

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
6 taxable real 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 due to the
13 placement of new construction and improvements to property on the
14 assessment rolls after the increment area is created, where the new
15 construction or improvements occur entirely after the increment area is
16 created. "Increment value" does not include any increase in the
17 assessed value of real property representing new construction and
18 improvements to property occurring after their initial placement on the
19 assessment rolls, except that for new construction which represents
20 entire buildings increment value includes seventy-five percent of any
21 increase in the assessed value of such new construction in the years
22 following its initial placement on the assessment rolls. There is no
23 increment value if the assessed value of real property in an increment
24 area has not increased due to new construction and improvements to
25 property occurring after the increment area is created.

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

28 (~~(3)~~) (6) "Ordinance" means any appropriate method of taking
29 legislative action by a local government.

30 (~~(4)~~) (7) "Participating taxing authority" means a taxing
31 authority that has entered into a written agreement with a local
32 government for the use of community revitalization financing to the
33 extent of allocating excess excise taxes to the local government for
34 the purpose of financing all or a portion of the costs of designated
35 public improvements.

36 (8) "Participating taxing district" means all taxing districts
37 levying regular property taxes on real property within an increment
38 area, where a local government has obtained written agreement for the

1 use of community revitalization financing to finance all or a portion
2 of the costs of designated public improvements as provided in RCW
3 39.89.030(8). However, a fire protection district is not a
4 participating taxing district unless it has entered into a signed,
5 written agreement with a local government to provide limited funding
6 under community revitalization financing as provided in RCW
7 39.89.030(8)(a).

8 (9) "Public improvements" means:

9 (a) Infrastructure improvements within the increment area that
10 include:

11 (i) Street and road construction and maintenance;

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

13 (iii) Sidewalks and streetlights;

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

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

16 (vi) Park facilities and recreational areas; and

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

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

19 (i) Providing environmental analysis, professional management,
20 planning, and promotion within the increment area, including the
21 management and promotion of retail trade activities in the increment
22 area;

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

25 (iii) Historic preservation activities authorized under RCW
26 35.21.395.

27 ~~((+5))~~ (10) "Public improvement costs" means the costs of: (a)
28 Design, planning, acquisition, including land acquisition, site
29 preparation including land clearing, construction, reconstruction,
30 rehabilitation, improvement, and installation of public improvements;
31 (b) demolishing, relocating, maintaining, and operating property
32 pending construction of public improvements; (c) relocating utilities
33 as a result of public improvements; (d) financing public improvements,
34 including interest during construction, legal and other professional
35 services, taxes, insurance, principal and interest costs on general
36 indebtedness issued to finance public improvements, and any necessary
37 reserves for general indebtedness; (e) assessments incurred in
38 revaluing real property for the purpose of determining the tax

1 allocation base value that are in excess of costs incurred by the
2 assessor in accordance with the revaluation plan under chapter 84.41
3 RCW, and the costs of apportioning the taxes and complying with this
4 chapter and other applicable law; and (f) administrative expenses and
5 feasibility studies reasonably necessary and related to these costs,
6 including related costs that may have been incurred before adoption of
7 the ordinance authorizing the public improvements and the use of
8 community revitalization financing to fund the costs of the public
9 improvements.

10 ~~((+6))~~ (11) "Regular property taxes" means regular property taxes
11 as defined in RCW 84.04.140, except: (a) Regular property taxes levied
12 by port districts or public utility districts specifically for the
13 purpose of making required payments of principal and interest on
14 general indebtedness; ~~((and))~~ (b) regular property taxes levied by the
15 state for the support of the common schools under RCW 84.52.065; and
16 (c) regular property taxes levied under the authority of RCW 84.55.050
17 that are limited to a specific purpose as provided in RCW
18 84.55.050(3)(c). Regular property taxes do not include excess property
19 tax levies that are exempt from the aggregate limits for junior and
20 senior taxing districts as provided in RCW 84.52.043.

21 ~~((+7))~~ (12) "Tax allocation base value" means the ~~((true and~~
22 ~~fair))~~ assessed value of real property located within an increment area
23 for taxes ~~((imposed))~~ levied in the year in which the increment area is
24 created for collection in the following year, plus ~~((twenty-five))~~ one
25 hundred percent of any increase in the ~~((true and fair))~~ assessed value
26 of real property located within an increment area that is placed on the
27 assessment rolls after the increment area is created, less the
28 increment value.

29 ~~((+8))~~ (13) "Tax allocation revenues" means those tax revenues
30 derived from the ~~((imposition of))~~ receipt of excess excise taxes under
31 section 202 of this act and from regular property taxes levied on the
32 increment value and distributed to finance public improvements.

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

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

1 ~~(11))~~ (14) "Taxing authority" means a governmental entity that
2 imposes a sales or use tax under chapter 82.14 RCW upon the occurrence
3 of any taxable event within a proposed or approved increment area.

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

7 ~~((12) "Value of taxable property" means the value of the taxable~~
8 ~~property as defined in RCW 39.36.015.))~~

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

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

13 (1) The local government adopts an ordinance designating an
14 increment area within its boundaries and specifying the public
15 improvements proposed to be financed in whole or in part with the use
16 of community revitalization financing. An increment area shall be
17 geographically restricted to the location of the public improvement and
18 adjacent locations that the local government finds to have a high
19 likelihood of receiving direct positive business and economic impacts
20 due to the public improvement, such as a neighborhood or a block. An
21 increment area shall not encompass any one political jurisdiction in
22 its entirety;

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

27 (3) The local government has entered or expects to enter into a
28 contract with a private developer relating to the development of
29 private improvements within the increment area or has received a letter
30 of intent from a private developer relating to the developer's plans
31 for the development of private improvements within the increment area;

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

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

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

16 (6) The governing body of the local government must make a finding
17 that community revitalization financing: (a) Will not be used for the
18 purpose of relocating a business from outside the increment area, but
19 within this state, into the increment area; (b) will improve the
20 viability of existing business entities within the increment area; and
21 (c) will be used exclusively in areas within the jurisdiction of the
22 local government deemed in need of economic development and/or
23 redevelopment, and absent the financing available under this act the
24 proposed economic development and/or redevelopment would more than
25 likely not occur;

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

29 (a) Increase private investment within the increment area;
30 (b) Increase employment within the increment area; and
31 (c) Generate, over the period of time that the local sales and use
32 tax will be imposed under section 301 of this act, state and local
33 property, sales, and use tax revenues that are equal to or greater than
34 the respective state and local contributions made under this chapter;

35 (8) The local government obtains written agreement for the use of
36 community revitalization financing to finance all or a portion of the
37 costs of the designated public improvements from taxing districts that
38 in the aggregate levy at least sixty percent of the regular property

1 taxes on property within the increment area. The agreement must be
2 authorized by the governing body of taxing districts that in the
3 aggregate levy at least sixty percent of the regular property taxes on
4 property within the increment area.

5 (a) A signed, written agreement from taxing districts that in the
6 aggregate levy at least sixty percent of the regular property taxes
7 within the increment area constitutes concurrence by all taxing
8 districts in the increment area in the public improvements and
9 participation in the public improvements to the extent of providing
10 limited funding under community revitalization financing authorized
11 under this chapter. However, a fire protection district shall not be
12 deemed to participate in the public improvements unless it has provided
13 written notice to the local government of its decision to provide
14 limited funding under community revitalization financing.

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

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

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

26 ~~((1))~~ (a) Obtain written agreement for the use of community
27 revitalization financing to finance all or a portion of the costs of
28 the designated public improvements from taxing districts ~~((that, in the~~
29 ~~aggregate, levy at least seventy five percent of the regular property~~
30 ~~tax on property within the increment area. A signed, written agreement~~
31 ~~from taxing districts that in the aggregate levy at least seventy five~~
32 ~~percent of the regular property tax within the increment area,~~
33 ~~constitutes concurrence by all taxing districts in the increment area~~
34 ~~in the public improvement and participation in the public improvement~~
35 ~~to the extent of providing limited funding under community~~
36 ~~revitalization financing authorized under this chapter. The agreement~~
37 ~~must be authorized by the governing body of taxing districts that in~~

1 ~~the aggregate levy at least seventy five percent of the regular~~
2 ~~property tax on property within the increment area)) as provided in RCW~~
3 39.89.030(8); and

4 ~~((+2))~~ (b) Hold a public hearing on the proposed financing of the
5 public improvement in whole or in part with community revitalization
6 financing.

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

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

19 (iii) Notices must describe the contemplated public improvements,
20 estimate the costs of the public improvements, describe the portion of
21 the costs of the public improvements to be borne by community
22 revitalization financing, describe any other sources of revenue to
23 finance the public improvements, describe the boundaries of the
24 proposed increment area, and estimate the period during which community
25 revitalization financing is contemplated to be used. The public
26 hearing may be held by either the governing body of the local
27 government, or a committee of the governing body that includes at least
28 a majority of the whole governing body(~~(+and)~~).

29 ~~((+3))~~ (2) In order to create an increment area, a local
30 government must adopt an ordinance establishing the increment area
31 that:

32 (a) Describes the public improvements(~~(+)~~);

33 (b) Describes the boundaries of the increment area(~~(+)~~);

34 (c) Estimates the cost of the public improvements and the portion
35 of these costs to be financed by community revitalization
36 financing(~~(+)~~);

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

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

9 (f) Provides the date when the apportionment of the regular
 10 property taxes and, if applicable, the use of excess excise taxes will
 11 commence((τ)); and

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

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

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

17 The local government shall:

18 (1) Publish notice in a legal newspaper of general circulation
 19 within the increment area that describes the public improvement,
 20 describes the boundaries of the increment area, and identifies the
 21 location and times where the ordinance and other public information
 22 concerning the public improvement may be inspected; and

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

27 **PART II**

28 **COMMUNITY REVITALIZATION FINANCING**

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

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

32 (1) Commencing in the second calendar year following the passage of
 33 the ordinance creating an increment area and authorizing the use of
 34 community revitalization financing, the county treasurer shall

1 distribute receipts from regular taxes imposed on real property located
2 in the increment area as follows:

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

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

31 (2) The county assessor shall allocate ~~((twenty five percent of any~~
32 ~~increased real property value occurring in the increment area to the~~
33 ~~tax allocation base value and seventy five percent to the increment~~
34 ~~value))~~ any increase in the assessed value of real property occurring
35 in the increment area to the increment value and tax allocation base
36 value as appropriate. This section does not authorize revaluations of
37 real property by the assessor for property taxation that are not made

1 in accordance with the assessor's revaluation plan under chapter 84.41
2 RCW or under other authorized revaluation procedures.

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

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

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

35 (2) A local government consisting solely of a port district may use
36 excess excise taxes as provided in this section only to the extent that

1 any participating taxing authority allocates excess excise taxes to the
2 local government.

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

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

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

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

16 (5) The department shall provide each local government that has
17 provided boundary information to the department as provided in this
18 section and that has received approval from the department under
19 section 303 of this act to impose the local option sales and use tax
20 authorized in section 301 of this act with the necessary information to
21 calculate excess excise taxes.

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

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

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

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

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

9 **PART III**

10 **COMMUNITY REVITALIZATION FINANCING--STATE CONTRIBUTION**

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

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

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

31 (3) No tax may be imposed under this section before July 1, 2007.
32 Before imposing a tax under this section, the city, town, or county
33 shall first have received tax allocation revenues derived from either
34 regular property taxes or excess excise taxes, or both, during the
35 preceding calendar year. The tax imposed under this section shall

1 expire when the bonds issued under the authority of chapter 39.89 RCW
2 are retired, but not more than twenty-five years after the tax is first
3 imposed.

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

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

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

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

12 (i) The amount of tax receipts totals the amount of the state
13 contribution;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 (f) "Measurement year" means a calendar year, beginning with the
34 calendar year following the base year and each calendar year
35 thereafter, that is used annually to measure the amount of excess
36 excise taxes required to be used to finance public improvement costs
37 associated with public improvements financed in whole or in part by
38 community revitalization financing.

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

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

5 (ii) Excess state excise taxes received by the state during the
6 preceding calendar year.

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

11 (i) "Tax allocation revenues" has the same meaning as in RCW
12 39.89.020.

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

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

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

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

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

36 (3) If a local government fails to comply with subsection (2) of

1 this section, no tax may be imposed under section 301 of this act in
2 the subsequent fiscal year.

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

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

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

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

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

21 (e) That the local government is in compliance with RCW
22 39.89.030(6)(c).

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

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

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

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

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

37 (1) As a condition to imposing a sales and use tax under section

1 301 of this act, a city, town, or county must apply to the department
2 at least seventy-five days before the effective date of any such tax.
3 The application shall be in a form and manner prescribed by the
4 department and shall include but is not limited to information
5 establishing that the applicant is eligible to impose such a tax, the
6 anticipated effective date for imposing the tax, the estimated number
7 of years that the tax will be imposed, and the estimated amount of tax
8 revenue to be received in each fiscal year that the tax will be
9 imposed. For purposes of this section, "fiscal year" means the year
10 beginning July 1st and ending the following June 30th. The department
11 shall make available forms to be used for this purpose. As part of the
12 application, a city, town, or county must provide to the department a
13 copy of the ordinance creating the increment area as required in RCW
14 39.89.050. The department shall rule on completed applications within
15 sixty days of receipt. The department may begin accepting and
16 approving applications August 1, 2005. No new applications shall be
17 considered by the department after the thirtieth day of September of
18 the third year following the year in which the first application was
19 received by the department.

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

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

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

5 (b) During the fiscal years beginning July 1, 2008, through June
6 30, 2011, and for each subsequent fiscal year, the total amount of
7 credit against the state sales and use tax that may be received by all
8 cities, towns, and counties imposing a tax under section 301 of this
9 act shall be increased as follows:

10 (i) In the fiscal year beginning July 1, 2008, the limit in (a) of
11 this subsection shall be increased by the same percentage as the
12 percentage increase in the assessed value of all taxable property
13 within this state from calendar year 2005 through calendar year 2006,
14 as determined by the department;

15 (ii) In the fiscal year beginning July 1, 2009, the limit in (a) of
16 this subsection shall be increased by the same percentage as the
17 percentage increase in the assessed value of all taxable property
18 within this state from calendar year 2005 through calendar year 2007,
19 as determined by the department;

20 (iii) In the fiscal year beginning July 1, 2010, and for each
21 subsequent fiscal year, the limit in (a) of this subsection shall be
22 increased by the same percentage as the percentage increase in the
23 assessed value of all taxable property within this state from calendar
24 year 2005 through calendar year 2008, as determined by the department.

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

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

32 **PART IV**
33 **BOND AUTHORIZATION**

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

36 (1) A local government designating an increment area and

1 authorizing the use of community revitalization financing may incur
2 general indebtedness, and issue general obligation bonds, to finance
3 the public improvements and retire the indebtedness in whole or in part
4 from tax allocation revenues it receives, subject to the following
5 requirements:

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

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

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

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

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

36 (5) The local government may annually pay into a fund to be
37 established for the benefit of bonds issued under this section a fixed
38 proportion or a fixed amount of any tax allocation revenues derived

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

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

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

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

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

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

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

