
SUBSTITUTE SENATE BILL 5364

State of Washington 58th Legislature 2003 Regular Session

By Senate Committee on Economic Development (originally sponsored by Senators Zarelli, T. Sheldon, Regala, B. Sheldon, Winsley, McAuliffe, Hale and Rasmussen; by request of Governor Locke)

READ FIRST TIME 02/24/03.

1 AN ACT Relating to community revitalization financing; amending RCW
2 39.89.020, 39.89.030, 39.89.050, 39.89.060, 39.89.070, and 39.89.080;
3 adding new sections to chapter 39.89 RCW; adding new sections to
4 chapter 82.14 RCW; adding a new section to chapter 82.32 RCW; and
5 creating new sections.

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

7 **PART I**

8 **COMMUNITY REVITALIZATION FINANCING--GENERAL PROVISIONS**

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

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

3 The definitions in this section apply throughout this chapter
4 unless the context clearly requires otherwise.

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

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

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

11 (4) "Increment value" means seventy-five percent of any increase in
12 the assessed value of real property in an increment area that is placed
13 on the assessment rolls after the increment area is created. There is
14 no increment value if the assessed value of real property in an
15 increment area is less than or equal to the assessed value of real
16 property in the increment area for taxes levied in the year in which
17 the increment area was created for collection in the following year.

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

20 (~~(3)~~) (6) "Ordinance" means any appropriate method of taking
21 legislative action by a local government.

22 (~~(4)~~) (7) "Participating taxing authority" means a taxing
23 authority that has entered into a written agreement with a local
24 government for the use of community revitalization financing to finance
25 all or a portion of the costs of designated public improvements.

26 (8) "Participating taxing district" means a taxing district that
27 has entered into a written agreement with a local government for the
28 use of community revitalization financing to finance all or a portion
29 of the costs of designated public improvements.

30 (9) "Public improvements" means:

31 (a) Infrastructure improvements within the increment area that
32 include:

33 (i) Street and road construction and maintenance;

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

35 (iii) Sidewalks and streetlights;

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

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

38 (vi) Park facilities and recreational areas; and

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

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

3 (i) Providing environmental analysis, professional management,
4 planning, and promotion within the increment area, including the
5 management and promotion of retail trade activities in the increment
6 area;

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

9 (iii) Historic preservation activities authorized under RCW
10 35.21.395.

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

32 (~~(6)~~) (11) "Regular property taxes" means regular property taxes
33 as defined in RCW 84.04.140, except: (a) Regular property taxes levied
34 by port districts or public utility districts specifically for the
35 purpose of making required payments of principal and interest on
36 general indebtedness; (~~and~~) (b) regular property taxes levied by the
37 state for the support of the common schools under RCW 84.52.065; and
38 (c) regular property taxes levied under the authority of RCW 84.55.050

1 that are limited to a specific purpose as provided in RCW
2 84.55.050(3)(b). Regular property taxes do not include excess property
3 tax levies that are exempt from the aggregate limits for junior and
4 senior taxing districts as provided in RCW 84.52.043.

5 ~~((7))~~ (12) "Tax allocation base value" means the ~~((true and~~
6 ~~fair))~~ assessed value of real property located within an increment area
7 for taxes ~~((imposed))~~ levied in the year in which the increment area is
8 created for collection in the following year, plus twenty-five percent
9 of any increase in the ~~((true and fair))~~ assessed value of real
10 property located within an increment area that is placed on the
11 assessment rolls after the increment area is created.

12 ~~((8))~~ (13) "Tax allocation revenues" means those tax revenues
13 derived from the ~~((imposition of))~~ receipt of excess excise taxes under
14 section 202 of this act and from regular property taxes levied on the
15 increment value and distributed to finance public improvements.

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

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

22 ~~((11))~~ (14) "Taxing authority" means a governmental entity that
23 imposes a sales or use tax under chapter 82.14 RCW upon the occurrence
24 of any taxable event within a proposed or approved increment area.

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

28 ~~((12))~~ (16) "Value of taxable property" means the value of the
29 taxable property as defined in RCW 39.36.015.

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

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

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

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

5 (3) The local government has entered or expects to enter into a
6 contract with a private developer relating to the development of
7 private improvements within the increment area or has received a letter
8 of intent from a private developer relating to the developer's plans
9 for the development of private improvements within the increment area;

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

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

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

30 (6) The governing body of the local government must make a finding
31 that community revitalization financing will not be used for the
32 purpose of relocating a business from outside the increment area and
33 within this state, into the increment area; and

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

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

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

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

9 ~~((1))~~ (a) Obtain written agreement for the use of community
10 revitalization financing to finance all or a portion of the costs of
11 the designated public improvements from any taxing district ~~((s that, in~~
12 ~~the aggregate, levy at least seventy five percent of the regular~~
13 ~~property tax on property within the increment area. A signed, written~~
14 ~~agreement from taxing districts that in the aggregate levy at least~~
15 ~~seventy five percent of the regular property tax within the increment~~
16 ~~area, constitutes concurrence by all taxing districts in the increment~~
17 ~~area in the public improvement and participation in the public~~
18 ~~improvement))~~ that levies regular property taxes on real property
19 within the increment area, or from any taxing authority that imposes a
20 sales or use tax under chapter 82.14 RCW within the increment area if
21 the taxing district or taxing authority chooses to participate in the
22 public improvements to the extent of providing limited funding under
23 community revitalization financing authorized under this chapter. The
24 agreement must be authorized by the governing body of such
25 participating taxing districts ~~((that in the aggregate levy at least~~
26 ~~seventy five percent of the regular property tax on property within the~~
27 ~~increment area))~~ and taxing authorities; and

28 ~~((2))~~ (b) Hold a public hearing on the proposed financing of the
29 public improvement in whole or in part with community revitalization
30 financing. Notice of the public hearing must be published in a legal
31 newspaper of general circulation within the proposed increment area at
32 least ten days before the public hearing and posted in at least six
33 conspicuous public places located in the proposed increment area.
34 Notices must describe the contemplated public improvements, estimate
35 the costs of the public improvements, describe the portion of the costs
36 of the public improvements to be borne by community revitalization
37 financing, describe any other sources of revenue to finance the public

1 improvements, describe the boundaries of the proposed increment area,
2 and estimate the period during which community revitalization financing
3 is contemplated to be used. The public hearing may be held by either
4 the governing body of the local government, or a committee of the
5 governing body that includes at least a majority of the whole governing
6 body(~~(+and)~~).

7 ~~((+3))~~ (2) In order to create an increment area, a local
8 government must adopt an ordinance establishing the increment area
9 that:

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

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

12 (c) Estimates the cost of the public improvements and the portion
13 of these costs to be financed by community revitalization
14 financing((τ)):

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

20 (e) Estimates the highest amount of tax revenue to be received in
21 any one fiscal year through the imposition of a sales and use tax under
22 section 301 of this act;

23 (f) Provides the date when the apportionment of the regular
24 property taxes and, if applicable, the use of excess excise taxes will
25 commence((τ)): and

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

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

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

31 The local government shall:

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

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

5 **PART II**

6 **COMMUNITY REVITALIZATION FINANCING**

7 **USE OF TAX ALLOCATION REVENUES TO PAY THE COSTS OF PUBLIC IMPROVEMENTS**

8 **Sec. 201.** RCW 39.89.070 and 2001 c 212 s 7 are each amended to
9 read as follows:

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

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

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

1 transfer this additional portion of the property taxes to its
2 designated agent. The portion of the tax receipts distributed to the
3 local government or its agent under this subsection (1)(b) may only be
4 expended to finance public improvement costs associated with the public
5 improvements financed in whole or in part by community revitalization
6 financing.

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

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

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

29 (1) A local government that creates an increment area may use
30 annually any excess excise taxes received by it from taxable activity
31 within the increment area to finance public improvement costs
32 associated with the public improvements financed in whole or in part by
33 community revitalization financing. The use of excess excise taxes
34 must cease when tax allocation revenues are no longer necessary or
35 obligated to pay the costs of the public improvements. Any
36 participating taxing authority is authorized to allocate excess excise
37 taxes to the local government. The legislature declares that it is a

1 proper purpose of a local government or participating taxing authority
2 to allocate excess excise taxes for purposes of financing public
3 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,
38 "excess excise taxes" means the entire amount of excise taxes received

1 by the local government during a calendar year period beginning with
2 the calendar year immediately following the creation of the increment
3 area and continuing with each measurement year thereafter.

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

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

12 **PART III**

13 **COMMUNITY REVITALIZATION FINANCING--STATE CONTRIBUTION**

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

16 (1) A city, town, or county that creates an increment area and
17 finances public improvements pursuant to chapter 39.89 RCW may impose
18 a sales and use tax in accordance with the terms of this chapter and
19 subject to the criteria set forth in this section. Except as provided
20 in this section, the tax is in addition to other taxes authorized by
21 law and shall be collected from those persons who are taxable by the
22 state under chapters 82.08 and 82.12 RCW upon the occurrence of any
23 taxable event within the taxing jurisdiction of the city, town, or
24 county. The rate of tax shall not exceed the rate provided in RCW
25 82.08.020(1) in the case of a sales tax or the rate provided in RCW
26 82.12.020(4) in the case of a use tax, less the aggregate rates of any
27 other taxes imposed on the same events that are credited against the
28 state taxes imposed under chapters 82.08 and 82.12 RCW.

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

34 (3) No tax may be imposed under this section before January 1,
35 2005. Before imposing a tax under this section, the city, town, or
36 county shall first have received tax allocation revenues derived from

1 either regular property taxes or excess excise taxes, or both, during
2 the preceding calendar year. The tax imposed under this section shall
3 expire when the bonds issued under the authority of chapter 39.89 RCW
4 are retired, but not more than twenty-five years after the tax is first
5 imposed.

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

8 (a) The tax shall first be imposed on the first day of a calendar
9 year.

10 (b) The amount of tax received by the local government in any
11 calendar year shall not exceed the amount of the state contribution;

12 (c) The tax shall cease to be imposed for the remainder of any
13 calendar year in which either:

14 (i) The amount of tax receipts totals the amount of the state
15 contribution;

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

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

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

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

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

33 (a) If the county has created an increment area before the city or
34 town, the tax imposed by the county shall be credited against the tax
35 imposed by the city or town, the purpose of such credit is to give
36 priority to the county tax; and

37 (b) If the city or town has created an increment area before the

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

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

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

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

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

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

34 (d) "Increment area" has the same meaning as in RCW 39.89.020.

35 (e) "Measurement year" means a calendar year, beginning with the
36 calendar year following the base year and each calendar year
37 thereafter, that is used annually to measure the amount of excess

1 excise taxes required to be used to finance public improvement costs
2 associated with public improvements financed in whole or in part by
3 community revitalization financing.

4 (f) "State contribution" means the lesser of one million dollars or
5 an amount equal to:

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

8 (ii) Excess state excise taxes received by the state during the
9 preceding calendar year.

10 (g) "State property tax allocation revenues" means those tax
11 revenues derived from the imposition of property taxes levied by the
12 state for the support of common schools under RCW 84.52.065 on the
13 increment value as defined in RCW 39.89.020.

14 (h) "Tax allocation revenues" has the same meaning as in RCW
15 39.89.020.

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

18 (1) Moneys collected from the taxes imposed under section 301 of
19 this act shall be used only for the purpose of principal and interest
20 payments on bonds issued under the authority of RCW 39.89.080 and must
21 be matched with an amount from local public sources dedicated through
22 December 20th of the previous calendar year to finance public
23 improvements authorized under chapter 39.89 RCW. Such local public
24 sources include but are not limited to private monetary contributions
25 and tax allocation revenues. Local public sources are dedicated to
26 finance public improvements if they are actually expended to pay public
27 improvement costs or are required by law or an agreement to be used
28 exclusively to pay public improvement costs.

29 (2) A local government shall inform the department by the twentieth
30 day of December of the amount of:

31 (a) Local public sources dedicated in the current calendar year to
32 finance public improvements authorized under chapter 39.89 RCW; and

33 (b) Tax allocation revenues derived in the current calendar year
34 from the imposition of regular property taxes on the increment value
35 and distributed to finance public improvements. Upon request of a
36 local government, the county assessor shall assist the local government

1 in determining the amount of tax allocation revenues derived in the
2 current calendar year and distributed to finance public improvements.

3 (3) If a local government fails to comply with subsection (2) of
4 this section, no tax may be imposed under section 301 of this act in
5 the following calendar year.

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

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

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

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

20 (d) The average wages and benefits received by all employees of
21 businesses locating within the increment area as a result of the public
22 improvements undertaken by the local government and financed in whole
23 or in part with community revitalization financing.

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

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

32 (a) "Public improvement costs" has the same meaning as in RCW
33 39.89.020.

34 (b) "Tax allocation revenues" has the same meaning as in RCW
35 39.89.020.

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

1 (1) As a condition to imposing a sales and use tax under section
2 301 of this act, a city, town, or county must apply to the department
3 at least seventy-five days before the effective date of any such tax.
4 The application shall be in a form and manner prescribed by the
5 department and shall include but is not limited to information
6 establishing that the applicant is eligible to impose such a tax, the
7 anticipated effective date for imposing the tax, the estimated number
8 of years that the tax will be imposed, and the estimated amount of tax
9 revenue to be received in each fiscal year that the tax will be
10 imposed. For purposes of this section, "fiscal year" means the year
11 beginning July 1st and ending the following June 30th. The department
12 shall make available forms to be used for this purpose. As part of the
13 application, a city, town, or county must provide to the department a
14 copy of the ordinance creating the increment area as required in RCW
15 39.89.050. The department shall rule on completed applications within
16 sixty days of receipt. No new applications shall be considered by the
17 department after the thirtieth day of September of the third year
18 following the year in which the first application was received.

19 (2) The authority to impose the local option sales and use taxes
20 under section 301 of this act is on a first-come basis. Priority for
21 collecting the taxes authorized under section 301 of this act among
22 approved applicants shall be based on the date that the approved
23 application was received by the department. As a part of the approval
24 of applications under this section, the department shall approve the
25 amount of tax under section 301 of this act that an applicant may
26 impose. The amount of tax approved by the department shall not exceed
27 the lesser of one million dollars or the highest amount of tax revenue
28 that the applicant estimates that it will receive in any one fiscal
29 year through the imposition of a sales and use tax under section 301 of
30 this act. A city, town, or county shall not receive, in any fiscal
31 year, more revenues from taxes imposed under section 301 of this act
32 than the amount approved by the department. The department shall not
33 approve the receipt of more credit against the state sales and use tax
34 than is authorized under subsection (3) of this section.

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

37 (a) Except as provided in this subsection (3), no more than five

1 million dollars of credit against the state sales and use tax may be
2 received by all cities, towns, and counties imposing a tax under
3 section 301 of this act.

4 (b) During the fiscal years beginning July 1, 2005, through June
5 30, 2008, the total amount of credit against the state sales and use
6 tax that may be received by all cities, towns, and counties imposing a
7 tax under section 301 of this act shall be increased as follows:

8 (i) In the fiscal year beginning July 1, 2005, the limit in (a) of
9 this subsection shall be increased by the same percentage as the
10 percentage increase in the assessed value of all property within this
11 state from calendar year 2002 through calendar year 2003, as determined
12 by the department;

13 (ii) In the fiscal year beginning July 1, 2006, the limit in (a) of
14 this subsection shall be increased by the same percentage as the
15 percentage increase in the assessed value of all property within this
16 state from calendar year 2002 through calendar year 2004, as determined
17 by the department;

18 (iii) In the fiscal year beginning July 1, 2007, the limit in (a)
19 of this subsection shall be increased by the same percentage as the
20 percentage increase in the assessed value of all property within this
21 state from calendar year 2002 through calendar year 2005, as determined
22 by the department.

23 (c) The increases provided for in (b) of this subsection
24 notwithstanding, the total credit allowed under section 301 of this act
25 from July 1, 2004, through June 30, 2008, shall not exceed five million
26 seven hundred fifty thousand dollars.

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

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

34 **PART IV**
35 **BOND AUTHORIZATION**

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

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

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

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

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

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

27 (4) Bonds issued under this section shall be authorized by
28 ordinance of the local governing body and may be issued in one or more
29 series and shall bear such date or dates, be payable upon demand or
30 mature at such time or times, bear interest at such rate or rates, be
31 in such denomination or denominations, be in such form either coupon or
32 registered as provided in RCW 39.46.030, carry such conversion or
33 registration privileges, have such rank or priority, be executed in
34 such manner, be payable in such medium of payment, at such place or
35 places, and be subject to such terms of redemption with or without
36 premium, be secured in such manner, and have such other
37 characteristics, as may be provided by such ordinance or trust
38 indenture or mortgage issued pursuant thereto.

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

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

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

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

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

33 NEW SECTION. Sec. 403. A new section is added to chapter 39.89
34 RCW to read as follows:

35 The bonds issued by a local government under RCW 39.89.080 to

1 finance public improvements shall not constitute an obligation of the
2 state of Washington, either general or special.

3 **PART V**
4 **MISCELLANEOUS**

5 NEW SECTION. **Sec. 501.** If any provision of this act or its
6 application to any person or circumstance is held invalid, the
7 remainder of the act or the application of the provision to other
8 persons or circumstances is not affected.

9 NEW SECTION. **Sec. 502.** Part headings used in this act do not
10 constitute any part of the law.

11 NEW SECTION. **Sec. 503.** Nothing in this act shall be construed to
12 give port districts the authority to impose a sales or use tax under
13 chapter 82.14 RCW.

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