
SUBSTITUTE HOUSE BILL 1277

State of Washington

60th Legislature

2007 Regular Session

By House Committee on Community & Economic Development & Trade
(originally sponsored by Representatives Kelley, Simpson, Wood, P.
Sullivan, Conway, Kenney, Ericks, Rolfes and Morrell; by request of
Governor Gregoire)

READ FIRST TIME 02/14/07.

1 AN ACT Relating to expanding competitive local infrastructure
2 financing tools projects; amending RCW 39.102.020, 39.102.040,
3 39.102.050, 39.102.060, 39.102.090, 39.102.120, 82.14.475, 39.102.140,
4 and 39.102.150; adding a new section to chapter 39.102 RCW; creating a
5 new section; repealing RCW 39.102.180; and providing an expiration
6 date.

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

8 **Sec. 1.** RCW 39.102.020 and 2006 c 181 s 102 are each amended to
9 read as follows:

10 The definitions in this section apply throughout this chapter
11 unless the context clearly requires otherwise.

12 (1) "Annual state contribution limit" means ((five)) ten million
13 dollars statewide per fiscal year.

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

16 (3) "Base year" means the first calendar year following the
17 ~~((creation of a revenue development area. For a local government that~~
18 ~~meets the requirements of RCW 39.102.040(2), "base year" is the~~
19 ~~calendar year after it amends its ordinance as provided in RCW~~

1 ~~39.102.040(2))~~ calendar year in which a sponsoring local government,
2 and any cosponsoring local government, receives approval by the board
3 for a project award, provided that the approval is granted before
4 October 15th. If approval by the board is received on or after October
5 15th but on or before December 31st, the "base year" is the second
6 calendar year following the calendar year in which a sponsoring local
7 government, and any cosponsoring local government, receives approval by
8 the board for a project award.

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

11 (5) "Demonstration project" means one of the following projects:

12 (a) Bellingham waterfront redevelopment project;

13 (b) Spokane river district project at Liberty Lake; and

14 (c) Vancouver riverwest project.

15 (6) "Department" means the department of revenue.

16 (7) "Fiscal year" means the twelve-month period beginning July 1st
17 and ending the following June 30th.

18 (8) "Local excise taxes" means local revenues derived from the
19 imposition of sales and use taxes authorized in RCW 82.14.030 at the
20 tax rate that was in effect at the time the revenue development area
21 was ~~((created))~~ approved by the board, except that if a local
22 government reduces the rate of such tax after the revenue development
23 area was ~~((created))~~ approved by the board, "local excise taxes" means
24 the local revenues derived from the imposition of the sales and use
25 taxes authorized in RCW 82.14.030 at the lower tax rate.

26 (9) "Local excise tax allocation revenue" means the amount of local
27 excise taxes received by the local government during the measurement
28 year from taxable activity within the revenue development area over and
29 above the amount of local excise taxes received by the local government
30 during the base year from taxable activity within the revenue
31 development area, except that:

32 (a) If a sponsoring local government ~~((creates))~~ adopts a revenue
33 development area and reasonably determines that no activity subject to
34 tax under chapters 82.08 and 82.12 RCW occurred within the boundaries
35 of the revenue development area in the twelve months immediately
36 preceding the ~~((creation))~~ approval of the revenue development area
37 ~~((within the boundaries of the area that became the revenue development~~
38 ~~area))~~ by the board, "local excise tax allocation revenue" means the

1 entire amount of local excise taxes received by the sponsoring local
2 government during a calendar year period beginning with the calendar
3 year immediately following the ~~((creation))~~ approval of the revenue
4 development area by the board and continuing with each measurement year
5 thereafter; and

6 (b) For revenue development areas ~~((created))~~ approved by the board
7 in calendar years 2006 and 2007 that do not meet the requirements in
8 (a) of this subsection and if legislation is enacted in this state ~~((by~~
9 ~~July 1, 2006,))~~ during the 2007 legislative session that adopts the
10 sourcing provisions of the streamlined sales and use tax agreement,
11 "local excise tax allocation revenue" means the amount of local excise
12 taxes received by the sponsoring local government during the
13 measurement year from taxable activity within the revenue development
14 area over and above an amount of local excise taxes received by the
15 sponsoring local government during the 2007 or 2008 base year, as the
16 case may be, adjusted by the department for any estimated impacts from
17 retail sales and use tax sourcing changes effective ~~((July 1, 2007))~~ in
18 2008. The amount of base year adjustment determined by the department
19 is final.

20 (10) "Local government" means any city, town, county, port
21 district, and any federally recognized Indian tribe.

22 (11) "Local infrastructure financing" means the use of revenues
23 received from local excise tax allocation revenues, local property tax
24 allocation revenues, ~~((dedicated))~~ other revenues from local public
25 sources, and revenues received from the local option sales and use tax
26 authorized in RCW 82.14.475, dedicated to pay the principal and
27 interest on bonds authorized under RCW 39.102.150.

28 (12) "Local property tax allocation revenue" means those tax
29 revenues derived from the receipt of regular property taxes levied on
30 the property tax allocation revenue value and used for local
31 infrastructure financing.

32 (13)(a) "Revenues from local public sources" means ~~((federal and~~
33 ~~private monetary contributions, amounts of local excise tax allocation~~
34 ~~revenues, and amounts of local property tax allocation revenues~~
35 ~~dedicated by participating taxing districts and participating local~~
36 ~~governments for local infrastructure financing))~~:

37 (i) Amounts of local excise tax allocation revenues and local

1 property tax allocation revenues, dedicated by sponsoring local
2 governments, participating local governments, and participating taxing
3 districts, for local infrastructure financing; and

4 (ii) Any other local revenues, except as provided in (b) of this
5 subsection, including revenues derived from federal and private
6 sources.

7 (b) Revenues from local public sources do not include any local
8 funds derived from state grants, state loans, or any other state moneys
9 including any local sales and use taxes credited against the state
10 sales and use taxes imposed under chapter 82.08 or 82.12 RCW.

11 (14) "Low-income housing" means residential housing for low-income
12 persons or families who lack the means which is necessary to enable
13 them, without financial assistance, to live in decent, safe, and
14 sanitary dwellings, without overcrowding. For the purposes of this
15 subsection, "low income" means income that does not exceed eighty
16 percent of the median family income for the standard metropolitan
17 statistical area in which the revenue development area is located.

18 (15) "Measurement year" means a calendar year, beginning with the
19 calendar year following the base year and each calendar year
20 thereafter, that is used annually to measure state and local excise tax
21 allocation revenues.

22 (16) "Ordinance" means any appropriate method of taking legislative
23 action by a local government.

24 (17) "Participating local government" means a local government
25 having a revenue development area within its geographic boundaries that
26 has entered into a written agreement with a sponsoring local government
27 as provided in RCW 39.102.080 to allow the use of all or some of its
28 local excise tax allocation revenues or other revenues from local
29 public sources dedicated for local infrastructure financing.

30 (18) "Participating taxing district" means a local government
31 having a revenue development area within its geographic boundaries that
32 has entered into a written agreement with a sponsoring local government
33 as provided in RCW 39.102.080 to allow the use of some or all of its
34 local property tax allocation revenues or other revenues from local
35 public sources dedicated for local infrastructure financing.

36 (19)(a)(i) "Property tax allocation revenue value" means
37 seventy-five percent of any increase in the assessed value of real
38 property in a revenue development area resulting from:

1 (A) The placement of new construction(~~(τ)~~) or improvements(~~(τ or~~

2 both)) to property, or both, on the assessment roll(~~(s after the~~

3 revenue development area is created)), where the new construction

4 (~~(or)~~) and improvements (~~(occur entirely after the revenue development~~

5 area is created)) are initiated after the revenue development area is

6 approved by the board;

7 (B) The cost of new housing construction, conversion, and

8 rehabilitation improvements, when such cost is treated as new

9 construction for purposes of chapter 84.55 RCW as provided in RCW

10 84.14.020, and the new housing construction, conversion, and

11 rehabilitation improvements are initiated after the revenue development

12 area is approved by the board;

13 (C) The cost of rehabilitation of historic property, when such cost

14 is treated as new construction for purposes of chapter 84.55 RCW as

15 provided in RCW 84.26.070, and the rehabilitation is initiated after

16 the revenue development area is approved by the board.

17 (ii) Increases in the assessed value of real property in a revenue

18 development area resulting from (a)(i)(A) through (C) of this

19 subsection are included in the property tax allocation revenue value in

20 the initial year. These same amounts are also included in the property

21 tax allocation revenue value in subsequent years until such time as

22 either the property becomes exempt from property taxation or the

23 sponsoring local government is no longer authorized to use local

24 property tax allocation revenues to pay the principal and interest on

25 bonds authorized under RCW 39.102.150.

26 ~~(b) ((If any new construction added to the assessment rolls~~

27 ~~consists of entire buildings, "property tax allocation revenue value"~~

28 ~~includes seventy five percent of any increase in the assessed value of~~

29 ~~the buildings in the years following their initial placement on the~~

30 ~~assessment rolls.~~

31 ~~(c) "Property tax allocation revenue value" does not include any~~

32 ~~increase in the assessed value of improvements to property or new~~

33 ~~construction that do not consist of an entire building, occurring after~~

34 ~~their initial placement on the assessment rolls)) "Property tax~~

35 allocation revenue value" includes seventy-five percent of any increase

36 in the assessed value of new construction consisting of an entire

37 building in the years following the initial year, until such time as

38 either the building becomes exempt from property taxation or the

1 sponsoring local government is no longer authorized to use local
2 property tax allocation revenues to pay the principal and interest on
3 bonds authorized under RCW 39.102.150.

4 (c) Except as provided in (b) of this subsection, "property tax
5 allocation revenue value" does not include any increase in the assessed
6 value of real property after the initial year.

7 (d) There is no property tax allocation revenue value if the
8 assessed value of real property in a revenue development area has not
9 increased (~~due to new construction or improvements to property~~
10 ~~occurring after the revenue development area is created~~) as a result
11 of any of the reasons specified in (a)(i)(A) through (C) of this
12 subsection.

13 (e) For purposes of this subsection, "initial year" means:

14 (i) For new construction and improvements to property added to the
15 assessment roll, the year during which the new construction and
16 improvements are initially placed on the assessment roll;

17 (ii) For the cost of new housing construction, conversion, and
18 rehabilitation improvements, when such cost is treated as new
19 construction for purposes of chapter 84.55 RCW, the year when such cost
20 is treated as new construction for purposes of levying taxes for
21 collection in the following year; and

22 (iii) For the cost of rehabilitation of historic property, when
23 such cost is treated as new construction for purposes of chapter 84.55
24 RCW, the year when such cost is treated as new construction for
25 purposes of levying taxes for collection in the following year.

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

29 (21) "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 including highway interchange construction;

34 (ii) Water and sewer system construction and improvements,
35 including wastewater reuse facilities;

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

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

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

1 (vi) Park facilities and recreational areas, including trails; and

2 (vii) Storm water and drainage management systems;

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

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

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

36 (24) "Property tax allocation revenue base value" means the
37 assessed value of real property located within a revenue development
38 area for taxes levied in the year in which the revenue development area

1 is (~~created~~) adopted for collection in the following year, plus one
2 hundred percent of any increase in the assessed value of real property
3 located within a revenue development area that is placed on the
4 assessment rolls after the revenue development area is (~~created~~)
5 adopted, less the property tax allocation revenue value.

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

16 (26) "Revenue development area" means the geographic area
17 (~~created~~) adopted by a sponsoring local government and approved by
18 the board, from which local excise and property tax allocation revenues
19 are derived for local infrastructure financing.

20 (27) "Small business" has the same meaning as provided in RCW
21 19.85.020.

22 (28) "Sponsoring local government" means a city, town, or county,
23 and for the purpose of this chapter a federally recognized Indian tribe
24 or any combination thereof, that (~~creates~~) adopts a revenue
25 development area and applies to the board to use local infrastructure
26 financing.

27 (29) "State contribution" means the lesser of:

- 28 (a) One million dollars;
- 29 (b) The state excise tax allocation revenue and state property tax
30 allocation revenue received by the state during the preceding calendar
31 year;

32 (c) The total amount of local excise tax allocation revenues, local
33 property tax allocation revenues, and other revenues from local public
34 sources, that are dedicated by a sponsoring local government, any
35 participating local governments, and participating taxing districts, in
36 the preceding calendar year to the payment of principal and interest on
37 bonds issued under RCW 39.102.150; or

1 (d) The amount of project award granted by the board in the notice
2 of approval to use local infrastructure financing under RCW 39.102.040.

3 (30) "State excise taxes" means revenues derived from state retail
4 sales and use taxes under chapters 82.08 and 82.12 RCW, less the amount
5 of tax distributions from all local retail sales and use taxes, other
6 than the local sales and use taxes authorized by RCW 82.14.475, imposed
7 on the same taxable events and that are credited against the state
8 retail sales and use taxes under chapters 82.08 and 82.12 RCW.

9 (31) "State excise tax allocation revenue" means the amount of
10 state excise taxes received by the state during the measurement year
11 from taxable activity within the revenue development area over and
12 above the amount of state excise taxes received by the state during the
13 base year from taxable activity within the revenue development area,
14 except that:

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

26 (b) For revenue development areas (~~((created))~~) approved by the board
27 in calendar years 2006 and 2007 that do not meet the requirements in
28 (a) of this subsection and if legislation is enacted in this state (~~((by~~
29 ~~July 1, 2006,))~~) during the 2007 legislative session that adopts the
30 sourcing provisions of the streamlined sales and use tax agreement,
31 "state excise tax allocation revenue" means the amount of state excise
32 taxes received by the state during the measurement year from taxable
33 activity within the revenue development area over and above an amount
34 of state excise taxes received by the state during the 2007 or 2008
35 base year, as the case may be, adjusted by the department for any
36 estimated impacts from retail sales and use tax sourcing changes
37 effective (~~((July 1, 2007))~~) in 2008. The amount of base year adjustment
38 determined by the department is final.

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

5 (33) "Real property" has the same meaning as in RCW 84.04.090 and
6 also includes any privately owned improvements located on publicly
7 owned land that are subject to property taxation.

8 **Sec. 2.** RCW 39.102.040 and 2006 c 181 s 202 are each amended to
9 read as follows:

10 (1) Prior to applying to the board to use local infrastructure
11 financing, a sponsoring local government shall:

12 (a) Designate a revenue development area within the limitations in
13 RCW 39.102.060;

14 (b) Certify that the conditions in RCW 39.102.070 are met;

15 (c) Complete the process in RCW 39.102.080;

16 (d) Provide public notice as required in RCW 39.102.100; and

17 (e) Pass an ordinance adopting the revenue development area as
18 required in RCW 39.102.090.

19 (2) Any local government that has created an increment area under
20 chapter 39.89 RCW (~~that~~) and has not issued bonds to finance any
21 public improvement (~~shall be~~) may apply to the board and have its
22 increment area considered for approval as a revenue development area
23 under this chapter without (~~creating~~) adopting a new (~~increment~~)
24 revenue development area under RCW 39.102.090 and 39.102.100 if it
25 amends its ordinance to comply with RCW 39.102.090(1) and otherwise
26 meets the conditions and limitations under this chapter.

27 (3) As a condition to imposing a sales and use tax under RCW
28 82.14.475, a sponsoring local government, including any cosponsoring
29 local government seeking authority to impose a sales and use tax under
30 RCW 82.14.475, must apply to the board and be approved for a project
31 award amount. The application shall be in a form and manner prescribed
32 by the board and include but not be limited to information establishing
33 that the applicant is an eligible candidate to impose the local sales
34 and use tax under RCW 82.14.475, 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
37 fiscal year that the tax will be imposed. The board shall make

1 available forms to be used for this purpose. As part of the
2 application, each applicant must provide to the board a copy of the
3 ordinance or ordinances creating the revenue development area as
4 required in RCW 39.102.090. A notice of approval to use local
5 infrastructure financing shall contain a project award that represents
6 the maximum amount of state contribution that the applicant, including
7 any cosponsoring local governments, can earn each year that local
8 infrastructure financing is used. The total of all project awards
9 shall not exceed the annual state contribution limit. The
10 determination of a project award shall be made based on information
11 contained in the application and the remaining amount of annual state
12 contribution limit to be awarded. Determination of a project award by
13 the board is final.

14 (4)(a) Sponsoring local governments, and any cosponsoring local
15 governments, applying in calendar year 2007 for a competitive project
16 award, must submit completed applications to the board no later than
17 July 1, 2007. By September 15, 2007, in consultation with the
18 department of revenue and the department of community, trade, and
19 economic development, the board shall approve (~~(qualified)~~) competitive
20 project(~~(s, up to the annual state contribution limit)~~) awards from
21 competitive applications submitted by the 2007 deadline. No more than
22 two million five hundred thousand dollars in competitive project awards
23 shall be approved in 2007. For projects not approved by the board in
24 2007, sponsoring and cosponsoring local governments may apply again to
25 the board in 2008 for approval of a project.

26 (b) Sponsoring local governments, and any cosponsoring local
27 governments, applying in calendar year 2008 for a competitive project
28 award, must submit completed applications to the board no later than
29 July 1, 2008. By September 18, 2008, in consultation with the
30 department of revenue and the department of community, trade, and
31 economic development, the board shall approve competitive project
32 awards from competitive applications submitted by the 2008 deadline.
33 No more than two million five hundred thousand dollars in competitive
34 project awards shall be approved in 2008, except as provided in RCW
35 39.102.050(2). For projects not approved in 2008, sponsoring and
36 cosponsoring local governments may apply again to the board for
37 approval of a project.

1 (c) Sponsoring local governments, and any cosponsoring local
2 governments, applying in calendar year 2009 for a competitive project
3 award must submit completed applications to the board no later than
4 July 1, 2009. By September 15, 2009, in consultation with the
5 department of revenue and the department of community, trade, and
6 economic development, the board shall approve competitive project
7 awards from competitive applications submitted by the 2009 deadline.

8 (d) Except as provided in RCW 39.102.050(2), a total of no more
9 than seven million five hundred thousand dollars in competitive project
10 awards shall be approved for local infrastructure financing. (~~Except~~
11 as provided in RCW 39.102.050,))

12 (e) Approvals of competitive awards shall be based on the following
13 criteria:

14 ~~((a))~~ (i) The project potential to enhance the sponsoring local
15 government's regional and/or international competitiveness;

16 ~~((b))~~ (ii) The project's ability to encourage mixed use or
17 transit-oriented development and the redevelopment of a geographic
18 area;

19 ~~((c))~~ (iii) Achieving an overall distribution of projects
20 statewide that reflect geographic diversity;

21 ~~((d))~~ (iv) The estimated wages and benefits for the project is
22 greater than the average labor market area;

23 ~~((e))~~ (v) The estimated state and local net employment change
24 over the life of the project;

25 ~~((f))~~ (vi) The estimated state and local net property tax change
26 over the life of the project; and

27 ~~((g))~~ (vii) The estimated state and local sales and use tax
28 increase over the life of the project.

29 (5) ~~((A revenue development area is considered created when the~~
30 ~~sponsoring local government, including any cosponsoring local~~
31 ~~government, has adopted an ordinance creating the revenue development~~
32 ~~area and the board has approved the sponsoring local government to use~~
33 ~~local infrastructure financing. If a sponsoring local government~~
34 ~~receives approval from the board after the fifteenth day of October to~~
35 ~~use local infrastructure financing, the revenue development area is~~
36 ~~considered created in the calendar year following the approval.))~~ Once
37 the board has approved the sponsoring local government, and any
38 cosponsoring local governments, to use local infrastructure financing,

1 notification (~~shall~~) must be sent by the board to the sponsoring
2 local government, and any cosponsoring local governments, authorizing
3 the sponsoring local government, and any cosponsoring local
4 governments, to impose the local sales and use tax authorized under RCW
5 82.14.475, subject to the conditions in RCW 82.14.475.

6 **Sec. 3.** RCW 39.102.050 and 2006 c 181 s 203 are each amended to
7 read as follows:

8 (1) In addition to a competitive process, demonstration projects
9 are provided to determine the feasibility of the local infrastructure
10 financing tool. Notwithstanding RCW 39.102.040, the board shall
11 approve each demonstration project (~~before approving any other~~
12 application)). Demonstration project applications must be received by
13 the board no later than July 1, 2008. The Bellingham waterfront
14 redevelopment project award shall not exceed one million dollars per
15 year, the Spokane river district project award shall not exceed one
16 million dollars per year, and the Vancouver riverwest project award
17 shall not exceed five hundred thousand dollars per year. The board
18 shall approve by September 15, 2007, demonstration project applications
19 submitted no later than July 1, 2007. The board shall approve by
20 September 18, 2008, demonstration project applications submitted by
21 July 1, 2008.

22 (2) If before board approval of the final competitive project award
23 in 2008, a demonstration project has not received approval by the
24 board, the state dollars set aside for the demonstration project in
25 subsection (1) of this section shall be available for the competitive
26 application process. If a demonstration project has received a partial
27 award before the approval of the final competitive project award, the
28 remaining state dollars set aside for the demonstration project in
29 subsection (1) of this section shall be available for the competitive
30 process.

31 **Sec. 4.** RCW 39.102.060 and 2006 c 181 s 204 are each amended to
32 read as follows:

33 The designation of a revenue development area is subject to the
34 following limitations:

35 (1) The taxable real property within the revenue development area

1 boundaries may not exceed one billion dollars in assessed value at the
2 time the revenue development area is designated;

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

6 ~~(3) No more than one revenue development area may be created in a
7 county))~~ No revenue development area shall have within its geographic
8 boundaries any part of a hospital benefit zone under chapter 39.100 RCW
9 or any part of another revenue development area created under this
10 chapter;

11 ~~((4))~~ (3) A revenue development area is limited to contiguous
12 tracts, lots, pieces, or parcels of land without the creation of
13 islands of property not included in the revenue development area;

14 ~~((5))~~ (4) The boundaries may not be drawn to purposely exclude
15 parcels where economic growth is unlikely to occur;

16 ~~((6))~~ (5) The public improvements financed through local
17 infrastructure financing must be located in the revenue development
18 area;

19 ~~((7))~~ (6) A revenue development area cannot comprise an area
20 containing more than twenty-five percent of the total assessed value of
21 the taxable real property within the boundaries of the sponsoring local
22 government, including any cosponsoring local government, at the time
23 the revenue development area is designated;

24 ~~((8))~~ (7) The boundaries of the revenue development area shall
25 not be changed for the time period that local infrastructure financing
26 is used; and

27 ~~((9))~~ (8) A revenue development area cannot include any part of
28 an increment area created under chapter 39.89 RCW, except those
29 increment areas created prior to January 1, 2006.

30 **Sec. 5.** RCW 39.102.090 and 2006 c 181 s 207 are each amended to
31 read as follows:

32 (1) To ~~((create))~~ adopt a revenue development area, a sponsoring
33 local government, and any cosponsoring local government, must adopt an
34 ordinance establishing the revenue development area that:

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

1 (b) Describes the boundaries of the revenue development area,
2 subject to the limitations in RCW 39.102.060;

3 (c) Estimates the cost of the proposed public improvements and the
4 portion of these costs to be financed by local infrastructure
5 financing;

6 (d) Estimates the time during which local excise tax allocation
7 revenues, local property tax allocation revenues, and other revenues
8 from local public sources are to be used for local infrastructure
9 financing;

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

12 (f) Finds that the conditions in RCW 39.102.070 are met and the
13 findings in RCW 39.102.080 are complete.

14 (2) The sponsoring local government, and any cosponsoring local
15 government, must hold a public hearing on the proposed financing of the
16 public improvements in whole or in part with local infrastructure
17 financing (~~at least thirty days~~) before passage of the ordinance
18 establishing the revenue development area. The public hearing may be
19 held by either the governing body of the sponsoring local government
20 and the governing body of any cosponsoring local government, or by a
21 committee of those governing bodies that includes at least a majority
22 of the whole governing body or bodies. The public hearing is subject
23 to the notice requirements in RCW 39.102.100.

24 (3) The sponsoring local government, and any cosponsoring local
25 government, shall deliver a certified copy of the adopted ordinance to
26 the county treasurer, the governing body of each participating local
27 government and participating taxing district within which the revenue
28 development area is located, the board, and the department.

29 **Sec. 6.** RCW 39.102.120 and 2006 c 181 s 302 are each amended to
30 read as follows:

31 (1) Commencing in the second calendar year following (~~the passage~~
32 ~~of the ordinance creating a revenue development area and authorizing~~
33 ~~the use of local infrastructure financing~~) board approval of a revenue
34 development area, the county treasurer shall distribute receipts from
35 regular taxes imposed on real property located in the revenue
36 development area as follows:

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

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

29 (2) The county assessor shall allocate any increase in the assessed
30 value of real property occurring in the revenue development area to the
31 property tax allocation revenue value and property tax allocation
32 revenue base value as appropriate. This section does not authorize
33 revaluations of real property by the assessor for property taxation
34 that are not made in accordance with the assessor's revaluation plan
35 under chapter 84.41 RCW or under other authorized revaluation
36 procedures.

37 (3) The apportionment of increases in assessed valuation in a
38 revenue development area, and the associated distribution to the

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

13 (4) The allocation to the revenue development area of portions of
14 the local regular property taxes levied by or for each taxing district
15 upon the property tax allocation revenue value within that revenue
16 development area is declared to be a public purpose of and benefit to
17 each such taxing district.

18 (5) The allocation of local property tax allocation revenues
19 pursuant to this section shall not affect or be deemed to affect the
20 rate of taxes levied by or within any taxing district or the
21 consistency of any such levies with the uniformity requirement of
22 Article VII, section 1 of the state Constitution.

23 (6) This section does not apply to those revenue development areas
24 that include any part of an increment area created under chapter 39.89
25 RCW.

26 **Sec. 7.** RCW 82.14.475 and 2006 c 181 s 401 are each amended to
27 read as follows:

28 (1) A sponsoring local government, and any cosponsoring local
29 government, that has been approved by the board to use local
30 infrastructure financing may impose a sales and use tax in accordance
31 with the terms of this chapter and subject to the criteria set forth in
32 this section. Except as provided in this section, the tax is in
33 addition to other taxes authorized by law and shall be collected from
34 those persons who are taxable by the state under chapters 82.08 and
35 82.12 RCW upon the occurrence of any taxable event within the taxing
36 jurisdiction of the sponsoring local government or cosponsoring local
37 government. The rate of tax shall not exceed the rate provided in RCW

1 82.08.020(1), less the aggregate rates of any other local sales and use
2 taxes imposed on the same taxable events that are credited against the
3 state sales and use taxes imposed under chapters 82.08 and 82.12 RCW.
4 The rate of tax may be changed only on the first day of a fiscal year
5 as needed. Notice of rate changes must be provided to the department
6 on the first day of March to be effective on July 1st of the next
7 fiscal year.

8 (2) The tax authorized under subsection (1) of this section shall
9 be credited against the state taxes imposed under chapter 82.08 or
10 82.12 RCW. The department shall perform the collection of such taxes
11 on behalf of the sponsoring local government or cosponsoring local
12 government at no cost to the sponsoring local government or
13 cosponsoring local government and shall remit the taxes as provided in
14 RCW 82.14.060.

15 (3)(a) No tax may be imposed under the authority of this section:

16 (i) Before July 1, 2008;

17 (ii) Before approval by the board under RCW 39.102.040; and

18 (iii) ~~((Except as provided in (b) of this subsection, unless))~~
19 Before the sponsoring local government has received and dedicated to
20 the payment of bonds authorized in RCW 39.102.150, in whole or in part,
21 ~~((both))~~ local excise tax allocation revenues ~~((and))~~, local property
22 tax allocation revenues, or both, during the preceding calendar year.

23 ~~(b) ((The requirement to receive local property tax allocation~~
24 ~~revenues under (a) of this subsection is waived if the revenue~~
25 ~~development area coincides with or is contained entirely within the~~
26 ~~boundaries of an increment area adopted by a local government under the~~
27 ~~authority of chapter 39.89 RCW for the purposes of utilizing community~~
28 ~~revitalization financing.~~

29 ~~(e))~~ The tax imposed under this section shall expire when the
30 bonds issued under the authority of RCW 39.102.150 are retired, but not
31 more than twenty-five years after the tax is first imposed.

32 (4) An ordinance adopted by the legislative authority of a
33 sponsoring local government or cosponsoring local government imposing
34 a tax under this section shall provide that:

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

37 (b) The cumulative amount of tax received by the sponsoring local

1 government, and any cosponsoring local government, in any fiscal year
2 shall not exceed the amount of the state contribution;

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

5 (i) The amount of tax received by the sponsoring local government,
6 and any cosponsoring local government, equals the amount of the state
7 contribution;

8 (ii) The amount of revenue from taxes imposed under this section by
9 all sponsoring and cosponsoring local governments equals the annual
10 state contribution limit; or

11 (iii) The amount of tax received by the sponsoring local government
12 equals the amount of project award granted in the approval notice
13 described in RCW 39.102.040;

14 ~~(d) ((Except when the requirement to receive local property tax~~
15 ~~allocation revenues is waived as provided in subsection (3)(b) of this~~
16 ~~section, neither the local excise tax allocation revenues nor the local~~
17 ~~property tax allocation revenues can be more than eighty percent of the~~
18 ~~total local funds as described in RCW 39.102.020(29)(c);~~

19 ~~(e))~~ The tax shall be distributed again, should it cease to be
20 distributed for any of the reasons provided in (c) of this subsection,
21 at the beginning of the next fiscal year, subject to the restrictions
22 in this section; and

23 ~~((f))~~ (e) Any revenue generated by the tax in excess of the
24 amounts specified in (c) of this subsection shall belong to the state
25 of Washington.

26 (5) If a county and city cosponsor a revenue development area, the
27 combined rates of the city and county tax shall not exceed the rate
28 provided in RCW 82.08.020(1), less the aggregate rates of any other
29 local sales and use taxes imposed on the same taxable events that are
30 credited against the state sales and use taxes imposed under chapters
31 82.08 and 82.12 RCW. The combined amount of distributions received by
32 both the city and county may not exceed the state contribution.

33 (6) The department shall determine the amount of tax receipts
34 distributed to each sponsoring local government, and any cosponsoring
35 local government, imposing sales and use tax under this section and
36 shall advise a sponsoring or cosponsoring local government when tax
37 distributions for the fiscal year equal the amount of state
38 contribution for that fiscal year as provided in subsection (8) of this

1 section. Determinations by the department of the amount of tax
2 distributions attributable to each sponsoring or cosponsoring local
3 government are final and shall not be used to challenge the validity of
4 any tax imposed under this section. The department shall remit any tax
5 receipts in excess of the amounts specified in subsection (4)(c) of
6 this section to the state treasurer who shall deposit the money in the
7 general fund.

8 (7) If a sponsoring or cosponsoring local government fails to
9 comply with RCW 39.102.140, no tax may be distributed in the subsequent
10 fiscal year until such time as the sponsoring or cosponsoring local
11 government complies and the department calculates the state
12 contribution amount for such fiscal year.

13 (8) Each year, the amount of taxes approved by the department for
14 distribution to a sponsoring or cosponsoring local government in the
15 next fiscal year shall be equal to the state contribution and shall be
16 no more than the total local funds as described in RCW
17 39.102.020(29)(c). The department shall consider information from
18 reports described in RCW 39.102.140 when determining the amount of
19 state contributions for each fiscal year. A sponsoring or cosponsoring
20 local government shall not receive, in any fiscal year, more revenues
21 from taxes imposed under the authority of this section than the amount
22 approved annually by the department. The department shall not approve
23 the receipt of more distributions of sales and use tax under this
24 section to a sponsoring or cosponsoring local government than is
25 authorized under subsection (4) of this section.

26 (9) The amount of tax distributions received from taxes imposed
27 under the authority of this section by all sponsoring and cosponsoring
28 local governments is limited annually to not more than ~~((five))~~ seven
29 million five hundred thousand dollars. ~~((The tax distributions shall
30 be available to the sponsoring local government, and any cosponsoring
31 local government, imposing a tax under this section only as long as the
32 sponsoring local government has outstanding indebtedness under RCW
33 39.102.150.))~~

34 (10) The definitions in RCW 39.102.020 apply to this section unless
35 the context clearly requires otherwise.

36 (11) If a sponsoring local government is a federally recognized
37 Indian tribe, the distribution of the sales and use tax authorized

1 under this section shall be authorized through an interlocal agreement
2 pursuant to chapter 39.34 RCW.

3 (12) The tax imposed under the authority of this section shall
4 cease to be imposed, and all tax distributed under the authority of
5 this section to a sponsoring local government and any cosponsoring
6 local government shall be returned to the state treasurer for deposit
7 in the general fund, if the sponsoring local government fails to issue
8 bonds under the authority of RCW 39.102.150 on or before June 30th of
9 the fifth fiscal year in which the local tax authorized under this
10 section is imposed.

11 **Sec. 8.** RCW 39.102.140 and 2006 c 181 s 403 are each amended to
12 read as follows:

13 (1) A sponsoring local government shall provide a report to the
14 board and the department by March 1st of each year. The report shall
15 contain the following information:

16 (a) The amount of local excise tax allocation revenues, ~~((and))~~
17 local property tax allocation revenues, other revenues from local
18 public sources, and taxes under RCW 82.14.475(~~(, and revenues from~~
19 ~~local public sources)) received by the sponsoring local government~~
20 during the preceding calendar year that were dedicated to pay the
21 public improvements financed in whole or in part with local
22 infrastructure financing, and a summary of how these revenues were
23 expended;

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

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

32 (d) The average wages and benefits received by all employees of
33 businesses locating within the revenue development area as a result of
34 the public improvements undertaken by the sponsoring local government
35 and financed in whole or in part with local infrastructure financing;
36 and

1 (e) That the sponsoring local government is in compliance with RCW
2 39.102.070.

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

10 **Sec. 9.** RCW 39.102.150 and 2006 c 181 s 501 are each amended to
11 read as follows:

12 (1) A sponsoring local government that has designated a revenue
13 development area and been authorized the use of local infrastructure
14 financing may incur general indebtedness, and issue general obligation
15 bonds, to finance the public improvements and retire the indebtedness
16 in whole or in part from local excise tax allocation revenues, local
17 property tax allocation revenues, and sales and use taxes imposed under
18 the authority of RCW 82.14.475 that it receives, subject to the
19 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 sponsoring local government includes this statement of the
25 intent in all notices required by RCW (~~39.102.090~~) 39.102.100.

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 sponsoring local government that issues bonds under this
34 section shall not pledge any money received from the state of
35 Washington for the payment of such bonds, other than the local sales
36 and use taxes imposed under the authority of RCW 82.14.475 and
37 collected by the department.

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

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

19 (5) The sponsoring local government may annually pay into a fund to
20 be established for the benefit of bonds issued under this section a
21 fixed proportion or a fixed amount of any local excise tax allocation
22 revenues and local property tax allocation revenues derived from
23 property or business activity within the revenue development area
24 containing the public improvements funded by the bonds, such payment to
25 continue until all bonds payable from the fund are paid in full. The
26 local government may also annually pay into the fund established in
27 this section a fixed proportion or a fixed amount of any revenues
28 derived from taxes imposed under RCW 82.14.475, such payment to
29 continue until all bonds payable from the fund are paid in full.
30 Revenues derived from taxes imposed under RCW 82.14.475 are subject to
31 the use restriction in RCW 39.102.130.

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

1 contrary notwithstanding, any bonds issued under this chapter are fully
2 negotiable.

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

6 NEW SECTION. **Sec. 10.** A new section is added to chapter 39.102
7 RCW to read as follows:

8 The department of revenue and the community economic revitalization
9 board may adopt any rules under chapter 34.05 RCW they consider
10 necessary for the administration of this chapter.

11 NEW SECTION. **Sec. 11.** RCW 39.102.180 (General indebtedness,
12 general obligation bonds--Authority--Security) and 2006 c 181 s 504 are
13 each repealed.

14 NEW SECTION. **Sec. 12.** This act applies retroactively as well as
15 prospectively.

16 NEW SECTION. **Sec. 13.** If any provision of this act or its
17 application to any person or circumstance is held invalid, the
18 remainder of the act or the application of the provision to other
19 persons or circumstances is not affected.

20 NEW SECTION. **Sec. 14.** This act expires June 30, 2039.

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