
SUBSTITUTE HOUSE BILL 2673

State of Washington

59th Legislature

2006 Regular Session

By House Committee on Economic Development, Agriculture & Trade (originally sponsored by Representatives Linville, Ericksen, P. Sullivan, Buck, Ericks, Kilmer, Kessler, Grant, Walsh, B. Sullivan, Lantz, Morris, O'Brien, Conway, Morrell and Wallace)

READ FIRST TIME 02/07/06.

1 AN ACT Relating to creating the local infrastructure financing tool
2 demonstration program; adding a new section to chapter 82.14 RCW;
3 adding a new chapter to Title 39 RCW; creating new sections; providing
4 an effective date; and providing an expiration date.

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

6 **PART I**

7 **INTENT AND DEFINITIONS**

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

1 NEW SECTION. **Sec. 102.** DEFINITIONS. The definitions in this
2 section apply throughout this chapter unless the context clearly
3 requires otherwise.

4 (1) "Accrued value" means seventy-five percent of any increase in
5 the assessed value of real property in a revenue development area due
6 to the placement of new construction and improvements to property on
7 the assessment rolls after the revenue development area is created,
8 where the new construction or improvements occur entirely after the
9 revenue development area is created. "Accrued value" does not include
10 any increase in the assessed value of real property representing new
11 construction and improvements to property occurring after their initial
12 placement on the assessment rolls, except that for new construction
13 which represents entire buildings, "accrued value" includes seventy-
14 five percent of any increase in assessed value of such new construction
15 in the years following its initial placement on the assessment rolls.
16 There is no accrued value if the assessed value of real property in a
17 revenue development area has not increased due to new construction and
18 improvements to property occurring after the revenue development area
19 is created.

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

22 (3) "Base year" means the first calendar year following the
23 creation of a revenue development area.

24 (4) "Demonstration project" means one of the following projects:

25 (a) Port of Walla Walla RailEx infrastructure project;

26 (b) Bellingham waterfront redevelopment project;

27 (c) Covington elementary school redevelopment project;

28 (d) Grays Harbor biomass plant project;

29 (e) Gig Harbor St. Anthony's hospital and retail area
30 infrastructure project;

31 (f) Bothell gateway project.

32 (5) "Department" means the department of revenue.

33 (6)(a) "Excess excise taxes" means the amount of excise taxes
34 received by the local government during the measurement year from
35 taxable activity within the revenue development area over and above the
36 amount of excise taxes received by the local government during the base
37 year from taxable activity within the revenue development area.
38 However, if a local government creates a revenue development area and

1 reasonably determines that no activity subject to tax under chapters
2 82.08 and 82.12 RCW occurred in the twelve months immediately preceding
3 the creation of the revenue development area within the boundaries of
4 the area that became the revenue development area, "excess excise
5 taxes" means the entire amount of excise taxes received by the local
6 government during a calendar year period beginning with the calendar
7 year immediately following the creation of the revenue development area
8 and continuing with each measurement year thereafter.

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

23 (7) "Excise taxes" means (a) local retail sales and use taxes
24 authorized in RCW 82.14.030; or (b) state excise taxes authorized under
25 chapters 82.08 and 82.12 RCW.

26 (8) "Fiscal year" means the twelve-month period beginning July 1st
27 and ending the following June 30th.

28 (9) "Local government" means any city, town, county, port district,
29 or combination thereof that has a demonstration project located within
30 it.

31 (10) "Local infrastructure financing" means funds dedicated by the
32 local government and any participating taxing authority to finance
33 public improvements financed and may include, but are not limited to,
34 private monetary contributions and tax allocation revenues. Local
35 infrastructure financing is dedicated to finance public improvements
36 and related debt service if they are expended to pay public improvement
37 costs or are required by law or an agreement to be used exclusively to
38 pay public improvement costs.

1 (11) "Low-income housing" means residential housing for persons or
2 families who lack the amount of income which is necessary to enable
3 them, without financial assistance, to live in decent, safe, and
4 sanitary dwellings, without overcrowding.

5 (12) "Measurement year" means a calendar year, beginning with the
6 calendar year following the base year and each calendar year
7 thereafter, that is used annually to measure the amount of excess
8 excise taxes used in whole or in part for local infrastructure
9 financing.

10 (13) "Ordinance" means any appropriate method of taking legislative
11 action by a local government.

12 (14) "Participating taxing authority" means a taxing authority or
13 taxing district with the demonstration project within its geographic
14 boundaries that has entered into a written agreement with a local
15 government for the use of its tax allocation revenues for local
16 infrastructure financing.

17 (15) "Public improvements" means:

18 (a) Infrastructure improvements within the revenue development area
19 that include:

20 (i) Street, bridge, and road construction and maintenance;

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

22 (iii) Sidewalks, traffic controls, and streetlights;

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

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

25 (vi) Park facilities and recreational areas; and

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

27 (b) Expenditures for facilities and improvements that support
28 affordable housing as defined in RCW 43.63A.510.

29 (16) "Public improvement costs" means the cost of: (a) Design,
30 planning, acquisition including land acquisition, site preparation
31 including land clearing, construction, reconstruction, rehabilitation,
32 improvement, and installation of public improvements; (b) demolishing,
33 relocating, maintaining, and operating property pending construction of
34 public improvements; (c) the local government's portion of relocating
35 utilities as a result of public improvements; (d) financing public
36 improvements, including interest during construction, legal and other
37 professional services, taxes, insurance, principal and interest costs
38 on general indebtedness issued to finance public improvements, and any

1 necessary reserves for general indebtedness; (e) assessments incurred
2 in revaluing real property for the purpose of determining the tax
3 allocation base value that are in excess of costs incurred by the
4 assessor in accordance with the revaluation plan under chapter 84.41
5 RCW, and the costs of apportioning the taxes and complying with this
6 chapter and other applicable law; and (f) administrative expenses and
7 feasibility studies reasonably necessary and related to these costs,
8 including related costs that may have been incurred before adoption of
9 the ordinance authorizing the public improvements and the use of local
10 infrastructure financing to fund the costs of the public improvements.

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

21 (18) "Relocating a business" means the closing of a business and
22 the reopening of that business, or the opening of a new business that
23 engages in the same activities as the previous business, in a different
24 location within a one-year period, when an individual or entity has an
25 ownership interest in the business at the time of closure and at the
26 time of opening or reopening. "Relocating a business" does not include
27 the closing and reopening of a business in a new location where the
28 business has been acquired and is under entirely new ownership at the
29 new location, or the closing and reopening of a business in a new
30 location as a result of the exercise of the power of eminent domain.

31 (19) "Revenue development area" means the geographic area from
32 which taxes are to be dedicated to finance public improvements
33 authorized under this chapter.

34 (20) "Small business" has the same meaning as provided in RCW
35 19.85.020.

36 (21) "State contribution" means annually the lesser of one million
37 dollars or an amount equal to:

1 (a) State property tax allocation revenues received by the state
2 during the preceding calendar year; and

3 (b) Excess excise taxes received by the state during the preceding
4 calendar year.

5 (22) "State property tax allocation revenues" means those tax
6 revenues derived from the imposition of property taxes levied by the
7 state for the support of common schools under RCW 84.52.065 on the
8 accrued value.

9 (23) "Tax allocation base value" means the assessed value of real
10 property located within a revenue development area for taxes levied in
11 the year in which the revenue development area is created for
12 collection in the following year, plus one hundred percent of any
13 increase in the assessed value of real property located within a
14 revenue development area that is placed on the assessment rolls after
15 the revenue development area is created, less the accrued value.

16 (24) "Tax allocation revenues" means those tax revenues derived
17 from the receipt of excess excise taxes and from regular property taxes
18 on the accrued value.

19 (25) "Taxing authority" means a governmental entity that imposes a
20 sales or use tax under chapter 82.14 RCW upon the occurrence of any
21 taxable event within a proposed or approved revenue development area.

22 (26) "Taxing district" means a government entity that levies or has
23 levied for it regular property taxes upon real property located within
24 a proposed or approved revenue development area.

25 (27) "Urban growth area" has the same meaning as provided in
26 chapter 36.70A RCW.

27 **PART II**
28 **CREATION**

29 NEW SECTION. **Sec. 201.** CREATION OF THE LOCAL INFRASTRUCTURE
30 FINANCING TOOL DEMONSTRATION PROGRAM. The local infrastructure
31 financing tool demonstration program is created to assist local
32 governments finance authorized public infrastructure projects designed
33 to promote economic development in the jurisdiction. The local
34 infrastructure financing tool demonstration program is not created to
35 enable existing Washington-based businesses from outside the revenue
36 development area to relocate into the revenue development area.

1 NEW SECTION. **Sec. 202.** LIMITATIONS ON REVENUE DEVELOPMENT AREAS.

2 The designation of a revenue development area is subject to the
3 following limitations:

4 (1) The taxable real property, excluding buildings, within the
5 revenue development area boundaries may not exceed one billion dollars
6 in assessed value;

7 (2) The average assessed value per square foot of taxable land,
8 excluding buildings, within the revenue development area boundaries may
9 not exceed seventy dollars;

10 (3) A revenue development area is limited to contiguous tracts,
11 lots, pieces, or parcels of land;

12 (4) The boundaries may not be drawn to purposely exclude parcels
13 where economic growth is unlikely to occur;

14 (5) A demonstration project must be located in the revenue
15 development area; and

16 (6) A revenue development area cannot comprise an area containing
17 more than twenty-five percent of the total assessed value of the
18 taxable real property within the boundaries of the local government
19 creating the revenue development area.

20 NEW SECTION. **Sec. 203.** CONDITIONS. Local infrastructure
21 financing under this chapter is subject to the following conditions:

22 (1) No funds may be used to finance, design, acquire, construct,
23 equip, operate, maintain, remodel, repair, or reequip public facilities
24 funded with taxes collected under RCW 82.14.048;

25 (2)(a) Except as provided in (b) of this subsection (2) no funds
26 may be used for public improvements other than projects identified
27 within the capital facilities, utilities, housing, or transportation
28 element of a comprehensive plan required under chapter 36.70A RCW;

29 (b) Funds may be used for public improvements that are historical
30 preservation activities as defined in RCW 39.89.020;

31 (3) No funds may be used to support projects where the sole purpose
32 is the development of convention centers, sports complexes, or
33 entertainment complexes;

34 (4) The public improvements proposed to be financed in whole or in
35 part using local infrastructure financing are expected to encourage
36 private development within the revenue development area and to increase

1 the fair market value of real property within the revenue development
2 area;

3 (5) A participating tax district has entered or expects to enter
4 into a contract with a private developer relating to the development of
5 private improvements within the revenue development area or has
6 received a letter of intent from a private developer relating to the
7 developer's plans for the development of private improvements within
8 the revenue development area;

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

14 (7) The governing body of the local government must make a finding
15 that local infrastructure financing:

16 (a) Is not expected to be used for the purpose of relocating a
17 business from outside the revenue development area, but within this
18 state, into the revenue development area; and

19 (b) Will improve the viability of existing business entities within
20 the revenue development area;

21 (8) The governing body of the local government finds that the
22 public improvements proposed to be financed in whole or in part using
23 local infrastructure financing are reasonably likely to:

24 (a) Increase private residential and commercial investment within
25 the revenue development area;

26 (b) Increase employment within the revenue development area;

27 (c) Improve the viability of existing communities that are based on
28 mixed-use development within the revenue development area; and

29 (d) Generate, over the period of time that the local sales and use
30 tax will be imposed under section 401 of this act, state and local
31 property, sales, and use tax revenues that are equal to or greater than
32 the respective state and local contributions made under this chapter;

33 (9) The local government may only use local infrastructure
34 financing in areas within boundaries of the local government deemed in
35 need of economic development or redevelopment.

36 NEW SECTION. **Sec. 204.** PROCESS. Before adopting an ordinance
37 creating the revenue development area, a local government must:

1 (1) Obtain written agreement from any taxing district that levies
2 regular property taxes on real property within the revenue development
3 area, or from any taxing authority that imposes a sales or use tax
4 under chapter 82.14 RCW within the revenue development area that
5 chooses to dedicate its tax allocation revenues, in whole or in part,
6 for local infrastructure financing authorized under this chapter. The
7 agreement to opt into the local infrastructure financing public
8 improvement project must be authorized by the governing body of such
9 participating taxing districts and taxing authorities.

10 (2) Estimate the impact of the revenue development area on small
11 business and low-income housing and develop a mitigation plan for the
12 impacted businesses and housing. In analyzing the impact of the
13 revenue development area, the local government must develop:

14 (a) An inventory of existing low-income housing units, and
15 businesses and retail activity within the revenue development area;

16 (b) A reasonable estimate of the number of low-income housing
17 units, small businesses, and other commercial activity that may be
18 vulnerable to displacement within the revenue development area;

19 (c) A reasonable estimate of projected net job growth and net
20 housing growth caused by creation of the revenue development area when
21 compared to the existing jobs or housing balance for the area; and

22 (d) A reasonable estimate of the impact of net housing growth on
23 the current housing price mix.

24 NEW SECTION. **Sec. 205.** ORDINANCE. (1) To create a revenue
25 development area, a local government must adopt an ordinance
26 establishing the revenue development area that:

27 (a) Describes the public improvements;

28 (b) Describes the boundaries of the revenue development area,
29 subject to the limitations in section 202 of this act;

30 (c) Estimates the public improvement costs and the portion of these
31 costs to be financed by local infrastructure financing;

32 (d) Estimates the time during which regular property taxes are to
33 be apportioned and, if applicable, excess excise taxes are to be used
34 for public improvement costs financed in whole or in part by local
35 infrastructure financing;

36 (e) Provides the date when the apportionment of the regular

1 property taxes and, if applicable, the use of excess excise taxes will
2 commence; and

3 (f) Finds that the conditions of section 203 of this act are met.
4 (2) The local government must hold a public hearing on the proposed
5 financing of the public improvements in whole or in part with local
6 infrastructure financing at least thirty days before passage of the
7 ordinance establishing the revenue development area. The public
8 hearing may be held by either the governing body of the local
9 government, or by a committee of that governing body that includes at
10 least a majority of the whole governing body. The public hearing is
11 subject to the notice requirements in section 206 of this act.

12 NEW SECTION. **Sec. 206.** NOTICE REQUIREMENTS. Prior to adopting
13 the ordinance creating the revenue development area and to meet the
14 requirements of section 501(1)(b) of this act, a local government must
15 provide public notice.

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

21 (2) Notice must also be sent by United States mail to the property
22 owners, all identifiable community-based organizations with involvement
23 in the proposed revenue development area, and the business enterprises
24 located within the proposed revenue development area at least thirty
25 days prior to the hearing. In implementing provisions under this
26 chapter, the local governing body may also consult with community-based
27 groups, business organizations, including the local chamber of
28 commerce, and the office of minority and women's business enterprises
29 to assist with providing appropriate notice to business enterprises and
30 property owners for whom English is a second language.

31 (3) Notices must describe the contemplated public improvements,
32 estimate the public improvement costs, describe the portion of the
33 public improvement costs to be borne by local infrastructure financing,
34 describe any other sources of revenue to finance the public
35 improvements, describe the boundaries of the proposed revenue
36 development area, estimate the impact that the public improvements will

1 have on small businesses and low-income housing, and estimate the
2 period during which local infrastructure financing is contemplated to
3 be used.

4 (4) Notices must inform the public where to obtain the analyses
5 required in sections 202 and 203 of this act.

6 (5) The local government shall deliver a certified copy of the
7 ordinance to the county treasurer, the county assessor, and the
8 governing body of each participating taxing district within which the
9 revenue development area is located.

10 **PART III**
11 **REVENUE ALLOCATION**

12 NEW SECTION. **Sec. 301.** REGULAR PROPERTY TAXES. (1) Commencing in
13 the second calendar year following the passage of the ordinance
14 creating a revenue development area and authorizing the use of local
15 infrastructure financing, the county treasurer shall distribute
16 receipts from regular taxes imposed on real property located in the
17 revenue development area as follows:

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

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

1 or have regular property taxes levied for them, in the revenue
2 development area for collection that year in proportion to their
3 regular tax levy rates for collection that year. The local government
4 may request that the treasurer transfer this additional portion of the
5 property taxes to its designated agent. The portion of the tax
6 receipts distributed to the local government or its agent under this
7 subsection (1)(b) may only be expended to finance public improvement
8 costs associated with the public improvements financed in whole or in
9 part by local infrastructure financing.

10 (2) The county assessor shall allocate any increase in the assessed
11 value of real property occurring in the revenue development area to the
12 accrued value and tax allocation base value as appropriate. This
13 section does not authorize revaluations of real property by the
14 assessor for property taxation that are not made in accordance with the
15 assessor's revaluation plan under chapter 84.41 RCW or under other
16 authorized revaluation procedures.

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

30 NEW SECTION. **Sec. 302.** EXCESS EXCISE TAX. (1) A local government
31 that creates a revenue development area may use annually any excess
32 excise taxes to finance public improvement costs in the revenue
33 development area financed in whole or in part by local infrastructure
34 financing. The use of excess excise taxes must cease when tax
35 allocation revenues are no longer necessary or obligated to pay the
36 public improvement costs. Any participating taxing authority is
37 authorized to dedicate excess excise taxes to the local government as

1 authorized in section 204 of this act. The legislature declares that
2 the allocation to the participating taxing authority of portions of the
3 local regular property taxes levied by and for each local taxing
4 district upon the accrued value within the revenue development area is
5 declared to be a public purpose of and benefit to each such
6 participating taxing district.

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

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

17 **PART IV**
18 **STATE CONTRIBUTION**

19 NEW SECTION. **Sec. 401.** A new section is added to chapter 82.14
20 RCW to read as follows:

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

35 (2) The tax authorized under subsection (1) of this section is a
36 credit against the state tax under chapter 82.08 or 82.12 RCW. The

1 department shall perform the collection of such taxes on behalf of the
2 city, town, or county at no cost and shall remit to the city, town, or
3 county as provided in RCW 82.14.060.

4 (3) No tax may be imposed under this section before January 1,
5 2007. Before imposing a tax under this section, the city, town, or
6 county shall first have received tax allocation revenues derived from
7 either regular property taxes or excess excise taxes, or both, during
8 the preceding calendar year. The tax imposed under this section shall
9 expire when the bonds issued under the authority of this act are
10 retired, but not more than thirty years after the tax is first imposed.

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

13 (a) The tax shall first be imposed on the first day of a fiscal
14 year;

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

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

19 (i) The amount of tax receipts totals the amount of the state
20 contribution;

21 (ii) The amount of "local infrastructure financing," as that term
22 is used in section 102(10) of this act, dedicated in the previous
23 calendar year; or

24 (iii) The amount of revenue from taxes imposed under this section
25 by all cities, towns, and counties totals the annual state credit limit
26 as provided in section 404 of this act;

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

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

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

37 (a) If the county has created a revenue development area before the

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

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

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

19 (7) The definitions in section 102 of this act apply to this
20 section unless the context clearly requires otherwise.

21 NEW SECTION. **Sec. 402.** USE OF FUNDS. (1) Money collected from
22 the taxes imposed under section 401 of this act shall be used only for
23 the purpose of principal and interest payments on bonds issued under
24 the authority of section 501 of this act.

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

27 (a) Local infrastructure financing dedicated in the preceding
28 calendar year; and

29 (b) Tax allocation revenues derived in the preceding calendar year
30 from the imposition of regular property taxes on the accrued value and
31 distributed to finance public improvements. Upon request of a local
32 government, the county assessor shall assist the local government in
33 determining the amount of tax allocation revenues derived in the
34 preceding calendar year by the participating taxing authority and
35 taxing district 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 401 of this act in
2 the subsequent fiscal year.

3 NEW SECTION. **Sec. 403.** REPORTING REQUIREMENTS. (1) A local
4 government shall provide a report to the department by March 1st of
5 each year. The report shall contain the following information:

6 (a) The amount of tax allocation revenues, taxes under section 401
7 of this act, and local infrastructure financing received by the local
8 government during the preceding calendar year, and a summary of how
9 these revenues were expended;

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

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

21 (e) That the local government is in compliance with section 203 of
22 this act.

23 (2) 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 local infrastructure financing, and
27 it shall also include a summary of the information provided to the
28 department by local governments under subsection (1) of this section.

29 NEW SECTION. **Sec. 404.** APPLICATION. (1) As a condition to
30 imposing a sales and use tax under section 401 of this act, a city,
31 town, or county must apply to the department. The application shall be
32 in a form and manner prescribed by the department and shall include but
33 is not limited to information establishing that the applicant is
34 eligible to impose such a tax, the anticipated effective date for
35 imposing the tax, the estimated number of years that the tax will be
36 imposed, and the estimated amount of tax revenue to be received in each

1 fiscal year that the tax will be imposed. The local government must
2 demonstrate that the state contribution will be matched with an amount
3 from local infrastructure financing from the previous calendar year to
4 finance the public improvements. Such local infrastructure financing
5 includes, but is not limited to, private monetary contribution and tax
6 allocation revenues. Local infrastructure financing is dedicated to
7 finance public improvements if they are actually expended to pay public
8 improvement costs or are required by law or an agreement to be used
9 exclusively to pay public improvement costs. The department shall make
10 available forms to be used for this purpose. As part of the
11 application, a city, town, or county must provide to the department a
12 copy of the ordinance creating the revenue development area as required
13 in section 205 of this act. The department shall rule on completed
14 applications within sixty days of receipt. The department may begin
15 accepting and approving applications August 1, 2006. No new
16 applications shall be considered by the department after September 30,
17 2008.

18 (2) The department shall approve the amount of tax under section
19 401 of this act on a first-come basis. The amount of tax approved by
20 the department shall be the lesser of one million dollars or the
21 average amount of tax revenue that the department estimates that the
22 participating taxing districts will receive in all fiscal years through
23 the imposition of a sales and use tax under section 401 of this act.
24 A city, town, or county shall not receive, in any fiscal year, more
25 revenues from taxes imposed under section 401 of this act than the
26 amount approved by the department. The department shall not approve
27 the receipt of more credit against the state sales and use tax than is
28 authorized under subsection (3) of this section.

29 (3) The amount of credit against the state sales and use tax is
30 limited annually to not more than five million dollars of credit
31 against the state sales and use tax that may be received by all cities,
32 towns, and counties imposing a tax under section 401 of this act.

33 (4) The credit against the state sales and use tax shall be
34 available to any city, town, or county imposing a tax under section 401
35 of this act only as long as the city, town, or county has outstanding
36 indebtedness under section 501 of this act.

37 (5) The department may adopt any rules under chapter 34.05 RCW it
38 considers necessary for the administration of this chapter.

PART V
BOND AUTHORIZATION

3 NEW SECTION. **Sec. 501.** BOND ISSUANCE. (1) A local government
4 designating a revenue development area and authorizing the use of local
5 infrastructure financing may incur general indebtedness, and issue
6 general obligation bonds, to finance the public improvements and retire
7 the indebtedness in whole or in part from tax allocation revenues it
8 receives, subject to the following requirements:

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

13 (b) The local government includes this statement of the intent in
14 all notices required by section 206 of this act.

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

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

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

1 characteristics, as may be provided by such ordinance or trust
2 indenture or mortgage issued pursuant thereto.

3 (5) The local government may annually pay into a fund to be
4 established for the benefit of bonds issued under this section a fixed
5 proportion or a fixed amount of any tax allocation revenues derived
6 from property or business activity within the revenue development area
7 containing the public improvements funded by the bonds, such payment to
8 continue until all bonds payable from the fund are paid in full. The
9 local government may also annually pay into the fund established in
10 this section a fixed proportion or a fixed amount of any revenues
11 derived from taxes imposed under section 401 of this act, such payment
12 to continue until all bonds payable from the fund are paid in full.
13 Revenues derived from taxes imposed under section 401 of this act are
14 subject to the use restriction in section 402 of this act.

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

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

26 NEW SECTION. **Sec. 502.** USE OF TAX ALLOCATION REVENUE FOR BOND
27 REPAYMENT. A local government that issues bonds under section 501 of
28 this act to finance public improvements may pledge for the payment of
29 such bonds all or part of any tax allocation revenues dedicated by the
30 local government and any participating taxing authority. The local
31 government may also pledge all or part of any revenues derived from
32 taxes imposed under section 401 of this act and held in connection with
33 the public improvements. All of such tax revenues are subject to the
34 use restrictions in sections 402 through 404 of this act, and the
35 process requirements in section 204(1) of this act.

1 NEW SECTION. **Sec. 503.** BONDS ISSUED NOT AN OBLIGATION OF THE
2 STATE OF WASHINGTON. The bonds issued by a local government under
3 section 501 of this act to finance public improvements shall not
4 constitute an obligation of the state of Washington, either general or
5 special.

6 NEW SECTION. **Sec. 504.** GENERAL INDEBTEDNESS--SECURITY. (1) A
7 local government designating a revenue development area and authorizing
8 the use of local infrastructure financing may incur general
9 indebtedness, and issue general obligation bonds, to finance the public
10 improvements and retire the indebtedness in whole or in part from tax
11 allocation revenues it receives, subject to the following requirements:

12 (a) The ordinance adopted by the local government creating the
13 revenue development area and authorizing the use of local
14 infrastructure financing indicates an intent to incur this indebtedness
15 and the maximum amount of this indebtedness that is contemplated; and

16 (b) The local government includes this statement of the intent in
17 all notices required by sections 204 and 205 of this act.

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

25 (3) In addition to the requirements in subsection (1) of this
26 section, a local government designating a revenue development area and
27 authorizing the use of local infrastructure financing may require the
28 nonpublic participant to provide adequate security to protect the
29 public investment in the public improvement within the revenue
30 development area.

31 NEW SECTION. **Sec. 505.** REVENUE BONDS. (1) A local government may
32 issue revenue bonds to fund revenue-generating public improvements, or
33 portions of public improvements, that are located within a revenue
34 development area. Whenever revenue bonds are to be issued, the
35 legislative authority of the local government shall create or have
36 created a special fund or funds from which, along with any reserves

1 created pursuant to RCW 39.44.140, the principal and interest on these
2 revenue bonds shall exclusively be payable. The legislative authority
3 of the local government may obligate the local government to set aside
4 and pay into the special fund or funds a fixed proportion or a fixed
5 amount of the revenues from the public improvements that are funded by
6 the revenue bonds. This amount or proportion is a lien and charge
7 against these revenues, subject only to operating and maintenance
8 expenses. The local government shall have due regard for the cost of
9 operation and maintenance of the public improvements that are funded by
10 the revenue bonds, and shall not set aside into the special fund or
11 funds a greater amount or proportion of the revenues that in its
12 judgment will be available over and above the cost of maintenance and
13 operation and the amount or proportion, if any, of the revenue
14 previously pledged. The local government may also provide that revenue
15 bonds payable out of the same source or sources of revenue may later be
16 issued on a parity with any revenue bonds being issued and sold.

17 (2) Revenue bonds issued pursuant to this section are not an
18 indebtedness of the local government issuing the bonds, and the
19 interest and principal on the bonds shall only be payable from the
20 revenues lawfully pledged to meet the principal and interest
21 requirements and any reserves created pursuant to RCW 39.44.140. The
22 owner or bearer of a revenue bond or any interest coupon issued
23 pursuant to this section shall not have any claim against the local
24 government arising from the bond or coupon except for payment from the
25 revenues lawfully pledged to meet the principal and interest
26 requirements and any reserves created pursuant to RCW 39.44.140. The
27 substance of the limitations included in this subsection shall be
28 plainly printed, written, or engraved on each bond issued pursuant to
29 this section.

30 (3) Revenue bonds with a maturity in excess of thirty years shall
31 not be issued. The legislative authority of the local government shall
32 by resolution determine for each revenue bond issue the amount, date,
33 form, terms, conditions, denominations, maximum fixed or variable
34 interest rate or rates, maturity or maturities, redemption rights,
35 registration privileges, manner of execution, manner of sale, callable
36 provisions, if any, and covenants including the refunding of existing
37 revenue bonds. Facsimile signatures may be used on the bonds and any

1 coupons. Refunding revenue bonds may be issued in the same manner as
2 revenue bonds are issued.

3 **PART VI**
4 **JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE REPORTS**

5 NEW SECTION. **Sec. 601.** JOINT LEGISLATIVE AUDIT AND REVIEW
6 COMMITTEE REPORTS. Beginning September 1, 2013, and continuing every
7 five years thereafter, the joint legislative audit and review committee
8 shall submit a report to the appropriate committees of the legislature.
9 The report shall, at a minimum, evaluate the effectiveness of the local
10 infrastructure financing tool program, including a project by project
11 review. The report that is due September 1, 2028, should also include
12 any recommendations regarding whether or not the program should be
13 expanded statewide and what impact the expansion would have on economic
14 development in Washington.

15 **PART VII**
16 **MISCELLANEOUS**

17 NEW SECTION. **Sec. 701.** CAPTIONS. Captions and part headings used
18 in this act are not any part of the law.

19 NEW SECTION. **Sec. 702.** SEVERABILITY. If any provision of this
20 act or its application to any person or circumstance is held invalid,
21 the remainder of the act or the application of the provision to other
22 persons or circumstances is not affected.

23 NEW SECTION. **Sec. 703.** PORT DISTRICTS. Nothing in this act shall
24 be construed to give port districts the authority to impose a sales or
25 use tax under chapter 82.14 RCW.

26 NEW SECTION. **Sec. 704.** EFFECTIVE DATE. This act takes effect
27 July 1, 2006.

28 NEW SECTION. **Sec. 705.** EXPIRATION DATE. This act expires June
29 30, 2039.

1 NEW SECTION. **Sec. 706.** NEW CHAPTER. Sections 101 through 302 and
2 402 through 601 of this act constitute a new chapter in Title 39 RCW.

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