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**SENATE BILL 5364**

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**State of Washington**

**58th Legislature**

**2003 Regular Session**

**By** Senators Zarelli, T. Sheldon, Regala, B. Sheldon, Winsley, McAuliffe, Hale and Rasmussen; by request of Governor Locke

Read first time 01/23/2003. Referred to Committee on Economic Development.

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 district" means a taxing district  
23 that has entered into a written agreement with a local government for  
24 the use of community revitalization financing to finance all or a  
25 portion of the costs of designated public improvements.

26       (8) "Public improvements" means:

27       (a) Infrastructure improvements within the increment area that  
28 include:

29       (i) Street and road construction and maintenance;

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

31       (iii) Sidewalks and streetlights;

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

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

34       (vi) Park facilities and recreational areas; and

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

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

37       (i) Providing environmental analysis, professional management,

1 planning, and promotion within the increment area, including the  
2 management and promotion of retail trade activities in the increment  
3 area;

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

6 (iii) Historic preservation activities authorized under RCW  
7 35.21.395.

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

29 ~~((+6))~~ (10) "Regular property taxes" means regular property taxes  
30 as defined in RCW 84.04.140, except: (a) Regular property taxes levied  
31 by port districts or public utility districts specifically for the  
32 purpose of making required payments of principal and interest on  
33 general indebtedness; and (b) regular property taxes levied by the  
34 state for the support of the common schools under RCW 84.52.065.  
35 Regular property taxes do not include excess property tax levies that  
36 are exempt from the aggregate limits for junior and senior taxing  
37 districts as provided in RCW 84.52.043.

1       ~~((7))~~ (11) "Tax allocation base value" means the ~~((true and~~  
2 ~~fair))~~ assessed value of real property located within an increment area  
3 for taxes ~~((imposed))~~ levied in the year in which the increment area is  
4 created for collection in the following year, plus twenty-five percent  
5 of any increase in the ~~((true and fair))~~ assessed value of real  
6 property located within an increment area that is placed on the  
7 assessment rolls after the increment area is created.

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

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

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

18       ~~((11))~~ (13) "Taxing authority" means a governmental entity that  
19 imposes a sales or use tax under chapter 82.14 RCW upon the occurrence  
20 of any taxable event within a proposed or approved increment area.

21       (14) "Taxing district~~((s))~~" means a governmental entity that levies  
22 or has levied for it regular property taxes upon real property located  
23 within a proposed or approved increment area.

24       ~~((12))~~ (15) "Value of taxable property" means the value of the  
25 taxable property as defined in RCW 39.36.015.

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

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

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

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

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

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

10 ~~(5) In an increment area that includes any portion of a fire  
11 protection district as defined in Title 52 RCW, the fire protection  
12 district must agree to participate in the community revitalization  
13 financing of the project under chapter 212, Laws of 2001, for the  
14 project to proceed. Approval by the fire protection district shall be  
15 considered as part of the required participation by taxing districts  
16 under subsection (4) of this section)) The governing body of the local  
17 government finds that the public improvements proposed to be financed  
18 in whole or in part using community revitalization financing are  
19 reasonably likely to:~~

- 20 (a) Increase private investment within the increment area;  
21 (b) Increase employment within the increment area; and  
22 (c) Generate, over the period of time that the local sales and use  
23 tax will be imposed under section 301 of this act, state and local  
24 property, sales, and use tax revenues that are equal to or greater than  
25 the respective state and local contributions made under this chapter.

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

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

30 ~~((1))~~ (a) Obtain written agreement for the use of community  
31 revitalization financing to finance all or a portion of the costs of  
32 the designated public improvements from any taxing district~~((s that, in  
33 the aggregate, levy at least seventy five percent of the regular  
34 property tax on property within the increment area. A signed, written  
35 agreement from taxing districts that in the aggregate levy at least  
36 seventy five percent of the regular property tax within the increment  
37 area, constitutes concurrence by all taxing districts in the increment~~

1 ~~area in the public improvement and participation in the public~~  
2 ~~improvement)) that levies regular property taxes on real property~~  
3 ~~within the increment area, or from any taxing authority that imposes a~~  
4 ~~sales or use tax under chapter 82.14 RCW within the increment area if~~  
5 ~~the taxing district or taxing authority chooses to participate in the~~  
6 ~~public improvements to the extent of providing limited funding under~~  
7 ~~community revitalization financing authorized under this chapter. The~~  
8 ~~agreement must be authorized by the governing body of such~~  
9 ~~participating taxing districts ((that in the aggregate levy at least~~  
10 ~~seventy five percent of the regular property tax on property within the~~  
11 ~~increment area)) and taxing authorities; and~~

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

28 ((+3)) (2) In order to create an increment area, a local  
29 government must adopt an ordinance establishing the increment area that  
30 describes the public improvements, describes the boundaries of the  
31 increment area, estimates the cost of the public improvements and the  
32 portion of these costs to be financed by community revitalization  
33 financing, estimates the time during which regular property taxes are  
34 to be apportioned or excess excise taxes are to be used to finance  
35 public improvement costs associated with the public improvements  
36 financed in whole or in part by community revitalization financing,  
37 provides the date when the apportionment of the regular property taxes

1 and the use of excess excise taxes will commence, and finds that the  
2 conditions of RCW 39.89.030 are met.

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

5 The local government shall:

6 (1) Publish notice in a legal newspaper of general circulation  
7 within the increment area that describes the public improvement,  
8 describes the boundaries of the increment area, and identifies the  
9 location and times where the ordinance and other public information  
10 concerning the public improvement may be inspected; and

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

15 **PART II**

16 **COMMUNITY REVITALIZATION FINANCING**

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

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

20 (1) Commencing in the second calendar year following the  
21 (~~passage~~) effective date of the ordinance creating an increment area  
22 and authorizing the use of community revitalization financing, the  
23 county treasurer shall distribute receipts from regular taxes imposed  
24 on real property located in the increment area as follows:

25 (a) Each participating taxing district and the local government  
26 that created the increment area shall receive that portion of its  
27 regular property taxes produced by the rate of tax levied by or for the  
28 taxing district on the tax allocation base value for that community  
29 revitalization financing project in the taxing district, or upon the  
30 total assessed value of real property in the taxing district, whichever  
31 is smaller; and

32 (b) The local government that created the increment area shall  
33 receive an additional portion of the regular property taxes levied by  
34 it and by or for each participating taxing district upon the increment  
35 value within the increment area. However, if there is no increment

1 value, the local government shall not receive any additional regular  
2 property taxes under this subsection (1)(b). The local government that  
3 created the increment area may agree to receive less than the full  
4 amount of ~~((this))~~ the additional portion of regular property taxes  
5 under this subsection (1)(b) as long as bond debt service, reserve, and  
6 other bond covenant requirements are satisfied, in which case the  
7 balance of these tax receipts shall be allocated to the participating  
8 taxing districts that imposed regular property taxes, or have regular  
9 property taxes imposed for them, in the increment area for collection  
10 that year in proportion to their regular tax levy rates for collection  
11 that year. The local government may request that the treasurer  
12 transfer this additional portion of the property taxes to its  
13 designated agent. The portion of the tax receipts distributed to the  
14 local government or its agent under this subsection (1)(b) may only be  
15 expended to finance public improvement costs associated with the public  
16 improvements financed in whole or in part by community revitalization  
17 financing.

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

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



1        NEW SECTION.    **Sec. 202.**    A new section is added to chapter 39.89  
2    RCW to read as follows:

3        (1) A local government that creates an increment area may use  
4    annually any excess excise taxes received by it from taxable activity  
5    within the increment area to finance public improvement costs  
6    associated with the public improvements financed in whole or in part by  
7    community revitalization financing. The use of excess excise taxes  
8    must cease when tax allocation revenues are no longer necessary or  
9    obligated to pay the costs of the public improvements. Any other  
10    taxing authority that receives excise tax from taxable activity in the  
11    increment area is authorized to allocate excess excise taxes to the  
12    local government. The legislature declares that it is a proper purpose  
13    of a local government or other taxing authority to allocate excess  
14    excise taxes for purposes of financing public improvements under this  
15    chapter.

16        (2) A local government consisting solely of a port district may use  
17    excess excise taxes as provided in this section only to the extent that  
18    any other taxing authority that receives excise tax from taxable  
19    activity in the increment area allocates excess excise taxes to the  
20    local government.

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

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

26        (b) Any other taxing authority that receives excise tax from  
27    taxable activity in the increment area allocates excess excise taxes to  
28    the local government.

29        (4) A local government shall provide the department accurate  
30    information describing the geographical boundaries of the increment  
31    area at least seventy-five days before the effective date of the  
32    ordinance creating the increment area. The local government shall  
33    ensure that the boundary information provided to the department is kept  
34    current.

35        (5) The department shall provide each local government that has  
36    provided boundary information to the department as provided in this  
37    section with the necessary information to calculate excess excise  
38    taxes.

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

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

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

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

20 (d) "Measurement year" means a calendar year, beginning with the  
21 calendar year following the base year and each calendar year  
22 thereafter, that is used annually to measure the amount of excess  
23 excise taxes required to be used to finance public improvement costs  
24 associated with public improvements financed in whole or in part by  
25 community revitalization financing.

26 **PART III**

27 **COMMUNITY REVITALIZATION FINANCING--STATE CONTRIBUTION**

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

30 (1) A city, town, or county that creates an increment area and  
31 finances public improvements pursuant to chapter 39.89 RCW may impose  
32 a sales and use tax in accordance with the terms of this chapter and  
33 subject to the criteria set forth in this section. Except as provided  
34 in this section, the tax is in addition to other taxes authorized by  
35 law and shall be collected from those persons who are taxable by the  
36 state under chapters 82.08 and 82.12 RCW upon the occurrence of any

1 taxable event within the taxing jurisdiction of the city, town, or  
2 county. The rate of tax shall not exceed the rate provided in RCW  
3 82.08.020(1) in the case of a sales tax or the rate provided in RCW  
4 82.12.020(4) in the case of a use tax, less the aggregate rates of any  
5 other taxes imposed on the same events that are credited against the  
6 state taxes imposed under chapters 82.08 and 82.12 RCW.

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

12 (3) No tax may be imposed under this section before January 1,  
13 2005. Before imposing a tax under this section, the city, town, or  
14 county shall first have received tax allocation revenues derived from  
15 either regular property taxes or excess excise taxes, or both, during  
16 the preceding calendar year. The tax imposed under this section shall  
17 expire when the bonds issued under the authority of chapter 39.89 RCW  
18 are retired, but not more than twenty-five years after the tax is first  
19 imposed.

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

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

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

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

28 (i) The amount of tax receipts totals the amount of the state  
29 contribution;

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

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

37 (d) The tax shall be reimposed, should it cease to be imposed for

1 any of the reasons provided in (c) of this subsection, at the beginning  
2 of the next calendar year, subject to the restrictions in this section;  
3 and

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

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

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

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

18 (6) The department shall determine the amount of tax receipts  
19 attributable to each city, town, and county imposing a sales and use  
20 tax under this section and shall advise a city, town, or county when it  
21 must cease imposing the tax for the remainder of the calendar year as  
22 provided in subsection (4)(c) of this section. Determinations by the  
23 department of the amount of taxes attributable to a city, town, or  
24 county are final and shall not be used to challenge the validity of any  
25 tax imposed under this section. The department shall remit any tax  
26 receipts in excess of the amounts specified in subsection (4)(a), (b),  
27 and (c) of this section to the state treasurer who shall deposit the  
28 moneys in the general fund.

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

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

33 (b) "Excess state excise taxes" means the amount of excise taxes  
34 received by the state during the measurement year from taxable activity  
35 within the increment area over and above the amount of excise taxes  
36 received by the state during the base year from taxable activity within  
37 the increment area. However, if a local government creates an  
38 increment area and reasonably determines that no activity subject to

1 tax under chapters 82.08 and 82.12 RCW occurred in the twelve months  
2 immediately preceding the creation of the increment area within the  
3 boundaries of the area that became the increment area, "excess state  
4 excise taxes" means the entire amount of excise taxes received by the  
5 state during a calendar year period beginning with the calendar year  
6 immediately following the creation of the increment area and continuing  
7 with each measurement year thereafter.

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

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

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

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

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

21 (ii) Excess state excise taxes received by the state during the  
22 preceding calendar year.

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

27 (h) "Tax allocation revenues" has the same meaning as in RCW  
28 39.89.020.

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

31 (1) Moneys collected from the taxes imposed under section 301 of  
32 this act shall be used only for the purpose of principal and interest  
33 payments on bonds issued under the authority of RCW 39.89.080 and must  
34 be matched with an amount from local public sources dedicated through  
35 December 20th of the previous calendar year to finance public  
36 improvements authorized under chapter 39.89 RCW. Such local public  
37 sources include but are not limited to private monetary contributions

1 and tax allocation revenues. Local public sources are dedicated to  
2 finance public improvements if they are actually expended to pay public  
3 improvement costs or are required by law or an agreement to be used  
4 exclusively to pay public improvement costs.

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

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

9 (b) Tax allocation revenues derived in the current calendar year  
10 from the imposition of regular property taxes on the increment value  
11 and distributed to finance public improvements. Upon request of a  
12 local government, the county assessor shall assist the local government  
13 in determining the amount of tax allocation revenues derived in the  
14 current calendar year and distributed to finance public improvements.

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

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

20 (a) "Public improvement costs" has the same meaning as in RCW  
21 39.89.020.

22 (b) "Tax allocation revenues" has the same meaning as in RCW  
23 39.89.020.

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

26 (1) As a condition to imposing a sales and use tax under section  
27 301 of this act, a city, town, or county must apply to the department  
28 at least seventy-five days before the effective date of any such tax.  
29 The application shall be in a form and manner prescribed by the  
30 department and shall include but is not limited to information  
31 establishing that the applicant is eligible to impose such a tax, the  
32 anticipated effective date for imposing the tax, and the estimated  
33 number of years that the tax will be imposed. The department shall  
34 make available forms to be used for this purpose. As part of the  
35 application, a city, town, or county must provide to the department a  
36 copy of the ordinance creating the increment area as required in RCW  
37 39.89.050. The department shall rule on completed applications within

1 sixty days of receipt. No new applications shall be considered by the  
2 department after the thirtieth day of September of the third year  
3 following the year in which the first application was received.

4 (2) The authority to impose the local option sales and use taxes  
5 under section 301 of this act is on a first-come basis. Priority for  
6 collecting the taxes authorized under section 301 of this act among  
7 approved applicants shall be based on the date that the approved  
8 application was received by the department. When it appears to the  
9 department that the annual limit under subsection (3) of this section  
10 will be reached, no further applications for that calendar year shall  
11 be approved.

12 (3) No more than five million dollars of credit against the state  
13 sales and use tax may be used during the first fiscal year that taxes  
14 are imposed under section 301 of this act. In each of the three  
15 subsequent fiscal years, the total amount to be credited against the  
16 state sales and use tax shall increase by the percentage increase in  
17 the assessed value of all property within this state from the previous  
18 calendar year as determined by the department. The total amount to be  
19 credited against the state sales and use tax shall not increase after  
20 the fourth fiscal year that taxes are imposed under section 301 of this  
21 act. Any unused credit from the first through the third years that  
22 taxes are imposed under section 301 of this act shall be added to the  
23 amount of credit available in the second through the fourth years that  
24 taxes are imposed under section 301 of this act; the purpose of this is  
25 to carry any unused credit over to the following fiscal year.

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

30 **PART IV**

31 **BOND AUTHORIZATION**

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

34 (1) A local government designating an increment area and  
35 authorizing the use of community revitalization financing may incur  
36 general indebtedness, and issue general obligation bonds, to finance

1 the public improvements and retire the indebtedness in whole or in part  
2 from tax allocation revenues it receives, subject to the following  
3 requirements:

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

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

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

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

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

34 (5) The local government may annually pay into a fund to be  
35 established for the benefit of bonds issued under this section a fixed  
36 proportion or a fixed amount of any tax allocation revenues derived  
37 from property or business activity within the increment area containing  
38 the public improvements funded by the bonds, such payment to continue



1 until all bonds payable from the fund are paid in full. The local  
2 government may also annually pay into the fund established in this  
3 section a fixed proportion or a fixed amount of any revenues derived  
4 from taxes imposed under section 301 of this act, such payment to  
5 continue until all bonds payable from the fund are paid in full.  
6 Revenues derived from taxes imposed under section 301 of this act are  
7 subject to the use restriction in section 302 of this act.

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

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

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

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

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

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

33 **PART V**  
34 **MISCELLANEOUS**

1        NEW SECTION.   **Sec. 501.**  If any provision of this act or its  
2 application to any person or circumstance is held invalid, the  
3 remainder of the act or the application of the provision to other  
4 persons or circumstances is not affected.

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

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

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