

**2SSB 5364 - S AMD 477**

By Senators Zarelli, T. Sheldon

ADOPTED 06/10/2003

1 Strike everything after the enacting clause and insert the  
2 following:

3 "PART I

4 **COMMUNITY REVITALIZATION FINANCING--GENERAL PROVISIONS**

5 NEW SECTION. **Sec. 101.** The legislature recognizes that the state  
6 as a whole benefits from investment in public infrastructure because it  
7 promotes community and economic development. Public investment  
8 stimulates business activity and helps create jobs; stimulates the  
9 redevelopment of brownfields and blighted areas in the inner city;  
10 lowers the cost of housing; and promotes efficient land use. The  
11 legislature finds that these activities generate revenue for the state  
12 and that it is in the public interest to invest in these projects  
13 through a credit against the state sales and use tax to those local  
14 governments that can demonstrate the expected returns to the state.

15 **Sec. 102.** RCW 39.89.020 and 2001 c 212 s 2 are each amended to  
16 read as follows:

17 The definitions in this section apply throughout this chapter  
18 unless the context clearly requires otherwise.

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

21 (2) "Department" means the department of revenue.

22 (3) "Increment area" means the geographic area from which taxes are  
23 to be appropriated to finance public improvements authorized under this  
24 chapter.

25 (4) "Increment value" means seventy-five percent of any increase in  
26 the assessed value of real property in an increment area that is placed  
27 on the assessment rolls after the increment area is created. There is  
28 no increment value if the assessed value of real property in an

1 increment area is less than or equal to the assessed value of real  
2 property in the increment area for taxes levied in the year in which  
3 the increment area was created for collection in the following year.

4 (5) "Local government" means any city, town, county, port district,  
5 or any combination thereof.

6 ~~((3))~~ (6) "Ordinance" means any appropriate method of taking  
7 legislative action by a local government.

8 ~~((4))~~ (7) "Participating taxing authority" means a taxing  
9 authority that has entered into a written agreement with a local  
10 government for the use of community revitalization financing to finance  
11 all or a portion of the costs of designated public improvements.

12 (8) "Participating taxing district" means all taxing districts  
13 within an increment area where a local government has obtained written  
14 agreement for the use of community revitalization financing to finance  
15 all or a portion of the costs of designated public improvements as  
16 provided in RCW 39.89.030(8). However, a fire protection district is  
17 not a participating taxing district unless it has entered into a  
18 signed, written agreement with a local government to provide limited  
19 funding under community revitalization financing as provided in RCW  
20 39.89.030(8)(a).

21 (9) "Public improvements" means:

22 (a) Infrastructure improvements within the increment area that  
23 include:

24 (i) Street and road construction and maintenance;

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

26 (iii) Sidewalks and streetlights;

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

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

29 (vi) Park facilities and recreational areas; and

30 (vii) Storm water and drainage management systems; and

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

32 (i) Providing environmental analysis, professional management,  
33 planning, and promotion within the increment area, including the  
34 management and promotion of retail trade activities in the increment  
35 area;

36 (ii) Providing maintenance and security for common or public areas  
37 in the increment area; or

1 (iii) Historic preservation activities authorized under RCW  
2 35.21.395.

3 ((+5)) (10) "Public improvement costs" means the costs of: (a)  
4 Design, planning, acquisition, including land acquisition, site  
5 preparation including land clearing, construction, reconstruction,  
6 rehabilitation, improvement, and installation of public improvements;  
7 (b) demolishing, relocating, maintaining, and operating property  
8 pending construction of public improvements; (c) relocating utilities  
9 as a result of public improvements; (d) financing public improvements,  
10 including interest during construction, legal and other professional  
11 services, taxes, insurance, principal and interest costs on general  
12 indebtedness issued to finance public improvements, and any necessary  
13 reserves for general indebtedness; (e) assessments incurred in  
14 revaluing real property for the purpose of determining the tax  
15 allocation base value that are in excess of costs incurred by the  
16 assessor in accordance with the revaluation plan under chapter 84.41  
17 RCW, and the costs of apportioning the taxes and complying with this  
18 chapter and other applicable law; and (f) administrative expenses and  
19 feasibility studies reasonably necessary and related to these costs,  
20 including related costs that may have been incurred before adoption of  
21 the ordinance authorizing the public improvements and the use of  
22 community revitalization financing to fund the costs of the public  
23 improvements.

24 ((+6)) (11) "Regular property taxes" means regular property taxes  
25 as defined in RCW 84.04.140, except: (a) Regular property taxes levied  
26 by port districts or public utility districts specifically for the  
27 purpose of making required payments of principal and interest on  
28 general indebtedness; ~~((and))~~ (b) regular property taxes levied by the  
29 state for the support of the common schools under RCW 84.52.065; and  
30 (c) regular property taxes levied under the authority of RCW 84.55.050  
31 that are limited to a specific purpose as provided in RCW  
32 84.55.050(3)(b). Regular property taxes do not include excess property  
33 tax levies that are exempt from the aggregate limits for junior and  
34 senior taxing districts as provided in RCW 84.52.043.

35 ((+7)) (12) "Tax allocation base value" means the ~~((true and~~  
36 ~~fair))~~ assessed value of real property located within an increment area  
37 for taxes ~~((imposed))~~ levied in the year in which the increment area is

1 created for collection in the following year, plus twenty-five percent  
2 of any increase in the ~~((true and fair))~~ assessed value of real  
3 property located within an increment area that is placed on the  
4 assessment rolls after the increment area is created.

5 ~~((+8))~~ (13) "Tax allocation revenues" means those tax revenues  
6 derived from the ~~((imposition of))~~ receipt of excess excise taxes under  
7 section 202 of this act and from regular property taxes levied on the  
8 increment value and distributed to finance public improvements.

9 ~~((+9))~~ "Increment area" ~~means the geographic area from which taxes~~  
10 ~~are to be appropriated to finance public improvements authorized under~~  
11 ~~this chapter.~~

12 ~~(10)~~ "Increment value" ~~means seventy five percent of any increase~~  
13 ~~in the true and fair value of real property in an increment area that~~  
14 ~~is placed on the tax rolls after the increment area is created.~~

15 ~~((+11))~~ (14) "Taxing authority" means a governmental entity that  
16 imposes a sales or use tax under chapter 82.14 RCW upon the occurrence  
17 of any taxable event within a proposed or approved increment area.

18 (15) "Taxing district~~((s))~~" means a governmental entity that levies  
19 or has levied for it regular property taxes upon real property located  
20 within a proposed or approved increment area.

21 ~~((+12))~~ (16) "Value of taxable property" means the value of the  
22 taxable property as defined in RCW 39.36.015.

23 **Sec. 103.** RCW 39.89.030 and 2002 c 12 s 1 are each amended to read  
24 as follows:

25 A local government may finance public improvements using community  
26 revitalization financing subject to the following conditions:

27 (1) The local government adopts an ordinance designating an  
28 increment area within its boundaries and specifying the public  
29 improvements proposed to be financed in whole or in part with the use  
30 of community revitalization financing;

31 (2) The public improvements proposed to be financed in whole or in  
32 part using community revitalization financing are expected to encourage  
33 private development within the increment area and to increase the fair  
34 market value of real property within the increment area;

35 (3) The local government has entered or expects to enter into a  
36 contract with a private developer relating to the development of

1 private improvements within the increment area or has received a letter  
2 of intent from a private developer relating to the developer's plans  
3 for the development of private improvements within the increment area;

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

9 ~~((4) Taxing districts, in the aggregate, that levy at least~~  
10 ~~seventy five percent of the regular property tax within which the~~  
11 ~~increment area is located approves the community revitalization~~  
12 ~~financing of the project under RCW 39.89.050(1); and~~

13 ~~(5) In an increment area that includes any portion of a fire~~  
14 ~~protection district as defined in Title 52 RCW, the fire protection~~  
15 ~~district must agree to participate in the community revitalization~~  
16 ~~financing of the project under chapter 212, Laws of 2001, for the~~  
17 ~~project to proceed. Approval by the fire protection district shall be~~  
18 ~~considered as part of the required participation by taxing districts~~  
19 ~~under subsection (4) of this section)) (5) The local government may not~~  
20 use community revitalization financing to finance the costs associated  
21 with the financing, design, acquisition, construction, equipping,  
22 operating, maintaining, remodeling, repairing, and reequipping of  
23 public facilities funded with taxes collected under RCW 82.14.048;

24 (6) The governing body of the local government must make a finding  
25 that community revitalization financing: (a) Will not be used for the  
26 purpose of relocating a business from outside the increment area, but  
27 within this state, into the increment area; and (b) will improve the  
28 viability of existing business entities within the increment area; and  
29 (c) will be used exclusively in areas within the jurisdiction of the  
30 local government deemed in need of economic development and/or  
31 redevelopment and absent the financing available under this act that  
32 the proposed economic development and/or redevelopment would not occur;

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

36 (a) Increase private investment within the increment area;

37 (b) Increase employment within the increment area; and

1 (c) Generate, over the period of time that the local sales and use  
2 tax will be imposed under section 301 of this act, state and local  
3 property, sales, and use tax revenues that are equal to or greater than  
4 the respective state and local contributions made under this chapter;

5 (8) The local government obtains written agreement for the use of  
6 community revitalization financing to finance all or a portion of the  
7 costs of the designated public improvements from taxing districts that  
8 in the aggregate levy at least sixty percent of the regular property  
9 taxes on property within the increment area. The agreement must be  
10 authorized by the governing body of taxing districts that in the  
11 aggregate levy at least sixty percent of the regular property taxes on  
12 property within the increment area.

13 (a) A signed, written agreement from taxing districts that in the  
14 aggregate levy at least sixty percent of the regular property taxes  
15 within the increment area constitutes concurrence by all taxing  
16 districts in the increment area in the public improvements and  
17 participation in the public improvements to the extent of providing  
18 limited funding under community revitalization financing authorized  
19 under this chapter. However, a fire protection district may choose not  
20 to participate in the public improvements by providing written notice  
21 to the local government of its decision not to provide limited funding  
22 under community revitalization financing.

23 (b) For purposes of this subsection (8), "regular property taxes"  
24 means regular property taxes defined in RCW 84.04.140, except: (i)  
25 Regular property taxes levied by the state; and (ii) regular property  
26 taxes levied by a fire protection district if the fire protection  
27 district has not entered into a signed, written agreement with a local  
28 government to provide limited funding under community revitalization  
29 financing as provided in (a) of this subsection.

30 **Sec. 104.** RCW 39.89.050 and 2001 c 212 s 5 are each amended to  
31 read as follows:

32 (1) Before adopting an ordinance creating the increment area, a  
33 local government must:

34 ((+1)) (a) Obtain written agreement for the use of community  
35 revitalization financing to finance all or a portion of the costs of  
36 the designated public improvements from taxing districts ((that, in the

1 aggregate, levy at least seventy five percent of the regular property  
2 tax on property within the increment area. A signed, written agreement  
3 from taxing districts that in the aggregate levy at least seventy five  
4 percent of the regular property tax within the increment area,  
5 constitutes concurrence by all taxing districts in the increment area  
6 in the public improvement and participation in the public improvement  
7 to the extent of providing limited funding under community  
8 revitalization financing authorized under this chapter. The agreement  
9 must be authorized by the governing body of taxing districts that in  
10 the aggregate levy at least seventy five percent of the regular  
11 property tax on property within the increment area)) as provided in RCW  
12 39.89.030(8); and

13 ((+2)) (b) Hold a public hearing on the proposed financing of the  
14 public improvement in whole or in part with community revitalization  
15 financing.

16 (i) Notice of the public hearing must be published in a legal  
17 newspaper of general circulation within the proposed increment area at  
18 least ten days before the public hearing and posted in at least six  
19 conspicuous public places located in the proposed increment area.

20 (ii) Notice must also be sent by United States mail to the property  
21 owners and the business enterprises located within the proposed  
22 increment area at least thirty days prior to the hearing. In  
23 implementing provisions under this act, the local governing body may  
24 also consult with business organizations, including the local chamber  
25 of commerce, and the office of minority and women's business  
26 enterprises to assist with providing appropriate notice to business  
27 enterprises and property owners for whom English is a second language.

28 (iii) Notices must describe the contemplated public improvements,  
29 estimate the costs of the public improvements, describe the portion of  
30 the costs of the public improvements to be borne by community  
31 revitalization financing, describe any other sources of revenue to  
32 finance the public improvements, describe the boundaries of the  
33 proposed increment area, and estimate the period during which community  
34 revitalization financing is contemplated to be used. The public  
35 hearing may be held by either the governing body of the local

1 government, or a committee of the governing body that includes at least  
2 a majority of the whole governing body(~~(+and)~~).

3 ~~((+3))~~ (2) In order to create an increment area, a local  
4 government must adopt an ordinance establishing the increment area  
5 that:

6 (a) Describes the public improvements((τ)):

7 (b) Describes the boundaries of the increment area((τ)):

8 (c) Estimates the cost of the public improvements and the portion  
9 of these costs to be financed by community revitalization  
10 financing((τ)):

11 (d) Estimates the time during which regular property taxes are to  
12 be apportioned((τ)) and, if applicable, excess excise taxes are to be  
13 used to finance public improvement costs associated with the public  
14 improvements financed in whole or in part by community revitalization  
15 financing;

16 (e) Estimates the average amount of tax revenue to be received in  
17 all fiscal years through the imposition of a sales and use tax under  
18 section 301 of this act;

19 (f) Provides the date when the apportionment of the regular  
20 property taxes and, if applicable, the use of excess excise taxes will  
21 commence((τ)): and

22 (g) Finds that the conditions of RCW 39.89.030 are met.

23 (3) For purposes of this section, "fiscal year" means the year  
24 beginning July 1st and ending the following June 30th.

25 **Sec. 105.** RCW 39.89.060 and 2001 c 212 s 6 are each amended to  
26 read as follows:

27 The local government shall:

28 (1) Publish notice in a legal newspaper of general circulation  
29 within the increment area that describes the public improvement,  
30 describes the boundaries of the increment area, and identifies the  
31 location and times where the ordinance and other public information  
32 concerning the public improvement may be inspected; and

33 (2) Deliver a certified copy of the ordinance to the county  
34 treasurer, the county assessor, and the governing body of each  
35 participating taxing district within which the increment area is  
36 located.



1 PART II

2 COMMUNITY REVITALIZATION FINANCING

3 USE OF TAX ALLOCATION REVENUES TO PAY THE COSTS OF PUBLIC IMPROVEMENTS

4 Sec. 201. RCW 39.89.070 and 2001 c 212 s 7 are each amended to  
5 read as follows:

6 (1) Commencing in the second calendar year following the passage of  
7 the ordinance creating an increment area and authorizing the use of  
8 community revitalization financing, the county treasurer shall  
9 distribute receipts from regular taxes imposed on real property located  
10 in the increment area as follows:

11 (a) Each participating taxing district and the local government  
12 that created the increment area shall receive that portion of its  
13 regular property taxes produced by the rate of tax levied by or for the  
14 taxing district on the tax allocation base value for that community  
15 revitalization financing project in the taxing district, or upon the  
16 total assessed value of real property in the taxing district, whichever  
17 is smaller; and

18 (b) The local government that created the increment area shall  
19 receive an additional portion of the regular property taxes levied by  
20 it and by or for each participating taxing district upon the increment  
21 value within the increment area. However, if there is no increment  
22 value, the local government shall not receive any additional regular  
23 property taxes under this subsection (1)(b). The local government that  
24 created the increment area may agree to receive less than the full  
25 amount of (~~this~~) the additional portion of regular property taxes  
26 under this subsection (1)(b) as long as bond debt service, reserve, and  
27 other bond covenant requirements are satisfied, in which case the  
28 balance of these tax receipts shall be allocated to the participating  
29 taxing districts that imposed regular property taxes, or have regular  
30 property taxes imposed for them, in the increment area for collection  
31 that year in proportion to their regular tax levy rates for collection  
32 that year. The local government may request that the treasurer  
33 transfer this additional portion of the property taxes to its  
34 designated agent. The portion of the tax receipts distributed to the  
35 local government or its agent under this subsection (1)(b) may only be

1 expended to finance public improvement costs associated with the public  
2 improvements financed in whole or in part by community revitalization  
3 financing.

4 (2) The county assessor shall allocate twenty-five percent of any  
5 increased real property value occurring in the increment area to the  
6 tax allocation base value and seventy-five percent to the increment  
7 value. This section does not authorize revaluations of real property  
8 by the assessor for property taxation that are not made in accordance  
9 with the assessor's revaluation plan under chapter 84.41 RCW or under  
10 other authorized revaluation procedures.

11 (3) The apportionment of increases in assessed valuation in an  
12 increment area, and the associated distribution to the local government  
13 of receipts from regular property taxes that are imposed on the  
14 increment value, must cease when tax allocation revenues are no longer  
15 necessary or obligated to pay the costs of the public improvements.  
16 Any excess tax allocation revenues derived from regular property taxes  
17 and earnings on ((the)) such tax allocation revenues, remaining at the  
18 time the apportionment of tax receipts terminates, must be returned to  
19 the county treasurer and distributed to the participating taxing  
20 districts that imposed regular property taxes, or had regular property  
21 taxes imposed for it, in the increment area for collection that year,  
22 in proportion to the rates of their regular property tax levies for  
23 collection that year.

24 NEW SECTION. Sec. 202. A new section is added to chapter 39.89  
25 RCW to read as follows:

26 (1) A local government that creates an increment area and has  
27 received approval from the department of revenue under section 303 of  
28 this act to impose the local option sales and use tax authorized in  
29 section 301 of this act may use annually any excess excise taxes  
30 received by it from taxable activity within the increment area to  
31 finance public improvement costs associated with the public  
32 improvements financed in whole or in part by community revitalization  
33 financing. The use of excess excise taxes must cease when tax  
34 allocation revenues are no longer necessary or obligated to pay the  
35 costs of the public improvements. Any participating taxing authority  
36 is authorized to allocate excess excise taxes to the local government.

1 The legislature declares that it is a proper purpose of a local  
2 government or participating taxing authority to allocate excess excise  
3 taxes for purposes of financing public improvements under this chapter.

4 (2) A local government consisting solely of a port district may use  
5 excess excise taxes as provided in this section only to the extent that  
6 any participating taxing authority allocates excess excise taxes to the  
7 local government.

8 (3) A local government consisting of a port district and any city,  
9 town, or county may use excess excise taxes as provided in this section  
10 only if:

11 (a) The city, town, or county realizes excess excise taxes from  
12 taxable activity within the increment area; or

13 (b) Any participating taxing authority allocates excess excise  
14 taxes to the local government.

15 (4) A local government shall provide the department accurate  
16 information describing the geographical boundaries of the increment  
17 area at least seventy-five days before the effective date of the  
18 ordinance creating the increment area. The local government shall  
19 ensure that the boundary information provided to the department is kept  
20 current.

21 (5) The department shall provide each local government that has  
22 provided boundary information to the department as provided in this  
23 section with the necessary information to calculate excess excise  
24 taxes.

25 (6) The definitions in this subsection apply throughout this  
26 section unless the context clearly requires otherwise.

27 (a) "Base year" means the first calendar year following the  
28 creation of an increment area.

29 (b) "Excess excise taxes" means the amount of excise taxes received  
30 by the local government during the measurement year from taxable  
31 activity within the increment area over and above the amount of excise  
32 taxes received by the local government during the base year from  
33 taxable activity within the increment area. However, if a local  
34 government creates an increment area and reasonably determines that no  
35 activity subject to tax under chapters 82.08 and 82.12 RCW occurred in  
36 the twelve months immediately preceding the creation of the increment  
37 area within the boundaries of the area that became the increment area,

1 "excess excise taxes" means the entire amount of excise taxes received  
2 by the local government during a calendar year period beginning with  
3 the calendar year immediately following the creation of the increment  
4 area and continuing with each measurement year thereafter.

5 (c) "Excise taxes" means local retail sales and use taxes  
6 authorized in RCW 82.14.030.

7 (d) "Measurement year" means a calendar year, beginning with the  
8 calendar year following the base year and each calendar year  
9 thereafter, that is used annually to measure the amount of excess  
10 excise taxes required to be used to finance public improvement costs  
11 associated with public improvements financed in whole or in part by  
12 community revitalization financing.

13 **PART III**

14 **COMMUNITY REVITALIZATION FINANCING--STATE CONTRIBUTION**

15 NEW SECTION. **Sec. 301.** A new section is added to chapter 82.14  
16 RCW to read as follows:

17 (1) A city, town, or county that creates an increment area and  
18 finances public improvements pursuant to chapter 39.89 RCW may impose  
19 a sales and use tax in accordance with the terms of this chapter and  
20 subject to the criteria set forth in this section. Except as provided  
21 in this section, the tax is in addition to other taxes authorized by  
22 law and shall be collected from those persons who are taxable by the  
23 state under chapters 82.08 and 82.12 RCW upon the occurrence of any  
24 taxable event within the taxing jurisdiction of the city, town, or  
25 county. The rate of tax shall not exceed the rate provided in RCW  
26 82.08.020(1) in the case of a sales tax or the rate provided in RCW  
27 82.12.020(5) in the case of a use tax, less the aggregate rates of any  
28 other taxes imposed on the same events that are credited against the  
29 state taxes imposed under chapters 82.08 and 82.12 RCW.

30 (2) The tax imposed under subsection (1) of this section shall be  
31 deducted from the amount of tax otherwise required to be collected or  
32 paid over to the department under chapter 82.08 or 82.12 RCW. The  
33 department shall perform the collection of such taxes on behalf of the  
34 city, town, or county at no cost to the city, town, or county.

1 (3) No tax may be imposed under this section before July 1, 2005.  
2 Before imposing a tax under this section, the city, town, or county  
3 shall first have received tax allocation revenues derived from either  
4 regular property taxes or excess excise taxes, or both, during the  
5 preceding calendar year. The tax imposed under this section shall  
6 expire when the bonds issued under the authority of chapter 39.89 RCW  
7 are retired, but not more than twenty-five years after the tax is first  
8 imposed.

9 (4) An ordinance adopted by the legislative authority of a city,  
10 town, or county imposing a tax under this section shall provide that:

11 (a) The tax shall first be imposed on the first day of a fiscal  
12 year.

13 (b) The amount of tax received by the local government in any  
14 fiscal year shall not exceed the amount of the state contribution;

15 (c) The tax shall cease to be imposed for the remainder of any  
16 fiscal year in which either:

17 (i) The amount of tax receipts totals the amount of the state  
18 contribution;

19 (ii) The amount of tax receipts totals the amount of "local public  
20 sources," as that term is used in section 302 of this act, dedicated in  
21 the previous calendar year to finance public improvements authorized  
22 under chapter 39.89 RCW; or

23 (iii) The amount of revenue from taxes imposed under this section  
24 by all cities, towns, and counties totals the annual state credit limit  
25 as provided in section 303(3) of this act;

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

30 (e) Any revenue generated by the tax in excess of the amounts  
31 specified in (a), (b), and (c) of this subsection shall belong to the  
32 state of Washington.

33 (5) If both a county and a city or town impose a tax under this  
34 section, the tax imposed by the city, town, or county shall be credited  
35 as follows:

36 (a) If the county has created an increment area before the city or

1 town, the tax imposed by the county shall be credited against the tax  
2 imposed by the city or town, the purpose of such credit is to give  
3 priority to the county tax; and

4 (b) If the city or town has created an increment area before the  
5 county, the tax imposed by the city or town shall be credited against  
6 the tax imposed by the county, the purpose of such credit is to give  
7 priority to the city or town tax.

8 (6) The department shall determine the amount of tax receipts  
9 attributable to each city, town, and county imposing a sales and use  
10 tax under this section and shall advise a city, town, or county when it  
11 must cease imposing the tax for the remainder of the fiscal year as  
12 provided in subsection (4)(c) of this section. Determinations by the  
13 department of the amount of taxes attributable to a city, town, or  
14 county are final and shall not be used to challenge the validity of any  
15 tax imposed under this section. The department shall remit any tax  
16 receipts in excess of the amounts specified in subsection (4)(a), (b),  
17 and (c) of this section to the state treasurer who shall deposit the  
18 moneys in the general fund.

19 (7) The definitions in this subsection apply throughout this  
20 section unless the context clearly requires otherwise.

21 (a) "Base year" means the first calendar year following the  
22 creation of an increment area.

23 (b) "Excess state excise taxes" means the amount of excise taxes  
24 received by the state during the measurement year from taxable activity  
25 within the increment area over and above the amount of excise taxes  
26 received by the state during the base year from taxable activity within  
27 the increment area. However, if a local government creates an  
28 increment area and reasonably determines that no activity subject to  
29 tax under chapters 82.08 and 82.12 RCW occurred in the twelve months  
30 immediately preceding the creation of the increment area within the  
31 boundaries of the area that became the increment area, "excess state  
32 excise taxes" means the entire amount of excise taxes received by the  
33 state during a calendar year period beginning with the calendar year  
34 immediately following the creation of the increment area and continuing  
35 with each measurement year thereafter.

36 (c) "Excise taxes" means the state retail sales and use taxes  
37 imposed under chapters 82.08 and 82.12 RCW.

1 (d) "Fiscal year" has the same meaning as in RCW 39.89.050(3).

2 (e) "Increment area" has the same meaning as in RCW 39.89.020.

3 (f) "Measurement year" means a calendar year, beginning with the  
4 calendar year following the base year and each calendar year  
5 thereafter, that is used annually to measure the amount of excess  
6 excise taxes required to be used to finance public improvement costs  
7 associated with public improvements financed in whole or in part by  
8 community revitalization financing.

9 (g) "State contribution" means the lesser of one million dollars or  
10 an amount equal to:

11 (i) State property tax allocation revenues received by the state  
12 during the preceding calendar year; and

13 (ii) Excess state excise taxes received by the state during the  
14 preceding calendar year.

15 (h) "State property tax allocation revenues" means those tax  
16 revenues derived from the imposition of property taxes levied by the  
17 state on the increment value as defined in RCW 39.89.020.

18 (i) "Tax allocation revenues" has the same meaning as in RCW  
19 39.89.020.

20 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.14  
21 RCW to read as follows:

22 (1) Moneys collected from the taxes imposed under section 301 of  
23 this act shall be used only for the purpose of principal and interest  
24 payments on bonds issued under the authority of RCW 39.89.080 and must  
25 be matched with an amount from local public sources dedicated through  
26 December 31st of the previous calendar year to finance public  
27 improvements authorized under chapter 39.89 RCW. Such local public  
28 sources include but are not limited to private monetary contributions  
29 and tax allocation revenues. Local public sources are dedicated to  
30 finance public improvements if they are actually expended to pay public  
31 improvement costs or are required by law or an agreement to be used  
32 exclusively to pay public improvement costs.

33 (2) A local government shall inform the department by the first day  
34 of March of the amount of:

35 (a) Local public sources dedicated in the preceding calendar year  
36 to finance public improvements authorized under chapter 39.89 RCW; and

1 (b) Tax allocation revenues derived in the preceding calendar year  
2 from the imposition of regular property taxes on the increment value  
3 and distributed to finance public improvements. Upon request of a  
4 local government, the county assessor shall assist the local government  
5 in determining the amount of tax allocation revenues derived in the  
6 preceding calendar year and distributed to finance public improvements.

7 (3) If a local government fails to comply with subsection (2) of  
8 this section, no tax may be imposed under section 301 of this act in  
9 the subsequent fiscal year.

10 (4) A local government shall provide a report to the department by  
11 March 1st of each year. The report shall contain the following  
12 information:

13 (a) The amount of tax allocation revenues, taxes under section 301  
14 of this act, and local public sources received by the local government  
15 during the preceding calendar year, and a summary of how these revenues  
16 were expended;

17 (b) The names of any businesses locating within the increment area  
18 as a result of the public improvements undertaken by the local  
19 government and financed in whole or in part with community  
20 revitalization financing;

21 (c) The total number of permanent jobs created as a result of the  
22 public improvements undertaken by the local government and financed in  
23 whole or in part with community revitalization financing;

24 (d) The average wages and benefits received by all employees of  
25 businesses locating within the increment area as a result of the public  
26 improvements undertaken by the local government and financed in whole  
27 or in part with community revitalization financing;

28 (e) That the local government is in compliance with RCW  
29 39.89.030(6)(c).

30 (5) The department shall make a report available to the public and  
31 the legislature by June 1st of each year. The report shall include a  
32 list of public improvements undertaken by local governments and  
33 financed in whole or in part with community revitalization financing,  
34 and it shall also include a summary of the information provided to the  
35 department by local governments under subsection (4) of this section.

36 (6) The definitions in this subsection apply throughout this  
37 section unless the context clearly requires otherwise.



1 (a) "Public improvement costs" has the same meaning as in RCW  
2 39.89.020.

3 (b) "Tax allocation revenues" has the same meaning as in RCW  
4 39.89.020.

5 NEW SECTION. **Sec. 303.** A new section is added to chapter 82.32  
6 RCW to read as follows:

7 (1) As a condition to imposing a sales and use tax under section  
8 301 of this act, a city, town, or county must apply to the department  
9 at least seventy-five days before the effective date of any such tax.  
10 The application shall be in a form and manner prescribed by the  
11 department and shall include but is not limited to information  
12 establishing that the applicant is eligible to impose such a tax, the  
13 anticipated effective date for imposing the tax, the estimated number  
14 of years that the tax will be imposed, and the estimated amount of tax  
15 revenue to be received in each fiscal year that the tax will be  
16 imposed. For purposes of this section, "fiscal year" means the year  
17 beginning July 1st and ending the following June 30th. The department  
18 shall make available forms to be used for this purpose. As part of the  
19 application, a city, town, or county must provide to the department a  
20 copy of the ordinance creating the increment area as required in RCW  
21 39.89.050. The department shall rule on completed applications within  
22 sixty days of receipt. No new applications shall be considered by the  
23 department after the thirtieth day of September of the third year  
24 following the year in which the first application was received.

25 (2) The authority to impose the local option sales and use taxes  
26 under section 301 of this act is on a first-come basis. Priority for  
27 collecting the taxes authorized under section 301 of this act among  
28 approved applicants shall be based on the date that the approved  
29 application was received by the department. As a part of the approval  
30 of applications under this section, the department shall approve the  
31 amount of tax under section 301 of this act that an applicant may  
32 impose. The amount of tax approved by the department shall not exceed  
33 the lesser of one million dollars or the average amount of tax revenue  
34 that the applicant estimates that it will receive in all fiscal years  
35 through the imposition of a sales and use tax under section 301 of this  
36 act. A city, town, or county shall not receive, in any fiscal year,

1 more revenues from taxes imposed under section 301 of this act than the  
2 amount approved by the department. The department shall not approve  
3 the receipt of more credit against the state sales and use tax than is  
4 authorized under subsection (3) of this section.

5 (3) The amount of credit against the state sales and use tax is  
6 limited as follows:

7 (a) Except as provided in this subsection (3), no more than five  
8 million dollars of credit against the state sales and use tax may be  
9 received by all cities, towns, and counties imposing a tax under  
10 section 301 of this act.

11 (b) During the fiscal years beginning July 1, 2006, through June  
12 30, 2009, the total amount of credit against the state sales and use  
13 tax that may be received by all cities, towns, and counties imposing a  
14 tax under section 301 of this act shall be increased as follows:

15 (i) In the fiscal year beginning July 1, 2006, the limit in (a) of  
16 this subsection shall be increased by the same percentage as the  
17 percentage increase in the assessed value of all property within this  
18 state from calendar year 2003 through calendar year 2004, as determined  
19 by the department;

20 (ii) In the fiscal year beginning July 1, 2007, the limit in (a) of  
21 this subsection shall be increased by the same percentage as the  
22 percentage increase in the assessed value of all property within this  
23 state from calendar year 2003 through calendar year 2005, as determined  
24 by the department;

25 (iii) In the fiscal year beginning July 1, 2008, and for each  
26 subsequent fiscal year, the limit in (a) of this subsection shall be  
27 increased by the same percentage as the percentage increase in the  
28 assessed value of all property within this state from calendar year  
29 2003 through calendar year 2006, as determined by the department.

30 (4) The credit against the state sales and use tax shall be  
31 available to any city, town, or county imposing a tax under section 301  
32 of this act only as long as the city, town, or county has outstanding  
33 indebtedness under RCW 39.89.080.

34 (5) The department may adopt any rules under chapter 34.05 RCW it  
35 considers necessary for the administration of sections 202 through 303  
36 of this act.

**PART IV**  
**BOND AUTHORIZATION**

**Sec. 401.** RCW 39.89.080 and 2001 c 212 s 8 are each amended to read as follows:

(1) A local government designating an increment area and authorizing the use of community revitalization financing may incur general indebtedness, and issue general obligation bonds, to finance the public improvements and retire the indebtedness in whole or in part from tax allocation revenues it receives, subject to the following requirements:

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

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

(2) The general indebtedness incurred under subsection (1) of this section may be payable from other tax revenues, the full faith and credit of the local government, and nontax income, revenues, fees, and rents from the public improvements, as well as contributions, grants, and nontax money available to the local government for payment of costs of the public improvements or associated debt service on the general indebtedness.

(3) In addition to the requirements in subsection (1) of this section, a local government designating an increment area and authorizing the use of community revitalization financing may require the nonpublic participant to provide adequate security to protect the public investment in the public improvement within the increment area.

(4) Bonds issued under this section shall be authorized by ordinance of the local governing body and may be issued in one or more series and shall bear such date or dates, be payable upon demand or mature at such time or times, bear interest at such rate or rates, be in such denomination or denominations, be in such form either coupon or registered as provided in RCW 39.46.030, carry such conversion or registration privileges, have such rank or priority, be executed in such manner, be payable in such medium of payment, at such place or

1 places, and be subject to such terms of redemption with or without  
2 premium, be secured in such manner, and have such other  
3 characteristics, as may be provided by such ordinance or trust  
4 indenture or mortgage issued pursuant thereto.

5 (5) The local government may annually pay into a fund to be  
6 established for the benefit of bonds issued under this section a fixed  
7 proportion or a fixed amount of any tax allocation revenues derived  
8 from property or business activity within the increment area containing  
9 the public improvements funded by the bonds, such payment to continue  
10 until all bonds payable from the fund are paid in full. The local  
11 government may also annually pay into the fund established in this  
12 section a fixed proportion or a fixed amount of any revenues derived  
13 from taxes imposed under section 301 of this act, such payment to  
14 continue until all bonds payable from the fund are paid in full.  
15 Revenues derived from taxes imposed under section 301 of this act are  
16 subject to the use restriction in section 302 of this act.

17 (6) In case any of the public officials of the local government  
18 whose signatures appear on any bonds or any coupons issued under this  
19 chapter shall cease to be such officials before the delivery of such  
20 bonds, such signatures shall, nevertheless, be valid and sufficient for  
21 all purposes, the same as if such officials had remained in office  
22 until such delivery. Any provision of any law to the contrary  
23 notwithstanding, any bonds issued under this chapter are fully  
24 negotiable.

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

28 NEW SECTION. Sec. 402. A new section is added to chapter 39.89  
29 RCW to read as follows:

30 A local government that issues bonds under RCW 39.89.080 to finance  
31 public improvements may pledge for the payment of such bonds all or  
32 part of any tax allocation revenues derived from the public  
33 improvements. The local government may also pledge all or part of any  
34 revenues derived from taxes imposed under section 301 of this act and  
35 held in connection with the public improvements. All of such tax  
36 revenues are subject to the use restriction in section 302 of this act.

