
ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2673

State of Washington

59th Legislature

2006 Regular Session

By House Committee on Finance (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 sponsoring local
18 governments that can 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) "Annual state contribution limit" means five million dollars
5 statewide per fiscal year.

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

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

10 (4) "Board" means the community economic revitalization board under
11 chapter 43.160 RCW.

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

13 (6) "Fiscal year" means the twelve-month period beginning July 1st
14 and ending the following June 30th.

15 (7) "Local excise taxes" means local revenues derived from the
16 imposition of sales and use taxes authorized in RCW 82.14.030 at the
17 tax rate that was in effect at the time the revenue development area
18 was created.

19 (8) "Local excise tax allocation revenue" means the amount of local
20 excise taxes received by the local government during the measurement
21 year from taxable activity within the revenue development area over and
22 above the amount of local excise taxes received by the local government
23 during the base year from taxable activity within the revenue
24 development area, except that:

25 (a) If a sponsoring local government creates a revenue development
26 area and reasonably determines that no activity subject to tax under
27 chapters 82.08 and 82.12 RCW occurred in the twelve months immediately
28 preceding the creation of the revenue development area within the
29 boundaries of the area that became the revenue development area, "local
30 excise tax allocation revenue" means the entire amount of local excise
31 taxes received by the sponsoring local government during a calendar
32 year period beginning with the calendar year immediately following the
33 creation of the revenue development area and continuing with each
34 measurement year thereafter; and

35 (b) For revenue development areas created in calendar year 2006
36 that do not meet the requirements in (a) of this subsection, "local
37 excise tax allocation revenue" means the amount of local excise taxes
38 received by the sponsoring local government during the measurement year

1 from taxable activity within the revenue development area over and
2 above an amount of local excise taxes received by the sponsoring local
3 government during the 2007 base year adjusted by the department for any
4 estimated impacts from retail sales and use tax sourcing changes
5 effective July 1, 2007. The amount of base year adjustment determined
6 by the department is final.

7 (9) "Local government" means any city, town, county, port district,
8 and for the purpose of this chapter any federally recognized Indian
9 tribe.

10 (10) "Local infrastructure financing" means the use of revenues
11 received from local excise tax allocation revenues, local property tax
12 allocation revenues, dedicated revenues from local public sources, and
13 revenues received from the local option sales and use tax authorized in
14 section 202 of this act to pay the principal and interest on bonds
15 authorized under section 501 of this act.

16 (11) "Local property tax allocation revenue" means those tax
17 revenues derived from the receipt of regular property taxes levied on
18 the property tax allocation revenue value and used for local
19 infrastructure financing.

20 (12) "Local public sources" means federal and private monetary
21 contributions, and amounts of local excise tax allocation revenues
22 dedicated by participating local governments and local property tax
23 allocation revenues dedicated by participating taxing districts.

24 (13) "Low-income housing" means residential housing for persons or
25 families who lack the amount of income which is necessary to enable
26 them, without financial assistance, to live in decent, safe, and
27 sanitary dwellings, without overcrowding.

28 (14) "Measurement year" means a calendar year, beginning with the
29 calendar year following the base year and each calendar year
30 thereafter, that is used annually to measure state and local excise tax
31 allocation revenues.

32 (15) "Ordinance" means any appropriate method of taking legislative
33 action by a local government.

34 (16) "Participating local government" means a local government with
35 the revenue development area within its geographic boundaries that has
36 entered into a written agreement with a sponsoring local government to
37 allow the use of all or some of its local excise tax allocation

1 revenues or dedicated revenues from local public sources for local
2 infrastructure financing.

3 (17) "Participating taxing district" means any taxing district
4 levying regular property taxes on real property within a revenue
5 development area, where a sponsoring local government has obtained
6 written agreement for the use of local infrastructure financing to
7 finance all or a portion of the costs of designated public improvements
8 as provided in section 205 of this act.

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

26 (19) "Property taxing district" means a government entity that
27 levies or has levied for it regular property taxes upon real property
28 located within a proposed or approved revenue development area.

29 (20) "Public improvements" means:

30 (a) Infrastructure improvements within the revenue development area
31 that include:

- 32 (i) Street, bridge, and road construction and maintenance;
- 33 (ii) Water and sewer system construction and improvements;
- 34 (iii) Sidewalks, traffic controls, and streetlights;
- 35 (iv) Parking, terminal, and dock facilities;
- 36 (v) Park and ride facilities of a transit authority;
- 37 (vi) Park facilities and recreational areas; and
- 38 (vii) Storm water and drainage management systems;

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

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

24 (22) "Regular property taxes" means regular property taxes as
25 defined in RCW 84.04.140, except: (a) Regular property taxes levied by
26 public utility districts specifically for the purpose of making
27 required payments of principal and interest on general indebtedness;
28 (b) regular property taxes levied by the state for the support of the
29 common schools under RCW 84.52.065; and (c) regular property taxes
30 authorized by RCW 84.55.050 that are limited to a specific purpose.
31 "Regular property taxes" do not include excess property tax levies that
32 are exempt from the aggregate limits for junior and senior taxing
33 districts as provided in RCW 84.52.043.

34 (23) "Property tax allocation revenue base value" means the
35 assessed value of real property located within a revenue development
36 area for taxes levied in the year in which the revenue development area
37 is created for collection in the following year, plus one hundred
38 percent of any increase in the assessed value of real property located

1 within a revenue development area that is placed on the assessment
2 rolls after the revenue development area is created, less the property
3 tax allocation revenue value.

4 (24) "Relocating a business" means the closing of a business and
5 the reopening of that business, or the opening of a new business that
6 engages in the same activities as the previous business, in a different
7 location within a one-year period, when an individual or entity has an
8 ownership interest in the business at the time of closure and at the
9 time of opening or reopening. "Relocating a business" does not include
10 the closing and reopening of a business in a new location where the
11 business has been acquired and is under entirely new ownership at the
12 new location, or the closing and reopening of a business in a new
13 location as a result of the exercise of the power of eminent domain.

14 (25) "Revenue development area" means the geographic area created
15 by a sponsoring local government from which local tax allocation
16 revenues are derived for local infrastructure financing.

17 (26) "Small business" has the same meaning as provided in RCW
18 19.85.020.

19 (27) "Sponsoring local government" means a city, town, or county,
20 and for the purpose of this chapter a federally recognized Indian tribe
21 or any combination thereof, that creates a revenue development area and
22 applies to the board to use local infrastructure financing.

23 (28) "State contribution" means the lesser of one million dollars
24 or an amount equal to:

25 (a) The state excise tax allocation revenue and state property tax
26 allocation revenue received by the state during the preceding calendar
27 year;

28 (b) The amount of local excise tax allocation revenues, local
29 property tax allocation revenues, and revenues from local public
30 sources that are dedicated by a sponsoring local government in the
31 preceding calendar year to the payment of principal and interest on
32 bonds issued under section 501 of this act; or

33 (c) The amount of project award granted by the board in the notice
34 of approval to use local infrastructure financing under section 202 of
35 this act.

36 (29) "State excise taxes" means revenues derived from state retail
37 sales and use taxes under chapters 82.08 and 82.12 RCW, less the amount

1 of tax distributions from all taxes imposed on the same taxable events
2 that are credited against the state taxes under chapters 82.08 and
3 82.12 RCW.

4 (30) "State excise tax allocation revenue" means the amount of
5 state excise taxes received by the state during the measurement year
6 from taxable activity within the revenue development area over and
7 above the amount of state excise taxes received by the state during the
8 base year from taxable activity within the revenue development area,
9 except that:

10 (a) If a sponsoring local government creates a revenue development
11 area and reasonably determines that no activity subject to tax under
12 chapters 82.08 and 82.12 RCW occurred in the twelve months immediately
13 preceding the creation of the revenue development area within the
14 boundaries of the area that became the revenue development area, "state
15 excise tax allocation revenue" means the entire amount of state excise
16 taxes received by the state during a calendar year period beginning
17 with the calendar year immediately following the creation of the
18 revenue development area and continuing with each measurement year
19 thereafter; and

20 (b) For revenue development areas created in calendar year 2006
21 that do not meet the requirements in (a) of this subsection, "local
22 excise tax allocation revenue" means the amount of state excise taxes
23 received by the state during the measurement year from taxable activity
24 within the revenue development area over and above an amount of state
25 excise taxes received by the state during the 2007 base year adjusted
26 by the department for any estimated impacts from retail sales and use
27 tax sourcing changes effective July 1, 2007. The amount of base year
28 adjustment determined by the department is final.

29 (31) "State property tax allocation revenue" means those tax
30 revenues derived from the imposition of property taxes levied by the
31 state for the support of common schools under RCW 84.52.065 on the
32 property tax allocation revenue value.

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

36 (33) "Urban growth area" has the same meaning as provided in
37 chapter 36.70A RCW.

1 applications shall be considered by the board after the thirtieth day
2 of September of the third year following the year in which the first
3 application was received by the board.

4 (3) The board shall establish a competitive process to prioritize
5 applications and shall approve any tax that may be imposed under
6 section 401 of this act. The board shall consult with the department
7 of revenue in approving a proposed tax.

8 (4) The board shall apply the following criteria for evaluation and
9 ranking of applications:

10 (a) The relative benefits provided to the community by the proposed
11 economic or community development, including employment;

12 (b) The present level of economic activity in the community and the
13 existing local financial capacity to increase economic activity in the
14 community;

15 (c) The rate of return of the state's investment, that includes the
16 expected increase in state and local tax revenues associated with the
17 project;

18 (d) The lack of another timely source of funding available to
19 finance the project which would likely prevent the proposed community
20 or economic development, absent the financing available under this act;

21 (e) The ability of the project to improve the viability of existing
22 business entities in the project area;

23 (f) Whether or not the project is a partnership of multiple
24 jurisdictions;

25 (g) Demonstration that the requested assistance will directly
26 stimulate community and economic development by facilitating the
27 creation of new jobs or the retention of existing jobs; and

28 (h) The availability of existing assets that applicants may apply
29 to projects.

30 (5)(a) A proposed tax may not be approved unless the applicant has
31 entered into or expects to enter into a contract with a private
32 developer relating to private investment that will result in the
33 creation or retention of jobs upon completion of the project; and

34 (b) A proposed tax may not be approved if the expected development
35 will result in the relocation of jobs from another part of the state
36 into the revenue development area.

37 (6) As a part of the approval of applications under this section,
38 the board shall approve the project award, the amount of tax under

1 section 401 of this act, that an applicant may impose. The board shall
2 consult with the department in determining the amount. The amount of
3 tax approved by the board shall not exceed the lesser of one million
4 dollars or the average amount of tax revenue that the applicant
5 estimates that it will receive in all fiscal years through the
6 imposition of the sales and use tax under section 401 of this act. A
7 city, town, or county shall not receive, in any fiscal year, more
8 revenues from taxes imposed under section 401 of this act than the
9 amount approved by the board. The board shall not approve the receipt
10 of more credit against the state sales and use tax than is authorized
11 under subsection (7) of this section.

12 (7) No more than five million dollars of credit against the state
13 sales and use tax may be received by all cities, towns, and counties in
14 any fiscal year.

15 (8) The credit against the state sales and use tax shall be
16 available to any city, town, or county imposing a tax under section 401
17 of this act only as long as the city, town, or county has outstanding
18 indebtedness under section 501 of this act.

19 NEW SECTION. **Sec. 203.** LIMITATIONS ON REVENUE DEVELOPMENT AREAS.
20 The designation of a revenue development area is subject to the
21 following limitations:

22 (1) The taxable real property within the revenue development area
23 boundaries may not exceed one billion dollars in assessed value at the
24 time the revenue development area is designated;

25 (2) The average assessed value per square foot of taxable land
26 within the revenue development area boundaries may not exceed seventy
27 dollars at the time the revenue development area is designated;

28 (3) No more than one revenue development area may be created in a
29 county;

30 (4) A revenue development area is limited to contiguous tracts,
31 lots, pieces, or parcels of land without the creation of islands of
32 property not included in the revenue development area;

33 (5) The boundaries may not be drawn to purposely exclude parcels
34 where economic growth is unlikely to occur;

35 (6) The public improvements financed through local infrastructure
36 financing must be located in the revenue development area;

1 (7) A revenue development area cannot comprise an area containing
2 more than twenty-five percent of the total assessed value of the
3 taxable real property within the boundaries of the sponsoring local
4 government, including any cosponsoring local government, at the time
5 the revenue development area is designated; and

6 (8) The boundaries of the revenue development area shall not be
7 changed for the time period that local infrastructure financing is
8 used.

9 NEW SECTION. **Sec. 204.** CONDITIONS. The use of local
10 infrastructure financing under this chapter is subject to the following
11 conditions:

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

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

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

21 (3) The public improvements proposed to be financed in whole or in
22 part using local infrastructure financing are expected to encourage
23 private development within the revenue development area and to increase
24 the fair market value of real property within the revenue development
25 area;

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

32 (5) Private development that is anticipated to occur within the
33 revenue development area, as a result of the public improvements, will
34 be 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 (6) The governing body of the sponsoring local government must make
2 a finding that local infrastructure financing:

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

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

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

11 (a) Increase private residential and commercial investment within
12 the revenue development area;

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

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

16 (d) Generate, over the period of time that the local option sales
17 and use tax will be imposed under section 401 of this act, state excise
18 tax allocation revenues and state property tax allocation revenues
19 derived from the revenue development area that are equal to or greater
20 than the respective state contributions made under this chapter;

21 (8) The sponsoring local government may only use local
22 infrastructure financing in areas deemed in need of economic
23 development or redevelopment within boundaries of the sponsoring local
24 government.

25 NEW SECTION. **Sec. 205.** PROCESS. Before adopting an ordinance
26 creating the revenue development area, a sponsoring local government
27 must:

28 (1) Obtain written agreement from any participating local
29 government and participating taxing district to use dedicated amounts
30 of revenues from local public sources, local excise tax allocation
31 revenues, and local property tax allocation revenues, in whole or in
32 part, for local infrastructure financing authorized under this chapter.
33 The agreement to opt into the local infrastructure financing public
34 improvement project must be authorized by the governing body of such
35 participating local government and participating taxing district;

36 (2) Estimate the impact of the revenue development area on small

1 business and low-income housing and develop a mitigation plan for the
2 impacted businesses and housing. In analyzing the impact of the
3 revenue development area, the sponsoring local government must develop:

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

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

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

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

14 NEW SECTION. **Sec. 206.** ORDINANCE. (1) To create a revenue
15 development area, a sponsoring local government must adopt an ordinance
16 establishing the revenue development area that:

17 (a) Describes the public improvements proposed to be made in the
18 revenue development area;

19 (b) Describes the boundaries of the revenue development area,
20 subject to the limitations in section 203 of this act;

21 (c) Estimates the cost of the proposed public improvements and the
22 portion of these costs to be financed by local infrastructure
23 financing;

24 (d) Estimates the time during which local excise tax allocation
25 revenues, local property tax allocation revenues, and revenues from
26 local public sources are to be used for local infrastructure financing;

27 (e) Provides the date when the use of local excise tax allocation
28 revenues and local property tax allocation revenues will commence; and

29 (f) Finds that the conditions in section 204 of this act are met
30 and the findings in section 205 of this act are complete.

31 (2) The sponsoring local government must hold a public hearing on
32 the proposed financing of the public improvements in whole or in part
33 with local infrastructure financing at least thirty days before passage
34 of the ordinance establishing the revenue development area. The public
35 hearing may be held by either the governing body of the sponsoring
36 local government, or by a committee of that governing body that

1 includes at least a majority of the whole governing body. The public
2 hearing is subject to the notice requirements in section 207 of this
3 act.

4 (3) The sponsoring local government shall deliver a certified copy
5 of the adopted ordinance to the county treasurer, the governing body of
6 each participating local government within which the revenue
7 development area is located, the board, and the department.

8 NEW SECTION. **Sec. 207.** NOTICE REQUIREMENTS. Prior to adopting
9 the ordinance creating the revenue development area and to meet the
10 requirements of section 501(1)(b) of this act, a sponsoring local
11 government must provide public notice.

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

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

27 (3) Notices must describe the contemplated public improvements,
28 estimate the public improvement costs, describe the portion of the
29 public improvement costs to be borne by local infrastructure financing,
30 describe any other sources of revenue to finance the public
31 improvements, describe the boundaries of the proposed revenue
32 development area, estimate the impact that the public improvements will
33 have on small businesses and low-income housing, and estimate the
34 period during which local infrastructure financing is contemplated to
35 be used.

36 (4) Notices must inform the public where to obtain the information

1 that shows how the limitations, conditions, and findings required in
2 sections 203 through 205 of this act are met.

3 (5) The sponsoring local government shall deliver a certified copy
4 of the proposed ordinance to the county treasurer, the governing body
5 of each participating local government within which the revenue
6 development area is located, the board, and the department.

7 **PART III**
8 **TAX ALLOCATION REVENUES**

9 NEW SECTION. **Sec. 301.** LOCAL EXCISE TAX ALLOCATION REVENUES. (1)
10 A sponsoring local government or participating local government may use
11 annually its local excise tax allocation revenues to finance public
12 improvements in the revenue development area financed in whole or in
13 part by local infrastructure financing. The use of local excise tax
14 allocation revenues dedicated by participating local governments must
15 cease when such allocation revenues are no longer necessary or
16 obligated to pay bonds issued to finance the public improvements in the
17 revenue development area. Any participating taxing authority is
18 authorized to dedicate local excise tax allocation revenues to the
19 sponsoring local government as authorized in section 205(1) of this
20 act.

21 (2) A sponsoring local government shall provide the board and the
22 department accurate information describing the geographical boundaries
23 of the revenue development area at the time of application. The
24 information shall be provided in an electronic format or manner as
25 prescribed by the department. The sponsoring local government shall
26 ensure that the boundary information provided to the board and the
27 department is kept current.

28 (3) In the event a city annexes a county area located within a
29 county-sponsored revenue development area, the city shall remit to the
30 county the portion of the local excise tax allocation revenue that the
31 county would have received had the area not been annexed to the county.
32 The city shall remit such revenues until such time as the bonds issued
33 under section 501 of this act are retired.

34 NEW SECTION. **Sec. 302.** LOCAL PROPERTY TAX ALLOCATION REVENUES.
35 (1) Commencing in the second calendar year following the passage of the

1 ordinance creating a revenue development area and authorizing the use
2 of local infrastructure financing, the county treasurer shall
3 distribute receipts from regular taxes imposed on real property located
4 in the revenue development area as follows:

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

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

33 (2) The county assessor shall allocate any increase in the assessed
34 value of real property occurring in the revenue development area to the
35 property tax allocation revenue value and property tax allocation
36 revenue base value as appropriate. This section does not authorize
37 revaluations of real property by the assessor for property taxation

1 that are not made in accordance with the assessor's revaluation plan
2 under chapter 84.41 RCW or under other authorized revaluation
3 procedures.

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

18 **PART IV**
19 **STATE CONTRIBUTIONS**

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

22 SALES AND USE TAX. (1) A sponsoring local government that has been
23 approved by the board to use local infrastructure financing may impose
24 a sales and use tax in accordance with the terms of this chapter and
25 subject to the criteria set forth in this section. Except as provided
26 in this section, the tax is in addition to other taxes authorized by
27 law and shall be collected from those persons who are taxable by the
28 state under chapters 82.08 and 82.12 RCW upon the occurrence of any
29 taxable event within the taxing jurisdiction of the sponsoring local
30 government. The rate of tax shall not exceed the rate provided in RCW
31 82.08.020(1), less the aggregate rates of any other local sales and use
32 taxes imposed on the same taxable events that are credited against the
33 state sales and use taxes imposed under chapters 82.08 and 82.12 RCW.
34 The rate of tax may be changed only on the first day of a fiscal year
35 as needed. Notice of rate changes must be provided to the department

1 on the first day of March to be effective on July 1st of the next
2 fiscal year.

3 (2) The tax authorized under subsection (1) of this section shall
4 be credited against the state taxes imposed under chapter 82.08 or
5 82.12 RCW. The department shall perform the collection of such taxes
6 on behalf of the sponsoring local government at no cost to the
7 sponsoring local government and shall remit the taxes as provided in
8 RCW 82.14.060.

9 (3) No tax may be imposed under this section before July 1, 2008,
10 and before approval by the board under section 202 of this act. Before
11 imposing a tax under this section, the sponsoring local government
12 shall first have received both local excise tax allocation revenues and
13 local property tax allocation revenues during the preceding calendar
14 year. The tax imposed under this section shall expire when the bonds
15 issued under the authority of section 501 of this act are retired, but
16 not more than twenty-five years after the tax is first imposed.

17 (4) An ordinance adopted by the legislative authority of a
18 sponsoring local government imposing a tax under this section shall
19 provide that:

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

22 (b) The amount of tax received by the sponsoring local government
23 in any fiscal year shall not exceed the amount of the state
24 contribution;

25 (c) The tax shall cease to be distributed for the remainder of any
26 fiscal year in which either:

27 (i) The amount of tax received by the sponsoring local government
28 equals the amount of the state contribution;

29 (ii) The amount of revenue from taxes imposed under this section by
30 all cities and counties equals the annual state contribution limit; or

31 (iii) The amount of tax received by the sponsoring local government
32 equals the amount of project award granted in the approval notice
33 described in section 202 of this act;

34 (d) Neither the local excise tax allocation revenues nor the local
35 property tax allocation revenues can be more than eighty percent of the
36 total local funds used to earn the state contribution;

37 (e) The tax shall be distributed again, should it cease to be

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

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

7 (5) If a county and city cosponsor a revenue development area, the
8 combined rates of tax shall not exceed the rate provided in RCW
9 82.08.020(1), less the aggregate rates of any other local sales and use
10 taxes imposed on the same taxable events that are credited against the
11 state sales and use taxes imposed under chapters 82.08 and 82.12 RCW.

12 (6) The department shall determine the amount of tax receipts
13 distributed to each sponsoring local government imposing sales and use
14 tax under this section and shall advise a sponsoring local government
15 when tax distributions for the fiscal year equal the amount of state
16 contribution for that fiscal year as provided in subsection (8) of this
17 section. Determinations by the department of the amount of tax
18 distributions attributable to each sponsoring local government are
19 final and shall not be used to challenge the validity of any tax
20 imposed under this section. The department shall remit any tax
21 receipts in excess of the amounts specified in subsection (4)(c) of
22 this section to the state treasurer who shall deposit the money in the
23 general fund.

24 (7) If a sponsoring local government fails to comply with section
25 403 of this act, no tax may be distributed in the subsequent fiscal
26 year until such time as the sponsoring local government complies and
27 the department calculates the state contribution amount for such fiscal
28 year.

29 (8) Each year, the amount of taxes approved by the board for
30 distribution to a sponsoring local government in the next fiscal year
31 shall be the lesser of the amount of the project award in the approval
32 notice described in section 202 of this act or the amount equal to the
33 state contribution. The board shall consider information from reports
34 described in section 403 of this act when determining the amount of
35 state contributions for each fiscal year. A sponsoring local
36 government shall not receive, in any fiscal year, more revenues from
37 taxes imposed under the authority of this section than the amount
38 approved annually by the board. The board shall not approve the

1 receipt of more distributions of sales and use tax under this section
2 to a sponsoring local government than is authorized under subsection
3 (3) of this section.

4 (9) The amount of tax distributions received from taxes imposed
5 under the authority of this section by all sponsoring local governments
6 is limited annually to not more than five million dollars. The tax
7 distributions shall be available to the sponsoring local government
8 imposing a tax under this section only as long as the sponsoring local
9 government has outstanding indebtedness under section 501 of this act.

10 (10) The definitions in section 102 of this act apply to this
11 section unless the context clearly requires otherwise.

12 NEW SECTION. **Sec. 402.** USE OF FUNDS. Money collected from the
13 taxes imposed under section 401 of this act shall be used only for the
14 purpose of principal and interest payments on bonds issued under the
15 authority of section 501 of this act.

16 NEW SECTION. **Sec. 403.** REPORTING REQUIREMENTS. (1) A sponsoring
17 local government shall provide a report to the board by March 1st of
18 each year. The report shall contain the following information:

19 (a) The amount of local excise tax allocation revenues, and local
20 property tax allocation revenues, taxes under section 401 of this act,
21 and revenues from local public sources received by the sponsoring local
22 government during the preceding calendar year that were dedicated to
23 pay the public improvements financed in whole or in part with local
24 infrastructure financing, and a summary of how these revenues were
25 expended;

26 (b) The names of any businesses locating within the revenue
27 development area as a result of the public improvements undertaken by
28 the sponsoring local government and financed in whole or in part with
29 local infrastructure financing;

30 (c) The total number of permanent jobs created in the revenue
31 development area as a result of the public improvements undertaken by
32 the sponsoring local government and financed in whole or in part with
33 local infrastructure financing;

34 (d) The average wages and benefits received by all employees of
35 businesses locating within the revenue development area as a result of

1 the public improvements undertaken by the sponsoring local government
2 and financed in whole or in part with local infrastructure financing;
3 and

4 (e) That the sponsoring local government is in compliance with
5 section 204 of this act.

6 (2) The board shall make a report available to the public and the
7 legislature by June 1st of each year. The report shall include a list
8 of public improvements undertaken by sponsoring local governments and
9 financed in whole or in part with local infrastructure financing and it
10 shall also include a summary of the information provided to the board
11 by sponsoring local governments under subsection (1) of this section.

12 **PART V**
13 **BOND AUTHORIZATION**

14 NEW SECTION. **Sec. 501.** BOND ISSUANCE. (1) A sponsoring local
15 government that has designated a revenue development area and been
16 authorized the use of local infrastructure financing may incur general
17 indebtedness, and issue general obligation bonds, to finance the public
18 improvements and retire the indebtedness in whole or in part from tax
19 allocation revenues it receives, subject to the following requirements:

20 (a) The ordinance adopted by the sponsoring local government and
21 authorizing the use of local infrastructure financing indicates an
22 intent to incur this indebtedness and the maximum amount of this
23 indebtedness that is contemplated; and

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

26 (2)(a) Except as provided in (b) of this subsection, the general
27 indebtedness incurred under subsection (1) of this section may be
28 payable from other tax revenues, the full faith and credit of the local
29 government, and nontax income, revenues, fees, and rents from the
30 public improvements, as well as contributions, grants, and nontax money
31 available to the local government for payment of costs of the public
32 improvements or associated debt service on the general indebtedness.

33 (b) A local government that issues bonds under this section shall
34 not pledge any money received from the state of Washington for the
35 payment of such bonds, other than the local sales and use taxes imposed

1 under the authority of section 401 of this act and collected by the
2 department.

3 (3) In addition to the requirements in subsection (1) of this
4 section, a local government designating a revenue development area and
5 authorizing the use of local infrastructure financing may require the
6 nonpublic participant to provide adequate security to protect the
7 public investment in the public improvement within the revenue
8 development area.

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

21 (5) The local government may annually pay into a fund to be
22 established for the benefit of bonds issued under this section a fixed
23 proportion or a fixed amount of any local excise tax allocation
24 revenues and local property tax allocation revenues derived from
25 property or business activity within the revenue development area
26 containing the public improvements funded by the bonds, such payment to
27 continue until all bonds payable from the fund are paid in full. The
28 local government may also annually pay into the fund established in
29 this section a fixed proportion or a fixed amount of any revenues
30 derived from taxes imposed under section 401 of this act, such payment
31 to continue until all bonds payable from the fund are paid in full.
32 Revenues derived from taxes imposed under section 401 of this act are
33 subject to the use restriction in section 402 of this act.

34 (6) In case any of the public officials of the local government
35 whose signatures appear on any bonds or any coupons issued under this
36 chapter shall cease to be such officials before the delivery of such
37 bonds, such signatures shall, nevertheless, be valid and sufficient for
38 all purposes, the same as if such officials had remained in office

1 until such delivery. Any provision of any law to the contrary
2 notwithstanding, any bonds issued under this chapter are fully
3 negotiable.

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

7 NEW SECTION. **Sec. 502.** USE OF TAX REVENUE FOR BOND REPAYMENT. A
8 sponsoring local government that issues bonds under section 501 of this
9 act to finance public improvements may pledge for the payment of such
10 bonds all or part of any local excise tax allocation revenues and all
11 or part of any local property tax allocation revenues dedicated by the
12 sponsoring local government, any participating taxing authority, or
13 participating taxing district. The local government may also pledge
14 all or part of any revenues derived from taxes imposed under section
15 401 of this act and held in connection with the public improvements.
16 All of such tax revenues are subject to the use restrictions in
17 sections 202 through 204 of this act, and the process requirements in
18 section 205(1) of this act.

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

24 NEW SECTION. **Sec. 504.** GENERAL INDEBTEDNESS--SECURITY. (1) A
25 sponsoring local government designating a revenue development area and
26 authorizing the use of local infrastructure financing may incur general
27 indebtedness, and issue general obligation bonds, to finance the public
28 improvements and retire the indebtedness in whole or in part from local
29 excise tax allocation revenues and local property tax allocation
30 revenues it receives, subject to the following requirements:

31 (a) The ordinance adopted by the sponsoring local government
32 creating the revenue development area and authorizing the use of local
33 infrastructure financing indicates an intent to incur this indebtedness
34 and the maximum amount of this indebtedness that is contemplated; and

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

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

10 (3) In addition to the requirements in subsection (1) of this
11 section, a sponsoring local government designating a revenue
12 development area and authorizing the use of local infrastructure
13 financing may require the nonpublic participant to provide adequate
14 security to protect the public investment in the public improvement
15 within the revenue development area.

16 NEW SECTION. **Sec. 505.** REVENUE BONDS. (1) A sponsoring local
17 government may issue revenue bonds to fund revenue-generating public
18 improvements, or portions of public improvements, that are located
19 within a revenue development area. Whenever revenue bonds are to be
20 issued, the legislative authority of the sponsoring local government
21 shall create or have created a special fund or funds from which, along
22 with any reserves created pursuant to RCW 39.44.140, the principal and
23 interest on these revenue bonds shall exclusively be payable. The
24 legislative authority of the sponsoring local government may obligate
25 the sponsoring local government to set aside and pay into the special
26 fund or funds a fixed proportion or a fixed amount of the revenues from
27 the public improvements that are funded by the revenue bonds. This
28 amount or proportion is a lien and charge against these revenues,
29 subject only to operating and maintenance expenses. The sponsoring
30 local government shall have due regard for the cost of operation and
31 maintenance of the public improvements that are funded by the revenue
32 bonds, and shall not set aside into the special fund or funds a greater
33 amount or proportion of the revenues that in its judgment will be
34 available over and above the cost of maintenance and operation and the
35 amount or proportion, if any, of the revenue previously pledged. The
36 sponsoring local government may also provide that revenue bonds payable

1 out of the same source or sources of revenue may later be issued on a
2 parity with any revenue bonds being issued and sold.

3 (2) Revenue bonds issued pursuant to this section are not an
4 indebtedness of the sponsoring local government issuing the bonds, and
5 the interest and principal on the bonds shall only be payable from the
6 revenues lawfully pledged to meet the principal and interest
7 requirements and any reserves created pursuant to RCW 39.44.140. The
8 owner or bearer of a revenue bond or any interest coupon issued
9 pursuant to this section shall not have any claim against the
10 sponsoring local government arising from the bond or coupon except for
11 payment from the revenues lawfully pledged to meet the principal and
12 interest requirements and any reserves created pursuant to RCW
13 39.44.140. The substance of the limitations included in this
14 subsection shall be plainly printed, written, or engraved on each bond
15 issued pursuant to this section.

16 (3) Revenue bonds with a maturity in excess of twenty-five years
17 shall not be issued. The legislative authority of the sponsoring local
18 government shall by resolution determine for each revenue bond issue
19 the amount, date, form, terms, conditions, denominations, maximum fixed
20 or variable interest rate or rates, maturity or maturities, redemption
21 rights, registration privileges, manner of execution, manner of sale,
22 callable provisions, if any, and covenants including the refunding of
23 existing revenue bonds. Facsimile signatures may be used on the bonds
24 and any coupons. Refunding revenue bonds may be issued in the same
25 manner as revenue bonds are issued.

26 PART VI

27 JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE REPORTS

28 NEW SECTION. **Sec. 601.** JOINT LEGISLATIVE AUDIT AND REVIEW
29 COMMITTEE REPORTS. Beginning September 1, 2013, and continuing every
30 five years thereafter, the joint legislative audit and review committee
31 shall submit a report to the appropriate committees of the legislature.
32 The report shall, at a minimum, evaluate the effectiveness of the local
33 infrastructure financing tool program, including a project by project
34 review. The report shall include a comparison of the local
35 infrastructure financing revenues received to the incremental
36 improvements in assessed value of the real property located within the

1 revenue development area. The report that is due September 1, 2028,
2 should also include any recommendations regarding whether or not the
3 program should be expanded statewide and what impact the expansion
4 would have on economic development in Washington.

5 **PART VII**
6 **MISCELLANEOUS**

7 NEW SECTION. **Sec. 701.** DEPARTMENT OF REVENUE EVALUATION. The
8 department of revenue shall evaluate and periodically report on the
9 implementation of the local infrastructure financing program to the
10 governor and legislature as the department deems appropriate and
11 recommend such amendments, changes in, and modifications of this act as
12 seem proper.

13 NEW SECTION. **Sec. 702.** CAPTIONS. Captions and part headings used
14 in this act are not any part of the law.

15 NEW SECTION. **Sec. 703.** SEVERABILITY. If any provision of this
16 act or its application to any person or circumstance is held invalid,
17 the remainder of the act or the application of the provision to other
18 persons or circumstances is not affected.

19 NEW SECTION. **Sec. 704.** PORT DISTRICTS. Nothing in this act shall
20 be construed to give port districts the authority to impose a sales or
21 use tax under chapter 82.14 RCW.

22 NEW SECTION. **Sec. 705.** EFFECTIVE DATE. This act takes effect
23 July 1, 2006.

24 NEW SECTION. **Sec. 706.** EXPIRATION DATE. This act expires June
25 30, 2039.

26 NEW SECTION. **Sec. 707.** NEW CHAPTER. Sections 101 through 302 and
27 402 through 601 of this act constitute a new chapter in Title 39 RCW.

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