
SUBSTITUTE HOUSE BILL 2985

State of Washington 61st Legislature 2010 Regular Session

By House Community & Economic Development & Trade (originally sponsored by Representatives Maxwell, Kenney, Sullivan, Clibborn, Kelley, Dammeier, Anderson, Morrell, Simpson, and Ormsby)

READ FIRST TIME 02/02/10.

1 AN ACT Relating to infrastructure financing for local governments;
2 amending RCW 39.104.020, 39.104.040, 39.104.060, 39.104.100,
3 39.104.110, 82.14.505, 82.14.510, 82.32.765, 39.104.050, and
4 39.104.080; reenacting and amending RCW 39.102.020; and providing an
5 expiration date.

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

7 **Sec. 1.** RCW 39.104.020 and 2009 c 270 s 102 are each amended to
8 read as follows:

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

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

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

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

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

2 ((+4)) (5) "Fiscal year" means the twelve-month period beginning
3 July 1st and ending the following June 30th.

4 ((+5)) (6) "Local government" means any city, town, county, and
5 port district.

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

10 ((+7)) (8) "Local revitalization financing" means the use of
11 revenues from local public sources, dedicated to pay the principal and
12 interest on bonds authorized under RCW 39.104.110 and public
13 improvement costs within the revitalization area on a pay-as-you-go
14 basis, and revenues received from the local option sales and use tax
15 authorized in RCW 82.14.510, dedicated to pay the principal and
16 interest on bonds authorized under RCW 39.104.110.

17 ((+8)) (9) "Local sales and use tax increment" means the estimated
18 annual increase in local sales and use taxes as determined by the local
19 government in the calendar years following the approval of the
20 revitalization area by the department from taxable activity within the
21 revitalization area.

22 ((+9)) (10) "Local sales and use taxes" means local revenues
23 derived from the imposition of sales and use taxes authorized in RCW
24 82.14.030.

25 ((+10)) (11) "Ordinance" means any appropriate method of taking
26 legislative action by a local government.

27 ((+11)) (12) "Participating local government" means a local
28 government having a revitalization area within its geographic
29 boundaries that has taken action as provided in RCW 39.104.070(1) to
30 allow the use of all or some of its local sales and use tax increment
31 or other revenues from local public sources dedicated for local
32 revitalization financing.

33 ((+12)) (13) "Participating taxing district" means a ~~((local~~
34 ~~government having)) taxing district that:~~

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

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

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

2 (~~(13)~~) (14) "Property tax allocation revenue base value" means
3 the assessed value of real property located within a revitalization
4 area, less the property tax allocation revenue value.

5 (~~(14)~~) (15)(a)(i) "Property tax allocation revenue value" means
6 seventy-five percent of any increase in the assessed value of real
7 property in a revitalization area resulting from:

8 (A) The placement of new construction, improvements to property, or
9 both, on the assessment roll, where the new construction and
10 improvements are initiated after the revitalization area is approved by
11 the department;

12 (B) The cost of new housing construction, conversion, and
13 rehabilitation improvements, when the cost is treated as new
14 construction for purposes of chapter 84.55 RCW as provided in RCW
15 84.14.020, and the new housing construction, conversion, and
16 rehabilitation improvements are initiated after the revitalization area
17 is approved by the department;

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

22 (ii) Increases in the assessed value of real property in a
23 revitalization area resulting from (a)(i)(A) through (C) of this
24 subsection are included in the property tax allocation revenue value in
25 the initial year. These same amounts are also included in the property
26 tax allocation revenue value in subsequent years unless the property
27 becomes exempt from property taxation.

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

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

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

1 (e) For purposes of this subsection, "initial year" means:
2 (i) For new construction and improvements to property added to the
3 assessment roll, the year during which the new construction and
4 improvements are initially placed on the assessment roll;
5 (ii) For the cost of new housing construction, conversion, and
6 rehabilitation improvements, when the cost is treated as new
7 construction for purposes of chapter 84.55 RCW, the year when the cost
8 is treated as new construction for purposes of levying taxes for
9 collection in the following year; and
10 (iii) For the cost of rehabilitation of historic property, when the
11 cost is treated as new construction for purposes of chapter 84.55 RCW,
12 the year when such cost is treated as new construction for purposes of
13 levying taxes for collection in the following year.
14 (~~(+15)~~) (16) "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; and
26 (e) Administrative expenses and feasibility studies reasonably
27 necessary and related to these costs, including related costs that may
28 have been incurred before adoption of the ordinance authorizing the
29 public improvements and the use of local revitalization financing to
30 fund the costs of the public improvements.
31 (~~(+16)~~) (17) "Public improvements" means:
32 (a) Infrastructure improvements within the revitalization area that
33 include:
34 (i) Street, road, bridge, and rail construction and maintenance;
35 (ii) Water and sewer system construction and improvements;
36 (iii) Sidewalks, streetlights, landscaping, and streetscaping;
37 (iv) Parking, terminal, and dock facilities;
38 (v) Park and ride facilities of a transit authority;

1 (vi) Park facilities, recreational areas, and environmental
2 remediation;

3 (vii) Storm water and drainage management systems;

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 revitalization area, including the
8 management and promotion of retail trade activities in the
9 revitalization area;

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

12 (iii) Historic preservation activities authorized under RCW
13 35.21.395.

14 (~~(17)~~) (18) "Real property" has the same meaning as in RCW
15 84.04.090 and also includes any privately owned improvements located on
16 publicly owned land that are subject to property taxation.

17 (~~(18)~~) (19)(a) "Regular property taxes" means regular property
18 taxes as defined in RCW 84.04.140, except: (~~(a)~~) (i) Regular
19 property taxes levied by public utility districts specifically for the
20 purpose of making required payments of principal and interest on
21 general indebtedness; (~~(b)~~) (ii) regular property taxes levied by the
22 state for the support of common schools under RCW 84.52.065; and
23 (~~(c)~~) (iii) regular property taxes authorized by RCW 84.55.050 that
24 are limited to a specific purpose.

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

26 (i) Excess property tax levies that are exempt from the aggregate
27 limits for junior and senior taxing districts as provided in RCW
28 84.52.043; and

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

32 (~~(19)~~) (20)(a) "Revenues from local public sources" means:

33 (i) The local sales and use tax amounts received as a result of
34 interlocal agreement, local sales and use tax amounts from sponsoring
35 local governments based on its local sales and use tax increment, and
36 local property tax allocation revenues, which are dedicated by a
37 sponsoring local government, participating local governments, and

1 participating taxing districts, for payment of bonds under RCW
2 39.104.110 or public improvement costs within the revitalization area
3 on a pay-as-you-go basis; and

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

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

14 ~~((+20+))~~ (21) "Revitalization area" means the geographic area
15 adopted by a sponsoring local government and approved by the
16 department, from which local sales and use tax increments are estimated
17 and property tax allocation revenues are derived for local
18 revitalization financing.

19 ~~((+21+))~~ (22) "Sponsoring local government" means a city, town,
20 county, or any combination thereof, that adopts a revitalization area.

21 ~~((+22+))~~ (23) "State contribution" means the lesser of:

22 (a) Five hundred thousand dollars;

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

25 (c) The total amount of revenues from local public sources
26 dedicated in the preceding calendar year to the payment of principal
27 and interest on bonds issued under RCW 39.104.110 and public
28 improvement costs within the revitalization area on a pay-as-you-go
29 basis. Revenues from local public sources dedicated in the preceding
30 calendar year that are in excess of the project award may be carried
31 forward and used in later years for the purpose of this subsection
32 ~~((+22+))~~ (23)(c).

33 ~~((+23+))~~ (24) "State property tax increment" means the estimated
34 amount of annual tax revenues estimated to be received by the state
35 from the imposition of property taxes levied by the state for the
36 support of common schools under RCW 84.52.065 on the property tax
37 allocation revenue value, as determined by the sponsoring local

1 government in an application under RCW 39.104.100 and updated
2 periodically as required in RCW 82.32.765.

3 ~~((24))~~ (25) "State sales and use tax increment" means the
4 estimated amount of annual increase in state sales and use taxes to be
5 received by the state from taxable activity within the revitalization
6 area in the years following the approval of the revitalization area by
7 the department as determined by the sponsoring local government in an
8 application under RCW 39.104.100 and updated periodically as required
9 in RCW 82.32.765.

10 ~~((25))~~ (26) "State sales and use taxes" means state retail sales
11 and use taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided
12 in RCW 82.08.020(1), less the amount of tax distributions from all
13 local retail sales and use taxes, other than the local sales and use
14 taxes authorized by RCW 82.14.510 for the applicable revitalization
15 area, imposed on the same taxable events that are credited against the
16 state retail sales and use taxes under RCW 82.08.020(1) and 82.12.020.

17 ~~((26))~~ (27) "Taxing district" means a government entity that
18 levies or has levied for it regular property taxes upon real property
19 located within a proposed or approved revitalization area.

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

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

24 (a) Provide notice to all taxing districts that levy or have levied
25 for it regular property taxes and local governments with geographic
26 boundaries within the proposed revitalization area of the sponsoring
27 local government's intent to create a revitalization area. Notice must
28 be provided in writing to the governing body of the taxing districts
29 and local governments at least ~~((thirty))~~ one hundred twenty days in
30 advance of the public hearing as required by (b) of this subsection.
31 The notice must include at least the following information:

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

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

35 (iii) The earliest anticipated date when the sponsoring local
36 government will take action to adopt the proposed revitalization area;
37 and

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

4 (b) Hold a public hearing on the proposed financing of the public
5 improvements in whole or in part with local revitalization financing.
6 Notice of the public hearing must be published in a legal newspaper of
7 general circulation within the proposed revitalization area at least
8 ten days before the public hearing and posted in at least six
9 conspicuous public places located in the proposed revitalization area.
10 Notices must describe the contemplated public improvements, estimate
11 the costs of the public improvements, describe the portion of the costs
12 of the public improvements to be borne by local revitalization
13 financing, describe any other sources of revenue to finance the public
14 improvements, describe the boundaries of the proposed revitalization
15 area, and estimate the period during which local revitalization
16 financing is contemplated to be used. The public hearing may be held
17 by either the governing body of the sponsoring local government, or a
18 committee of the governing body that includes at least a majority of
19 the whole governing body.

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

22 (a) Describes the public improvements proposed to be made in the
23 revitalization area;

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

26 (c) Estimates the cost of the proposed public improvements and the
27 portion of these costs to be financed by local revitalization
28 financing;

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

33 (e) Provides the date when the use of local property tax allocation
34 revenues will commence and a list of the participating taxing districts
35 (~~((that have not adopted an ordinance as described in RCW 39.104.060 to~~
36 ~~be removed as a participating taxing district))~~ and the regular
37 property taxes that must be used to calculate property tax allocation
38 revenues;

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

2 (g) Provides the anticipated rate of sales and use tax under RCW
3 82.14.510 that the local government will impose if awarded a state
4 contribution under RCW 39.104.100;

5 (h) Provides the anticipated date when the criteria for the sales
6 and use tax in RCW 82.14.510 will be met and the anticipated date when
7 the sales and use tax in RCW 82.14.510 will be imposed.

8 (3) The sponsoring local government must deliver a certified copy
9 of the adopted ordinance to the county treasurer, county assessor, the
10 governing body of each participating taxing authority and participating
11 taxing district within which the revitalization area is located, and
12 the department.

13 **Sec. 3.** RCW 39.104.060 and 2009 c 270 s 106 are each amended to
14 read as follows:

15 (1) Participating taxing districts must allow the use of all of
16 their local property tax allocation revenues for local revitalization
17 financing.

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

23 (b) The taxing district must provide a copy of the adopted
24 ordinance and notice to the sponsoring local government creating the
25 revitalization area before the anticipated date that the sponsoring
26 local government proposes to adopt the ordinance creating the
27 revitalization area as provided in the notice required by RCW
28 39.104.040(1)(a).

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

1 (4) If a taxing district wants to participate on a partial basis by
2 providing a specified amount of money to a sponsoring local government
3 to be used for local revitalization financing for a specified amount of
4 time, it may do so through an interlocal agreement. However, the
5 taxing district must adopt an ordinance as described in subsection (2)
6 of this section to remove itself as a participating taxing district for
7 purposes of calculating property tax allocation revenues and instead
8 partially participate through an interlocal agreement outlining the
9 specifics of its participation.

10 **Sec. 4.** RCW 39.104.100 and 2009 c 270 s 401 are each amended to
11 read as follows:

12 (1) Prior to applying to the department to receive a state
13 contribution, a sponsoring local government shall adopt a
14 revitalization area within the limitations in RCW 39.104.050 and in
15 accordance with RCW 39.104.040.

16 (2)(a) As a condition to imposing a sales and use tax under RCW
17 82.14.510, a sponsoring local government must apply to the department
18 and be approved for a project award amount. The application must be in
19 a form and manner prescribed by the department and include, but not be
20 limited to:

21 ~~((a))~~ (i) Information establishing that over the period of time
22 that the local sales and use tax will be imposed under RCW 82.14.510,
23 increases in state and local property, sales, and use tax revenues as
24 a result of public improvements in the revitalization area will be
25 equal to or greater than the respective state and local contributions
26 made under this chapter;

27 ~~((b))~~ (ii) Information demonstrating that the sponsoring local
28 government will meet the requirements necessary to receive the full
29 amount of state contribution it is requesting on an annual basis;

30 ~~((c))~~ (iii) The amount of state contribution it is requesting;

31 ~~((d))~~ (iv) The anticipated effective date for imposing the tax
32 under RCW 82.14.510;

33 ~~((e))~~ (v) The estimated number of years that the tax will be
34 imposed;

35 ~~((f))~~ (vi) The anticipated rate of tax to be imposed under RCW
36 82.14.510, subject to the rate-setting conditions in RCW 82.14.510(3),

1 should the sponsoring local government be approved for a project award;
2 and

3 ~~((g))~~ (vii) The anticipated date when bonds under RCW 39.104.110
4 will be issued.

5 (b) The department ~~((shall))~~ must make available electronic forms
6 to be used for this purpose. As part of the application, each
7 applicant must provide to the department a copy of the adopted
8 ordinance creating the revitalization area as required in RCW
9 39.104.040, copies of any adopted interlocal agreements from
10 participating local governments, and any notices from taxing districts
11 that elect not to be a participating taxing district.

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

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

15 (ii) The availability of a state contribution;

16 (iii) Whether the sponsoring local government would be able to
17 generate enough tax revenue under RCW 82.14.510 to generate the amount
18 of project award requested.

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

21 (c) If the level of available state contribution is less than the
22 amount requested by the next available applicant, the applicant must be
23 given the first opportunity to accept the lesser amount of state
24 contribution but only if the applicant produces a new application
25 within sixty days of being notified by the department and the
26 application describes the impact on the proposed project as a result of
27 the lesser award in addition to new application information outlined in
28 subsection (2) of this section.

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

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

34 (f) If the annual contribution limit is increased by making
35 additional funds available for applicants that apply on a first-come
36 basis, applications will be accepted again beginning sixty days after
37 the effective date of the increase. However, in the time period before
38 any new applications are accepted, all sponsoring local governments

1 with a complete application already on file with the department must be
2 provided an opportunity to either withdraw their application or update
3 the information in the application. The updated application must be
4 for a project that is substantially the same as the project in the
5 original application. The department must consider these applications,
6 in the order originally submitted, for project awards prior to
7 considering any new applications.

8 (4) The department (~~shall~~) must notify the sponsoring local
9 government of approval or denial of a project award within sixty days
10 of the department's receipt of the sponsoring local government's
11 application. Determination of a project award by the department is
12 final. Notification must include the earliest date when the tax
13 authorized under RCW 82.14.510 may be imposed, subject to conditions in
14 chapter 82.14 RCW. The project award notification must specify the
15 rate requested in the application and any adjustments to the rate that
16 would need to be made based on the project award and rate restrictions
17 in RCW 82.14.510.

18 (5) The department must begin accepting applications on September
19 1, 2009.

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

22 (1) A sponsoring local government creating a revitalization area
23 and authorizing the use of local revitalization financing may incur
24 general indebtedness, (~~and—issue~~) including issuing general
25 obligation bonds, to finance the public improvements and retire the
26 indebtedness in whole or in part from local revitalization financing it
27 receives, subject to the following requirements:

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

32 (~~(b)~~) (ii) The sponsoring local government includes this
33 statement of (~~the~~) intent in all notices required by RCW 39.104.040;
34 or

35 (b) The sponsoring local government adopts a resolution, after
36 opportunity for public comment, that indicates an intent to incur this

1 indebtedness and the maximum amount of this indebtedness that is
2 contemplated.

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

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

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

27 (5) The sponsoring local government may:

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

35 (b) Annually pay into the special fund established ((in)) pursuant
36 to this section a fixed proportion or a fixed amount of any revenues
37 derived from taxes imposed under RCW 82.14.510, such payment to

1 continue until all bonds payable from the fund are paid in full.
2 Revenues derived from taxes imposed under RCW 82.14.510 are subject to
3 the use restriction in RCW 82.14.515; and

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

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

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

17 **Sec. 6.** RCW 82.14.505 and 2009 c 270 s 402 are each amended to
18 read as follows:

19 (1) Demonstration projects are designated to determine the
20 feasibility of local revitalization financing. For the purpose of this
21 section, "annual state contribution limit" means (~~two million two~~
22 ~~hundred fifty~~) four million two hundred thousand dollars statewide per
23 fiscal year.

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

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

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

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

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

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

1 (~~(f)~~) (vi) The Vancouver Columbia waterfront/downtown project
2 award (~~(shall)~~) may not exceed two hundred twenty thousand dollars; and
3 (~~(g)~~) (vii) The Spokane University District project award
4 (~~(shall)~~) may not exceed two hundred fifty thousand dollars.

5 (b) Notwithstanding RCW 39.104.100, the department must approve
6 each demonstration project for 2010 as follows:

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

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

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

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

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

19 (vi) The New Castle downtown project may not exceed forty thousand
20 dollars.

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

26 (b) Sponsoring local government of demonstration projects under
27 subsection (1)(b) of this section must update and resubmit to the
28 department no later than September 1, 2010, the application already on
29 file with the department to substantiate that the project has met the
30 conditions, limitations, and requirements provided in chapter 270, Laws
31 of 2009 and this act and the project is substantially the same as the
32 project in the original application submitted to the department in
33 2009.

34 (3) Within sixty days of such submittal, the department (~~(shall)~~)
35 must approve demonstration projects that have 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. 7.** 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 from taxes imposed under this section by
5 all cities and counties equals the annual state contribution limit;

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

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

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

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

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

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

35 (i) The state contribution;

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

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

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

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

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

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

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

21 (b) "State sales and use taxes" means the taxes imposed in RCW
22 82.08.020(1) and 82.12.020.

23 **Sec. 8.** RCW 82.32.765 and 2009 c 270 s 501 are each amended to
24 read as follows:

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

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

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

34 (c) The amount of local sales and use tax and other revenue from
35 local public sources dedicated by any participating local government
36 used for the payment of bonds under RCW 39.104.110 and public

1 improvement costs within the revitalization area on a pay-as-you-go
2 basis in the preceding calendar year;

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

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

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

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

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

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

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

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

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

37 (m) The amount of revenues from local public sources that (i) were
38 expended in prior years for the payment of bonds under RCW 39.104.110

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

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

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

15 **Sec. 9.** RCW 39.102.020 and 2009 c 267 s 1 are each reenacted and
16 amended to read as follows:

17 The definitions in this section apply throughout this chapter
18 unless the context clearly requires otherwise.

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

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

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

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

26 (a) Bellingham waterfront redevelopment project;

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

28 (c) Vancouver riverwest project.

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

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

32 (7) "Local excise tax allocation revenue" means an amount of local
33 excise taxes equal to some or all of the sponsoring local government's
34 local excise tax increment, amounts of local excise taxes equal to some
35 or all of any participating local government's excise tax increment as
36 agreed upon in the written agreement under RCW 39.102.080(1), or both,
37 and dedicated to local infrastructure financing.

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

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

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

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

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

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

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

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

37 (16) "Participating taxing district" means a (~~local government~~
38 ~~having~~) taxing district that:

1 (a) Has a revenue development area wholly or partially within its
2 geographic boundaries (~~(that)~~);

3 (b) Has a regular property tax; and

4 (c) Has entered into a written agreement with a sponsoring local
5 government as provided in RCW 39.102.080 to allow the use of some or
6 all of its local property tax allocation revenues or other revenues
7 from local public sources dedicated for local infrastructure financing.

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

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

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

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

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

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

34 (b) "Property tax allocation revenue value" includes seventy-five
35 percent of any increase in the assessed value of new construction
36 consisting of an entire building in the years following the initial
37 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 (29) "State excise tax allocation revenue" means an amount equal to
38 the annual increase in state excise taxes estimated to be received by

1 the state in each calendar year following the approval of the revenue
2 development area by the board, from taxable activity within the revenue
3 development area as set forth in the application provided to the board
4 under RCW 39.102.040 and periodically updated and reported as required
5 in RCW 39.102.140(1)(f).

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

14 (31) "State property tax allocation revenue" means an amount equal
15 to the estimated tax revenues derived from the imposition of property
16 taxes levied by the state for the support of common schools under RCW
17 84.52.065 on the property tax allocation revenue value, as set forth in
18 the application submitted to the board under RCW 39.102.040 and updated
19 annually in the report required under RCW 39.102.140(1)(f).

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

23 **Sec. 10.** RCW 39.104.050 and 2009 c 270 s 105 are each amended to
24 read as follows:

25 The designation of a revitalization area is subject to the
26 following limitations:

27 (1)(a) Except as provided in (b) of this subsection, no
28 revitalization area may have within its geographic boundaries any part
29 of a hospital benefit zone under chapter 39.100 RCW, any part of a
30 revenue development area created under chapter 39.102 RCW, any part of
31 an increment area under chapter 39.89 RCW, or any part of another
32 revitalization area under this chapter;

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

35 (i) The state of Washington has loaned money for environmental
36 cleanup on such area in order to stimulate redevelopment of
37 brownfields;

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

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

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

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

11 (4) The public improvements financed through bonds issued under RCW
12 39.104.110 must be located in the revitalization area;

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

17 (6) The boundaries of the revitalization area may not be changed
18 for the time period that local property tax allocation revenues, local
19 sales and use taxes of participating local governments, and the local
20 sales and use tax under RCW 82.14.510 are used to pay bonds issued
21 under RCW 39.104.110 and public improvement costs within the
22 revitalization area on a pay-as-you-go basis, as provided under this
23 chapter; and

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

29 **Sec. 11.** RCW 39.104.080 and 2009 c 270 s 201 are each amended to
30 read as follows:

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

35 (a) Each participating taxing district and the sponsoring local
36 government must receive that portion of its regular property taxes

1 produced by the rate of tax levied by or for the taxing district on the
2 property tax allocation revenue base value for that local
3 revitalization financing project in the taxing district; and

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

25 (2) The county assessor (~~shall~~) must determine the property tax
26 allocation revenue value and property tax allocation revenue base
27 value. This section does not authorize revaluations of real property
28 by the assessor for property taxation that are not made in accordance
29 with the assessor's revaluation plan under chapter 84.41 RCW or under
30 other authorized revaluation procedures.

31 (3) The distribution of local property tax allocation revenue to
32 the sponsoring local government must cease when local property tax
33 allocation revenues are no longer obligated to pay the costs of the
34 public improvements. Any excess local property tax allocation
35 revenues, and earnings on the revenues, remaining at the time the
36 distribution of local property tax allocation revenue terminates, must
37 be returned to the county treasurer and distributed to the
38 participating taxing districts that imposed regular property taxes, or

1 had regular property taxes imposed for it, in the revitalization area
2 for collection that year, in proportion to the rates of their regular
3 property tax levies for collection that year.

4 (4) The allocation to the revitalization area of that portion of
5 the sponsoring local government's and each participating taxing
6 district's regular property taxes levied upon the property tax
7 allocation revenue value within that revitalization area is declared to
8 be a public purpose of and benefit to the sponsoring local government
9 and each participating taxing district.

10 (5) The distribution of local property tax allocation revenues
11 under this section may not affect or be deemed to affect the rate of
12 taxes levied by or within any sponsoring local government and
13 participating taxing district or the consistency of any such levies
14 with the uniformity requirement of Article VII, section 1 of the state
15 Constitution.

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

19 NEW SECTION. **Sec. 12.** Section 9 of this act expires June 30,
20 2039.

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