
SUBSTITUTE SENATE BILL 5045

State of Washington

61st Legislature

2009 Regular Session

By Senate Economic Development, Trade & Innovation (originally sponsored by Senators Kilmer, Zarelli, Brown, Kauffman, Shin, Marr, King, Regala, Rockefeller, Haugen, Berkey, Eide, Kastama, Jarrett, Pridemore, McAuliffe, and Ranker)

READ FIRST TIME 02/11/09.

1 AN ACT Relating to community revitalization financing; adding a new
2 section to chapter 82.32 RCW; adding new sections to chapter 82.14 RCW;
3 and adding a new chapter to Title 39 RCW.

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

5 **PART I**

6 **LOCAL REVITALIZATION FINANCING--GENERAL PROVISIONS**

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

1 NEW SECTION. **Sec. 102.** DEFINITIONS. The definitions in this
2 section apply throughout this chapter unless the context clearly
3 requires otherwise.

4 (1) "Annual state contribution limit" means five million dollars
5 statewide per fiscal year.

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

8 (3) "Department" means the department of revenue.

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

11 (5) "Local government" means any city, town, county, and port
12 district.

13 (6) "Local property tax allocation revenue" means those tax
14 revenues derived from the receipt of regular property taxes levied on
15 the property tax allocation revenue value and used for local
16 revitalization financing.

17 (7) "Local revitalization financing" means the use of revenues from
18 local public sources, and revenues received from the local option sales
19 and use tax authorized in section 601 of this act, dedicated to pay the
20 principal and interest on bonds authorized under section 701 of this
21 act.

22 (8) "Local sales and use tax increment" means the estimated annual
23 increase in local sales and use taxes as determined and anticipated by
24 the local government in the calendar years following the approval of
25 the revitalization area by the department from taxable activity within
26 the revitalization area.

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

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

31 (11) "Participating local government" means a local government
32 having a revitalization area within its geographic boundaries that has
33 taken action as provided in section 107(2) of this act to allow the use
34 of all or some of its local sales and use tax increment or other
35 revenues from local public sources dedicated for local revitalization
36 financing.

37 (12) "Participating taxing district" means a local government

1 having a revitalization area within its geographic boundaries that has
2 not taken action as provided in section 106 of this act.

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

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

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

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

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

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

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

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

36 (d) There is no property tax allocation revenue value if the
37 assessed value of real property in a revitalization area has not

1 increased as a result of any of the reasons specified in (a)(i)(A)
2 through (C) of this subsection.

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

4 (i) For new construction and improvements to property added to the
5 assessment roll, the year during which the new construction and
6 improvements are initially placed on the assessment roll;

7 (ii) For the cost of new housing construction, conversion, and
8 rehabilitation improvements, when the cost is treated as new
9 construction for purposes of chapter 84.55 RCW, the year when the cost
10 is treated as new construction for purposes of levying taxes for
11 collection in the following year; and

12 (iii) For the cost of rehabilitation of historic property, when the
13 cost is treated as new construction for purposes of chapter 84.55 RCW,
14 the year when such cost is treated as new construction for purposes of
15 levying taxes for collection in the following year.

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

17 (a) Design, planning, acquisition, including land acquisition, site
18 preparation including land clearing, construction, reconstruction,
19 rehabilitation, improvement, and installation of public improvements;

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

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

23 (d) Financing public improvements, including interest during
24 construction, legal and other professional services, taxes, insurance,
25 principal and interest costs on general indebtedness issued to finance
26 public improvements, and any necessary reserves for general
27 indebtedness; and

28 (e) Administrative expenses and feasibility studies reasonably
29 necessary and related to these costs, including related costs that may
30 have been incurred before adoption of the ordinance authorizing the
31 public improvements and the use of local revitalization financing to
32 fund the costs of the public improvements.

33 (16) "Public improvements" means:

34 (a) Infrastructure improvements within the revitalization area that
35 include:

36 (i) Street, road, bridge, and rail construction and maintenance;

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

38 (iii) Sidewalks, streetlights, landscaping, and streetscaping;

1 (iv) Parking, terminal, and dock facilities;
2 (v) Park and ride facilities of a transit authority;
3 (vi) Park facilities, recreational areas, and environmental
4 remediation;
5 (vii) Storm water and drainage management systems;
6 (viii) Electric, gas, fiber, and other utility infrastructures; and
7 (b) Expenditures for any of the following purposes:
8 (i) Providing environmental analysis, professional management,
9 planning, and promotion within the revitalization area, including the
10 management and promotion of retail trade activities in the
11 revitalization area;
12 (ii) Providing maintenance and security for common or public areas
13 in the revitalization area; or
14 (iii) Historic preservation activities authorized under RCW
15 35.21.395.
16 (17) "Real property" has the same meaning as in RCW 84.04.090 and
17 also includes any privately owned improvements located on publicly
18 owned land that are subject to property taxation.
19 (18) "Regular property taxes" means regular property taxes as
20 defined in RCW 84.04.140, except: (a) Regular property taxes levied by
21 public utility districts specifically for the purpose of making
22 required payments of principal and interest on general indebtedness;
23 (b) regular property taxes levied by the state for the support of
24 common schools under RCW 84.52.065; and (c) regular property taxes
25 authorized by RCW 84.55.050 that are limited to a specific purpose.
26 "Regular property taxes" do not include excess property tax levies that
27 are exempt from the aggregate limits for junior and senior taxing
28 districts as provided in RCW 84.52.043.
29 (19)(a) "Revenues from local public sources" means:
30 (i) The local sales and use tax amounts received as a result of
31 interlocal agreement, local sales and use amounts from sponsoring local
32 governments based on its local sales and use tax increment, and
33 property tax allocation revenues, which are dedicated by sponsoring
34 local governments, participating local governments, and participating
35 taxing districts, for payment of bonds under section 701 of this act;
36 and
37 (ii) Any other local revenues, except as provided in (b) of this

1 subsection, including revenues derived from federal and private
2 sources.

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

7 (20) "Revitalization area" means the geographic area adopted by a
8 sponsoring local government and approved by the department, from which
9 local sales and use tax increments are estimated and property tax
10 allocation revenues are derived for local revitalization financing.

11 (21) "Sponsoring local government" means a city, town, county, or
12 any combination thereof, that adopts a revitalization area and applies
13 to the department to use local revitalization financing.

14 (22) "State contribution" means the lesser of:

15 (a) One million dollars;

16 (b) The project award amount approved by the department as provided
17 in section 401 of this act;

18 (c) The total amount of revenues from local public sources
19 dedicated in the preceding calendar year to the payment of principal
20 and interest on bonds issued under section 701 of this act.

21 (23) "State property tax increment" means the estimated amount of
22 annual tax revenues estimated to be received by the state from the
23 imposition of property taxes levied by the state for the support of
24 common schools under RCW 84.52.065 on the property tax allocation
25 revenue value, as determined by the sponsoring local government in an
26 application under section 401 of this act.

27 (24) "State sales and use tax increment" means the estimated amount
28 of annual increase in state sales and use taxes to be received by the
29 state from taxable activity within the revitalization area in the years
30 following the approval of the revitalization area by the department as
31 determined by the sponsoring local government in an application under
32 section 401 of this act.

33 (25) "State sales and use taxes" means state retail sales and use
34 taxes under RCW 82.08.020(1) and 82.12.020(1), less the amount of tax
35 distributions from all local retail sales and use taxes, other than the
36 local sales and use taxes authorized by section 601 of this act for the
37 applicable revitalization area, imposed on the same taxable events that

1 are credited against the state retail sales and use taxes under RCW
2 82.08.020(1) and 82.12.020(1).

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

6 NEW SECTION. **Sec. 103.** CONDITIONS. A local government may
7 finance public improvements using local revitalization financing
8 subject to the following conditions:

9 (1) The local government has adopted an ordinance designating a
10 revitalization area within its boundaries and specified the public
11 improvements proposed to be financed in whole or in part with the use
12 of local revitalization financing;

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

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

22 (4) Private development that is anticipated to occur within the
23 revitalization 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 (5) The local government may not use local revitalization financing
28 to finance the costs associated with the financing, design,
29 acquisition, construction, equipping, operating, maintaining,
30 remodeling, repairing, and reequipping of public facilities funded with
31 taxes collected under RCW 82.14.048 or 82.14.390;

32 (6) The governing body of the local government must make a finding
33 that local revitalization financing:

34 (a) Will not be used for the purpose of relocating a business from
35 outside the revitalization area, but within this state, into the
36 revitalization area unless convincing evidence is provided that the
37 firm being relocated would leave the state;

1 (b) Will improve the viability of existing business entities within
2 the revitalization area; and

3 (c) Will be used exclusively in areas within the jurisdiction of
4 the local government deemed in need of either economic development or
5 redevelopment, or both, and absent the financing available under this
6 chapter and sections 601 and 602 of this act the proposed economic
7 development or redevelopment would more than likely not occur;

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

11 (a) Increase private investment within the revitalization area;

12 (b) Increase employment within the revitalization area; and

13 (c) Generate, over the period of time that the local sales and use
14 tax will be imposed under section 601 of this act, state and local
15 property, sales, and use tax revenues that are equal to or greater than
16 the respective state and local contributions made under this chapter.

17 NEW SECTION. **Sec. 104.** CREATING A REVITALIZATION AREA. (1)

18 Before adopting an ordinance creating the revitalization area, a
19 sponsoring local government must:

20 (a) Provide notice to all taxing districts and local governments
21 with geographic boundaries within the proposed revitalization area of
22 the sponsoring local government's intent to create a revitalization
23 area. Notice must be provided in writing to the governing body of the
24 taxing districts and local governments at least thirty days in advance
25 of the public hearing described in (b) of this subsection. The notice
26 must include at least the following information:

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

28 (ii) The date for the public hearing described in (b) of this
29 subsection;

30 (iii) The earliest anticipated date when the sponsoring local
31 government will take action to adopt the proposed revitalization area;
32 and

33 (iv) The name of a contact person with phone number of the
34 sponsoring local government and mailing address where a copy of an
35 adopted ordinance described in subsection (3) of this section may be
36 sent; and

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

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

19 (a) Describes the public improvements proposed to be made in the
20 revitalization area;

21 (b) Describes the boundaries of the revitalization area, subject to
22 the limitations in section 105 of this act;

23 (c) Estimates the cost of the proposed public improvements and the
24 portion of these costs to be financed by local revitalization
25 financing;

26 (d) Estimates the time during which local property tax allocation
27 revenues, and other revenues from local public sources, such as agreed
28 upon amounts of local sales and use taxes from participating taxing
29 authorities, are to be used for local revitalization financing;

30 (e) Provides the date when the use of local property tax allocation
31 revenues will commence and a list of the taxing districts that have not
32 adopted an ordinance as described in section 106 of this act to be
33 removed as a participating taxing district;

34 (f) Finds that all of the requirements in section 103 of this act
35 are met;

36 (g) Provides the anticipated rate of sales and use tax under
37 section 601 of this act that the local government will impose if
38 awarded a state contribution under section 401 of this act;

1 (h) Provides the anticipated date when the criteria for the sales
2 and use tax in section 601 of this act will be met and the anticipated
3 date when the sales and use tax in section 601 of this act will be
4 imposed.

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

9 NEW SECTION. **Sec. 105.** LIMITATIONS ON REVITALIZATION AREAS. The
10 designation of a revitalization area is subject to the following
11 limitations:

12 (1) No revitalization area may have within its geographic
13 boundaries any part of a hospital benefit zone under chapter 39.100
14 RCW, any part of a revenue development area created under chapter
15 39.102 RCW, an increment area under chapter 39.89 RCW, or another
16 revitalization area under this chapter;

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

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

22 (4) The public improvements financed through bonds issued under
23 section 701 of this act must be located in the revitalization area;

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

28 (6) The boundaries of the revitalization area may not be changed
29 for the time period that local property tax allocation revenues, local
30 sales and use taxes of participating taxing authorities, and the local
31 sales and use tax under section 601 of this act are used to pay bonds
32 issued under section 701 of this act; and

33 (7) A revitalization area must be geographically restricted to the
34 location of the public improvement and adjacent locations that the
35 local government finds to have a high likelihood of receiving direct
36 positive business and economic impacts due to the public improvement,
37 such as a neighborhood or a block.

1 NEW SECTION. **Sec. 201.** LOCAL PROPERTY TAX ALLOCATION REVENUES.

2 (1) Commencing in the second calendar year following the creation of a
3 revitalization area by a sponsoring local government, the county
4 treasurer shall distribute receipts from regular taxes imposed on real
5 property located in the revitalization area as follows:

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

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

32 (2) The county assessor shall determine the property tax allocation
33 revenue value and property tax allocation revenue base value. This
34 section does not authorize revaluations of real property by the
35 assessor for property taxation that are not made in accordance with the
36 assessor's revaluation plan under chapter 84.41 RCW or under other
37 authorized revaluation procedures.

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

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

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

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

26 **PART III**
27 **LOCAL REVITALIZATION FINANCING**
28 **USE OF LOCAL SALES AND USE TAX INCREMENTS TO PAY FOR**
29 **THE COST OF PUBLIC IMPROVEMENTS**

30 NEW SECTION. **Sec. 301.** LOCAL SALES AND USE TAX INCREMENTS. (1)
31 A sponsoring local government and participating local government may
32 use annually its local sales and use tax increments to finance public
33 improvements in the revitalization area. The amounts of local sales
34 and use tax equal to the local sales and use tax increments dedicated
35 by a participating local government must begin and cease on the dates
36 specified in an interlocal agreement authorized in chapter 39.34 RCW.

1 A participating local government is authorized to allocate some or all
2 of its local sales and use tax increment to the sponsoring local
3 government as described in section 107(2) of this act.

4 (2) The department must assist sponsoring local governments in
5 estimating sales and use tax revenues from estimated taxable activity
6 in the proposed or adopted revitalization area. The sponsoring local
7 government must provide the department with accurate information
8 describing the geographical boundaries of the revitalization area in an
9 electronic format or manner as prescribed by the department.

10 **PART IV**

11 **LOCAL REVITALIZATION FINANCING--STATE CONTRIBUTION**

12 NEW SECTION. **Sec. 401.** APPLICATION PROCESS--DEPARTMENT OF REVENUE
13 APPROVAL. (1) Prior to applying to the department to receive a state
14 contribution, a sponsoring local government shall adopt a
15 revitalization area within the limitations in section 105 of this act
16 and in accordance with section 104 of this act.

17 (2) As a condition to imposing a sales and use tax under section
18 601 of this act, a sponsoring local government must apply to the
19 department and be approved for a project award amount. The application
20 must be in a form and manner prescribed by the department and include,
21 but not be limited to:

22 (a) Information establishing that over the period of time that the
23 local sales and use tax will be imposed under section 601 of this act,
24 increases in state and local property, sales, and use tax revenues as
25 a result of public improvements in the revitalization area will be
26 equal to or greater than the respective state and local contributions
27 made under this chapter;

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

31 (c) The amount of state contribution it is requesting;

32 (d) The anticipated effective date for imposing the tax under
33 section 601 of this act;

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

35 (f) The anticipated rate of tax to be imposed under section 601 of

1 this act, subject to the rate-setting conditions in section 601(3) of
2 this act, should the sponsoring local government be approved for a
3 project award; and

4 (g) The anticipated date when bonds under section 701 of this act
5 will be issued.

6 The department shall make available electronic forms to be used for
7 this purpose. As part of the application, each applicant must provide
8 to the department a copy of the adopted ordinance creating the
9 revitalization area as required in section 104 of this act, copies of
10 any adopted interlocal agreements from participating local governments,
11 and any notices from taxing districts that elect not to be a
12 participating taxing district.

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

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

16 (ii) The availability of a state contribution;

17 (iii) Whether the sponsoring local government would be able to
18 generate enough tax revenue under section 601 of this act to generate
19 the amount of project award requested.

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

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

30 (d) Applications that are not approved for a project award due to
31 lack of available state contribution will be returned to the applicant.

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, applications
35 will be accepted again beginning sixty days after the effective date of
36 the increase.

37 (4) The department shall notify the sponsoring local government of
38 approval or denial of a project award within sixty days of the

1 department's receipt of the sponsoring local government's application.
2 Determination of a project award by the department is final.
3 Notification must include the earliest date when the tax authorized
4 under section 601 of this act may be imposed, subject to conditions in
5 chapter 82.14 RCW. The project award notification must specify the
6 rate requested in the application and any adjustments to the rate that
7 would need to be made based on the project award and rate restrictions
8 in section 601 of this act.

9 **PART V**

10 **ACCOUNTABILITY REPORTS**

11 NEW SECTION. **Sec. 501.** A new section is added to chapter 82.32
12 RCW to read as follows:

13 **REPORTING REQUIREMENTS.** (1) A sponsoring local government
14 receiving a project award under section 401 of this act must provide a
15 report to the department by March 1st of each year beginning March 1st
16 after the project award has been approved. The report must contain the
17 following information:

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

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

23 (c) The amount of local sales and use tax or other revenue from
24 local public sources dedicated by any participating local government
25 used for the payment of bonds under section 701 of this act in the
26 preceding calendar year;

27 (d) The amount of local sales and use tax dedicated by the
28 sponsoring local government, as it relates to the sponsoring local
29 government's local sales and use tax increment, used for the payment of
30 bonds under section 701 of this act;

31 (e) The amounts, other than those listed in (a) through (d) of this
32 subsection, from local public sources, broken down by type or source,
33 used for payment of bonds under section 701 of this act in the
34 preceding calendar year;

35 (f) The anticipated date when bonds under section 701 of this act
36 are expected to be retired;

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

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

9 (i) An estimate of the average wages and benefits received by all
10 employees of businesses locating within the revitalization area as a
11 result of the public improvements undertaken by the sponsoring local
12 government and financed in whole or in part with local revitalization
13 financing;

14 (j) A list of public improvements financed by bonds issued under
15 section 701 of this act;

16 (k) That the sponsoring local government is in compliance with
17 section 103 of this act;

18 (l) Once every three years, updated estimates of the amounts of
19 state sales and use tax increments, state property tax increments, and
20 local sales and use tax increments estimated to have been received
21 since the approval by the department of the project award under section
22 401 of this act; and

23 (m) Any other information required by the department to enable the
24 department to fulfill its duties under this chapter and section 601 of
25 this act.

26 (2) The department shall make a report available to the public and
27 the legislature by June 1st of each year. The report shall include a
28 summary of the information provided to the department by sponsoring
29 local governments under subsection (1)(a) through (h) of this section.

30 **PART VI**

31 **LOCAL SALES AND USE TAX CREDITED AGAINST THE**
32 **STATE SALES AND USE TAXES**

33 NEW SECTION. **Sec. 601.** LOCAL SALES AND USE TAX. (1) Any city or
34 county that has been approved for a project award under section 401 of
35 this act may impose a sales and use tax under the authority of this
36 section in accordance with the terms of this chapter. Except as

1 provided in this section, the tax is in addition to other taxes
2 authorized by law and must be collected from those persons who are
3 taxable by the state under chapters 82.08 and 82.12 RCW upon the
4 occurrence of any taxable event within the taxing jurisdiction of the
5 city or county.

6 (2) The tax authorized under subsection (1) of this section is
7 credited against the state taxes imposed under RCW 82.08.020(1) and
8 82.12.020(1). The department must perform the collection of such taxes
9 on behalf of the city or county at no cost to the city or county. The
10 taxes must be distributed to cities and counties as provided in RCW
11 82.14.060.

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

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

15 (i) The aggregate rates of any other local sales and use taxes
16 imposed by any taxing authority on the same taxable events that are
17 credited against the state sales and use taxes imposed under chapters
18 82.08 and 82.12 RCW;

19 (ii) The aggregate rates of any taxes under RCW 82.14.465 and
20 82.14.475 and this section that are authorized but have not yet been
21 imposed on the same taxable events by a city or county that has been
22 approved to receive a state contribution by the department or the
23 community economic revitalization board under chapter 39.-- RCW (the
24 new chapter created in section 805 of this act) or chapter 39.100 or
25 39.102 RCW; and

26 (iii) The percentage amount of distributions required under RCW
27 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
28 82.08.020(1); and

29 (b) The rate, as determined by the city or county in consultation
30 with the department, reasonably necessary to receive the project award
31 under section 401 of this act within ten months.

32 (4) The department, upon request, must assist a city or county in
33 establishing its tax rate in accordance with subsection (3) of this
34 section. Once the rate of tax is selected through the application
35 process and approved under section 401 of this act, it may not be
36 changed.

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

1 (i) July 1, 2011;

2 (ii) Approval by the department under section 401 of this act;

3 (iii) Both the public improvements have been substantially

4 completed, as determined by the city or county imposing the tax

5 authorized under this section, and initiation of construction of

6 private development or redevelopment in the revitalization area has

7 occurred; and

8 (iv) Bonds have been issued according to section 701 of this act.

9 (b) The tax imposed under this section expires the earlier of the

10 date that the bonds issued under the authority of section 701 of this

11 act are retired or twenty-five years after the tax is first imposed.

12 (6) An ordinance or resolution adopted by the legislative authority

13 of the city or county imposing a tax under this section must provide

14 that:

15 (a) The tax will first be imposed on the first day of a fiscal

16 year;

17 (b) The cumulative amount of tax received by the city or county, in

18 any fiscal year, may not exceed the amount approved by the department

19 under subsection (10) of this section;

20 (c) The department must cease distributing the tax for the

21 remainder of any fiscal year in which either:

22 (i) The amount of tax received by the city or county equals the

23 amount of distributions approved by the department for the fiscal year

24 under subsection (10) of this section; or

25 (ii) The amount of revenue from taxes imposed under this section by

26 all cities and counties equals the annual state contribution limit;

27 (d) The tax will be distributed again, should it cease to be

28 distributed for any of the reasons provided in (c) of this subsection,

29 at the beginning of the next fiscal year, subject to the restrictions

30 in this section; and

31 (e) The state is entitled to any revenue generated by the tax in

32 excess of the amounts specified in (c) of this subsection.

33 (7) If a city or county receives approval for more than one

34 revitalization area within its jurisdiction, the city or county may

35 impose a sales and use tax under this section for each revitalization

36 area.

37 (8) The department must determine the amount of tax receipts

38 distributed to each city and county imposing a sales and use tax under

1 the authority of this section and must advise a city or county when tax
2 distributions for the fiscal year equal the amount determined by the
3 department in subsection (10) of this section. Determinations by the
4 department of the amount of tax distributions attributable to a city or
5 county are not appealable. The department must remit any tax receipts
6 in excess of the amounts specified in subsection (6)(c) of this section
7 to the state treasurer who must deposit the money in the general fund.

8 (9) If a city or county fails to comply with section 501 of this
9 act, no tax may be distributed in the subsequent fiscal year until such
10 time as the city or county complies and the department calculates the
11 state contribution amount according to subsection (10) of this section
12 for the fiscal year.

13 (10)(a) For each fiscal year that a city or county imposes the tax
14 under the authority of this section, the department must approve the
15 amount of taxes that may be distributed to the city or county. The
16 amount approved by the department under this subsection is the lesser
17 of:

18 (i) The state contribution;

19 (ii) The amount of project award granted by the department as
20 provided in section 401 of this act; or

21 (iii) The total amount of revenues from local public sources
22 dedicated in the preceding calendar year, as reported in the required
23 annual report under section 501 of this act.

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

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

31 (12) The definitions in section 102 of this act apply to this
32 section subject to subsection (13) of this section and unless the
33 context clearly requires otherwise.

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

35 (a) "Local sales and use taxes" means sales and use taxes imposed
36 by cities, counties, public facilities districts, and other local
37 governments under the authority of this chapter, chapter 67.28 or 67.40

1 RCW, or any other chapter, and that are credited against the state
2 sales and use taxes.

3 (b) "State sales and use taxes" means the taxes imposed in RCW
4 82.08.020(1) and 82.12.020(1).

5 (c) "Initiation of construction" means the date that a building
6 permit is issued under the building code adopted under RCW 19.27.031.

7 NEW SECTION. **Sec. 602.** USE OF SALES AND USE TAX FUNDS. Money
8 collected from the taxes imposed under section 601 of this act may be
9 used only for the purpose of paying debt service on bonds issued under
10 the authority in section 701 of this act.

11 **PART VII**
12 **BOND AUTHORIZATION**

13 NEW SECTION. **Sec. 701.** ISSUANCE OF GENERAL OBLIGATION BONDS. (1)
14 A sponsoring local government creating a revitalization area and
15 authorizing the use of local revitalization financing may incur general
16 indebtedness, and issue general obligation bonds, to finance the public
17 improvements and retire the indebtedness in whole or in part from local
18 revitalization financing it receives, subject to the following
19 requirements:

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

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

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

33 (3) In addition to the requirements in subsection (1) of this
34 section, a sponsoring local government creating a revitalization area
35 and authorizing the use of local revitalization financing may require

1 any nonpublic participants to provide adequate security to protect the
2 public investment in the public improvement within the revitalization
3 area.

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

15 (5) The sponsoring local government may annually pay into a fund to
16 be established for the benefit of bonds issued under this section a
17 fixed proportion or a fixed amount of any local property tax allocation
18 revenues derived from property or business activity within the
19 revitalization area containing the public improvements funded by the
20 bonds, the payment to continue until all bonds payable from the fund
21 are paid in full. The local government may also annually pay into the
22 fund established in this section a fixed proportion or a fixed amount
23 of any revenues derived from taxes imposed under section 601 of this
24 act, such payment to continue until all bonds payable from the fund are
25 paid in full. Revenues derived from taxes imposed under section 601 of
26 this act are subject to the use restriction in section 602 of this act.

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

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

1 NEW SECTION. **Sec. 702.** USE OF TAX REVENUE FOR BOND REPAYMENT. A
2 sponsoring local government that issues bonds under section 701 of this
3 act to finance public improvements may pledge for the payment of such
4 bonds all or part of any local property tax allocation revenues derived
5 from the public improvements. The sponsoring local government may also
6 pledge all or part of any revenues derived from taxes imposed under
7 section 601 of this act and held in connection with the public
8 improvements. All of such tax revenues are subject to the use
9 restriction in section 602 of this act.

10 NEW SECTION. **Sec. 703.** LIMITATION ON BONDS ISSUED. The bonds
11 issued by a local government under section 701 of this act to finance
12 public improvements do not constitute an obligation of the state of
13 Washington, either general or special.

14 **PART VIII**
15 **MISCELLANEOUS**

16 NEW SECTION. **Sec. 801.** SEVERABILITY. If any provision of this
17 act or its application to any person or circumstance is held invalid,
18 the remainder of the act or the application of the provision to other
19 persons or circumstances is not affected.

20 NEW SECTION. **Sec. 802.** CAPTIONS AND PART HEADINGS NOT LAW.
21 Captions and part headings used in this act do not constitute any part
22 of the law.

23 NEW SECTION. **Sec. 803.** AUTHORITY. Nothing in this act may be
24 construed to give port districts the authority to impose a sales or use
25 tax under chapter 82.14 RCW.

26 NEW SECTION. **Sec. 804.** ADMINISTRATION BY THE DEPARTMENT. The
27 department of revenue may adopt any rules under chapter 34.05 RCW it
28 considers necessary for the administration of this chapter.

29 NEW SECTION. **Sec. 805.** Sections 101 through 401 and 701 through
30 804 of this act constitute a new chapter in Title 39 RCW.

1 NEW SECTION. **Sec. 806.** Sections 601 and 602 of this act are each
2 added to chapter 82.14 RCW.

--- END ---