
SENATE BILL 5115

State of Washington 60th Legislature 2007 Regular Session

By Senators Kilmer, Kastama, Kauffman, Marr, Shin, Eide, Rasmussen and Regala; by request of Governor Gregoire

Read first time 01/11/2007. Referred to Committee on Economic Development, Trade & Management.

1 AN ACT Relating to expanding competitive local infrastructure
2 financing tools projects; amending RCW 39.102.020, 39.102.040,
3 39.102.050, 39.102.060, 39.102.090, 39.102.120, 82.14.475, and
4 39.102.140; adding a new section to chapter 39.102 RCW; and providing
5 an expiration date.

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

7 **Sec. 1.** RCW 39.102.020 and 2006 c 181 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 (~~five~~) seven million
12 five hundred thousand dollars statewide per fiscal year.

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

15 (3) "Base year" means the first calendar year following the
16 (~~creation of a revenue development area. For a local government that~~
17 ~~meets the requirements of RCW 39.102.040(2), "base year" is the~~
18 ~~calendar year after it amends its ordinance as provided in RCW~~
19 ~~39.102.040(2))~~ calendar year in which a sponsoring local government,

1 and any cosponsoring local government, receives approval by the board
2 for a project award, provided that the approval is granted before
3 October 15th. If approval by the board is received on or after October
4 15th but on or before December 31st, the "base year" is the second
5 calendar year following the calendar year in which a sponsoring local
6 government, and any cosponsoring local government, receives approval by
7 the board for a project award.

8 (4) "Board" means the community economic revitalization board under
9 chapter 43.160 RCW.

10 (5) "Demonstration project" means one of the following projects:

11 (a) Bellingham waterfront redevelopment project;

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

13 (c) Vancouver riverwest project.

14 (6) "Department" means the department of revenue.

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

17 (8) "Local excise taxes" means local revenues derived from the
18 imposition of sales and use taxes authorized in RCW 82.14.030 at the
19 tax rate that was in effect at the time the revenue development area
20 was ~~((created))~~ approved by the board, except that if a local
21 government reduces the rate of such tax after the revenue development
22 area was ~~((created))~~ approved by the board, "local excise taxes" means
23 the local revenues derived from the imposition of the sales and use
24 taxes authorized in RCW 82.14.030 at the lower tax rate.

25 (9) "Local excise tax allocation revenue" means the amount of local
26 excise taxes received by the local government during the measurement
27 year from taxable activity within the revenue development area over and
28 above the amount of local excise taxes received by the local government
29 during the base year from taxable activity within the revenue
30 development area, except that:

31 (a) If a sponsoring local government ~~((creates))~~ adopts a revenue
32 development area and reasonably determines that no activity subject to
33 tax under chapters 82.08 and 82.12 RCW occurred within the boundaries
34 of the revenue development area in the twelve months immediately
35 preceding the ~~((creation))~~ approval of the revenue development area
36 ~~((within the boundaries of the area that became the revenue development~~
37 ~~area))~~ by the board, "local excise tax allocation revenue" means the
38 entire amount of local excise taxes received by the sponsoring local

1 government during a calendar year period beginning with the calendar
2 year immediately following the (~~creation~~) approval of the revenue
3 development area by the board and continuing with each measurement year
4 thereafter; and

5 (b) For revenue development areas (~~created~~) approved by the board
6 in calendar years 2006 and 2007 that do not meet the requirements in
7 (a) of this subsection and if legislation is enacted in this state (~~by~~
8 ~~July 1, 2006,~~) during the 2007 legislative session that adopts the
9 sourcing provisions of the streamlined sales and use tax agreement,
10 "local excise tax allocation revenue" means the amount of local excise
11 taxes received by the sponsoring local government during the
12 measurement year from taxable activity within the revenue development
13 area over and above an amount of local excise taxes received by the
14 sponsoring local government during the 2007 or 2008 base year, as the
15 base may be, adjusted by the department for any estimated impacts from
16 retail sales and use tax sourcing changes effective (~~(July 1, 2007)~~) in
17 2008. The amount of base year adjustment determined by the department
18 is final.

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

21 (11) "Local infrastructure financing" means the use of revenues
22 received from local excise tax allocation revenues, local property tax
23 allocation revenues, (~~dedicated~~) other revenues from local public
24 sources, and revenues received from the local option sales and use tax
25 authorized in RCW 82.14.475, dedicated to pay the principal and
26 interest on bonds authorized under RCW 39.102.150.

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

31 (13)(a) "Revenues from local public sources" means (~~federal and~~
32 ~~private monetary contributions, amounts of local excise tax allocation~~
33 ~~revenues, and amounts of local property tax allocation revenues~~
34 ~~dedicated by participating taxing districts and participating local~~
35 ~~governments for local infrastructure financing)):~~

36 (i) Amounts of local excise tax allocation revenues and local
37 property tax allocation revenues, dedicated by sponsoring local

1 governments, participating local governments, and participating taxing
2 districts, for local infrastructure financing; and

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

6 (b) Revenues from local public sources do not include any local
7 funds derived from state grants, state loans, or any other state
8 moneys.

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

16 (15) "Measurement year" means a calendar year, beginning with the
17 calendar year following the base year and each calendar year
18 thereafter, that is used annually to measure state and local excise tax
19 allocation revenues.

20 (16) "Ordinance" means any appropriate method of taking legislative
21 action by a local government.

22 (17) "Participating local government" means a local government
23 having a revenue development area within its geographic boundaries that
24 has entered into a written agreement with a sponsoring local government
25 as provided in RCW 39.102.080 to allow the use of all or some of its
26 local excise tax allocation revenues or other revenues from local
27 public sources dedicated for local infrastructure financing.

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

34 (19)(a)(i) "Property tax allocation revenue value" means
35 seventy-five percent of any increase in the assessed value of real
36 property in a revenue development area resulting from:

37 (A) The placement of new construction, improvements, or both to
38 property on the assessment roll(~~s after the revenue development area~~

1 ~~is created))~~ in accordance with RCW 36.21.080, where the new
2 construction ((~~or~~)) and improvements ((~~occur entirely after the revenue~~
3 development area is created)) are initiated after the revenue
4 development area is approved by the board;

5 (B) The cost of new housing construction, conversion, and
6 rehabilitation improvements, when such cost is treated as new
7 construction for purposes of chapter 84.55 RCW as provided in RCW
8 84.14.020, and the new housing construction, conversion, and
9 rehabilitation improvements are initiated after the revenue development
10 area is approved by the board;

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

15 (ii) Increases in the assessed value of real property in a revenue
16 development area resulting from (a)(i)(A) through (C) of this
17 subsection are included in the property tax allocation revenue value in
18 the initial year. These same amounts are also included in the property
19 tax allocation revenue value in subsequent years until such time as
20 either the property becomes exempt from property taxation or the
21 sponsoring local government is no longer authorized to use local
22 property tax allocation revenues to pay the principal and interest on
23 bonds authorized under RCW 39.102.150.

24 ~~(b) ((If any new construction added to the assessment rolls~~
25 ~~consists of entire buildings, "property tax allocation revenue value"~~
26 ~~includes seventy five percent of any increase in the assessed value of~~
27 ~~the buildings in the years following their initial placement on the~~
28 ~~assessment rolls.~~

29 ~~(c) "Property tax allocation revenue value" does not include any~~
30 ~~increase in the assessed value of improvements to property or new~~
31 ~~construction that do not consist of an entire building, occurring after~~
32 ~~their initial placement on the assessment rolls))~~ "Property tax
33 allocation revenue value" includes seventy-five percent of any increase
34 in the assessed value of new construction consisting of an entire
35 building in the years following the initial year, until such time as
36 either the building becomes exempt from property taxation or the
37 sponsoring local government is no longer authorized to use local

1 property tax allocation revenues to pay the principal and interest on
2 bonds authorized under RCW 39.102.150.

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 revenue development area has not
8 increased (~~due to new construction or improvements to property~~
9 ~~occurring after the revenue development area is created~~) as a result
10 of any of the reasons specified in (a)(i)(A) through (C) of this
11 subsection.

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

13 (i) For new construction and improvements to property added to the
14 assessment roll in accordance with RCW 36.21.080, the year during which
15 the new construction and improvements are initially placed on the
16 assessment roll;

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

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

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

29 (21) "Public improvements" means:

30 (a) Infrastructure improvements within the revenue development area
31 that include:

32 (i) Street, bridge, and road construction and maintenance,
33 including highway interchange construction;

34 (ii) Water and sewer system construction and improvements,
35 including wastewater reuse facilities;

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

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

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

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

2 (vii) Storm water and drainage management systems;

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

5 (22) "Public improvement costs" means the cost of: (a) Design,
6 planning, acquisition including land acquisition, site preparation
7 including land clearing, construction, reconstruction, rehabilitation,
8 improvement, and installation of public improvements; (b) demolishing,
9 relocating, maintaining, and operating property pending construction of
10 public improvements; (c) the local government's portion of relocating
11 utilities as a result of public improvements; (d) financing public
12 improvements, including interest during construction, legal and other
13 professional services, taxes, insurance, principal and interest costs
14 on general indebtedness issued to finance public improvements, and any
15 necessary reserves for general indebtedness; (e) assessments incurred
16 in revaluing real property for the purpose of determining the property
17 tax allocation revenue base value that are in excess of costs incurred
18 by the assessor in accordance with the revaluation plan under chapter
19 84.41 RCW, and the costs of apportioning the taxes and complying with
20 this chapter and other applicable law; and (f) administrative expenses
21 and feasibility studies reasonably necessary and related to these
22 costs, including related costs that may have been incurred before
23 adoption of the ordinance authorizing the public improvements and the
24 use of local infrastructure financing to fund the costs of the public
25 improvements.

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

36 (24) "Property tax allocation revenue base value" means the
37 assessed value of real property located within a revenue development
38 area for taxes levied in the year in which the revenue development area

1 is (~~created~~) adopted for collection in the following year, plus one
2 hundred percent of any increase in the assessed value of real property
3 located within a revenue development area that is placed on the
4 assessment rolls after the revenue development area is (~~created~~)
5 adopted, less the property tax allocation revenue value.

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

16 (26) "Revenue development area" means the geographic area
17 (~~created~~) adopted by a sponsoring local government and approved by
18 the board, from which local excise and property tax allocation revenues
19 are derived for local infrastructure financing.

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

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

27 (29) "State contribution" means the lesser of:

- 28 (a) One million dollars;
- 29 (b) The state excise tax allocation revenue and state property tax
30 allocation revenue received by the state during the preceding calendar
31 year;

32 (c) The total amount of local excise tax allocation revenues, local
33 property tax allocation revenues, and other revenues from local public
34 sources, that are dedicated by a sponsoring local government, any
35 participating local governments, and participating taxing districts, in
36 the preceding calendar year to the payment of principal and interest on
37 bonds issued under RCW 39.102.150; or

1 (d) The amount of project award granted by the board in the notice
2 of approval to use local infrastructure financing under RCW 39.102.040.

3 (30) "State excise taxes" means revenues derived from state retail
4 sales and use taxes under chapters 82.08 and 82.12 RCW, less the amount
5 of tax distributions from all local retail sales and use taxes imposed
6 on the same taxable events that are credited against the state retail
7 sales and use taxes under chapters 82.08 and 82.12 RCW.

8 (31) "State excise tax allocation revenue" means the amount of
9 state excise taxes received by the state during the measurement year
10 from taxable activity within the revenue development area over and
11 above the amount of state excise taxes received by the state during the
12 base year from taxable activity within the revenue development area,
13 except that:

14 (a) If a sponsoring local government (~~((creates))~~) adopts a revenue
15 development area and reasonably determines that no activity subject to
16 tax under chapters 82.08 and 82.12 RCW occurred within the boundaries
17 of the revenue development area in the twelve months immediately
18 preceding the (~~((creation))~~) approval of the revenue development area
19 (~~((within the boundaries of the area that became the revenue development~~
20 ~~area))~~) by the board, "state excise tax allocation revenue" means the
21 entire amount of state excise taxes received by the state during a
22 calendar year period beginning with the calendar year immediately
23 following the (~~((creation))~~) approval of the revenue development area by
24 the board and continuing with each measurement year thereafter; and

25 (b) For revenue development areas (~~((created))~~) approved by the board
26 in calendar years 2006 and 2007 that do not meet the requirements in
27 (a) of this subsection and if legislation is enacted in this state (~~((by~~
28 ~~July 1, 2006,))~~) during the 2007 legislative session that adopts the
29 sourcing provisions of the streamlined sales and use tax agreement,
30 "state excise tax allocation revenue" means the amount of state excise
31 taxes received by the state during the measurement year from taxable
32 activity within the revenue development area over and above an amount
33 of state excise taxes received by the state during the 2007 or 2008
34 base year, as the case may be, adjusted by the department for any
35 estimated impacts from retail sales and use tax sourcing changes
36 effective (~~((July 1, 2007))~~) in 2008. The amount of base year adjustment
37 determined by the department is final.

1 (32) "State property tax allocation revenue" means those tax
2 revenues derived from the imposition of property taxes levied by the
3 state for the support of common schools under RCW 84.52.065 on the
4 property tax allocation revenue value.

5 (33) "Real property" has the same meaning as in RCW 84.04.090 and
6 also includes any privately owned improvements located on publicly
7 owned land that are subject to property taxation.

8 **Sec. 2.** RCW 39.102.040 and 2006 c 181 s 202 are each amended to
9 read as follows:

10 (1) Prior to applying to the board to use local infrastructure
11 financing, a sponsoring local government shall:

12 (a) Designate a revenue development area within the limitations in
13 RCW 39.102.060;

14 (b) Certify that the conditions in RCW 39.102.070 are met;

15 (c) Complete the process in RCW 39.102.080;

16 (d) Provide public notice as required in RCW 39.102.100; and

17 (e) Pass an ordinance adopting the revenue development area as
18 required in RCW 39.102.090.

19 (2) Any local government that has created an increment area under
20 chapter 39.89 RCW (~~that~~) and has not issued bonds to finance any
21 public improvement (~~shall be~~) may apply to the board and have its
22 increment area considered for approval as a revenue development area
23 under this chapter without (~~creating~~) adopting a new (~~increment~~)
24 revenue development area under RCW 39.102.090 and 39.102.100 if it
25 amends its ordinance to comply with RCW 39.102.090(1) and otherwise
26 meets the conditions and limitations under this chapter.

27 (3) As a condition to imposing a sales and use tax under RCW
28 82.14.475, a sponsoring local government, including any cosponsoring
29 local government seeking authority to impose a sales and use tax under
30 RCW 82.14.475, must apply to the board and be approved for a project
31 award amount. The application shall be in a form and manner prescribed
32 by the board and include but not be limited to information establishing
33 that the applicant is an eligible candidate to impose the local sales
34 and use tax under RCW 82.14.475, the anticipated effective date for
35 imposing the tax, the estimated number of years that the tax will be
36 imposed, and the estimated amount of tax revenue to be received in each
37 fiscal year that the tax will be imposed. The board shall make

1 available forms to be used for this purpose. As part of the
2 application, each applicant must provide to the board a copy of the
3 ordinance or ordinances creating the revenue development area as
4 required in RCW 39.102.090. A notice of approval to use local
5 infrastructure financing shall contain a project award that represents
6 the maximum amount of state contribution that the applicant, including
7 any cosponsoring local governments, can earn each year that local
8 infrastructure financing is used. The total of all project awards
9 shall not exceed the annual state contribution limit. The
10 determination of a project award shall be made based on information
11 contained in the application and the remaining amount of annual state
12 contribution limit to be awarded. Determination of a project award by
13 the board is final.

14 (4)(a) Sponsoring local governments, and any cosponsoring local
15 governments, applying in calendar year 2007 for a competitive project
16 award, must submit completed applications to the board no later than
17 July 1, 2007. By September 15, 2007, in consultation with the
18 department of revenue and the department of community, trade, and
19 economic development, the board shall approve (~~qualified~~) competitive
20 project(~~s, up to the annual state contribution limit~~) awards from
21 competitive applications submitted by the 2007 deadline. No more than
22 two million five hundred thousand dollars in competitive project awards
23 shall be approved in 2007. For projects not approved by the board in
24 2007, sponsoring and cosponsoring local governments may apply again to
25 the board in 2008 for approval of a project.

26 (b) Sponsoring local governments, and any cosponsoring local
27 governments, applying in calendar year 2008 for a competitive project
28 award, must submit completed applications to the board no later than
29 July 1, 2008. By September 18, 2008, in consultation with the
30 department of revenue and the department of community, trade, and
31 economic development, the board shall approve competitive project
32 awards from competitive applications submitted by the 2008 deadline.

33 (c) Except as provided in RCW 39.102.050(2), a total of no more
34 than five million dollars in competitive project awards shall be
35 approved for local infrastructure financing. (~~Except as provided in~~
36 RCW 39.102.050,))

37 (d) Approvals of competitive awards shall be based on the following
38 criteria:

1 ~~((a))~~ (i) The project potential to enhance the sponsoring local
2 government's regional and/or international competitiveness;

3 ~~((b))~~ (ii) The project's ability to encourage mixed use
4 development and the redevelopment of a geographic area;

5 ~~((c))~~ (iii) Achieving an overall distribution of projects
6 statewide that reflect geographic diversity;

7 ~~((d))~~ (iv) The estimated wages and benefits for the project is
8 greater than the average labor market area;

9 ~~((e))~~ (v) The estimated state and local net employment change
10 over the life of the project;

11 ~~((f))~~ (vi) The estimated state and local net property tax change
12 over the life of the project; and

13 ~~((g))~~ (vii) The estimated state and local sales and use tax
14 increase over the life of the project.

15 (5) ~~((A revenue development area is considered created when the
16 sponsoring local government, including any cosponsoring local
17 government, has adopted an ordinance creating the revenue development
18 area and the board has approved the sponsoring local government to use
19 local infrastructure financing. If a sponsoring local government
20 receives approval from the board after the fifteenth day of October to
21 use local infrastructure financing, the revenue development area is
22 considered created in the calendar year following the approval.))~~ Once
23 the board has approved the sponsoring local government, and any
24 cosponsoring local governments, to use local infrastructure financing,
25 notification ~~((shall))~~ must be sent by the board to the sponsoring
26 local government, and any cosponsoring local governments, authorizing
27 the sponsoring local government, and any cosponsoring local
28 governments, to impose the local sales and use tax authorized under RCW
29 82.14.475, subject to the conditions in RCW 82.14.475.

30 **Sec. 3.** RCW 39.102.050 and 2006 c 181 s 203 are each amended to
31 read as follows:

32 (1) In addition to a competitive process, demonstration projects
33 are provided to determine the feasibility of the local infrastructure
34 financing tool. Notwithstanding RCW 39.102.040, the board shall
35 approve each demonstration project ~~((before approving any other
36 application))~~. Demonstration project applications must be received by
37 the board no later than July 1, 2008. The Bellingham waterfront

1 redevelopment project award shall not exceed one million dollars per
2 year, the Spokane river district project award shall not exceed one
3 million dollars per year, and the Vancouver riverwest project award
4 shall not exceed five hundred thousand dollars per year. The board
5 shall approve by September 15, 2007, demonstration project applications
6 submitted no later than July 1, 2007. The board shall approve by
7 September 18, 2008, demonstration project applications submitted by
8 July 1, 2008.

9 (2) If before board approval of the final competitive project award
10 in 2008, a demonstration project has not received approval by the
11 board, the state dollars set aside for the demonstration project in
12 subsection (1) of this section shall be available for the competitive
13 application process. If a demonstration project has received a partial
14 award before the approval of the final competitive project award, the
15 remaining state dollars set aside for the demonstration project in
16 subsection (1) of this section shall be available for the competitive
17 process.

18 **Sec. 4.** RCW 39.102.060 and 2006 c 181 s 204 are each amended to
19 read as follows:

20 The designation of a revenue development area is subject to the
21 following limitations:

22 (1) The taxable real property within the revenue development area
23 boundaries may not exceed one billion dollars in assessed value at the
24 time the revenue development area is designated;

25 ~~(2) ((The average assessed value per square foot of taxable land~~
26 ~~within the revenue development area boundaries may not exceed seventy~~
27 ~~dollars at the time the revenue development area is designated;~~

28 ~~(3) No more than one revenue development area may be created in a~~
29 ~~county)) No revenue development area shall have within its geographic~~

30 boundaries any part of a hospital benefit zone under chapter 39.100 RCW
31 or any part of another revenue development area created under this
32 chapter;

33 ~~((4))~~ (3) A revenue development area is limited to contiguous
34 tracts, lots, pieces, or parcels of land without the creation of
35 islands of property not included in the revenue development area;

36 ~~((5))~~ (4) The boundaries may not be drawn to purposely exclude
37 parcels where economic growth is unlikely to occur;

1 (~~(6)~~) (5) The public improvements financed through local
2 infrastructure financing must be located in the revenue development
3 area;

4 (~~(7)~~) (6) A revenue development area cannot comprise an area
5 containing more than twenty-five percent of the total assessed value of
6 the taxable real property within the boundaries of the sponsoring local
7 government, including any cosponsoring local government, at the time
8 the revenue development area is designated;

9 (~~(8)~~) (7) The boundaries of the revenue development area shall
10 not be changed for the time period that local infrastructure financing
11 is used; and

12 (~~(9)~~) (8) A revenue development area cannot include any part of
13 an increment area created under chapter 39.89 RCW, except those
14 increment areas created prior to January 1, 2006.

15 **Sec. 5.** RCW 39.102.090 and 2006 c 181 s 207 are each amended to
16 read as follows:

17 (1) To (~~create~~) adopt a revenue development area, a sponsoring
18 local government, and any cosponsoring local government, must adopt an
19 ordinance establishing the revenue development area that:

20 (a) Describes the public improvements proposed to be made in the
21 revenue development area;

22 (b) Describes the boundaries of the revenue development area,
23 subject to the limitations in RCW 39.102.060;

24 (c) Estimates the cost of the proposed public improvements and the
25 portion of these costs to be financed by local infrastructure
26 financing;

27 (d) Estimates the time during which local excise tax allocation
28 revenues, local property tax allocation revenues, and other revenues
29 from local public sources are to be used for local infrastructure
30 financing;

31 (e) Provides the date when the use of local excise tax allocation
32 revenues and local property tax allocation revenues will commence; and

33 (f) Finds that the conditions in RCW 39.102.070 are met and the
34 findings in RCW 39.102.080 are complete.

35 (2) The sponsoring local government, and any cosponsoring local
36 government, must hold a public hearing on the proposed financing of the
37 public improvements in whole or in part with local infrastructure

1 financing (~~at least thirty days~~) before passage of the ordinance
2 establishing the revenue development area. The public hearing may be
3 held by either the governing body of the sponsoring local government
4 and the governing body of any cosponsoring local government, or by a
5 committee of those governing bodies that includes at least a majority
6 of the whole governing body or bodies. The public hearing is subject
7 to the notice requirements in RCW 39.102.100.

8 (3) The sponsoring local government, and any cosponsoring local
9 government, shall deliver a certified copy of the adopted ordinance to
10 the county treasurer, the governing body of each participating local
11 government and participating taxing district within which the revenue
12 development area is located, the board, and the department.

13 **Sec. 6.** RCW 39.102.120 and 2006 c 181 s 302 are each amended to
14 read as follows:

15 (1) Commencing in the second calendar year following (~~the passage~~
16 ~~of the ordinance creating a revenue development area and authorizing~~
17 ~~the use of local infrastructure financing~~) board approval of a revenue
18 development area, the county treasurer shall distribute receipts from
19 regular taxes imposed on real property located in the revenue
20 development area as follows:

21 (a) Each participating taxing district and the sponsoring local
22 government shall receive that portion of its regular property taxes
23 produced by the rate of tax levied by or for the taxing district on the
24 property tax allocation revenue base value for that local
25 infrastructure financing project in the taxing district, or upon the
26 total assessed value of real property in the taxing district, whichever
27 is smaller; and

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

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

12 (2) The county assessor shall allocate any increase in the assessed
13 value of real property occurring in the revenue development area to the
14 property tax allocation revenue value and property tax allocation
15 revenue base value as appropriate. This section does not authorize
16 revaluations of real property by the assessor for property taxation
17 that are not made in accordance with the assessor's revaluation plan
18 under chapter 84.41 RCW or under other authorized revaluation
19 procedures.

20 (3) The apportionment of increases in assessed valuation in a
21 revenue development area, and the associated distribution to the
22 sponsoring local government of receipts from regular property taxes
23 that are imposed on the property tax allocation revenue value, must
24 cease when property tax allocation revenues are no longer necessary or
25 obligated to pay the costs of the public improvements. Any excess
26 local property tax allocation revenues derived from regular property
27 taxes and earnings on these tax allocation revenues, remaining at the
28 time the allocation of tax receipts terminates, must be returned to the
29 county treasurer and distributed to the participating taxing districts
30 that imposed regular property taxes, or had regular property taxes
31 imposed for it, in the revenue development area for collection that
32 year, in proportion to the rates of their regular property tax levies
33 for collection that year.

34 (4) The allocation to the revenue development area of portions of
35 the local regular property taxes levied by or for each taxing district
36 upon the property tax allocation revenue value within that revenue
37 development area is declared to be a public purpose of and benefit to
38 each such taxing district.

1 (5) The allocation of local property tax allocation revenues
2 pursuant to this section shall not affect or be deemed to affect the
3 rate of taxes levied by or within any taxing district or the
4 consistency of any such levies with the uniformity requirement of
5 Article VII, section 1 of the state Constitution.

6 (6) This section does not apply to those revenue development areas
7 that include any part of an increment area created under chapter 39.89
8 RCW.

9 **Sec. 7.** RCW 82.14.475 and 2006 c 181 s 401 are each amended to
10 read as follows:

11 (1) A sponsoring local government, and any cosponsoring local
12 government, that has been approved by the board to use local
13 infrastructure financing may impose a sales and use tax in accordance
14 with the terms of this chapter and subject to the criteria set forth in
15 this section. Except as provided in this section, the tax is in
16 addition to other taxes authorized by law and shall be collected from
17 those persons who are taxable by the state under chapters 82.08 and
18 82.12 RCW upon the occurrence of any taxable event within the taxing
19 jurisdiction of the sponsoring local government or cosponsoring local
20 government. The rate of tax shall not exceed the rate provided in RCW
21 82.08.020(1), less the aggregate rates of any other local sales and use
22 taxes imposed on the same taxable events that are credited against the
23 state sales and use taxes imposed under chapters 82.08 and 82.12 RCW.
24 The rate of tax may be changed only on the first day of a fiscal year
25 as needed. Notice of rate changes must be provided to the department
26 on the first day of March to be effective on July 1st of the next
27 fiscal year.

28 (2) The tax authorized under subsection (1) of this section shall
29 be credited against the state taxes imposed under chapter 82.08 or
30 82.12 RCW. The department shall perform the collection of such taxes
31 on behalf of the sponsoring local government or cosponsoring local
32 government at no cost to the sponsoring local government or
33 cosponsoring local government and shall remit the taxes as provided in
34 RCW 82.14.060.

35 (3)(a) No tax may be imposed under the authority of this section:

36 (i) Before July 1, 2008;

37 (ii) Before approval by the board under RCW 39.102.040; and

1 (~~iii~~) (~~Except as provided in (b) of this subsection, unless~~)
2 Before the sponsoring local government has received and dedicated to
3 the payment of bonds authorized in RCW 39.102.150, in whole or in part,
4 (~~both~~) local excise tax allocation revenues (~~and~~), local property
5 tax allocation revenues, or both, during the preceding calendar year.

6 (~~b~~) (~~The requirement to receive local property tax allocation~~
7 ~~revenues under (a) of this subsection is waived if the revenue~~
8 ~~development area coincides with or is contained entirely within the~~
9 ~~boundaries of an increment area adopted by a local government under the~~
10 ~~authority of chapter 39.89 RCW for the purposes of utilizing community~~
11 ~~revitalization financing.~~

12 (~~e~~) The tax imposed under this section shall expire when the
13 bonds issued under the authority of RCW 39.102.150 are retired, but not
14 more than twenty-five years after the tax is first imposed.

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

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

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

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

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

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

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

34 (~~d~~) (~~Except when the requirement to receive local property tax~~
35 ~~allocation revenues is waived as provided in subsection (3)(b) of this~~
36 ~~section, neither the local excise tax allocation revenues nor the local~~
37 ~~property tax allocation revenues can be more than eighty percent of the~~
38 ~~total local funds as described in RCW 39.102.020(29)(c);~~

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

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

8 (5) If a county and city cosponsor a revenue development area, the
9 combined rates of the city and county tax shall not exceed the rate
10 provided in RCW 82.08.020(1), less the aggregate rates of any other
11 local sales and use taxes imposed on the same taxable events that are
12 credited against the state sales and use taxes imposed under chapters
13 82.08 and 82.12 RCW. The combined amount of distributions received by
14 both the city and county may not exceed the state contribution.

15 (6) The department shall determine the amount of tax receipts
16 distributed to each sponsoring local government, and any cosponsoring
17 local government, imposing sales and use tax under this section and
18 shall advise a sponsoring or cosponsoring local government when tax
19 distributions for the fiscal year equal the amount of state
20 contribution for that fiscal year as provided in subsection (8) of this
21 section. Determinations by the department of the amount of tax
22 distributions attributable to each sponsoring or cosponsoring local
23 government are final and shall not be used to challenge the validity of
24 any tax imposed under this section. The department shall remit any tax
25 receipts in excess of the amounts specified in subsection (4)(c) of
26 this section to the state treasurer who shall deposit the money in the
27 general fund.

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

33 (8) Each year, the amount of taxes approved by the department for
34 distribution to a sponsoring or cosponsoring local government in the
35 next fiscal year shall be equal to the state contribution and shall be
36 no more than the total local funds as described in RCW
37 39.102.020(29)(c). The department shall consider information from
38 reports described in RCW 39.102.140 when determining the amount of

1 state contributions for each fiscal year. A sponsoring or cosponsoring
2 local government shall not receive, in any fiscal year, more revenues
3 from taxes imposed under the authority of this section than the amount
4 approved annually by the department. The department shall not approve
5 the receipt of more distributions of sales and use tax under this
6 section to a sponsoring or cosponsoring local government than is
7 authorized under subsection (4) of this section.

8 (9) The amount of tax distributions received from taxes imposed
9 under the authority of this section by all sponsoring and cosponsoring
10 local governments is limited annually to not more than ~~((five))~~ seven
11 million five hundred thousand dollars. ~~((The tax distributions shall
12 be available to the sponsoring local government, and any cosponsoring
13 local government, imposing a tax under this section only as long as the
14 sponsoring local government has outstanding indebtedness under RCW
15 39.102.150.))~~

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

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

22 (12) The tax imposed under the authority of this section shall
23 cease to be imposed, and all tax distributed under the authority of
24 this section to a sponsoring local government and any cosponsoring
25 local government shall be returned to the state treasurer for deposit
26 in the general fund, if the sponsoring local government fails to issue
27 bonds under the authority of RCW 39.102.150 by June 30th of the fifth
28 fiscal year in which the local tax authorized under this section is
29 imposed.

30 **Sec. 8.** RCW 39.102.140 and 2006 c 181 s 403 are each amended to
31 read as follows:

32 (1) A sponsoring local government shall provide a report to the
33 board and the department by March 1st of each year. The report shall
34 contain the following information:

35 (a) The amount of local excise tax allocation revenues, ~~((and))~~
36 local property tax allocation revenues, other revenues from local
37 public sources, and taxes under RCW 82.14.475~~((, and revenues from~~

1 ~~local public sources~~)) received by the sponsoring local government
2 during the preceding calendar year that were dedicated to pay the
3 public improvements financed in whole or in part with local
4 infrastructure financing, and a summary of how these revenues were
5 expended;

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

10 (c) The total number of permanent jobs created in the revenue
11 development area as a result of the public improvements undertaken by
12 the sponsoring local government and financed in whole or in part with
13 local infrastructure financing;

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

19 (e) That the sponsoring local government is in compliance with RCW
20 39.102.070.

21 (2) The board shall make a report available to the public and the
22 legislature by June 1st of each year. The report shall include a list
23 of public improvements undertaken by sponsoring local governments and
24 financed in whole or in part with local infrastructure financing and it
25 shall also include a summary of the information provided to the
26 department by sponsoring local governments under subsection (1) of this
27 section.

28 NEW SECTION. **Sec. 9.** A new section is added to chapter 39.102 RCW
29 to read as follows:

30 The department of revenue and the community economic revitalization
31 board may adopt any rules under chapter 34.05 RCW they consider
32 necessary for the administration of this chapter.

33 NEW SECTION. **Sec. 10.** This act expires June 30, 2039.

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