
SUBSTITUTE HOUSE BILL 1518

State of Washington

57th Legislature

2001 Regular Session

By House Committee on Trade & Economic Development (originally sponsored by Representatives Fromhold, Van Luven, Veloria, Conway and Dunn; by request of Governor Locke)

READ FIRST TIME 02/22/01.

1 AN ACT Relating to using state sales and use tax revenues
2 generated within a benefited jurisdiction as a funding source for
3 community development infrastructure improvements not to exceed
4 one million dollars of funding per fiscal year; adding new
5 sections to chapter 82.14 RCW; adding a new section to chapter
6 82.32 RCW; and creating new sections.

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

8 NEW SECTION. **Sec. 1.** The legislature finds that:

9 It is in the best interest of the state of Washington to
10 promote private investment in many areas for the purpose of
11 stimulating economic vitality and promoting economic stability. In
12 many urban areas, urban decay, abandoned buildings, and
13 environmental contamination pose a barrier to redevelopment.
14 Public investment is needed to reclaim brownfields, update
15 infrastructure, and improve the condition of public areas. In the
16 absence of public investment, urban redevelopment projects often
17 cannot pay a return sufficient to attract private investment. These

1 urban areas need private investment to create employment
2 opportunities and to generally improve the economic stability of
3 many neighborhoods.

4 In other areas, the public infrastructure necessary to attract
5 new business or to facilitate the growth and expansion of existing
6 industry is inadequate. Industry expects that basic infrastructure
7 such as sewer, roads, power, natural gas, and telecommunications
8 services will be available at potential industrial and commercial
9 sites. Private investment is necessary to diversify and strengthen
10 many economies throughout the state; however the private sector is
11 unlikely to invest in areas in which public infrastructure is
12 lacking.

13 In 1999, the state of Washington local government
14 infrastructure study identified a gap in infrastructure financing
15 well over three billion dollars. The legislature finds that with
16 existing local resources, counties, cities, or Indian tribes
17 cannot finance needed public infrastructure projects. The
18 legislature further finds that a partnership between the state,
19 and counties, cities, or Indian tribes, and private industry can
20 make strategic investments in public infrastructure that will
21 stimulate the private investment needed to spur economic
22 development and create jobs.

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

25 (1) A county, city, or Indian tribe that obtains approval under
26 section 3 of this act shall receive a monthly distribution from
27 the infrastructure improvement account, hereby created in the
28 state treasury, subject to the limitations in this section and
29 section 3 of this act. The distribution shall be equal to the
30 proceeds from the state share of the sales tax and use tax upon
31 taxable events under chapters 82.08 and 82.12 RCW, within the
32 boundaries of the county or city, or within Indian country of the
33 tribe, subject to the funding limitations in this section. The
34 proceeds shall be from the state share of the sales and use tax
35 from within the specific county, city, or Indian country of the
36 tribe, and shall be deposited as directed in section 4 of this
37 act. For the purposes of the distribution under this section,

1 proceeds distributed to a tribe shall be based on estimates of
2 taxable events taking place in the tribal jurisdiction. The
3 department shall, in consultation with the tribe, calculate the
4 estimate and provide the information to the state treasurer. No
5 more than five hundred thousand dollars are available for any one
6 project in any fiscal year, and no one city, county, or tribe may
7 receive more than one million dollars in any fiscal year.

8 (2) The funding provided in this section shall expire when the
9 debt obligation for the infrastructure improvement project, as
10 approved under section 3 of this act, is repaid, but in no event
11 may the funding be received for more than twenty years after the
12 first distribution under this section.

13 (3) The proceeds received under this section shall be used for
14 the purpose of payments on the infrastructure improvement project
15 debt obligations to cover infrastructure improvements and related
16 infrastructure expenses. This revenue is the state's share of the
17 debt obligation repayment, and it may not exceed thirty percent of
18 the total public sector project budget. At least seventy percent of
19 the funding must come from other public or private sources.

20 (4) The definitions in this subsection apply to this section
21 and sections 3 and 4 of this act.

22 (a) "Indian country" has the meaning given in RCW 82.24.010.

23 (b) "Indian tribe" means an Indian nation, tribe, band,
24 community, or other entity recognized as a federally recognized
25 Indian tribe by the United States department of the interior.

26 (c) "Infrastructure improvements" means the construction,
27 renovation, or expansion of publicly owned infrastructure
28 improvements such as dock facilities, park and recreation
29 facilities and areas, parking facilities, public transit
30 facilities, sewer systems, sidewalks, lighting, and pedestrian
31 improvements and amenities, telecommunications systems, water
32 systems, and wastewater systems, including demolition and clean-up
33 activities related to the improvements.

34 (d) "Private partner" does not include any government or any
35 government enterprise, corporation, or other similar entity.

36 (e) "Related infrastructure expenses" includes expenditures for
37 activities such as design, planning, environmental analysis, land
38 and materials acquisition, and site preparation, as well as

1 expenditures for the financing of the infrastructure improvement,
2 such as legal fees, insurance fees, financing fees, principal and
3 interest costs on general indebtedness including reserves, and
4 administrative costs.

5 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.14
6 RCW to read as follows:

7 (1) The department of community, trade, and economic
8 development shall review and approve or deny applications from
9 counties, cities, or Indian tribes for infrastructure improvement
10 projects, consistent with the criteria in this section. Counties,
11 cities, and tribes may develop proposals with other government
12 entities such as port districts, special purpose districts,
13 municipal corporations, and public development authorities, but
14 the county, city, or tribe remains the only entity eligible under
15 this section and section 2 of this act. Applications shall be in a
16 form and manner as required by the department of community, trade,
17 and economic development. Funding is available on a first-come
18 basis, with priority based on the date and time an application is
19 received. In the event that a subsequent application is received
20 from a taxing jurisdiction that has overlapping jurisdiction with
21 a jurisdiction with a priority application, the subsequent
22 application shall be approved only if there are sufficient
23 revenues expected to be generated to cover the state's share of
24 the project. All qualifying projects shall be funded until the
25 fiscal funding cap is met. At the point the fiscal funding cap is
26 reached, no proposals may be evaluated until the following fiscal
27 year. Applications denied due to the program funding cap being met
28 must be resubmitted the following fiscal year in order to be
29 reconsidered. The department of community, trade, and economic
30 development shall provide a response to a proposal within sixty
31 days of receipt.

32 (a) During each fiscal year, the department of community,
33 trade, and economic development may approve no more than one
34 million dollars in new projects for each fiscal year.

35 (b) A county, city, or Indian tribe may have no more than two
36 ongoing infrastructure improvement projects at any one time and
37 may not be approved for more than one project in any one year.

1 (c) The funds received under section 3 of this act may not
2 exceed five hundred thousand dollars for any one project per year.

3 (2) A county, city, or Indian tribe may finance infrastructure
4 improvements and related infrastructure expenses in part by using
5 tax revenue dedicated under section 4 of this act, subject to
6 providing the department of community, trade, and economic
7 development with documentation regarding the following conditions
8 and requirements:

9 (a) The county, city, or Indian tribe must certify to the
10 department that an analysis has been made of the value to the
11 state of the private portion of the project, and that over a
12 thirty-year term the projected state revenue, such as sales and
13 use tax and business and occupation tax, from all state taxes
14 directly associated with the private portion of the project will
15 at least equal the dollar value of the state's funding of the
16 project;

17 (b) The county, city, or Indian tribe must identify the source
18 of funds through which it will fund its share of the
19 infrastructure improvement project;

20 (c) The county, city, or Indian tribe must have received an
21 agreement in writing from a private entity committing to a
22 privately funded private project that will directly benefit from
23 the infrastructure improvements and must provide a copy of such
24 agreement to the department; and

25 (d) A project proposed by a county or city must be consistent
26 with the comprehensive plan and development regulations it has
27 adopted in conformance with chapter 36.70A RCW.

28 (3) The department of community, trade, and economic
29 development may give an approval conditioned on the county, city,
30 or Indian tribe satisfying the conditions and requirements in this
31 section, but in no circumstances may funds be received under
32 section 2 of this act before the conditions in subsection (2) of
33 this section are satisfied, at which point final approval may be
34 given. Upon final approval under this section, the department of
35 community, trade, and economic development shall notify the
36 applicant and the department of revenue.

37 (4) No projects may be approved under this section after June
38 30, 2006.

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2 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.32
3 RCW to read as follows:

4 The department shall deposit into the infrastructure
5 improvement account, created in section 2 of this act, all
6 proceeds from the state share of the sales tax and use tax upon
7 taxable events, for those counties, cities, or Indian tribes that
8 have been approved under section 3 of this act. The proceeds shall
9 be from the state share of the sales and use tax from within the
10 specific county, city, or Indian country of the tribe. Pursuant to
11 section 2 of this act, no more than five hundred thousand dollars
12 shall be for any one project in any fiscal year, and any one
13 jurisdiction may receive not more than one million dollars in any
14 fiscal year. If the department has received notice of final
15 approval from the department of community, trade, and economic
16 development under section 3(3) of this act and the sale of bonds
17 or other debt instruments is complete, the department shall notify
18 the state treasurer regarding the monthly distributions under
19 section 2(1) of this act.

20 NEW SECTION. **Sec. 5.** The state incurs no obligation or
21 liability regarding an infrastructure improvement project under
22 section 3 of this act, other than the funding provided through the
23 sales and use tax under section 2 of this act.

24 NEW SECTION. **Sec. 6.** If any provision of this act or its
25 application to any person or circumstance is held invalid, the
26 remainder of the act or the application of the provision to other
27 persons or circumstances is not affected.

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