
SECOND SUBSTITUTE SENATE BILL 5364

State of Washington

58th Legislature

2003 Regular Session

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

READ FIRST TIME 04/7/03.

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 all taxing districts
27 within an increment area where a local government has obtained written
28 agreement for the use of community revitalization financing to finance
29 all or a portion of the costs of designated public improvements as
30 provided in RCW 39.89.030(8). However, a fire protection district is
31 not a participating taxing district unless it has entered into a
32 signed, written agreement with a local government to provide limited
33 funding under community revitalization financing as provided in RCW
34 39.89.030(8)(a).

35 (9) "Public improvements" means:

36 (a) Infrastructure improvements within the increment area that
37 include:

38 (i) Street and road construction and maintenance;

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

2 (iii) Sidewalks and streetlights;

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

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

5 (vi) Park facilities and recreational areas; and

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

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

8 (i) Providing environmental analysis, professional management,
9 planning, and promotion within the increment area, including the
10 management and promotion of retail trade activities in the increment
11 area;

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

14 (iii) Historic preservation activities authorized under RCW
15 35.21.395.

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

37 (~~(+6)~~) (11) "Regular property taxes" means regular property taxes
38 as defined in RCW 84.04.140, except: (a) Regular property taxes levied

1 by port districts or public utility districts specifically for the
2 purpose of making required payments of principal and interest on
3 general indebtedness; ~~((and))~~ (b) regular property taxes levied by the
4 state for the support of the common schools under RCW 84.52.065; and
5 (c) regular property taxes levied under the authority of RCW 84.55.050
6 that are limited to a specific purpose as provided in RCW
7 84.55.050(3)(b). Regular property taxes do not include excess property
8 tax levies that are exempt from the aggregate limits for junior and
9 senior taxing districts as provided in RCW 84.52.043.

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

17 ~~((8))~~ (13) "Tax allocation revenues" means those tax revenues
18 derived from the ~~((imposition of))~~ receipt of excess excise taxes under
19 section 202 of this act and from regular property taxes levied on the
20 increment value and distributed to finance public improvements.

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

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

27 ~~((11))~~ (14) "Taxing authority" means a governmental entity that
28 imposes a sales or use tax under chapter 82.14 RCW upon the occurrence
29 of any taxable event within a proposed or approved increment area.

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

33 ~~((12))~~ (16) "Value of taxable property" means the value of the
34 taxable property as defined in RCW 39.36.015.

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

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

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

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

11 (3) The local government has entered or expects to enter into a
12 contract with a private developer relating to the development of
13 private improvements within the increment area or has received a letter
14 of intent from a private developer relating to the developer's plans
15 for the development of private improvements within the increment area;

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

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

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

36 (6) The governing body of the local government must make a finding
37 that community revitalization financing will not be used for the

1 purpose of relocating a business from outside the increment area and
2 within this state, into the increment area;

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

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

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

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

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

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

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

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

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

5 ~~((1))~~ (a) Obtain written agreement for the use of community
6 revitalization financing to finance all or a portion of the costs of
7 the designated public improvements from taxing districts ~~((that, in the~~
8 ~~aggregate, levy at least seventy five percent of the regular property~~
9 ~~tax on property within the increment area. A signed, written agreement~~
10 ~~from taxing districts that in the aggregate levy at least seventy five~~
11 ~~percent of the regular property tax within the increment area,~~
12 ~~constitutes concurrence by all taxing districts in the increment area~~
13 ~~in the public improvement and participation in the public improvement~~
14 ~~to the extent of providing limited funding under community~~
15 ~~revitalization financing authorized under this chapter. The agreement~~
16 ~~must be authorized by the governing body of taxing districts that in~~
17 ~~the aggregate levy at least seventy five percent of the regular~~
18 ~~property tax on property within the increment area))~~ as provided in RCW
19 39.89.030(8); and

20 ~~((2))~~ (b) Hold a public hearing on the proposed financing of the
21 public improvement in whole or in part with community revitalization
22 financing. Notice of the public hearing must be published in a legal
23 newspaper of general circulation within the proposed increment area at
24 least ten days before the public hearing and posted in at least six
25 conspicuous public places located in the proposed increment area.
26 Notices must describe the contemplated public improvements, estimate
27 the costs of the public improvements, describe the portion of the costs
28 of the public improvements to be borne by community revitalization
29 financing, describe any other sources of revenue to finance the public
30 improvements, describe the boundaries of the proposed increment area,
31 and estimate the period during which community revitalization financing
32 is contemplated to be used. The public hearing may be held by either
33 the governing body of the local government, or a committee of the
34 governing body that includes at least a majority of the whole governing
35 body ~~((; and))~~.

36 ~~((3))~~ (2) In order to create an increment area, a local
37 government must adopt an ordinance establishing the increment area
38 that:

- 1 (a) Describes the public improvements((τ))i
2 (b) Describes the boundaries of the increment area((τ))i
3 (c) Estimates the cost of the public improvements and the portion
4 of these costs to be financed by community revitalization
5 financing((τ))i
6 (d) Estimates the time during which regular property taxes are to
7 be apportioned((τ)) and, if applicable, excess excise taxes are to be
8 used to finance public improvement costs associated with the public
9 improvements financed in whole or in part by community revitalization
10 financing;
11 (e) Estimates the highest amount of tax revenue to be received in
12 any one fiscal year through the imposition of a sales and use tax under
13 section 301 of this act;
14 (f) Provides the date when the apportionment of the regular
15 property taxes and, if applicable, the use of excess excise taxes will
16 commence((τ))i and
17 (g) Finds that the conditions of RCW 39.89.030 are met.
18 (3) For purposes of this section, "fiscal year" means the year
19 beginning July 1st and ending the following June 30th.

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

22 The local government shall:

23 (1) Publish notice in a legal newspaper of general circulation
24 within the increment area that describes the public improvement,
25 describes the boundaries of the increment area, and identifies the
26 location and times where the ordinance and other public information
27 concerning the public improvement may be inspected; and

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

32 **PART II**
33 **COMMUNITY REVITALIZATION FINANCING**
34 **USE OF TAX ALLOCATION REVENUES TO PAY THE COSTS OF PUBLIC IMPROVEMENTS**

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

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

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

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

36 (2) The county assessor shall allocate twenty-five percent of any
37 increased real property value occurring in the increment area to the
38 tax allocation base value and seventy-five percent to the increment

1 value. This section does not authorize revaluations of real property
2 by the assessor for property taxation that are not made in accordance
3 with the assessor's revaluation plan under chapter 84.41 RCW or under
4 other authorized revaluation procedures.

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

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

20 (1) A local government that creates an increment area may use
21 annually any excess excise taxes received by it from taxable activity
22 within the increment area to finance public improvement costs
23 associated with the public improvements financed in whole or in part by
24 community revitalization financing. The use of excess excise taxes
25 must cease when tax allocation revenues are no longer necessary or
26 obligated to pay the costs of the public improvements. Any
27 participating taxing authority is authorized to allocate excess excise
28 taxes to the local government. The legislature declares that it is a
29 proper purpose of a local government or participating taxing authority
30 to allocate excess excise taxes for purposes of financing public
31 improvements under this chapter.

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

36 (3) A local government consisting of a port district and any city,

1 town, or county may use excess excise taxes as provided in this section
2 only if:

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

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

7 (4) A local government shall provide the department accurate
8 information describing the geographical boundaries of the increment
9 area at least seventy-five days before the effective date of the
10 ordinance creating the increment area. The local government shall
11 ensure that the boundary information provided to the department is kept
12 current.

13 (5) The department shall provide each local government that has
14 provided boundary information to the department as provided in this
15 section with the necessary information to calculate excess excise
16 taxes.

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

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

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

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

36 (d) "Measurement year" means a calendar year, beginning with the
37 calendar year following the base year and each calendar year
38 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 **PART III**

5 **COMMUNITY REVITALIZATION FINANCING--STATE CONTRIBUTION**

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

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

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

26 (3) No tax may be imposed under this section before January 1,
27 2006. Before imposing a tax under this section, the city, town, or
28 county shall first have received tax allocation revenues derived from
29 either regular property taxes or excess excise taxes, or both, during
30 the preceding calendar year. The tax imposed under this section shall
31 expire when the bonds issued under the authority of chapter 39.89 RCW
32 are retired, but not more than twenty-five years after the tax is first
33 imposed.

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

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

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

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

7 (i) The amount of tax receipts totals the amount of the state
8 contribution;

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

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

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

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

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

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

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

34 (6) The department shall determine the amount of tax receipts
35 attributable to each city, town, and county imposing a sales and use
36 tax under this section and shall advise a city, town, or county when it
37 must cease imposing the tax for the remainder of the calendar year as
38 provided in subsection (4)(c) of this section. Determinations by the

1 department of the amount of taxes attributable to a city, town, or
2 county are final and shall not be used to challenge the validity of any
3 tax imposed under this section. The department shall remit any tax
4 receipts in excess of the amounts specified in subsection (4)(a), (b),
5 and (c) of this section to the state treasurer who shall deposit the
6 moneys in the general fund.

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

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

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

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

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

27 (e) "Measurement year" means a calendar year, beginning with the
28 calendar year following the base year and each calendar year
29 thereafter, that is used annually to measure the amount of excess
30 excise taxes required to be used to finance public improvement costs
31 associated with public improvements financed in whole or in part by
32 community revitalization financing.

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

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

37 (ii) Excess state excise taxes received by the state during the
38 preceding calendar year.

1 (g) "State property tax allocation revenues" means those tax
2 revenues derived from the imposition of property taxes levied by the
3 state on the increment value as defined in RCW 39.89.020.

4 (h) "Tax allocation revenues" has the same meaning as in RCW
5 39.89.020.

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

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

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

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

23 (b) Tax allocation revenues derived in the current calendar year
24 from the imposition of regular property taxes on the increment value
25 and distributed to finance public improvements. Upon request of a
26 local government, the county assessor shall assist the local government
27 in determining the amount of tax allocation revenues derived in the
28 current calendar year and distributed to finance public improvements.

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

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

35 (a) The amount of tax allocation revenues, taxes under section 301
36 of this act, and local public sources received by the local government

1 during the preceding calendar year, and a summary of how these revenues
2 were expended;

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

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

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

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

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

22 (a) "Public improvement costs" has the same meaning as in RCW
23 39.89.020.

24 (b) "Tax allocation revenues" has the same meaning as in RCW
25 39.89.020.

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

28 (1) As a condition to imposing a sales and use tax under section
29 301 of this act, a city, town, or county must apply to the department
30 at least seventy-five days before the effective date of any such tax.
31 The application shall be in a form and manner prescribed by the
32 department and shall include but is not limited to information
33 establishing that the applicant is eligible to impose such a tax, the
34 anticipated effective date for imposing the tax, the estimated number
35 of years that the tax will be imposed, and the estimated amount of tax
36 revenue to be received in each fiscal year that the tax will be
37 imposed. For purposes of this section, "fiscal year" means the year

1 beginning July 1st and ending the following June 30th. The department
2 shall make available forms to be used for this purpose. As part of the
3 application, a city, town, or county must provide to the department a
4 copy of the ordinance creating the increment area as required in RCW
5 39.89.050. The department shall rule on completed applications within
6 sixty days of receipt. No new applications shall be considered by the
7 department after the thirtieth day of September of the third year
8 following the year in which the first application was received.

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

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

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

31 (b) During the fiscal years beginning July 1, 2006, through June
32 30, 2009, the total amount of credit against the state sales and use
33 tax that may be received by all cities, towns, and counties imposing a
34 tax under section 301 of this act shall be increased as follows:

35 (i) In the fiscal year beginning July 1, 2006, the limit in (a) of
36 this subsection shall be increased by the same percentage as the
37 percentage increase in the assessed value of all property within this

1 state from calendar year 2003 through calendar year 2004, as determined
2 by the department;

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

8 (iii) In the fiscal year beginning July 1, 2008, and for each
9 subsequent fiscal year, the limit in (a) of this subsection shall be
10 increased by the same percentage as the percentage increase in the
11 assessed value of all property within this state from calendar year
12 2003 through calendar year 2006, as determined by the department.

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

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

20 **PART IV**
21 **BOND AUTHORIZATION**

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

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

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

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

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

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

13 (4) Bonds issued under this section shall be authorized by
14 ordinance of the local governing body and may be issued in one or more
15 series and shall bear such date or dates, be payable upon demand or
16 mature at such time or times, bear interest at such rate or rates, be
17 in such denomination or denominations, be in such form either coupon or
18 registered as provided in RCW 39.46.030, carry such conversion or
19 registration privileges, have such rank or priority, be executed in
20 such manner, be payable in such medium of payment, at such place or
21 places, and be subject to such terms of redemption with or without
22 premium, be secured in such manner, and have such other
23 characteristics, as may be provided by such ordinance or trust
24 indenture or mortgage issued pursuant thereto.

25 (5) The local government may annually pay into a fund to be
26 established for the benefit of bonds issued under this section a fixed
27 proportion or a fixed amount of any tax allocation revenues derived
28 from property or business activity within the increment area containing
29 the public improvements funded by the bonds, such payment to continue
30 until all bonds payable from the fund are paid in full. The local
31 government may also annually pay into the fund established in this
32 section a fixed proportion or a fixed amount of any revenues derived
33 from taxes imposed under section 301 of this act, such payment to
34 continue until all bonds payable from the fund are paid in full.
35 Revenues derived from taxes imposed under section 301 of this act are
36 subject to the use restriction in section 302 of this act.

37 (6) In case any of the public officials of the local government
38 whose signatures appear on any bonds or any coupons issued under this

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

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

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

12 A local government that issues bonds under RCW 39.89.080 to finance
13 public improvements may pledge for the payment of such bonds all or
14 part of any tax allocation revenues derived from the public
15 improvements. The local government may also pledge all or part of any
16 revenues derived from taxes imposed under section 301 of this act and
17 held in connection with the public improvements. All of such tax
18 revenues are subject to the use restriction in section 302 of this act.

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

21 The bonds issued by a local government under RCW 39.89.080 to
22 finance public improvements shall not constitute an obligation of the
23 state of Washington, either general or special.

24 **PART V**
25 **MISCELLANEOUS**

26 NEW SECTION. Sec. 501. If any provision of this act or its
27 application to any person or circumstance is held invalid, the
28 remainder of the act or the application of the provision to other
29 persons or circumstances is not affected.

30 NEW SECTION. Sec. 502. Part headings used in this act do not
31 constitute any part of the law.

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

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