

2SSB 6609 - S AMD 349

By Senators Kastama, Fraser

ADOPTED 03/08/2010

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 39.104.020 and 2009 c 270 s 102 are each amended to
4 read as follows:

5 The definitions in this section apply throughout this chapter
6 unless the context clearly requires otherwise.

7 (1) "Annual state contribution limit" means two million five
8 hundred thousand dollars statewide per fiscal year (~~(and)~~), plus the
9 additional amounts (~~(designated)~~) approved for demonstration projects
10 in RCW 82.14.505.

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

13 (3) "Bond" means a bond, a note or other evidence of indebtedness,
14 including but not limited to a lease-purchase agreement or an executory
15 conditional sales contract.

16 (4) "Department" means the department of revenue.

17 ~~((+4))~~ (5) "Fiscal year" means the twelve-month period beginning
18 July 1st and ending the following June 30th.

19 ~~((+5))~~ (6) "Local government" means any city, town, county, and
20 port district.

21 ~~((+6))~~ (7) "Local property tax allocation revenue" means those tax
22 revenues derived from the receipt of regular property taxes levied on
23 the property tax allocation revenue value and used for local
24 revitalization financing.

25 ~~((+7))~~ (8) "Local revitalization financing" means the use of
26 revenues from local public sources, dedicated to pay the principal and
27 interest on bonds authorized under RCW 39.104.110 and public
28 improvement costs within the revitalization area on a pay-as-you-go
29 basis, and revenues received from the local option sales and use tax

1 authorized in RCW 82.14.510, dedicated to pay the principal and
2 interest on bonds authorized under RCW 39.104.110.

3 ~~((+8))~~ (9) "Local sales and use tax increment" means the estimated
4 annual increase in local sales and use taxes as determined by the local
5 government in the calendar years following the approval of the
6 revitalization area by the department from taxable activity within the
7 revitalization area.

8 ~~((+9))~~ (10) "Local sales and use taxes" means local revenues
9 derived from the imposition of sales and use taxes authorized in RCW
10 82.14.030.

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

13 ~~((+11))~~ (12) "Participating local government" means a local
14 government having a revitalization area within its geographic
15 boundaries that has taken action as provided in RCW 39.104.070(1) to
16 allow the use of all or some of its local sales and use tax increment
17 or other revenues from local public sources dedicated for local
18 revitalization financing.

19 ~~((+12))~~ (13) "Participating taxing district" means a ~~((local
20 government having))~~ taxing district that:

21 (a) Has a revitalization area wholly or partially within its
22 geographic boundaries ~~((that))~~;

23 (b) Levies or has levied for it regular property taxes as defined
24 in this section; and

25 (c) Has not taken action as provided in RCW 39.104.060(2).

26 ~~((+13))~~ (14) "Property tax allocation revenue base value" means
27 the assessed value of real property located within a revitalization
28 area, less the property tax allocation revenue value.

29 ~~((+14))~~ (15)(a)(i) "Property tax allocation revenue value" means
30 seventy-five percent of any increase in the assessed value of real
31 property in a revitalization area resulting from:

32 (A) The placement of new construction, improvements to property, or
33 both, on the assessment roll, where the new construction and
34 improvements are initiated after the revitalization area is approved by
35 the department;

36 (B) The cost of new housing construction, conversion, and
37 rehabilitation improvements, when the cost is treated as new
38 construction for purposes of chapter 84.55 RCW as provided in RCW

1 84.14.020, and the new housing construction, conversion, and
2 rehabilitation improvements are initiated after the revitalization area
3 is approved by the department;

4 (C) The cost of rehabilitation of historic property, when the cost
5 is treated as new construction for purposes of chapter 84.55 RCW as
6 provided in RCW 84.26.070, and the rehabilitation is initiated after
7 the revitalization area is approved by the department.

8 (ii) Increases in the assessed value of real property in a
9 revitalization area resulting from (a)(i)(A) through (C) of this
10 subsection are included in the property tax allocation revenue value in
11 the initial year. These same amounts are also included in the property
12 tax allocation revenue value in subsequent years unless the property
13 becomes exempt from property taxation.

14 (b) "Property tax allocation revenue value" includes seventy-five
15 percent of any increase in the assessed value of new construction
16 consisting of an entire building in the years following the initial
17 year, unless the building becomes exempt from property taxation.

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

21 (d) There is no property tax allocation revenue value if the
22 assessed value of real property in a revitalization area has not
23 increased as a result of any of the reasons specified in (a)(i)(A)
24 through (C) of this subsection.

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

26 (i) For new construction and improvements to property added to the
27 assessment roll, the year during which the new construction and
28 improvements are initially placed on the assessment roll;

29 (ii) For the cost of new housing construction, conversion, and
30 rehabilitation improvements, when the cost is treated as new
31 construction for purposes of chapter 84.55 RCW, the year when the cost
32 is treated as new construction for purposes of levying taxes for
33 collection in the following year; and

34 (iii) For the cost of rehabilitation of historic property, when the
35 cost is treated as new construction for purposes of chapter 84.55 RCW,
36 the year when such cost is treated as new construction for purposes of
37 levying taxes for collection in the following year.

38 ((+15+)) (16) "Public improvement costs" means the costs of:

1 (a) Design, planning, acquisition, including land acquisition, site
2 preparation including land clearing, construction, reconstruction,
3 rehabilitation, improvement, and installation of public improvements;

4 (b) Demolishing, relocating, maintaining, and operating property
5 pending construction of public improvements;

6 (c) Relocating utilities as a result of public improvements;

7 (d) Financing public improvements, including interest during
8 construction, legal and other professional services, taxes, insurance,
9 principal and interest costs on general indebtedness issued to finance
10 public improvements, and any necessary reserves for general
11 indebtedness; and

12 (e) Administrative expenses and feasibility studies reasonably
13 necessary and related to these costs, including related costs that may
14 have been incurred before adoption of the ordinance authorizing the
15 public improvements and the use of local revitalization financing to
16 fund the costs of the public improvements.

17 (~~(16)~~) (17) "Public improvements" means:

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

- 20 (i) Street, road, bridge, and rail construction and maintenance;
- 21 (ii) Water and sewer system construction and improvements;
- 22 (iii) Sidewalks, streetlights, landscaping, and streetscaping;
- 23 (iv) Parking, terminal, and dock facilities;
- 24 (v) Park and ride facilities of a transit authority;
- 25 (vi) Park facilities, recreational areas, and environmental
26 remediation;
- 27 (vii) Storm water and drainage management systems;
- 28 (viii) Electric, gas, fiber, and other utility infrastructures; and

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

30 (i) Providing environmental analysis, professional management,
31 planning, and promotion within the revitalization area, including the
32 management and promotion of retail trade activities in the
33 revitalization area;

34 (ii) Providing maintenance and security for common or public areas
35 in the revitalization area; or

36 (iii) Historic preservation activities authorized under RCW
37 35.21.395.

1 ~~((+17))~~ (18) "Real property" has the same meaning as in RCW
2 84.04.090 and also includes any privately owned improvements located on
3 publicly owned land that are subject to property taxation.

4 ~~((+18))~~ (19)(a) "Regular property taxes" means regular property
5 taxes as defined in RCW 84.04.140, except: ~~((+a))~~ (i) Regular
6 property taxes levied by public utility districts specifically for the
7 purpose of making required payments of principal and interest on
8 general indebtedness; ~~((+b))~~ (ii) regular property taxes levied by the
9 state for the support of common schools under RCW 84.52.065; and
10 ~~((+c))~~ (iii) regular property taxes authorized by RCW 84.55.050 that
11 are limited to a specific purpose.

12 (b) "Regular property taxes" do not include:

13 (i) Excess property tax levies that are exempt from the aggregate
14 limits for junior and senior taxing districts as provided in RCW
15 84.52.043; and

16 (ii) Property taxes that are specifically excluded through an
17 interlocal agreement between the sponsoring local government and a
18 participating taxing district as set forth in RCW 39.104.060(3).

19 ~~((+19))~~ (20)(a) "Revenues from local public sources" means:

20 (i) The local sales and use tax amounts received as a result of
21 interlocal agreement, local sales and use tax amounts from sponsoring
22 local governments based on its local sales and use tax increment, and
23 local property tax allocation revenues, which are dedicated by a
24 sponsoring local government, participating local governments, and
25 participating taxing districts, for payment of bonds under RCW
26 39.104.110 or public improvement costs within the revitalization area
27 on a pay-as-you-go basis; and

28 (ii) Any other local revenues, except as provided in (b) of this
29 subsection, including revenues derived from federal and private sources
30 and amounts received by taxing districts as set forth by an interlocal
31 agreement as described in RCW 39.104.060(4), which are dedicated for
32 the payment of bonds under RCW 39.104.110 or public improvement costs
33 within the revitalization area on a pay-as-you-go basis.

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

1 ~~((+20+))~~ (21) "Revitalization area" means the geographic area
2 adopted by a sponsoring local government and approved by the
3 department, from which local sales and use tax increments are estimated
4 and property tax allocation revenues are derived for local
5 revitalization financing.

6 ~~((+21+))~~ (22) "Sponsoring local government" means a city, town,
7 county, or any combination thereof, that adopts a revitalization area.

8 ~~((+22+))~~ (23) "State contribution" means the lesser of:

9 (a) Five hundred thousand dollars;

10 (b) The project award amount approved by the department as provided
11 in RCW 39.104.100 or 82.14.505; or

12 (c) The total amount of revenues from local public sources
13 dedicated in the preceding calendar year to the payment of principal
14 and interest on bonds issued under RCW 39.104.110 and public
15 improvement costs within the revitalization area on a pay-as-you-go
16 basis. Revenues from local public sources dedicated in the preceding
17 calendar year that are in excess of the project award may be carried
18 forward and used in later years for the purpose of this subsection
19 ~~((+22+))~~ (23)(c).

20 ~~((+23+))~~ (24) "State property tax increment" means the estimated
21 amount of annual tax revenues estimated to be received by the state
22 from the imposition of property taxes levied by the state for the
23 support of common schools under RCW 84.52.065 on the property tax
24 allocation revenue value, as determined by the sponsoring local
25 government in an application under RCW 39.104.100 and updated
26 periodically as required in RCW 82.32.765.

27 ~~((+24+))~~ (25) "State sales and use tax increment" means the
28 estimated amount of annual increase in state sales and use taxes to be
29 received by the state from taxable activity within the revitalization
30 area in the years following the approval of the revitalization area by
31 the department as determined by the sponsoring local government in an
32 application under RCW 39.104.100 and updated periodically as required
33 in RCW 82.32.765.

34 ~~((+25+))~~ (26) "State sales and use taxes" means state retail sales
35 and use taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided
36 in RCW 82.08.020(1), less the amount of tax distributions from all
37 local retail sales and use taxes, other than the local sales and use

1 taxes authorized by RCW 82.14.510 for the applicable revitalization
2 area, imposed on the same taxable events that are credited against the
3 state retail sales and use taxes under RCW 82.08.020(1) and 82.12.020.

4 ~~((+26+))~~ (27) "Taxing district" means a government entity that
5 levies or has levied for it regular property taxes upon real property
6 located within a proposed or approved revitalization area.

7 **Sec. 2.** RCW 39.104.040 and 2009 c 270 s 104 are each amended to
8 read as follows:

9 (1) Before adopting an ordinance creating the revitalization area,
10 a sponsoring local government must:

11 (a) Provide notice to all taxing districts that levy or have levied
12 for it regular property taxes and local governments with geographic
13 boundaries within the proposed revitalization area of the sponsoring
14 local government's intent to create a revitalization area. Notice must
15 be provided in writing to the governing body of the taxing districts
16 and local governments at least ~~((thirty))~~ sixty days in advance of the
17 public hearing as required by (b) of this subsection. The notice must
18 include at least the following information:

19 (i) The name of the proposed revitalization area;

20 (ii) The date for the public hearing as required by (b) of this
21 subsection;

22 (iii) The earliest anticipated date when the sponsoring local
23 government will take action to adopt the proposed revitalization area;
24 and

25 (iv) The name of a contact person with phone number of the
26 sponsoring local government and mailing address where a copy of an
27 ordinance adopted under RCW 39.104.050 and 39.104.060 may be sent; and

28 (b) Hold a public hearing on the proposed financing of the public
29 improvements in whole or in part with local revitalization financing.
30 Notice of the public hearing must be published in a legal newspaper of
31 general circulation within the proposed revitalization area at least
32 ten days before the public hearing and posted in at least six
33 conspicuous public places located in the proposed revitalization area.
34 Notices must describe the contemplated public improvements, estimate
35 the costs of the public improvements, describe the portion of the costs
36 of the public improvements to be borne by local revitalization
37 financing, describe any other sources of revenue to finance the public

1 improvements, describe the boundaries of the proposed revitalization
2 area, and estimate the period during which local revitalization
3 financing is contemplated to be used. The public hearing may be held
4 by either the governing body of the sponsoring local government, or a
5 committee of the governing body that includes at least a majority of
6 the whole governing body.

7 (2) To create a revitalization area, a sponsoring local government
8 must adopt an ordinance establishing the revitalization area that:

9 (a) Describes the public improvements proposed to be made in the
10 revitalization area;

11 (b) Describes the boundaries of the revitalization area, subject to
12 the limitations in RCW 39.104.050;

13 (c) Estimates the cost of the proposed public improvements and the
14 portion of these costs to be financed by local revitalization
15 financing;

16 (d) Estimates the time during which local property tax allocation
17 revenues, and other revenues from local public sources, such as amounts
18 of local sales and use taxes from participating local governments, are
19 to be used for local revitalization financing;

20 (e) Provides the date when the use of local property tax allocation
21 revenues will commence and a list of the participating taxing districts
22 (~~((that have not adopted an ordinance as described in RCW 39.104.060 to~~
23 ~~be removed as a participating taxing district))~~ and the regular
24 property taxes that must be used to calculate property tax allocation
25 revenues;

26 (f) Finds that all of the requirements in RCW 39.104.030 are met;

27 (g) Provides the anticipated rate of sales and use tax under RCW
28 82.14.510 that the local government will impose if awarded a state
29 contribution under RCW 39.104.100;

30 (h) Provides the anticipated date when the criteria for the sales
31 and use tax in RCW 82.14.510 will be met and the anticipated date when
32 the sales and use tax in RCW 82.14.510 will be imposed.

33 (3) The sponsoring local government must deliver a certified copy
34 of the adopted ordinance to the county treasurer, county assessor, the
35 governing body of each participating taxing authority and participating
36 taxing district within which the revitalization area is located, and
37 the department.

1 **Sec. 3.** RCW 39.104.050 and 2009 c 270 s 105 are each amended to
2 read as follows:

3 The designation of a revitalization area is subject to the
4 following limitations:

5 (1)(a) Except as provided in (b) of this subsection, no
6 revitalization area may have within its geographic boundaries any part
7 of a hospital benefit zone under chapter 39.100 RCW, any part of a
8 revenue development area created under chapter 39.102 RCW, any part of
9 an increment area under chapter 39.89 RCW, or any part of another
10 revitalization area under this chapter;

11 (b) A revitalization area's boundaries may include all or a portion
12 of an existing increment area if:

13 (i) The state of Washington has loaned money for environmental
14 cleanup on such area in order to stimulate redevelopment of
15 brownfields;

16 (ii) The environmental cleanup, for which the state's loans were
17 intended, has been completed; and

18 (iii) The sponsoring local government determines the creation of
19 the revitalization area is necessary for redevelopment and protecting
20 the state's investment by increasing property tax revenue;

21 (2) A revitalization area is limited to contiguous tracts, lots,
22 pieces, or parcels of land without the creation of islands of property
23 not included in the revitalization area;

24 (3) The boundaries may not be drawn to purposely exclude parcels
25 where economic growth is unlikely to occur;

26 (4) The public improvements financed through bonds issued under RCW
27 39.104.110 must be located in the revitalization area;

28 (5) A revitalization area cannot comprise an area containing more
29 than twenty-five percent of the total assessed value of the taxable
30 real property within the boundaries of the sponsoring local government
31 at the time the revitalization area is created;

32 (6) The boundaries of the revitalization area may not be changed
33 for the time period that local property tax allocation revenues, local
34 sales and use taxes of participating local governments, and the local
35 sales and use tax under RCW 82.14.510 are used to pay bonds issued
36 under RCW 39.104.110 and public improvement costs within the
37 revitalization area on a pay-as-you-go basis, as provided under this
38 chapter; and

1 (7) A revitalization area must be geographically restricted to the
2 location of the public improvement and adjacent locations that the
3 sponsoring local government finds to have a high likelihood of
4 receiving direct positive business and economic impacts due to the
5 public improvement, such as a neighborhood or a block.

6 **Sec. 4.** RCW 39.104.060 and 2009 c 270 s 106 are each amended to
7 read as follows:

8 (1) Participating taxing districts must allow the use of all of
9 their local property tax allocation revenues for local revitalization
10 financing.

11 (2)(a) If a taxing district does not want to allow the use of its
12 property tax revenues for the local revitalization financing of public
13 improvements in a revitalization area, its governing body must adopt an
14 ordinance to remove itself as a participating taxing district and must
15 notify the sponsoring local government.

16 (b) The taxing district must provide a copy of the adopted
17 ordinance and notice to the sponsoring local government creating the
18 revitalization area before the anticipated date that the sponsoring
19 local government proposes to adopt the ordinance creating the
20 revitalization area as provided in the notice required by RCW
21 39.104.040(1)(a).

22 (3) If a taxing district wants to become a participating taxing
23 district by allowing one or more but not all of its regular property
24 tax levies to be used for the calculation of local property tax
25 allocation revenues, it may do so through an interlocal agreement
26 specifying the regular property taxes that will be used for calculating
27 its local property tax allocation revenues. This subsection does not
28 authorize a taxing district to allow the use of only part of one or
29 more of its regular property tax levies by the sponsoring local
30 government.

31 (4) If a taxing district wants to participate on a partial basis by
32 providing a specified amount of money to a sponsoring local government
33 to be used for local revitalization financing for a specified amount of
34 time, it may do so through an interlocal agreement. However, the
35 taxing district must adopt an ordinance as described in subsection (2)
36 of this section to remove itself as a participating taxing district for

1 purposes of calculating property tax allocation revenues and instead
2 partially participate through an interlocal agreement outlining the
3 specifics of its participation.

4 **Sec. 5.** RCW 39.104.080 and 2009 c 270 s 201 are each amended to
5 read as follows:

6 (1) Commencing in the second calendar year following the creation
7 of a revitalization area by a sponsoring local government, the county
8 treasurer (~~(shall)~~) must distribute receipts from regular taxes imposed
9 on real property located in the revitalization area as follows:

10 (a) Each participating taxing district and the sponsoring local
11 government must receive that portion of its regular property taxes
12 produced by the rate of tax levied by or for the taxing district on the
13 property tax allocation revenue base value for that local
14 revitalization financing project in the taxing district; and

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

36 (2) The county assessor (~~(shall)~~) must determine the property tax
37 allocation revenue value and property tax allocation revenue base

1 value. This section does not authorize revaluations of real property
2 by the assessor for property taxation that are not made in accordance
3 with the assessor's revaluation plan under chapter 84.41 RCW or under
4 other authorized revaluation procedures.

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

16 (4) The allocation to the revitalization area of that portion of
17 the sponsoring local government's and each participating taxing
18 district's regular property taxes levied upon the property tax
19 allocation revenue value within that revitalization area is declared to
20 be a public purpose of and benefit to the sponsoring local government
21 and each participating taxing district.

22 (5) The distribution of local property tax allocation revenues
23 under this section may not affect or be deemed to affect the rate of
24 taxes levied by or within any sponsoring local government and
25 participating taxing district or the consistency of any such levies
26 with the uniformity requirement of Article VII, section 1 of the state
27 Constitution.

28 (6) This section does not apply to a revitalization area that has
29 boundaries that include all or a portion of the boundaries of an
30 increment area created under chapter 39.89 RCW.

31 **Sec. 6.** RCW 39.104.100 and 2009 c 270 s 401 are each amended to
32 read as follows:

33 (1) Prior to applying to the department to receive a state
34 contribution, a sponsoring local government shall adopt a
35 revitalization area within the limitations in RCW 39.104.050 and in
36 accordance with RCW 39.104.040.

1 (2)(a) As a condition to imposing a sales and use tax under RCW
2 82.14.510, a sponsoring local government must apply to the department
3 and be approved for a project award amount. The application must be in
4 a form and manner prescribed by the department and include, but not be
5 limited to:

6 ((+a)) (i) Information establishing that over the period of time
7 that the local sales and use tax will be imposed under RCW 82.14.510,
8 increases in state and local property, sales, and use tax revenues as
9 a result of public improvements in the revitalization area will be
10 equal to or greater than the respective state and local contributions
11 made under this chapter;

12 ((+b)) (ii) Information demonstrating that the sponsoring local
13 government will meet the requirements necessary to receive the full
14 amount of state contribution it is requesting on an annual basis;

15 ((+c)) (iii) The amount of state contribution it is requesting;

16 ((+d)) (iv) The anticipated effective date for imposing the tax
17 under RCW 82.14.510;

18 ((+e)) (v) The estimated number of years that the tax will be
19 imposed;

20 ((+f)) (vi) The anticipated rate of tax to be imposed under RCW
21 82.14.510, subject to the rate-setting conditions in RCW 82.14.510(3),
22 should the sponsoring local government be approved for a project award;
23 and

24 ((+g)) (vii) The anticipated date when bonds under RCW 39.104.110
25 will be issued.

26 (b) The department ((shall)) must make available electronic forms
27 to be used for this purpose. As part of the application, each
28 applicant must provide to the department a copy of the adopted
29 ordinance creating the revitalization area as required in RCW
30 39.104.040, copies of any adopted interlocal agreements from
31 participating local governments, and any notices from taxing districts
32 that elect not to be a participating taxing district.

33 (3)(a) Project awards must be determined on:

34 (i) A first-come basis for applications completed in their entirety
35 and submitted electronically;

36 (ii) The availability of a state contribution;

37 (iii) Whether the sponsoring local government would be able to

1 generate enough tax revenue under RCW 82.14.510 to generate the amount
2 of project award requested.

3 (b) The total of all project awards may not exceed the annual state
4 contribution limit.

5 (c) If the level of available state contribution is less than the
6 amount requested by the next available applicant, the applicant must be
7 given the first opportunity to accept the lesser amount of state
8 contribution but only if the applicant produces a new application
9 within sixty days of being notified by the department and the
10 application describes the impact on the proposed project as a result of
11 the lesser award in addition to new application information outlined in
12 subsection (2) of this section.

13 (d) Applications that are not approved for a project award due to
14 lack of available state contribution must be retained on file by the
15 department in order of the date of their receipt.

16 (e) Once total project awards reach the amount of annual state
17 contribution limit, no more applications will be accepted.

18 (f) If the annual contribution limit is increased by making
19 additional funds available for applicants that apply on a first-come
20 basis, applications will be accepted again beginning sixty days after
21 the effective date of the increase. However, in the time period before
22 any new applications are accepted, all sponsoring local governments
23 with a complete application already on file with the department must be
24 provided an opportunity to either withdraw their application or update
25 the information in the application. The updated application must be
26 for a project that is substantially the same as the project in the
27 original application. The department must consider these applications,
28 in the order originally submitted, for project awards prior to
29 considering any new applications.

30 (4) The department (~~shall~~) must notify the sponsoring local
31 government of approval or denial of a project award within sixty days
32 of the department's receipt of the sponsoring local government's
33 application. Determination of a project award by the department is
34 final. Notification must include the earliest date when the tax
35 authorized under RCW 82.14.510 may be imposed, subject to conditions in
36 chapter 82.14 RCW. The project award notification must specify the
37 rate requested in the application and any adjustments to the rate that

1 would need to be made based on the project award and rate restrictions
2 in RCW 82.14.510.

3 (5) The department must begin accepting applications on September
4 1, 2009.

5 **Sec. 7.** RCW 39.104.110 and 2009 c 270 s 701 are each amended to
6 read as follows:

7 (1) A sponsoring local government creating a revitalization area
8 and authorizing the use of local revitalization financing may incur
9 general indebtedness, ~~((and—issue))~~ including issuing general
10 obligation bonds, to finance the public improvements and retire the
11 indebtedness in whole or in part from local revitalization financing it
12 receives, subject to the following requirements:

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

17 ~~((+b))~~ (ii) The sponsoring local government includes this
18 statement of ~~((the))~~ intent in all notices required by RCW 39.104.040;
19 or

20 (b) The sponsoring local government adopts a resolution, after
21 opportunity for public comment, that indicates an intent to incur this
22 indebtedness and the maximum amount of this indebtedness that is
23 contemplated.

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

31 (3) In addition to the requirements in subsection (1) of this
32 section, a sponsoring local government creating a revitalization area
33 and authorizing the use of local revitalization financing may require
34 any nonpublic participants to provide adequate security to protect the
35 public investment in the public improvement within the revitalization
36 area.

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

12 (5) The sponsoring local government may:

13 (a) Annually pay into a special fund to be established for the
14 benefit of bonds issued under this section a fixed proportion or a
15 fixed amount of any local property tax allocation revenues derived from
16 property within the revitalization area containing the public
17 improvements funded by the bonds, the payment to continue until all
18 bonds payable from the fund are paid in full~~((~~The local government~~~~
19 ~~may also))~~);

20 (b) Annually pay into the special fund established ((in)) pursuant
21 to this section a fixed proportion or a fixed amount of any revenues
22 derived from taxes imposed under RCW 82.14.510, such payment to
23 continue until all bonds payable from the fund are paid in full.
24 Revenues derived from taxes imposed under RCW 82.14.510 are subject to
25 the use restriction in RCW 82.14.515; and

26 (c) Issue revenue bonds payable from any or all revenues deposited
27 in the special fund established pursuant to this section.

28 (6) In case any of the public officials of the sponsoring local
29 government whose signatures appear on any bonds or any coupons issued
30 under this chapter cease to be the officials before the delivery of the
31 bonds, the signatures must, nevertheless, be valid and sufficient for
32 all purposes, the same as if the officials had remained in office until
33 the delivery. Any provision of any law to the contrary
34 notwithstanding, any bonds issued under this chapter are fully
35 negotiable.

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

1 **Sec. 8.** RCW 82.14.505 and 2009 c 270 s 402 are each amended to
2 read as follows:

3 (1) Demonstration projects are designated to determine the
4 feasibility of local revitalization financing. For the purpose of this
5 section, "annual state contribution limit" means (~~two million two~~
6 ~~hundred fifty~~) four million two hundred thousand dollars statewide per
7 fiscal year.

8 (a) Notwithstanding RCW 39.104.100, the department (~~shall~~) must
9 approve each demonstration project for 2009 as follows:

10 (~~(a)~~) (i) The Whitman county Pullman/Moscow corridor improvement
11 project award (~~shall~~) may not exceed two hundred thousand dollars;

12 (~~(b)~~) (ii) The University Place improvement project award
13 (~~shall~~) may not exceed five hundred thousand dollars;

14 (~~(c)~~) (iii) The Tacoma international financial services
15 area/Tacoma dome project award (~~shall~~) may not exceed five hundred
16 thousand dollars;

17 (~~(d)~~) (iv) The Bremerton downtown improvement project award
18 (~~shall~~) may not exceed three hundred thirty thousand dollars;

19 (~~(e)~~) (v) The Auburn downtown redevelopment project award
20 (~~shall~~) may not exceed two hundred fifty thousand dollars;

21 (~~(f)~~) (vi) The Vancouver Columbia waterfront/downtown project
22 award (~~shall~~) may not exceed two hundred twenty thousand dollars; and

23 (~~(g)~~) (vii) The Spokane University District project award
24 (~~shall~~) may not exceed two hundred fifty thousand dollars.

25 (b) Notwithstanding RCW 39.104.100, the department must approve
26 each demonstration project for 2010 meeting the requirements in
27 subsection (2)(c) of this section as follows:

28 (i) The Richland revitalization area for industry, science and
29 education project award may not exceed three hundred thirty thousand
30 dollars;

31 (ii) The Lacey gateway town center project award may not exceed
32 five hundred thousand dollars;

33 (iii) The Mill Creek east gateway planned urban village
34 revitalization area project award may not exceed three hundred thirty
35 thousand dollars;

36 (iv) The Puyallup river road revitalization area project award may
37 not exceed two hundred fifty thousand dollars;

1 (v) The Renton south Lake Washington project award may not exceed
2 five hundred thousand dollars; and

3 (vi) The New Castle downtown project may not exceed forty thousand
4 dollars.

5 (2)(a) Local government sponsors of demonstration projects under
6 subsection (1)(a) of this section must submit to the department no
7 later than September 1, 2009, documentation that substantiates that the
8 project has met the conditions, limitations, and requirements provided
9 in chapter 270, Laws of 2009.

10 (b) Sponsoring local government of demonstration projects under
11 subsection (1)(b) of this section must update and resubmit to the
12 department no later than September 1, 2010, the application already on
13 file with the department to substantiate that the project has met the
14 conditions, limitations, and requirements provided in chapter 270, Laws
15 of 2009 and this act and the project is substantially the same as the
16 project in the original application submitted to the department in
17 2009.

18 (c) The department must not approve any resubmitted application
19 unless an economic analysis by a qualified researcher at the department
20 of economics at the University of Washington confirms that there is an
21 eighty-five percent probability that the application's assumptions and
22 estimates of jobs created and increased tax receipts will be achieved
23 by the project and determines that net state tax revenue will increase
24 as a result of the project by an amount that equals or exceeds the
25 award authorized in subsection (1)(b) of this section. Prior to
26 submitting the economic analysis to the department, the qualified
27 researcher must consult with the economic development commission
28 established in chapter 43.162 RCW regarding his or her preliminary
29 findings. The final economic analysis must include comments and
30 recommendations of the economic development commission.

31 (3) Within ((sixty)) ninety days of such submittal, the economic
32 analysis in subsection (2)(c) of this section must be completed and the
33 department ((shall)) must either approve demonstration projects that
34 have met these conditions, limitations, and requirements or deny
35 resubmitted applications that have not met these conditions,
36 limitations, and requirements.

37 (4) Local government sponsors of demonstration projects may elect

1 to decline the project awards as designated in this section, and may
2 elect instead to submit applications according to the process described
3 in RCW 39.104.100.

4 (5) If a demonstration project listed in subsection (1)(b) of this
5 section does not update and resubmit its application to the department
6 by the deadline specified in subsection (2)(b) of this section or if
7 the demonstration project withdraws its application, the associated
8 dollar amounts may not be approved for another project and may not be
9 considered part of the annual state contribution limit under RCW
10 39.104.020(1).

11 **Sec. 9.** RCW 82.14.510 and 2009 c 270 s 601 are each amended to
12 read as follows:

13 (1) Any city or county that has been approved for a project award
14 under RCW 39.104.100 may impose a sales and use tax under the authority
15 of this section in accordance with the terms of this chapter. Except
16 as provided in this section, the tax is in addition to other taxes
17 authorized by law and must be collected from those persons who are
18 taxable by the state under chapters 82.08 and 82.12 RCW upon the
19 occurrence of any taxable event within the taxing jurisdiction of the
20 city or county.

21 (2) The tax authorized under subsection (1) of this section is
22 credited against the state taxes imposed under RCW 82.08.020(1) and
23 82.12.020 at the rate provided in RCW 82.08.020(1). The department
24 must perform the collection of such taxes on behalf of the city or
25 county at no cost to the city or county. The taxes must be distributed
26 to cities and counties as provided in RCW 82.14.060.

27 (3) The rate of tax imposed by a city or county may not exceed the
28 lesser of:

29 (a) The rate provided in RCW 82.08.020(1), less:

30 (i) The aggregate rates of all other local sales and use taxes
31 imposed by any taxing authority on the same taxable events;

32 (ii) The aggregate rates of all taxes under RCW 82.14.465 and
33 82.14.475 and this section that are authorized but have not yet been
34 imposed on the same taxable events by a city or county that has been
35 approved to receive a state contribution by the department or the
36 community economic revitalization board under chapter 39.104, 39.100,
37 or 39.102 RCW; and

1 (iii) The percentage amount of distributions required under RCW
2 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
3 82.08.020(1); and

4 (b) The rate, as determined by the city or county in consultation
5 with the department, reasonably necessary to receive the project award
6 under RCW 39.104.100 over ten months.

7 (4) The department, upon request, must assist a city or county in
8 establishing its tax rate in accordance with subsection (3) of this
9 section. Once the rate of tax is selected through the application
10 process and approved under RCW 39.104.100, it may not be increased.

11 (5)(a) Except as provided in (c) of this subsection, no tax may be
12 imposed under the authority of this section before:

13 (i) July 1, 2011;

14 (ii) July 1st of the second calendar year following the year in
15 which the department approved the application made under RCW
16 39.104.100;

17 (iii) The state sales and use tax increment and state property tax
18 increment for the preceding calendar year equal or exceed the amount of
19 the project award approved by the department under RCW 39.104.100; and

20 (iv) Bonds have been issued according to RCW 39.104.110.

21 (b) The tax imposed under this section expires the earlier of the
22 date that the bonds issued under the authority of RCW 39.104.110 are
23 retired or twenty-five years after the tax is first imposed.

24 (c) For a demonstration project described in RCW 82.14.505(1)(a),
25 no tax may be imposed under the authority of this section before:

26 (i) July 1, 2010; and

27 (ii) Bonds have been issued according to RCW 39.104.110.

28 (6) An ordinance or resolution adopted by the legislative authority
29 of the city or county imposing a tax under this section must provide
30 that:

31 (a) The tax will first be imposed on the first day of a fiscal
32 year;

33 (b) The cumulative amount of tax received by the city or county, in
34 any fiscal year, may not exceed the amount approved by the department
35 under subsection (10) of this section;

36 (c) The department must cease distributing the tax for the
37 remainder of any fiscal year in which either:

1 (i) The amount of tax received by the city or county equals the
2 amount of distributions approved by the department for the fiscal year
3 under subsection (10) of this section; or

4 (ii) The amount of revenue distributed to all sponsoring and
5 cosponsoring local governments from taxes imposed under this section
6 (~~by all cities and counties~~) equals the annual state contribution
7 limit;

8 (d) The tax will be distributed again, should it cease to be
9 distributed for any of the reasons provided in (c) of this subsection,
10 at the beginning of the next fiscal year, subject to the restrictions
11 in this section; and

12 (e) The state is entitled to any revenue generated by the tax in
13 excess of the amounts specified in (c) of this subsection.

14 (7) If a city or county receives approval for more than one
15 revitalization area within its jurisdiction, the city or county may
16 impose a sales and use tax under this section for each revitalization
17 area.

18 (8) The department must determine the amount of tax receipts
19 distributed to each city and county imposing a sales and use tax under
20 the authority of this section and must advise a city or county when tax
21 distributions for the fiscal year equal the amount determined by the
22 department in subsection (10) of this section. Determinations by the
23 department of the amount of tax distributions attributable to a city or
24 county are not appealable. The department must remit any tax receipts
25 in excess of the amounts specified in subsection (6)(c) of this section
26 to the state treasurer who must deposit the money in the general fund.

27 (9) If a city or county fails to comply with RCW 82.32.765, no tax
28 may be distributed in the subsequent fiscal year until such time as the
29 city or county complies and the department calculates the state
30 contribution amount according to subsection (10) of this section for
31 the fiscal year.

32 (10)(a) For each fiscal year that a city or county imposes the tax
33 under the authority of this section, the department must approve the
34 amount of taxes that may be distributed to the city or county. The
35 amount approved by the department under this subsection is the lesser
36 of:

37 (i) The state contribution;

1 (ii) The amount of project award granted by the department as
2 provided in RCW 39.104.100; or

3 (iii) The total amount of revenues from local public sources
4 dedicated or, in the case of carry forward revenues, deemed dedicated
5 in the preceding calendar year, as reported in the required annual
6 report under RCW 82.32.765.

7 (b) A city or county may not receive, in any fiscal year, more
8 revenues from taxes imposed under the authority of this section than
9 the amount approved annually by the department.

10 (11) The amount of tax distributions received from taxes imposed
11 under the authority of this section by all cities and counties is
12 limited annually to not more than the amount of annual state
13 contribution limit.

14 (12) The definitions in RCW 39.104.020 apply to this section
15 subject to subsection (13) of this section and unless the context
16 clearly requires otherwise.

17 (13) For purposes of this section, the following definitions apply:

18 (a) "Local sales and use taxes" means sales and use taxes imposed
19 by cities, counties, public facilities districts, and other local
20 governments under the authority of this chapter, chapter 67.28 or 67.40
21 RCW, or any other chapter, and that are credited against the state
22 sales and use taxes.

23 (b) "State sales and use taxes" means the taxes imposed in RCW
24 82.08.020(1) and 82.12.020.

25 **Sec. 10.** RCW 82.32.765 and 2009 c 270 s 501 are each amended to
26 read as follows:

27 (1) A sponsoring local government receiving a project award under
28 RCW 39.104.100 must provide a report to the department by March 1st of
29 each year beginning March 1st after the project award has been
30 approved. The report must contain the following information:

31 (a) The amounts of local property tax allocation revenues received
32 in the preceding calendar year broken down by sponsoring local
33 government and participating taxing district;

34 (b) The amount of state property tax allocation revenues estimated
35 to have been received by the state in the preceding calendar year;

36 (c) The amount of local sales and use tax and other revenue from
37 local public sources dedicated by any participating local government

1 used for the payment of bonds under RCW 39.104.110 and public
2 improvement costs within the revitalization area on a pay-as-you-go
3 basis in the preceding calendar year;

4 (d) The amount of local sales and use tax dedicated by the
5 sponsoring local government, as it relates to the sponsoring local
6 government's local sales and use tax increment, used for the payment of
7 bonds under RCW 39.104.110 and public improvement costs within the
8 revitalization area on a pay-as-you-go basis;

9 (e) The amounts, other than those listed in (a) through (d) of this
10 subsection, from local public sources, broken down by type or source,
11 used for payment of bonds under RCW 39.104.110 or public improvement
12 costs within the revitalization area on a pay-as-you-go basis in the
13 preceding calendar year;

14 (f) The anticipated date when bonds under RCW 39.104.110 are
15 expected to be retired;

16 (g) The names of any businesses locating within the revitalization
17 area as a result of the public improvements undertaken by the
18 sponsoring local government and financed in whole or in part with local
19 revitalization financing;

20 (h) An estimate of the cumulative number of permanent jobs created
21 in the revitalization area as a result of the public improvements
22 undertaken by the sponsoring local government and financed in whole or
23 in part with local revitalization financing;

24 (i) An estimate of the average wages and benefits received by all
25 employees of businesses locating within the revitalization area as a
26 result of the public improvements undertaken by the sponsoring local
27 government and financed in whole or in part with local revitalization
28 financing;

29 (j) A list of public improvements financed by bonds issued under
30 RCW 39.104.110 and the date on which the bonds are anticipated to be
31 retired;

32 (k) That the sponsoring local government is in compliance with RCW
33 39.104.030;

34 (l) At least once every three years, updated estimates of the
35 amounts of state and local sales and use tax increments estimated to
36 have been received since the approval by the department of the project
37 award under RCW 39.104.100; (~~and~~)

1 (m) The amount of revenues from local public sources that (i) were
2 expended in prior years for the payment of bonds under RCW 39.104.110
3 and public improvement costs within the revitalization area on a pay-
4 as-you-go basis in prior calendar years that were in excess of the
5 project award amount for that year and are carried forward for
6 dedication in future years, (ii) are deemed dedicated to payment of
7 bonds or public improvement costs in the calendar year for which the
8 report is prepared, and (iii) remain available for dedication in future
9 years; and

10 (n) Any other information required by the department to enable the
11 department to fulfill its duties under this chapter and RCW 82.14.510.

12 (2) The department (~~shall~~) must make a report available to the
13 public and the legislature by June 1st of each year. The report
14 (~~shall~~) must include a summary of the information provided to the
15 department by sponsoring local governments under subsection (1) of this
16 section.

17 **Sec. 11.** RCW 39.102.020 and 2009 c 267 s 1 are each reenacted and
18 amended to read as follows:

19 The definitions in this section apply throughout this chapter
20 unless the context clearly requires otherwise.

21 (1) "Annual state contribution limit" means seven million five
22 hundred thousand dollars statewide per fiscal year.

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

25 (3) "Board" means the community economic revitalization board under
26 chapter 43.160 RCW.

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

28 (a) Bellingham waterfront redevelopment project;

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

30 (c) Vancouver riverwest project.

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

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

34 (7) "Local excise tax allocation revenue" means an amount of local
35 excise taxes equal to some or all of the sponsoring local government's
36 local excise tax increment, amounts of local excise taxes equal to some

1 or all of any participating local government's excise tax increment as
2 agreed upon in the written agreement under RCW 39.102.080(1), or both,
3 and dedicated to local infrastructure financing.

4 (8) "Local excise tax increment" means an amount equal to the
5 estimated annual increase in local excise taxes in each calendar year
6 following the approval of the revenue development area by the board
7 from taxable activity within the revenue development area, as set forth
8 in the application provided to the board under RCW 39.102.040, and
9 updated in accordance with RCW 39.102.140(1)(f).

10 (9) "Local excise taxes" means local revenues derived from the
11 imposition of sales and use taxes authorized in RCW 82.14.030.

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

14 (11) "Local infrastructure financing" means the use of revenues
15 received from local excise tax allocation revenues, local property tax
16 allocation revenues, other revenues from local public sources, and
17 revenues received from the local option sales and use tax authorized in
18 RCW 82.14.475, dedicated to pay either the principal and interest on
19 bonds authorized under RCW 39.102.150 or to pay public improvement
20 costs on a pay-as-you-go basis subject to RCW 39.102.195, or both.

21 (12) "Local property tax allocation revenue" means those tax
22 revenues derived from the receipt of regular property taxes levied on
23 the property tax allocation revenue value and used for local
24 infrastructure financing.

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

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

34 (15) "Participating local government" means a local government
35 having a revenue development area within its geographic boundaries that
36 has entered into a written agreement with a sponsoring local government
37 as provided in RCW 39.102.080 to allow the use of all or some of its

1 local excise tax allocation revenues or other revenues from local
2 public sources dedicated for local infrastructure financing.

3 (16) "Participating taxing district" means a local government
4 having a revenue development area within its geographic boundaries that
5 has entered into a written agreement with a sponsoring local government
6 as provided in RCW 39.102.080 to allow the use of some or all of its
7 local property tax allocation revenues or other revenues from local
8 public sources dedicated for local infrastructure financing.

9 (17) "Property tax allocation revenue base value" means the
10 assessed value of real property located within a revenue development
11 area less the property tax allocation revenue value.

12 (18)(a)(i) "Property tax allocation revenue value" means
13 seventy-five percent of any increase in the assessed value of real
14 property in a revenue development area resulting from:

15 (A) The placement of new construction, improvements to property, or
16 both, on the assessment roll, where the new construction and
17 improvements are initiated after the revenue development area is
18 approved by the board;

19 (B) The cost of new housing construction, conversion, and
20 rehabilitation improvements, when such cost is treated as new
21 construction for purposes of chapter 84.55 RCW as provided in RCW
22 84.14.020, and the new housing construction, conversion, and
23 rehabilitation improvements are initiated after the revenue development
24 area is approved by the board;

25 (C) The cost of rehabilitation of historic property, when such cost
26 is treated as new construction for purposes of chapter 84.55 RCW as
27 provided in RCW 84.26.070, and the rehabilitation is initiated after
28 the revenue development area is approved by the board.

29 (ii) Increases in the assessed value of real property in a revenue
30 development area resulting from (a)(i)(A) through (C) of this
31 subsection are included in the property tax allocation revenue value in
32 the initial year. These same amounts are also included in the property
33 tax allocation revenue value in subsequent years unless the property
34 becomes exempt from property taxation.

35 (b) "Property tax allocation revenue value" includes seventy-five
36 percent of any increase in the assessed value of new construction
37 consisting of an entire building in the years following the initial
38 year, unless the building becomes exempt from property taxation.

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

4 (d) There is no property tax allocation revenue value if the
5 assessed value of real property in a revenue development area has not
6 increased as a result of any of the reasons specified in (a)(i)(A)
7 through (C) of this subsection.

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

9 (i) For new construction and improvements to property added to the
10 assessment roll, the year during which the new construction and
11 improvements are initially placed on the assessment roll;

12 (ii) For the cost of new housing construction, conversion, and
13 rehabilitation improvements, when such cost is treated as new
14 construction for purposes of chapter 84.55 RCW, the year when such cost
15 is treated as new construction for purposes of levying taxes for
16 collection in the following year; and

17 (iii) For the cost of rehabilitation of historic property, when
18 such cost is treated as new construction for purposes of chapter 84.55
19 RCW, the year when such cost is treated as new construction for
20 purposes of levying taxes for collection in the following year.

21 (19) "Public improvement costs" means the cost of: (a) Design,
22 planning, acquisition including land acquisition, site preparation
23 including land clearing, construction, reconstruction, rehabilitation,
24 improvement, and installation of public improvements; (b) demolishing,
25 relocating, maintaining, and operating property pending construction of
26 public improvements; (c) the local government's portion of relocating
27 utilities as a result of public improvements; (d) financing public
28 improvements, including interest during construction, legal and other
29 professional services, taxes, insurance, principal and interest costs
30 on general indebtedness issued to finance public improvements, and any
31 necessary reserves for general indebtedness; (e) assessments incurred
32 in revaluing real property for the purpose of determining the property
33 tax allocation revenue base value that are in excess of costs incurred
34 by the assessor in accordance with the revaluation plan under chapter
35 84.41 RCW, and the costs of apportioning the taxes and complying with
36 this chapter and other applicable law; (f) administrative expenses and
37 feasibility studies reasonably necessary and related to these costs;
38 and (g) any of the above-described costs that may have been incurred

1 before adoption of the ordinance authorizing the public improvements
2 and the use of local infrastructure financing to fund the costs of the
3 public improvements.

4 (20) "Public improvements" means:

5 (a) Infrastructure improvements within the revenue development area
6 that include:

7 (i) Street, bridge, and road construction and maintenance,
8 including highway interchange construction;

9 (ii) Water and sewer system construction and improvements,
10 including wastewater reuse facilities;

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

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

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

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

15 (vii) Storm water and drainage management systems;

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

18 (21) "Real property" has the same meaning as in RCW 84.04.090 and
19 also includes any privately owned improvements located on publicly
20 owned land that are subject to property taxation.

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

31 (23) "Relocating a business" means the closing of a business and
32 the reopening of that business, or the opening of a new business that
33 engages in the same activities as the previous business, in a different
34 location within a one-year period, when an individual or entity has an
35 ownership interest in the business at the time of closure and at the
36 time of opening or reopening. "Relocating a business" does not include
37 the closing and reopening of a business in a new location where the

1 business has been acquired and is under entirely new ownership at the
2 new location, or the closing and reopening of a business in a new
3 location as a result of the exercise of the power of eminent domain.

4 (24) "Revenue development area" means the geographic area adopted
5 by a sponsoring local government and approved by the board, from which
6 local excise and property tax allocation revenues are derived for local
7 infrastructure financing.

8 (25)(a) "Revenues from local public sources" means:

9 (i) Amounts of local excise tax allocation revenues and local
10 property tax allocation revenues, dedicated by sponsoring local
11 governments, participating local governments, and participating taxing
12 districts, for local infrastructure financing; and

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

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

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

22 (27) "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 adopts a revenue development area and
25 applies to the board to use local infrastructure financing.

26 (28) "State contribution" means the lesser of:

27 (a) One million dollars;

28 (b) The total amount of local excise tax allocation revenues, local
29 property tax allocation revenues, and other revenues from local public
30 sources, that are dedicated by a sponsoring local government, any
31 participating local governments, and participating taxing districts, in
32 the preceding calendar year to the payment of principal and interest on
33 bonds issued under RCW 39.102.150 or to pay public improvement costs on
34 a pay-as-you-go basis subject to RCW 39.102.195, or both; (~~(or)~~)

35 (c) The amount of project award granted by the board in the notice
36 of approval to use local infrastructure financing under RCW 39.102.040;
37 or

1 (d) The highest amount of state excise tax allocation revenues and
2 state property tax allocation revenues for any one calendar year as
3 determined by the sponsoring local government and reported to the board
4 and the department as required by RCW 39.102.140.

5 (29) "State excise tax allocation revenue" means an amount equal to
6 the annual increase in state excise taxes estimated to be received by
7 the state in each calendar year following the approval of the revenue
8 development area by the board, from taxable activity within the revenue
9 development area as set forth in the application provided to the board
10 under RCW 39.102.040 and periodically updated and reported as required
11 in RCW 39.102.140(1)(f).

12 (30) "State excise taxes" means revenues derived from state retail
13 sales and use taxes under RCW 82.08.020(1) and 82.12.020 at the rate
14 provided in RCW 82.08.020(1), less the amount of tax distributions from
15 all local retail sales and use taxes, other than the local sales and
16 use taxes authorized by RCW 82.14.475 for the applicable revenue
17 development area, imposed on the same taxable events that are credited
18 against the state retail sales and use taxes under chapters 82.08 and
19 82.12 RCW.

20 (31) "State property tax allocation revenue" means an amount equal
21 to the estimated tax revenues derived from the imposition of property
22 taxes levied by the state for the support of common schools under RCW
23 84.52.065 on the property tax allocation revenue value, as set forth in
24 the application submitted to the board under RCW 39.102.040 and updated
25 annually in the report required under RCW 39.102.140(1)(f).

26 (32) "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 **Sec. 12.** RCW 82.14.475 and 2009 c 267 s 8 are each amended to read
30 as follows:

31 (1) A sponsoring local government, and any cosponsoring local
32 government, that has been approved by the board to use local
33 infrastructure financing may impose a sales and use tax in accordance
34 with the terms of this chapter and subject to the criteria set forth in
35 this section. Except as provided in this section, the tax is in
36 addition to other taxes authorized by law and (~~shall be~~) is collected
37 from those persons who are taxable by the state under chapters 82.08

1 and 82.12 RCW upon the occurrence of any taxable event within the
2 taxing jurisdiction of the sponsoring local government or cosponsoring
3 local government.

4 (2) The tax authorized under subsection (1) of this section (~~shall~~
5 ~~be~~) is credited against the state taxes imposed under RCW 82.08.020(1)
6 and 82.12.020 at the rate provided in RCW 82.08.020(1). The department
7 (~~shall~~) must perform the collection of such taxes on behalf of the
8 sponsoring local government or cosponsoring local government at no cost
9 to the sponsoring local government or cosponsoring local government and
10 (~~shall~~) must remit the taxes as provided in RCW 82.14.060.

11 (3) The aggregate rate of tax imposed by the sponsoring local
12 government, and any cosponsoring local government, must not exceed the
13 lesser of:

14 (a) The rate provided in RCW 82.08.020(1) less:

15 (i) The aggregate rates of all other local sales and use taxes
16 imposed by any taxing authority on the same taxable events;

17 (ii) The aggregate rates of all taxes under RCW 82.14.465 and this
18 section that are authorized to be imposed on the same taxable events
19 but have not yet been imposed by a sponsoring local government or
20 cosponsoring local government that has been approved by the department
21 or the community economic revitalization board to receive a state
22 contribution under chapter(~~s~~ ~~chapter~~) 39.100 or 39.102 RCW; and

23 (iii) The percentage amount of distributions required under RCW
24 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
25 82.08.020(1); and

26 (b) The rate, as determined by the sponsoring local government, and
27 any cosponsoring local government, in consultation with the department,
28 reasonably necessary to receive the state contribution over ten months.

29 (4) Sponsoring local governments that have been approved before
30 October 1, 2008, by the community economic revitalization board for a
31 state contribution must select the rate of tax under this section no
32 later than September 1, 2009.

33 (5) The department, upon request, must assist a sponsoring local
34 government and cosponsoring local government in establishing their tax
35 rate in accordance with subsection (3) of this section. Once the rate
36 of tax is selected, it may not be increased.

37 (6)(a) No tax may be imposed under the authority of this section:

38 (i) (~~Before July 1, 2008;~~

1 ~~(ii))~~) Before July 1st of the second calendar year following the
2 year approval by the board under RCW 39.102.040 was made; and

3 ~~((iii) Before the state excise tax allocation revenues and state
4 property tax allocation revenues for the preceding calendar year equal
5 or exceed the amount of project award approved by the board under RCW
6 39.102.040))~~

7 (ii) Until a sponsoring local government reports to the board and
8 the department as required by RCW 39.102.140 that the state has
9 benefited through the receipt of state excise tax allocation revenues
10 or state property tax allocation revenues, or both.

11 (b) The tax imposed under this section (~~shall~~) expires when all
12 indebtedness issued under the authority of RCW 39.102.150 is retired
13 and all other contractual obligations relating to the financing of
14 public improvements under chapter 39.102 RCW are satisfied, but not
15 more than twenty-five years after the tax is first imposed.

16 (7) An ordinance adopted by the legislative authority of a
17 sponsoring local government or cosponsoring local government imposing
18 a tax under this section (~~shall~~) must provide that:

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

21 (b) The cumulative amount of tax received by the sponsoring local
22 government, and any cosponsoring local government, in any fiscal year
23 (~~shall~~) may not exceed the amount of the state contribution;

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

26 (i) The amount of tax received by the sponsoring local government,
27 and any cosponsoring local government, equals the amount of the state
28 contribution;

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

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

35 (d) Neither the local excise tax allocation revenues nor the local
36 property tax allocation revenues may constitute more than eighty
37 percent of the total local funds as described in RCW 39.102.020(28)(b).
38 This requirement applies beginning January 1st of the fifth calendar

1 year after the calendar year in which the sponsoring local government
2 begins allocating local excise tax allocation revenues under RCW
3 39.102.110;

4 (e) The tax (~~shall~~) must be distributed again, should it cease to
5 be distributed for any of the reasons provided in (c) of this
6 subsection, at the beginning of the next fiscal year, subject to the
7 restrictions in this section; and

8 (f) Any revenue generated by the tax in excess of the amounts
9 specified in (c) of this subsection (~~shall~~) belongs to the state of
10 Washington.

11 (8) If a county and city cosponsor a revenue development area, the
12 combined amount of distributions received by both the city and county
13 may not exceed the state contribution.

14 (9) The department (~~shall~~) must determine the amount of tax
15 receipts distributed to each sponsoring local government, and any
16 cosponsoring local government, imposing sales and use tax under this
17 section and shall advise a sponsoring or cosponsoring local government
18 when tax distributions for the fiscal year equal the amount of state
19 contribution for that fiscal year as provided in subsection (11) of
20 this section. Determinations by the department of the amount of tax
21 distributions attributable to each sponsoring or cosponsoring local
22 government are final and (~~shall~~) may not be used to challenge the
23 validity of any tax imposed under this section. The department
24 (~~shall~~) must remit any tax receipts in excess of the amounts
25 specified in subsection (7)(c) of this section to the state treasurer
26 who (~~shall~~) must deposit the money in the general fund.

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

32 (11) Each year, the amount of taxes approved by the department for
33 distribution to a sponsoring or cosponsoring local government in the
34 next fiscal year (~~shall~~) must be equal to the state contribution and
35 (~~shall~~) may be no more than the total local funds as described in RCW
36 39.102.020(28)(b). The department (~~shall~~) must consider information
37 from reports described in RCW 39.102.140 when determining the amount of
38 state contributions for each fiscal year. A sponsoring or cosponsoring

1 local government (~~shall~~) may not receive, in any fiscal year, more
2 revenues from taxes imposed under the authority of this section than
3 the amount approved annually by the department. The department
4 (~~shall~~) may not approve the receipt of more distributions of sales
5 and use tax under this section to a sponsoring or cosponsoring local
6 government than is authorized under subsection (7) of this section.

7 (12) The amount of tax distributions received from taxes imposed
8 under the authority of this section by all sponsoring and cosponsoring
9 local governments is limited annually to not more than seven million
10 five hundred thousand dollars.

11 (13) The definitions in RCW 39.102.020 apply to this section unless
12 the context clearly requires otherwise.

13 (14) If a sponsoring local government is a federally recognized
14 Indian tribe, the distribution of the sales and use tax authorized
15 under this section (~~shall~~) must be authorized through an interlocal
16 agreement pursuant to chapter 39.34 RCW.

17 (15) Subject to RCW 39.102.195, the tax imposed under the authority
18 of this section may be applied either to provide for the payment of
19 debt service on bonds issued under RCW 39.102.150 by the sponsoring
20 local government or to pay public improvement costs on a pay-as-you-go
21 basis, or both.

22 (16) The tax imposed under the authority of this section (~~shall~~)
23 must cease to be imposed if the sponsoring local government or
24 cosponsoring local government fails to issue indebtedness under the
25 authority of RCW 39.102.150, and fails to commence construction on
26 public improvements, by June 30th of the fifth fiscal year in which the
27 local tax authorized under this section is imposed.

28 (17) For purposes of this section, the following definitions apply:

29 (a) "Local sales and use taxes" means sales and use taxes imposed
30 by cities, counties, public facilities districts, and other local
31 governments under the authority of this chapter, chapter 67.28 or
32 67.40 RCW, or any other chapter, and that are credited against the
33 state sales and use taxes.

34 (b) "State sales and use taxes" means the tax imposed in RCW
35 82.08.020(1) and the tax imposed in RCW 82.12.020 at the rate provided
36 in RCW 82.08.020(1).

1 NEW SECTION. **Sec. 13.** Sections 11 and 12 of this act expire June
2 30, 2039."

2SSB 6609 - S AMD

By Senators Kastama, Fraser

ADOPTED 03/08/2010

3 On page 1, line 1 of the title, after "governments;" strike the
4 remainder of the title and insert "amending RCW 39.104.020, 39.104.040,
5 39.104.050, 39.104.060, 39.104.080, 39.104.100, 39.104.110, 82.14.505,
6 82.14.510, 82.32.765, and 82.14.475; reenacting and amending RCW
7 39.102.020; and providing an expiration date."

--- END ---