
HOUSE BILL 1525

State of Washington

61st Legislature

2009 Regular Session

By Representatives Kelley, Probst, Conway, Ericks, Herrera, Orcutt, Sullivan, Jacks, Wallace, Springer, Blake, Goodman, Morrell, Maxwell, and Simpson

Read first time 01/22/09. Referred to Committee on Community & Economic Development & Trade.

1 AN ACT Relating to amending and expanding the community
2 revitalization financing act; amending RCW 39.89.020, 39.89.030,
3 39.89.050, 39.89.060, 39.89.070, and 39.89.080; adding new sections to
4 chapter 39.89 RCW; adding new sections to chapter 82.14 RCW; adding a
5 new section to chapter 82.32 RCW; and creating new sections.

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

7 **PART I**

8 **COMMUNITY REVITALIZATION FINANCING--GENERAL PROVISIONS**

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

1 **Sec. 102.** RCW 39.89.020 and 2001 c 212 s 2 are each amended to
2 read as follows:

3 The definitions in this section apply throughout this chapter
4 unless the context clearly requires otherwise.

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

7 (2) "Base year" means the first calendar year following the
8 creation of an increment area.

9 (3) "Community revitalization financing" means the funding of
10 public improvements using tax allocation revenues as authorized by RCW
11 39.89.070 and section 202 of this act.

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

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

26 (6) "Excise taxes" means local retail sales and use taxes
27 authorized in RCW 82.14.030.

28 (7) "Increment area" means the geographic area from which taxes are
29 to be appropriated to finance public improvements authorized under this
30 chapter.

31 (8) "Increment value" means seventy-five percent of any increase in
32 the assessed value of real property in an increment area due to the
33 placement of new construction and improvements to property on the
34 assessment rolls after the increment area is created, where the new
35 construction or improvements occur entirely after the increment area is
36 created. "Increment value" does not include any increase in the
37 assessed value of real property representing new construction and
38 improvements to property occurring after their initial placement on the

1 assessment rolls, except that for new construction which represents
2 entire buildings increment value includes seventy-five percent of any
3 increase in the assessed value of such new construction in the years
4 following its initial placement on the assessment rolls. There is no
5 increment value if the assessed value of real property in an increment
6 area has not increased due to new construction and improvements to
7 property occurring after the increment area is created.

8 (9) "Local government" means any city, town, county, port district,
9 or any combination thereof.

10 ~~((+3))~~ (10) "Measurement year" means a calendar year, beginning
11 with the calendar year following the base year and each calendar year
12 thereafter, that is used annually to measure the amount of excess
13 excise taxes required to be used to finance public improvement costs
14 associated with public improvements financed in whole or in part by
15 community revitalization financing.

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

18 ~~((+4))~~ (12) "Participating taxing authority" means a taxing
19 authority that has entered into a written agreement with a local
20 government for the use of community revitalization financing.

21 (13) "Participating taxing district" means a taxing district
22 levying regular property taxes on real property within an increment
23 area where a local government has obtained written agreement for the
24 use of community revitalization financing provided in RCW 39.89.030(8).
25 However, a fire protection district is not a participating taxing
26 district unless it has entered into a signed, written agreement with a
27 local government to provide limited funding under community
28 revitalization financing as provided in RCW 39.89.030(8)(a).

29 (14) "Public improvements" means:

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

32 (i) Street ~~((and))~~, road, bridge, and passenger rail construction
33 and maintenance;

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

35 (iii) Sidewalks ~~((and))~~, streetlights, landscaping, and
36 streetscaping;

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

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

1 (vi) Park facilities (~~(and)~~), recreational areas, and environmental
2 remediation; (~~(and)~~)
3 (vii) Storm water and drainage management systems; and
4 (viii) Electric, gas, fiber, and other utility infrastructures; and
5 (b) Expenditures for any of the following purposes:
6 (i) Providing environmental analysis, professional management,
7 planning, and promotion within the increment area, including the
8 management and promotion of retail trade activities in the increment
9 area;
10 (ii) Providing maintenance and security for common or public areas
11 in the increment area; or
12 (iii) Historic preservation activities authorized under RCW
13 35.21.395.
14 (~~(+5)~~) (15) "Public improvement costs" means the costs of:
15 (a) Design, planning, acquisition, including land acquisition, site
16 preparation including land clearing, construction, reconstruction,
17 rehabilitation, improvement, and installation of public improvements;
18 (b) Demolishing, relocating, maintaining, and operating property
19 pending construction of public improvements;
20 (c) Relocating utilities as a result of public improvements;
21 (d) Financing public improvements, including interest during
22 construction, legal and other professional services, taxes, insurance,
23 principal and interest costs on general indebtedness issued to finance
24 public improvements, and any necessary reserves for general
25 indebtedness;
26 (e) Assessments incurred in revaluing real property for the purpose
27 of determining the tax allocation base value that are in excess of
28 costs incurred by the assessor in accordance with the revaluation plan
29 under chapter 84.41 RCW, and the costs of apportioning the taxes and
30 complying with this chapter and other applicable law; and
31 (f) Administrative expenses and feasibility studies reasonably
32 necessary and related to these costs, including related costs that may
33 have been incurred before adoption of the ordinance authorizing the
34 public improvements and the use of community revitalization financing
35 to fund the costs of the public improvements.
36 (~~(+6)~~) (16) "Regular property taxes" means regular property taxes
37 as defined in RCW 84.04.140, except: (a) Regular property taxes levied
38 by port districts or public utility districts specifically for the

1 purpose of making required payments of principal and interest on
2 general indebtedness; ~~((and))~~ (b) regular property taxes levied by the
3 state for the support of the common schools under RCW 84.52.065; and
4 (c) regular property taxes levied under the authority of RCW 84.55.050
5 that are limited to a specific purpose as provided in RCW
6 84.55.050(4)(c). Regular property taxes do not include excess property
7 tax levies that are exempt from the aggregate limits for junior and
8 senior taxing districts as provided in RCW 84.52.043.

9 ~~((+7))~~ (17) "Tax allocation base value" means the ~~((true and~~
10 ~~fair))~~ assessed value of real property located within an increment area
11 for taxes ~~((imposed))~~ levied in the year in which the increment area is
12 created for collection in the following year, plus ~~((twenty-five))~~ one
13 hundred percent of any increase in the ~~((true and fair))~~ assessed value
14 of real property located within an increment area that is placed on the
15 assessment rolls after the increment area is created, less the
16 increment value.

17 ~~((+8))~~ (18) "Tax allocation revenues" means those tax revenues
18 derived from the ~~((imposition of))~~ receipt of excess excise taxes under
19 section 202 of this act and from regular property taxes levied on the
20 increment value and distributed to finance public improvements.

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

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

27 ~~((+11))~~ (19) "Taxing authority" means a governmental entity that
28 imposes a sales or use tax under chapter 82.14 RCW upon the occurrence
29 of any taxable event within a proposed or approved increment area.

30 (20) "Taxing district~~((s))~~" means a governmental entity that levies
31 or has levied for it regular property taxes upon real property located
32 within a proposed or approved increment area.

33 ~~((+12) "Value of taxable property" means the value of the taxable~~
34 ~~property as defined in RCW 39.36.015.))~~

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

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

3 (1) The local government (~~((adopts))~~) has adopted an ordinance
4 designating an increment area within its boundaries and (~~((specifying))~~)
5 specified the public improvements proposed to be financed in whole or
6 in part with the use of community revitalization financing. An
7 increment area shall be geographically restricted to the location of
8 the public improvement and adjacent locations that the local government
9 finds to have a high likelihood of receiving direct positive business
10 and economic impacts due to the public improvement, such as a
11 neighborhood or a block. An increment area shall not encompass any one
12 political jurisdiction in its entirety;

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

17 (3) The local government has entered or expects to enter into a
18 contract with a private developer relating to the development of
19 private improvements within the increment area or has received a letter
20 of intent from a private developer relating to the developer's plans
21 for the development of private improvements within the increment area;

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

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

31 (~~(5) In an increment area that includes any portion of a fire~~
32 ~~protection district as defined in Title 52 RCW, the fire protection~~
33 ~~district must agree to participate in the community revitalization~~
34 ~~financing of the project under chapter 212, Laws of 2001, for the~~
35 ~~project to proceed. Approval by the fire protection district shall be~~
36 ~~considered as part of the required participation by taxing districts~~
37 ~~under subsection (4) of this section)) (5) The local government may not
38 use community revitalization financing to finance the costs associated~~

1 with the financing, design, acquisition, construction, equipping,
2 operating, maintaining, remodeling, repairing, and reequipping of
3 public facilities funded with taxes collected under RCW 82.14.048;

4 (6) The governing body of the local government must make a finding
5 that community revitalization financing: (a) Will not be used for the
6 purpose of relocating a business from outside the increment area, but
7 within this state, into the increment area; (b) will improve the
8 viability of existing business entities within the increment area; and
9 (c) will be used exclusively in areas within the jurisdiction of the
10 local government deemed in need of economic development and/or
11 redevelopment, and absent the financing available under this act the
12 proposed economic development and/or redevelopment would more than
13 likely not occur;

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

17 (a) Increase private investment within the increment area;

18 (b) Increase employment within the increment area; and

19 (c) Generate, over the period of time that the local sales and use
20 tax will be imposed under section 301 of this act, state and local
21 property, sales, and use tax revenues that are equal to or greater than
22 the respective state and local contributions made under this chapter;

23 (8) The local government obtains written agreement for the use of
24 community revitalization financing to finance all or a portion of the
25 costs of the designated public improvements from the governing bodies
26 of taxing districts that in the aggregate levy at least sixty percent
27 of the regular property taxes on property within the increment area.

28 (a) A signed, written agreement from taxing districts that in the
29 aggregate levy at least sixty percent of the regular property taxes
30 within the increment area constitutes concurrence by all taxing
31 districts in the increment area in the public improvements and
32 participation in the public improvements to the extent of providing
33 funding under community revitalization financing authorized under this
34 chapter. However, a fire protection district shall not be deemed to
35 participate in the public improvements unless it has provided written
36 notice to the local government of its decision to provide funding under
37 community revitalization financing.

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

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

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

12 ~~((1))~~ (a) Obtain written agreement for the use of community
13 revitalization financing to finance all or a portion of the costs of
14 the designated public improvements from taxing districts ((that, in the
15 aggregate, levy at least seventy five percent of the regular property
16 tax on property within the increment area. A signed, written agreement
17 from taxing districts that in the aggregate levy at least seventy five
18 percent of the regular property tax within the increment area,
19 constitutes concurrence by all taxing districts in the increment area
20 in the public improvement and participation in the public improvement
21 to the extent of providing limited funding under community
22 revitalization financing authorized under this chapter. The agreement
23 must be authorized by the governing body of taxing districts that in
24 the aggregate levy at least seventy five percent of the regular
25 property tax on property within the increment area)) as provided in RCW
26 39.89.030(8); and

27 ~~((2))~~ (b) Hold a public hearing on the proposed financing of the
28 public improvement in whole or in part with community revitalization
29 financing.

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

34 (ii) Notice must also be sent by United States mail to the property
35 owners and the business enterprises located within the proposed
36 increment area at least thirty days prior to the hearing. In
37 implementing provisions under this act, the local governing body may

1 also consult with business organizations, including the local chamber
2 of commerce, and the office of minority and women's business
3 enterprises to assist with providing appropriate notice to business
4 enterprises and property owners for whom English is a second language.

5 (iii) Notices must describe the contemplated public improvements,
6 estimate the costs of the public improvements, describe the portion of
7 the costs of the public improvements to be borne by community
8 revitalization financing, describe any other sources of revenue to
9 finance the public improvements, describe the boundaries of the
10 proposed increment area, and estimate the period during which community
11 revitalization financing is contemplated to be used. The public
12 hearing may be held by either the governing body of the local
13 government, or a committee of the governing body that includes at least
14 a majority of the whole governing body(~~(+and)~~).

15 ((+3+)) (2) In order to create an increment area, a local
16 government must adopt an ordinance establishing the increment area
17 that:

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

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

20 (c) Estimates the cost of the public improvements and the portion
21 of these costs to be financed by community revitalization
22 financing(~~(+)~~);

23 (d) Estimates the time during which regular property taxes are to
24 be apportioned(~~(+)~~) and, if applicable, excess excise taxes are to be
25 used to finance public improvement costs associated with the public
26 improvements financed in whole or in part by community revitalization
27 financing;

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

31 (f) Provides the date when the apportionment of the regular
32 property taxes and, if applicable, the use of excess excise taxes will
33 commence(~~(+)~~); and

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

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

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

- 3 The local government shall:
- 4 (1) Publish notice in a legal newspaper of general circulation
 - 5 within the increment area that describes the public improvement,
 - 6 describes the boundaries of the increment area, and identifies the
 - 7 location and times where the ordinance and other public information
 - 8 concerning the public improvement may be inspected; and
 - 9 (2) Deliver a certified copy of the ordinance to the county
 - 10 treasurer, the county assessor, and the governing body of each
 - 11 participating taxing district within which the increment area is
 - 12 located.

13 **PART II**
14 **COMMUNITY REVITALIZATION FINANCING**
15 **USE OF TAX ALLOCATION REVENUES TO PAY THE COSTS OF PUBLIC IMPROVEMENTS**

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

18 (1) Commencing in the second calendar year following the passage of
19 the ordinance creating an increment area and authorizing the use of
20 community revitalization financing, the county treasurer shall
21 distribute receipts from regular taxes imposed on real property located
22 in the increment area as follows:

- 23 (a) Each participating taxing district and the local government
- 24 that created the increment area shall receive that portion of its
- 25 regular property taxes produced by the rate of tax levied by or for the
- 26 taxing district on the tax allocation base value for that community
- 27 revitalization financing project in the taxing district, or upon the
- 28 total assessed value of real property in the taxing district, whichever
- 29 is smaller; and
- 30 (b) The local government that created the increment area shall
- 31 receive an additional portion of the regular property taxes levied by
- 32 it and by or for each participating taxing district upon the increment
- 33 value within the increment area. However, if there is no increment
- 34 value, the local government shall not receive any additional regular
- 35 property taxes under this subsection (1)(b). The local government that
- 36 created the increment area may agree to receive less than the full

1 amount of ~~((this))~~ the additional portion of regular property taxes
2 under this subsection (1)(b) as long as bond debt service, reserve, and
3 other bond covenant requirements are satisfied, in which case the
4 balance of these tax receipts shall be allocated to the participating
5 taxing districts that ~~((imposed))~~ levied regular property taxes, or
6 have regular property taxes ~~((imposed))~~ levied for them, in the
7 increment area for collection that year in proportion to their regular
8 tax levy rates for collection that year. The local government may
9 request that the treasurer transfer this additional portion of the
10 property taxes to its designated agent. The portion of the tax
11 receipts distributed to the local government or its agent under this
12 subsection (1)(b) may only be expended to finance public improvement
13 costs associated with the public improvements financed in whole or in
14 part by community revitalization financing.

15 (2) The county assessor shall allocate ~~((twenty-five percent of any~~
16 ~~increased real property value occurring in the increment area to the~~
17 ~~tax allocation base value and seventy-five percent to the increment~~
18 ~~value))~~ any increase in the assessed value of real property occurring
19 in the increment area to the increment value and tax allocation base
20 value as appropriate. This section does not authorize revaluations of
21 real property by the assessor for property taxation that are not made
22 in accordance with the assessor's revaluation plan under chapter 84.41
23 RCW or under other authorized revaluation procedures.

24 (3) The apportionment of increases in assessed valuation in an
25 increment area, and the associated distribution to the local government
26 of receipts from regular property taxes that are imposed on the
27 increment value, must cease when tax allocation revenues are no longer
28 necessary or obligated to pay the costs of the public improvements.
29 Any excess tax allocation revenues derived from regular property taxes
30 and earnings on ~~((the))~~ such tax allocation revenues, remaining at the
31 time the apportionment of tax receipts terminates, must be returned to
32 the county treasurer and distributed to the participating taxing
33 districts that imposed regular property taxes, or had regular property
34 taxes imposed for it, in the increment area for collection that year,
35 in proportion to the rates of their regular property tax levies for
36 collection that year.

1 NEW SECTION. **Sec. 202.** A new section is added to chapter 39.89
2 RCW to read as follows:

3 (1) A local government that creates an increment area and has
4 received approval from the department under section 303 of this act to
5 impose the local option sales and use tax authorized in section 301 of
6 this act may use annually any excess excise taxes received by it from
7 taxable activity within the increment area to finance public
8 improvement costs associated with the public improvements financed in
9 whole or in part by community revitalization financing. The use of
10 excess excise taxes must cease when tax allocation revenues are no
11 longer necessary or obligated to pay the costs of the public
12 improvements. Any participating taxing authority is authorized to
13 allocate excess excise taxes to the local government as long as the
14 local government has received approval from the department under
15 section 303 of this act to impose the local option sales and use tax
16 authorized in section 301 of this act. The legislature declares that
17 it is a proper purpose of a local government or participating taxing
18 authority to allocate excess excise taxes for purposes of financing
19 public improvements under this chapter.

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

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

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

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

31 (4) A local government shall provide the department accurate
32 information describing the geographical boundaries of the increment
33 area at least seventy-five days before the effective date of the
34 ordinance creating the increment area. The local government shall
35 ensure that the boundary information provided to the department is kept
36 current.

37 (5) The department shall provide each local government that has
38 provided boundary information to the department as provided in this

1 section and that has received approval from the department under
2 section 303 of this act to impose the local option sales and use tax
3 authorized in section 301 of this act with the necessary information to
4 calculate excess excise taxes.

5 **PART III**

6 **COMMUNITY REVITALIZATION FINANCING--STATE CONTRIBUTION**

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

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

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

27 (3) No tax may be imposed under this section before July 1, 2011.
28 Before imposing a tax under this section, the city, town, or county
29 shall first have received tax allocation revenues derived from either
30 regular property taxes or excess excise taxes, or both, during the
31 preceding calendar year. The tax imposed under this section shall
32 expire when the bonds issued under the authority of chapter 39.89 RCW
33 are retired, but not more than twenty-five years after the tax is first
34 imposed.

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

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

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

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

7 (i) The amount of tax receipts totals the amount of the state
8 contribution;

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

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

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

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

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

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

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

34 (6) The department shall determine the amount of tax receipts
35 attributable to each city, town, and county imposing a sales and use
36 tax under this section and shall advise a city, town, or county when it
37 must cease imposing the tax for the remainder of the fiscal year as
38 provided in subsection (4)(c) of this section. Determinations by the

1 department of the amount of taxes attributable to a city, town, or
2 county are final and shall not be used to challenge the validity of any
3 tax imposed under this section. The department shall remit any tax
4 receipts in excess of the amounts specified in subsection (4)(a), (b),
5 and (c) of this section to the state treasurer who shall deposit the
6 moneys in the general fund.

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

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

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

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

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

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

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

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

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

1 (ii) Excess state excise taxes received by the state during the
2 preceding calendar year.

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

7 (i) "Tax allocation revenues" has the same meaning as in RCW
8 39.89.020.

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

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

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

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

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

32 (3) If a local government fails to comply with subsection (2) of
33 this section, no tax may be imposed under section 301 of this act in
34 the subsequent fiscal year.

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

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

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

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

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

16 (e) That the local government is in compliance with RCW
17 39.89.030(6)(c).

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

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

26 (a) "Public improvement costs" has the same meaning as in RCW
27 39.89.020.

28 (b) "Tax allocation revenues" has the same meaning as in RCW
29 39.89.020.

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

32 (1) As a condition to imposing a sales and use tax under section
33 301 of this act, a city, town, or county must apply to the department
34 for approval at least seventy-five days before the effective date of
35 any such tax. The application shall be in a form and manner prescribed
36 by the department and shall include but is not limited to information
37 establishing that the applicant is eligible to impose such a tax, the

1 anticipated effective date for imposing the tax, the estimated number
2 of years that the tax will be imposed, and the estimated amount of tax
3 revenue to be received in each fiscal year that the tax will be
4 imposed. For purposes of this section, "fiscal year" means the year
5 beginning July 1st and ending the following June 30th. The department
6 shall make available forms to be used for this purpose. As part of the
7 application, a city, town, or county must provide to the department a
8 copy of the ordinance creating the increment area as required in RCW
9 39.89.050. The department shall approve or disapprove completed
10 applications within sixty days of receipt. The department may begin
11 accepting and approving applications August 1, 2009. No new
12 applications shall be considered by the department after the thirtieth
13 day of September of the third year following the year in which the
14 first application was received by the department.

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

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

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

37 (b) During the fiscal years beginning July 1, 2012, through June
38 30, 2015, and for each subsequent fiscal year, the total amount of

1 credit against the state sales and use tax that may be received by all
2 cities, towns, and counties imposing a tax under section 301 of this
3 act shall be increased as follows:

4 (i) In the fiscal year beginning July 1, 2012, the limit in (a) of
5 this subsection shall be increased by the same percentage as the
6 percentage increase in the assessed value of all taxable property
7 within this state from calendar year 2009 through calendar year 2010,
8 as determined by the department;

9 (ii) In the fiscal year beginning July 1, 2013, the limit in (a) of
10 this subsection shall be increased by the same percentage as the
11 percentage increase in the assessed value of all taxable property
12 within this state from calendar year 2009 through calendar year 2011,
13 as determined by the department;

14 (iii) In the fiscal year beginning July 1, 2014, and for each
15 subsequent fiscal year, the limit in (a) of this subsection shall be
16 increased by the same percentage as the percentage increase in the
17 assessed value of all taxable property within this state from calendar
18 year 2009 through calendar year 2012, as determined by the department.

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

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

26 **PART IV**
27 **BOND AUTHORIZATION**

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

30 (1) A local government designating an increment area and
31 authorizing the use of community revitalization financing may incur
32 general indebtedness, and issue general obligation bonds, to finance
33 the public improvements and retire the indebtedness in whole or in part
34 from tax allocation revenues it receives, subject to the following
35 requirements:

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

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

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

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

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

31 (5) The local government may annually pay into a fund to be
32 established for the benefit of bonds issued under this section a fixed
33 proportion or a fixed amount of any tax allocation revenues derived
34 from property or business activity within the increment area containing
35 the public improvements funded by the bonds, such payment to continue
36 until all bonds payable from the fund are paid in full. The local
37 government may also annually pay into the fund established in this
38 section a fixed proportion or a fixed amount of any revenues derived

1 from taxes imposed under section 301 of this act, such payment to
2 continue until all bonds payable from the fund are paid in full.
3 Revenues derived from taxes imposed under section 301 of this act are
4 subject to the use restriction in section 302 of this act.

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

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

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

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

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

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

30 **PART V**
31 **MISCELLANEOUS**

32 NEW SECTION. Sec. 501. If any provision of this act or its
33 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other
2 persons or circumstances is not affected.

3 NEW SECTION. **Sec. 502.** Part headings used in this act do not
4 constitute any part of the law.

5 NEW SECTION. **Sec. 503.** Nothing in this act shall be construed to
6 give port districts the authority to impose a sales or use tax under
7 chapter 82.14 RCW.

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