 taxing districts that levied regular property taxes, or have regular  
21 property taxes levied for them, in the redevelopment area for  
22 collection that year in proportion to their regular tax levy rates for  
23 collection that year. The sponsoring local government may request that  
24 the treasurer transfer this additional portion of the property taxes to  
25 its designated agent. The portion of the tax receipts distributed to  
26 the sponsoring local government or its agent under this subsection  
27 (1)(b) may only be expended to finance public improvement costs  
28 associated with the public improvements financed in whole or in part by  
29 community redevelopment financing.

30 (2) The county assessor must determine the property tax allocation  
31 revenue value and property tax allocation revenue base value. This  
32 section does not authorize revaluations of real property by the  
33 assessor for property taxation that are not made in accordance with the  
34 assessor's revaluation plan under chapter 84.41 RCW or under other  
35 authorized revaluation procedures.

36 (3) The distribution of local property tax allocation revenue to  
37 the sponsoring local government must cease when local property tax  
38 allocation revenues are no longer obligated to pay the costs of the

1 public improvements. Any excess local property tax allocation  
2 revenues, and earnings on the revenues, remaining at the time the  
3 distribution of local property tax allocation revenue terminates, must  
4 be returned to the county treasurer and distributed to the  
5 participating taxing districts that imposed regular property taxes, or  
6 had regular property taxes imposed for it, in the redevelopment area  
7 for collection that year, in proportion to the rates of their regular  
8 property tax levies for collection that year.

9 (4) The allocation to the redevelopment area of that portion of the  
10 sponsoring local government's and each participating taxing district's  
11 regular property taxes levied upon the property tax allocation revenue  
12 value within that redevelopment area is declared to be a public purpose  
13 of and benefit to the sponsoring local government and each  
14 participating taxing district.

15 (5) The distribution of local property tax allocation revenues  
16 under this section may not affect or be deemed to affect the rate of  
17 taxes levied by or within any sponsoring local government and  
18 participating taxing district or the consistency of any such levies  
19 with the uniformity requirement of Article VII, section 1 of the state  
20 Constitution.

21 (6) This section does not apply to a redevelopment area that has  
22 boundaries that include all or a portion of the boundaries of an  
23 increment area created under chapter 39.89 RCW.

24 NEW SECTION. **Sec. 9.** (1) A sponsoring local government may use  
25 annually local sales and use tax amounts equal to some or all of its  
26 local sales and use tax increments to finance public improvements in  
27 the redevelopment area. The amounts of local sales and use tax  
28 dedicated by a participating local government must begin and cease on  
29 the dates specified in an interlocal agreement authorized in chapter  
30 39.34 RCW. Sponsoring local governments and participating local  
31 governments are authorized to allocate some or all of their local sales  
32 and use tax increment to the sponsoring local government as provided by  
33 section 7(1) of this act.

34 (2) The department, upon request, must assist sponsoring local  
35 governments in estimating sales and use tax revenues, local property  
36 tax revenues, or business and occupation tax revenues from estimated  
37 taxable activity in the proposed or adopted redevelopment area. The

1 sponsoring local government must provide the department with accurate  
2 information describing the geographical boundaries of the redevelopment  
3 area in an electronic format or in a manner as otherwise prescribed by  
4 the department.

5 NEW SECTION. **Sec. 10.** (1) Prior to applying to the department to  
6 receive a state amount, a sponsoring local government must adopt a  
7 redevelopment area within the limitations in section 5 of this act and  
8 in accordance with section 4 of this act.

9 (2)(a) As a condition to imposing a sales and use tax under section  
10 16 of this act, a sponsoring local government must apply to the  
11 department and be approved for a project award amount. The application  
12 must be in a form and manner prescribed by the department and include,  
13 but not be limited to:

14 (i) Information establishing that over the period of time that the  
15 local sales and use tax will be imposed under section 16 of this act,  
16 increases in state and local property, sales, and use tax revenues as  
17 a result of public improvements in the redevelopment area will be equal  
18 to or greater than the respective state and local contributions made  
19 under this chapter;

20 (ii) The anticipated effective date for imposing the tax under  
21 section 16 of this act;

22 (iii) The estimated number of years that the tax will be imposed;

23 (iv) The anticipated rate of tax to be imposed under section 16 of  
24 this act, subject to the rate-setting conditions in section 16(3) of  
25 this act, should the sponsoring local government be approved for a  
26 project award; and

27 (v) The anticipated date when bonds under section 11 of this act  
28 will be issued.

29 (b) The board must make available electronic forms to be used for  
30 this purpose. As part of the application, each applicant must provide  
31 to the board a copy of the adopted ordinance creating the redevelopment  
32 area as required in section 4 of this act, copies of any adopted  
33 interlocal agreements from participating local governments, and any  
34 notices from taxing districts that elect not to be a participating  
35 taxing district.

36 (3) Project awards must be determined on:

1 (a) A first-come basis for applications completed in their entirety  
2 and submitted electronically; and

3 (b) Whether the sponsoring local government would be able to  
4 generate enough tax revenue under section 16 of this act to generate  
5 the amount of project award requested.

6 (4) Upon receipt of the sponsoring local government's application,  
7 the board must notify the sponsoring local government of approval or  
8 denial of a project award within two regularly scheduled board  
9 meetings. Determination of a project award by the board is final.  
10 Notification must include the earliest date when the tax authorized  
11 under section 16 of this act may be imposed, subject to conditions in  
12 chapter 82.14 RCW. The project award notification must specify the  
13 rate requested in the application and any adjustments to the rate that  
14 would need to be made based on the project award and rate restrictions  
15 in section 16 of this act.

16 (5) The board must begin accepting applications on September 1,  
17 2012.

18 NEW SECTION. **Sec. 11.** (1) A sponsoring local government creating  
19 a redevelopment area and authorizing the use of community redevelopment  
20 financing may incur general indebtedness, including issuing general  
21 obligation bonds, to finance the public improvements and retire the  
22 indebtedness in whole or in part from community redevelopment financing  
23 it receives, subject to the following requirements:

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

28 (ii) The sponsoring local government includes this statement of  
29 intent in all notices required by section 4 of this act; or

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

34 (2) The general indebtedness incurred under subsection (1) of this  
35 section may be payable from other tax revenues, the full faith and  
36 credit of the sponsoring local government, and nontax income, revenues,  
37 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 redevelopment area  
6 and authorizing the use of community redevelopment financing may  
7 require any nonpublic participants to provide adequate security to  
8 protect the public investment in the public improvement within the  
9 redevelopment 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:

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

28 (b) Annually pay into the special fund established pursuant to this  
29 section a fixed proportion or a fixed amount of any revenues derived  
30 from taxes imposed under section 16 of this act, such payment to  
31 continue until all bonds payable from the fund are paid in full.  
32 Revenues derived from taxes imposed under section 16 of this act are  
33 subject to the use restriction in section 17 of this act; and

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

36 (6) In case any of the public officials of the sponsoring local  
37 government whose signatures appear on any bonds or any coupons issued  
38 under this chapter cease to be the officials before the delivery of the

1 bonds, the signatures must, nevertheless, be valid and sufficient for  
2 all purposes, the same as if the officials had remained in office until  
3 the delivery. Any provision of any law to the contrary  
4 notwithstanding, any bonds issued under this chapter are fully  
5 negotiable.

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

9 NEW SECTION. **Sec. 12.** A sponsoring local government that issues  
10 bonds under section 11 of this act to finance public improvements may  
11 pledge for the payment of such bonds all or part of any local property  
12 tax allocation revenues derived from the public improvements. The  
13 sponsoring local government may also pledge all or part of any revenues  
14 derived from taxes imposed under section 16 of this act and held in  
15 connection with the public improvements. All of such tax revenues are  
16 subject to the use restriction in section 17 of this act.

17 NEW SECTION. **Sec. 13.** The bonds issued by a local government  
18 under section 11 of this act to finance public improvements do not  
19 constitute an obligation of the state of Washington, either general or  
20 special.

21 NEW SECTION. **Sec. 14.** Nothing in this act may be construed to  
22 give port districts the authority to impose a sales or use tax under  
23 chapter 82.14 RCW.

24 NEW SECTION. **Sec. 15.** The department of revenue may adopt any  
25 rules under chapter 34.05 RCW it considers necessary for the  
26 administration of this chapter.

27 NEW SECTION. **Sec. 16.** A new section is added to chapter 82.14 RCW  
28 to read as follows:

29 (1) Any city or county that has been approved for a project award  
30 under section 10 of this act may impose a sales and use tax under the  
31 authority of this section in accordance with the terms of this chapter.  
32 Except as provided in this section, the tax is in addition to other  
33 taxes authorized by law and must be collected from those persons who

1 are taxable by the state under chapters 82.08 and 82.12 RCW upon the  
2 occurrence of any taxable event within the taxing jurisdiction of the  
3 city or county.

4 (2) The tax authorized under subsection (1) of this section is  
5 credited against the state taxes imposed under RCW 82.08.020(1) and  
6 82.12.020 at the rate provided in RCW 82.08.020(1). The department  
7 must perform the collection of such taxes on behalf of the city or  
8 county at no cost to the city or county. The taxes must be distributed  
9 to cities and counties as provided in RCW 82.14.060.

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

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

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

15 (ii) The aggregate rates of all taxes under RCW 82.14.465 and  
16 82.14.475 and this section that are authorized but have not yet been  
17 imposed on the same taxable events by a city or county that has been  
18 approved to receive a state amount by the department or the community  
19 economic redevelopment board under chapter 39.104, 39.100, or 39.102  
20 RCW; and

21 (iii) The percentage amount of distributions required under RCW  
22 82.08.020(5) multiplied by the rate of state taxes imposed under RCW  
23 82.08.020(1); and

24 (b) The rate, as determined by the city or county in consultation  
25 with the board, reasonably necessary to receive the project award under  
26 section 10 of this act over ten months.

27 (4) The department, upon request, must assist a city or county in  
28 establishing its tax rate in accordance with subsection (3) of this  
29 section. Once the rate of tax is selected through the application  
30 process and approved under section 10 of this act, it may not be  
31 increased.

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

34 (i) July 1, 2012;

35 (ii) July 1st of the second calendar year following the year in  
36 which the board approved the application made under section 10 of this  
37 act;

1 (iii) The state sales and use tax increment and state property tax  
2 increment, and the state business and occupation tax, where applicable,  
3 for the preceding calendar year equal or exceed the amount of the  
4 project award approved by the department under section 10 of this act;  
5 and

6 (iv) Bonds have been issued according to section 11 of this act.

7 (b) The tax imposed under this section expires the earlier of the  
8 date that the bonds issued under the authority of section 11 of this  
9 act are retired or twenty-five years after the tax is first imposed.

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

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

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

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

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

23 (ii) The amount of revenue distributed to all sponsoring and  
24 cosponsoring local governments from taxes imposed under this section  
25 equals the annual state amount limit;

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

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

32 (7) If a city or county receives approval for more than one  
33 redevelopment area within its jurisdiction, the city or county may  
34 impose a sales and use tax under this section for each redevelopment  
35 area.

36 (8) The department must determine the amount of tax receipts  
37 distributed to each city and county imposing a sales and use tax under  
38 the authority of this section and must advise a city or county when tax

1 distributions for the fiscal year equal the amount determined by the  
2 department in subsection (10) of this section. Determinations by the  
3 department of the amount of tax distributions attributable to a city or  
4 county are not appealable. The department must remit any tax receipts  
5 in excess of the amounts specified in subsection (6)(c) of this section  
6 to the state treasurer who must deposit the money in the general fund.

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

12 (10)(a) For each fiscal year that a city or county imposes the tax  
13 under the authority of this section, the department must approve the  
14 amount of taxes that may be distributed to the city or county. The  
15 amount approved by the department under this subsection is the lesser  
16 of:

17 (i) The state amount;

18 (ii) The amount of project award granted by the department as  
19 provided in section 10 of this act; or

20 (iii) The total amount of revenues from local public sources  
21 dedicated or, in the case of carry forward revenues, deemed dedicated  
22 in the preceding calendar year, as reported in the required annual  
23 report under section 18 of this act.

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

27 (11) The definitions in section 2 of this act apply to this section  
28 subject to subsection (12) of this section and unless the context  
29 clearly requires otherwise.

30 (12) For purposes of this section, the following definitions apply:

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

36 (b) "State sales and use taxes" means the taxes imposed in RCW  
37 82.08.020(1) and 82.12.020.

1        NEW SECTION.    **Sec. 17.**    A new section is added to chapter 82.14 RCW  
2 to read as follows:

3        Money collected from the taxes imposed under section 16 of this act  
4 may be used only for the purpose of paying debt service on bonds issued  
5 under the authority in section 11 of this act.

6        NEW SECTION.    **Sec. 18.**    A new section is added to chapter 82.32 RCW  
7 to read as follows:

8        (1) A sponsoring local government receiving a project award under  
9 section 10 of this act must provide a report to the department by March  
10 1st of each year beginning March 1st after the project award has been  
11 approved. The report must contain the following information:

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

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

17        (c) The amount of local sales and use tax and other revenue from  
18 local public sources dedicated by any participating local government  
19 used for the payment of bonds under section 11 of this act and public  
20 improvement costs within the redevelopment area on a pay-as-you-go  
21 basis in the preceding calendar year;

22        (d) The amount of local sales and use tax dedicated by the  
23 sponsoring local government, as it relates to the sponsoring local  
24 government's local sales and use tax increment, used for the payment of  
25 bonds under section 11 of this act and public improvement costs within  
26 the redevelopment area on a pay-as-you-go basis;

27        (e) The amounts, other than those listed in (a) through (d) of this  
28 subsection, from local public sources, broken down by type or source,  
29 used for payment of bonds under section 11 of this act or public  
30 improvement costs within the redevelopment area on a pay-as-you-go  
31 basis in the preceding calendar year;

32        (f) The anticipated date when bonds under section 11 of this act  
33 are expected to be retired;

34        (g) The names of any businesses locating within the redevelopment  
35 area as a result of the public improvements undertaken by the  
36 sponsoring local government and financed in whole or in part with  
37 community redevelopment financing;

1 (h) An estimate of the cumulative number of permanent jobs created  
2 in the redevelopment area as a result of the public improvements  
3 undertaken by the sponsoring local government and financed in whole or  
4 in part with community redevelopment financing;

5 (i) An estimate of the average wages and benefits received by all  
6 employees of businesses locating within the redevelopment area as a  
7 result of the public improvements undertaken by the sponsoring local  
8 government and financed in whole or in part with community  
9 redevelopment financing;

10 (j) A list of public improvements financed by bonds issued under  
11 section 11 of this act and the date on which the bonds are anticipated  
12 to be retired;

13 (k) That the sponsoring local government is in compliance with  
14 section 3 of this act;

15 (l) At least once every three years, updated estimates of the  
16 amounts of state and local sales and use tax increments estimated to  
17 have been received since the approval by the department of the project  
18 award under section 10 of this act;

19 (m) The amount of revenues from local public sources that:

20 (i) Were expended in prior years for the payment of bonds under  
21 section 11 of this act and public improvement costs within the  
22 redevelopment area on a pay-as-you-go basis in prior calendar years  
23 that were in excess of the project award amount for that year and are  
24 carried forward for dedication in future years;

25 (ii) Are deemed dedicated to payment of bonds or public improvement  
26 costs in the calendar year for which the report is prepared; and

27 (iii) Remain available for dedication in future years; and

28 (n) Any other information required by the department to enable the  
29 department to fulfill its duties under this chapter and section 16 of  
30 this act.

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

35 NEW SECTION. **Sec. 19.** The following acts or parts of acts are  
36 each repealed:

37 (1) RCW 39.88.010 (Declaration) and 1982 1st ex.s. c 42 s 2;

- 1 (2) RCW 39.88.020 (Definitions) and 2011 c 336 s 815 & 1982 1st  
2 ex.s. c 42 s 3;
- 3 (3) RCW 39.88.030 (Authority--Limitations) and 1982 1st ex.s. c 42  
4 s 4;
- 5 (4) RCW 39.88.040 (Procedure for adoption of public improvement)  
6 and 1982 1st ex.s. c 42 s 5;
- 7 (5) RCW 39.88.050 (Notice of public improvement) and 1982 1st ex.s.  
8 c 42 s 6;
- 9 (6) RCW 39.88.060 (Disagreements between taxing districts) and 1989  
10 c 378 s 1 & 1982 1st ex.s. c 42 s 7;
- 11 (7) RCW 39.88.070 (Apportionment of taxes) and 1982 1st ex.s. c 42  
12 s 8;
- 13 (8) RCW 39.88.080 (Application of tax allocation revenues) and 1982  
14 1st ex.s. c 42 s 9;
- 15 (9) RCW 39.88.090 (General obligation bonds) and 1982 1st ex.s. c  
16 42 s 10;
- 17 (10) RCW 39.88.100 (Tax allocation bonds) and 1982 1st ex.s. c 42  
18 s 11;
- 19 (11) RCW 39.88.110 (Legal investments) and 1982 1st ex.s. c 42 s  
20 13;
- 21 (12) RCW 39.88.120 (Notice to state) and 1982 1st ex.s. c 42 s 14;
- 22 (13) RCW 39.88.130 (Conclusive presumption of validity) and 1982  
23 1st ex.s. c 42 s 15;
- 24 (14) RCW 39.88.900 (Supplemental nature of chapter) and 1982 1st  
25 ex.s. c 42 s 16;
- 26 (15) RCW 39.88.905 (Short title) and 1982 1st ex.s. c 42 s 1;
- 27 (16) RCW 39.88.910 (Captions not part of law--1982 1st ex.s. c 42)  
28 and 1982 1st ex.s. c 42 s 17; and
- 29 (17) RCW 39.88.915 (Severability--1982 1st ex.s. c 42) and 1982 1st  
30 ex.s. c 42 s 18.

31 NEW SECTION. **Sec. 20.** Sections 1 through 15 of this act  
32 constitute a new chapter in Title 39 RCW.

33 NEW SECTION. **Sec. 21.** If any provision of this act or its  
34 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other  
2 persons or circumstances is not affected.

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