
ENGROSSED SUBSTITUTE SENATE BILL 5901

State of Washington

61st Legislature

2009 Regular Session

By Senate Economic Development, Trade & Innovation (originally sponsored by Senator Kastama)

READ FIRST TIME 02/17/09.

1 AN ACT Relating to modifying provisions of the local infrastructure
2 financing tool program; amending RCW 39.102.020, 39.102.070,
3 39.102.110, 39.102.120, 39.102.140, 39.102.150, 39.102.195, and
4 82.14.475; and providing an expiration date.

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

6 **Sec. 1.** RCW 39.102.020 and 2008 c 209 s 1 are each amended to read
7 as follows:

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

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

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

14 (~~(3) ("Base-year" means the first calendar year following the~~
15 ~~calendar year in which a sponsoring local government, and any~~
16 ~~cosponsoring local government, receives approval by the board for a~~
17 ~~project award, provided that the approval is granted before October~~
18 ~~15th. If approval by the board is received on or after October 15th~~
19 ~~but on or before December 31st, the "base year" is the second calendar~~

1 year following the calendar year in which a sponsoring local
2 government, and any cosponsoring local government, receives approval by
3 the board for a project award.

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

6 ~~((5))~~ (4) "Demonstration project" means one of the following
7 projects:

8 (a) Bellingham waterfront redevelopment project;

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

10 (c) Vancouver riverwest project.

11 ~~((6))~~ (5) "Department" means the department of revenue.

12 ~~((7))~~ (6) "Fiscal year" means the twelve-month period beginning
13 July 1st and ending the following June 30th.

14 ~~((8))~~ (7) "Local excise taxes" means local revenues derived from
15 the imposition of sales and use taxes authorized in RCW 82.14.030 ~~((at~~
16 ~~the tax rate that was in effect at the time the revenue development~~
17 ~~area was approved by the board, except that if a local government~~
18 ~~reduces the rate of such tax after the revenue development area was~~
19 ~~approved by the board, "local excise taxes" means the local revenues~~
20 ~~derived from the imposition of the sales and use taxes authorized in~~
21 ~~RCW 82.14.030 at the lower tax rate))~~.

22 ~~((9))~~ (8) "Local excise tax allocation revenue" means ~~((the~~
23 ~~amount of local excise taxes received by the local government during~~
24 ~~the measurement year from taxable activity within the revenue~~
25 ~~development area over and above the amount of local excise taxes~~
26 ~~received by the local government during the base year from taxable~~
27 ~~activity within the revenue development area, except that:~~

28 ~~(a) If a sponsoring local government adopts a revenue development~~
29 ~~area and reasonably determines that no activity subject to tax under~~
30 ~~chapters 82.08 and 82.12 RCW occurred within the boundaries of the~~
31 ~~revenue development area in the twelve months immediately preceding the~~
32 ~~approval of the revenue development area by the board, "local excise~~
33 ~~tax allocation revenue" means the entire amount of local excise taxes~~
34 ~~received by the sponsoring local government during a calendar year~~
35 ~~period beginning with the calendar year immediately following the~~
36 ~~approval of the revenue development area by the board and continuing~~
37 ~~with each measurement year thereafter;~~

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

14 ~~(c) If the sponsoring local government of a revenue development~~
15 ~~area related to a demonstration project reasonably determines that no~~
16 ~~local excise tax distributions were received between August 1, 2008,~~
17 ~~and December 31, 2008, from within the boundaries of the revenue~~
18 ~~development area, "local excise tax allocation revenue" means the~~
19 ~~entire amount of local excise taxes received by the sponsoring local~~
20 ~~government during a calendar year period beginning with 2009 and~~
21 ~~continuing with each measurement year thereafter)) an amount of local~~
22 ~~excise taxes equal to some or all of the sponsoring local government's~~
23 ~~local excise tax increment, amounts of local excise taxes equal to some~~
24 ~~or all of any participating local government's excise tax increment as~~
25 ~~agreed upon in the written agreement under RCW 39.102.080(1), or both,~~
26 ~~and dedicated to local infrastructure financing.~~

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

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

35 (11) "Local infrastructure financing" means the use of revenues
36 received from local excise tax allocation revenues, local property tax
37 allocation revenues, other revenues from local public sources, and
38 revenues received from the local option sales and use tax authorized in

1 RCW 82.14.475, dedicated to pay either the principal and interest on
2 bonds authorized under RCW 39.102.150 or to pay public improvement
3 costs on a pay-as-you-go basis subject to RCW 39.102.195, or both.

4 (12) "Local property tax allocation revenue" means those tax
5 revenues derived from the receipt of regular property taxes levied on
6 the property tax allocation revenue value and used for local
7 infrastructure financing.

8 (13)(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 (14) "Low-income housing" means residential housing for low-income
21 persons or families who lack the means which is necessary to enable
22 them, without financial assistance, to live in decent, safe, and
23 sanitary dwellings, without overcrowding. For the purposes of this
24 subsection, "low income" means income that does not exceed eighty
25 percent of the median family income for the standard metropolitan
26 statistical area in which the revenue development area is located.

27 ~~(15) ("Measurement year" means a calendar year, beginning with the~~
28 ~~calendar year following the base year and each calendar year~~
29 ~~thereafter, that is used annually to measure state and local excise tax~~
30 ~~allocation revenues.~~

31 ~~(16))~~ "Ordinance" means any appropriate method of taking
32 legislative action by a local government.

33 ~~((17))~~ (16) "Participating local government" means a local
34 government having a revenue development area within its geographic
35 boundaries that has entered into a written agreement with a sponsoring
36 local government as provided in RCW 39.102.080 to allow the use of all
37 or some of its local excise tax allocation revenues or other revenues
38 from local public sources dedicated for local infrastructure financing.

1 (~~(18)~~) (17) "Participating taxing district" means a local
2 government having a revenue development area within its geographic
3 boundaries that has entered into a written agreement with a sponsoring
4 local government as provided in RCW 39.102.080 to allow the use of some
5 or all of its local property tax allocation revenues or other revenues
6 from local public sources dedicated for local infrastructure financing.

7 (~~(19)~~) (18)(a)(i) "Property tax allocation revenue value" means
8 seventy-five percent of any increase in the assessed value of real
9 property in a revenue development area resulting from:

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

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

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

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

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

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

37 (d) There is no property tax allocation revenue value if the

1 assessed value of real property in a revenue development area has not
2 increased as a result of any of the reasons specified in (a)(i)(A)
3 through (C) of this subsection.

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

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

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

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

17 (~~(+20+)~~) (19) "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 revenue development area.

20 (~~(+21+)~~) (20) "Public improvements" means:

21 (a) Infrastructure improvements within the revenue development area
22 that include:

23 (i) Street, bridge, and road construction and maintenance,
24 including highway interchange construction;

25 (ii) Water and sewer system construction and improvements,
26 including wastewater reuse facilities;

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

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

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

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

31 (vii) Storm water and drainage management systems;

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

34 (~~(+22+)~~) (21) "Public improvement costs" means the cost of: (a)
35 Design, planning, acquisition including land acquisition, site
36 preparation including land clearing, construction, reconstruction,
37 rehabilitation, improvement, and installation of public improvements;

38 (b) demolishing, relocating, maintaining, and operating property

1 pending construction of public improvements; (c) the local government's
2 portion of relocating utilities as a result of public improvements; (d)
3 financing public improvements, including interest during construction,
4 legal and other professional services, taxes, insurance, principal and
5 interest costs on general indebtedness issued to finance public
6 improvements, and any necessary reserves for general indebtedness; (e)
7 assessments incurred in revaluing real property for the purpose of
8 determining the property tax allocation revenue base value that are in
9 excess of costs incurred by the assessor in accordance with the
10 revaluation plan under chapter 84.41 RCW, and the costs of apportioning
11 the taxes and complying with this chapter and other applicable law; (f)
12 administrative expenses and feasibility studies reasonably necessary
13 and related to these costs; and (g) any of the above-described costs
14 that may have been incurred before adoption of the ordinance
15 authorizing the public improvements and the use of local infrastructure
16 financing to fund the costs of the public improvements.

17 ~~((+23+))~~ (22) "Regular property taxes" means regular property taxes
18 as defined in RCW 84.04.140, except: (a) Regular property taxes levied
19 by public utility districts specifically for the purpose of making
20 required payments of principal and interest on general indebtedness;
21 (b) regular property taxes levied by the state for the support of the
22 common schools under RCW 84.52.065; and (c) regular property taxes
23 authorized by RCW 84.55.050 that are limited to a specific purpose.
24 "Regular property taxes" do not include excess property tax levies that
25 are exempt from the aggregate limits for junior and senior taxing
26 districts as provided in RCW 84.52.043.

27 ~~((+24+))~~ (23) "Property tax allocation revenue base value" means
28 the assessed value of real property located within a revenue
29 development area ~~((for taxes levied in the year in which the revenue
30 development area is adopted for collection in the following year, plus
31 one hundred percent of any increase in the assessed value of real
32 property located within a revenue development area that is placed on
33 the assessment rolls after the revenue development area is adopted,))~~
34 less the property tax allocation revenue value.

35 ~~((+25+))~~ (24) "Relocating a business" means the closing of a
36 business and the reopening of that business, or the opening of a new
37 business that engages in the same activities as the previous business,
38 in a different location within a one-year period, when an individual or

1 entity has an ownership interest in the business at the time of closure
2 and at the time of opening or reopening. "Relocating a business" does
3 not include the closing and reopening of a business in a new location
4 where the business has been acquired and is under entirely new
5 ownership at the new location, or the closing and reopening of a
6 business in a new location as a result of the exercise of the power of
7 eminent domain.

8 ~~((+26+))~~ (25) "Revenue development area" means the geographic area
9 adopted by a sponsoring local government and approved by the board,
10 from which local excise and property tax allocation revenues are
11 derived for local infrastructure financing.

12 ~~((+27+))~~ (26) "Small business" has the same meaning as provided in
13 RCW 19.85.020.

14 ~~((+28+))~~ (27) "Sponsoring local government" means a city, town, or
15 county, and for the purpose of this chapter a federally recognized
16 Indian tribe or any combination thereof, that adopts a revenue
17 development area and applies to the board to use local infrastructure
18 financing.

19 ~~((+29+))~~ (28) "State contribution" means the lesser of:

20 (a) One million dollars;

21 (b) ~~((The state excise tax allocation revenue and state property
22 tax allocation revenue received by the state during the preceding
23 calendar year;~~

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

32 ~~((+d))~~ (c) The amount of project award granted by the board in the
33 notice of approval to use local infrastructure financing under RCW
34 39.102.040.

35 ~~((+30+))~~ (29) "State excise taxes" means revenues derived from
36 state retail sales and use taxes under ~~((chapters 82.08 and 82.12))~~ RCW
37 82.08.020(1) and 82.12.020 at the rate provided in RCW 82.08.020(1),
38 less the amount of tax distributions from all local retail sales and

1 use taxes, other than the local sales and use taxes authorized by RCW
2 82.14.475 for the applicable revenue development area, imposed on the
3 same taxable events that are credited against the state retail sales
4 and use taxes under chapters 82.08 and 82.12 RCW.

5 ~~((+31))~~ (30) "State excise tax allocation revenue" means ~~((the))~~
6 an amount ((of)) equal to the annual increase in state excise taxes
7 estimated to be received by the state ~~((during the measurement year))~~
8 in each calendar year following the approval of the revenue development
9 area by the board, from taxable activity within the revenue development
10 area ~~((over and above the amount of state excise taxes received by the~~
11 ~~state during the base year from taxable activity within the revenue~~
12 ~~development area, except that:~~

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

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

36 ~~(c) If the sponsoring local government of a revenue development~~
37 ~~area related to a demonstration project reasonably determines that no~~
38 ~~local excise tax distributions were received between August 1, 2008,~~

1 and December 31, 2008, from within the boundaries of the revenue
2 development area, "state excise tax allocation revenue" means the
3 entire amount of state excise taxes received by the state during a
4 calendar year period beginning with 2009 and continuing with each
5 measurement year thereafter)) as set forth in the application provided
6 to the board under RCW 39.102.040 and periodically updated and reported
7 as required in RCW 39.102.140(1)(f).

8 ((+32)) (31) "State property tax allocation revenue" means
9 ((these)) an amount equal to the estimated tax revenues derived from
10 the imposition of property taxes levied by the state for the support of
11 common schools under RCW 84.52.065 on the property tax allocation
12 revenue value, as set forth in the application submitted to the board
13 under RCW 39.102.040 and updated annually in the report required under
14 RCW 39.102.140(1)(f).

15 ((+33)) (32) "Real property" has the same meaning as in RCW
16 84.04.090 and also includes any privately owned improvements located on
17 publicly owned land that are subject to property taxation.

18 **Sec. 2.** RCW 39.102.070 and 2006 c 181 s 205 are each amended to
19 read as follows:

20 The use of local infrastructure financing under this chapter is
21 subject to the following conditions:

22 (1) No funds may be used to finance, design, acquire, construct,
23 equip, operate, maintain, remodel, repair, or reequip public facilities
24 funded with taxes collected under RCW 82.14.048 or 82.14.390;

25 (2)(a) Except as provided in (b) of this subsection no funds may be
26 used for public improvements other than projects identified within the
27 capital facilities, utilities, housing, or transportation element of a
28 comprehensive plan required under chapter 36.70A RCW;

29 (b) Funds may be used for public improvements that are historical
30 preservation activities as defined in RCW 39.89.020;

31 (3) The public improvements proposed to be financed in whole or in
32 part using local infrastructure financing are expected to encourage
33 private development within the revenue development area and to increase
34 the fair market value of real property within the revenue development
35 area;

36 (4) A sponsoring local government, participating local government,
37 or participating taxing district has entered or expects to enter into

1 a contract with a private developer relating to the development of
2 private improvements within the revenue development area or has
3 received a letter of intent from a private developer relating to the
4 developer's plans for the development of private improvements within
5 the revenue development area;

6 (5) Private development that is anticipated to occur within the
7 revenue development area, as a result of the public improvements, will
8 be consistent with the countywide planning policy adopted by the county
9 under RCW 36.70A.210 and the local government's comprehensive plan and
10 development regulations adopted under chapter 36.70A RCW;

11 (6) The governing body of the sponsoring local government, and any
12 cosponsoring local government, must make a finding that local
13 infrastructure financing:

14 (a) Is not expected to be used for the purpose of relocating a
15 business from outside the revenue development area, but within this
16 state, into the revenue development area; and

17 (b) Will improve the viability of existing business entities within
18 the revenue development area;

19 (7) The governing body of the sponsoring local government, and any
20 cosponsoring local government, finds that the public improvements
21 proposed to be financed in whole or in part using local infrastructure
22 financing are reasonably likely to:

23 (a) Increase private residential and commercial investment within
24 the revenue development area;

25 (b) Increase employment within the revenue development area;

26 (c) Improve the viability of any existing communities that are
27 based on mixed-use development within the revenue development area; and

28 (d) Generate, over the period of time that the local option sales
29 and use tax will be imposed under RCW 82.14.475, state excise tax
30 allocation revenues and state property tax allocation revenues derived
31 from the revenue development area that are equal to or greater than the
32 respective state contributions made under this chapter;

33 (8) The sponsoring local government may only use local
34 infrastructure financing in areas deemed in need of economic
35 development or redevelopment within boundaries of the sponsoring local
36 government.

1 **Sec. 3.** RCW 39.102.110 and 2007 c 229 s 6 are each amended to read
2 as follows:

3 (1) A sponsoring local government or participating local government
4 that has received approval by the board to use local infrastructure
5 financing may use annually its local excise tax allocation revenues to
6 finance public improvements in the revenue development area financed in
7 whole or in part by local infrastructure financing. The use of local
8 excise tax allocation revenues dedicated by participating local
9 governments must cease on the date specified in the written agreement
10 required in RCW 39.102.080(1), or if no date is specified then the date
11 when the local tax under RCW 82.14.475 expires. Any participating
12 local government is authorized to dedicate local excise tax allocation
13 revenues to the sponsoring local government as authorized in RCW
14 39.102.080(1).

15 (2) A sponsoring local government shall provide the board accurate
16 information describing the geographical boundaries of the revenue
17 development area at the time of application. The information shall be
18 provided in an electronic format or manner as prescribed by the
19 department. The sponsoring local government shall ensure that the
20 boundary information provided to the board and department is kept
21 current.

22 (3) In the event a city annexes a county area located within a
23 county-sponsored revenue development area, the city shall remit to the
24 county the portion of the local excise tax allocation revenue that the
25 county would have received had the area not been annexed to the
26 ((~~county~~)) city. The city shall remit such revenues until such time as
27 the bonds issued under RCW 39.102.150 are retired.

28 **Sec. 4.** RCW 39.102.120 and 2007 c 229 s 7 are each amended to read
29 as follows:

30 (1) Commencing in the second calendar year following board approval
31 of a revenue development area, the county treasurer shall distribute
32 receipts from regular taxes imposed on real property located in the
33 revenue development area as follows:

34 (a) Each participating taxing district and the sponsoring local
35 government shall receive that portion of its regular property taxes
36 produced by the rate of tax levied by or for the taxing district on the
37 property tax allocation revenue base value for that local

1 infrastructure financing project in the taxing district (~~(, or upon the~~
2 ~~total assessed value of real property in the taxing district, whichever~~
3 ~~is smaller)~~); and

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

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

33 (3) The (~~apportionment of increases in assessed valuation in a~~
34 ~~revenue development area, and the associated~~) distribution of local
35 property tax allocation revenue to the sponsoring local government (~~of~~
36 ~~receipts from regular property taxes that are imposed on the property~~
37 ~~tax allocation revenue value,~~) must cease when local property tax
38 allocation revenues are no longer obligated to pay the costs of the

1 public improvements. Any excess local property tax allocation revenues
2 (~~derived from regular property taxes~~) and earnings on (~~these tax~~
3 ~~allocation~~) such revenues(~~(7)~~) remaining at the time the (~~allocation~~
4 ~~of tax receipts~~) distribution of local property tax allocation revenue
5 terminates(~~(7)~~) must be returned to the county treasurer and
6 distributed to the participating taxing districts that imposed regular
7 property taxes, or had regular property taxes imposed for it, in the
8 revenue development area for collection that year, in proportion to the
9 rates of their regular property tax levies for collection that year.

10 (4) The allocation to the revenue development area of that
11 portion(~~(8)~~) of the sponsoring local government's and each
12 participating taxing district's regular property taxes levied by or for
13 each taxing district upon the property tax allocation revenue value
14 within that revenue development area is declared to be a public purpose
15 of and benefit to the sponsoring local government and each (~~(such)~~)
16 participating taxing district.

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

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

26 **Sec. 5.** RCW 39.102.140 and 2007 c 229 s 9 are each amended to read
27 as follows:

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

31 (a) The amount of local excise tax allocation revenues, local
32 property tax allocation revenues, other revenues from local public
33 sources, and taxes under RCW 82.14.475 received by the sponsoring local
34 government during the preceding calendar year that were dedicated to
35 pay the public improvements financed in whole or in part with local
36 infrastructure financing, and a summary of how these revenues were
37 expended;

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

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

9 (d) The average wages and benefits received by all employees of
10 businesses locating within the revenue development area as a result of
11 the public improvements undertaken by the sponsoring local government
12 and financed in whole or in part with local infrastructure financing;
13 (~~and~~))

14 (e) That the sponsoring local government is in compliance with RCW
15 39.102.070; and

16 (f) Beginning with the reports due March 1, 2010, the following
17 must also be included:

18 (i) A list of public improvements financed on a pay-as-you-go basis
19 in previous calendar years and by indebtedness issued under this
20 chapter;

21 (ii) The date when any indebtedness issued under this chapter is
22 expected to be retired;

23 (iii) At least once every three years, updated estimates of state
24 excise tax allocation revenues, state property tax allocation revenues,
25 and local excise tax increments, as determined by the sponsoring local
26 government, that are estimated to have been received by the state, any
27 participating local government, sponsoring local government, and
28 cosponsoring local government, since the approval of the project award
29 under RCW 39.102.040 by the board; and

30 (iv) Any other information required by the department or the board
31 to enable the department or the board to fulfill its duties under this
32 chapter and RCW 82.14.475.

33 (2) The board shall make a report available to the public and the
34 legislature by June 1st of each year. The report shall include a list
35 of public improvements undertaken by sponsoring local governments and
36 financed in whole or in part with local infrastructure financing and it
37 shall also include a summary of the information provided to the

1 department by sponsoring local governments under subsection (1) of this
2 section.

3 (3) The department, upon request, must assist a sponsoring local
4 government in estimating the amount of state excise tax allocation
5 revenues and local excise tax increments required in subsection
6 (1)(f)(iii) of this section.

7 **Sec. 6.** RCW 39.102.150 and 2007 c 229 s 10 are each amended to
8 read as follows:

9 (1) A sponsoring local government that has designated a revenue
10 development area and been authorized the use of local infrastructure
11 financing may incur general indebtedness, ~~((and—issue))~~ including
12 issuing general obligation bonds, to finance the public improvements
13 and retire the indebtedness in whole or in part from local excise tax
14 allocation revenues, local property tax allocation revenues, and sales
15 and use taxes imposed under the authority of RCW 82.14.475 that it
16 receives, subject to the following requirements:

17 (a)(i) The ordinance adopted by the sponsoring local government and
18 authorizing the use of local infrastructure financing indicates an
19 intent to incur this indebtedness and the maximum amount of this
20 indebtedness that is contemplated; and

21 ~~((+b))~~ (ii) The sponsoring local government includes this
22 statement of the intent in all notices required by RCW 39.102.100; or

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

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

34 (b) A sponsoring local government that issues bonds under this
35 section shall not pledge any money received from the state of
36 Washington for the payment of such bonds, other than the local sales

1 and use taxes imposed under the authority of RCW 82.14.475 and
2 collected by the department.

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

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

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

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

1 in office until such delivery. Any provision of any law to the
2 contrary notwithstanding, any bonds issued under this chapter are fully
3 negotiable.

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

7 **Sec. 7.** RCW 39.102.195 and 2007 c 229 s 14 are each amended to
8 read as follows:

9 To the extent that amounts received as local excise tax allocation
10 revenues, local property tax allocation revenues, other revenues from
11 local public sources, that are dedicated to local infrastructure
12 financing, and revenues received from the local option sales and use
13 tax authorized in RCW 82.14.475, are set aside in a debt service fund
14 that is pledged to the repayment of bonds, those amounts so set aside
15 and pledged may not be used to pay for public improvement costs on a
16 pay-as-you-go basis after the date that the sponsoring local government
17 that issued the bonds as provided in RCW 39.102.150 is required to
18 begin paying debt service on those bonds, unless and until those bonds
19 to which the amounts have been so pledged have been retired.

20 **Sec. 8.** RCW 82.14.475 and 2007 c 229 s 8 are each amended to read
21 as follows:

22 (1) A sponsoring local government, and any cosponsoring local
23 government, that has been approved by the board to use local
24 infrastructure financing may impose a sales and use tax in accordance
25 with the terms of this chapter and subject to the criteria set forth in
26 this section. Except as provided in this section, the tax is in
27 addition to other taxes authorized by law and shall be collected from
28 those persons who are taxable by the state under chapters 82.08 and
29 82.12 RCW upon the occurrence of any taxable event within the taxing
30 jurisdiction of the sponsoring local government or cosponsoring local
31 government. ~~((The rate of tax shall not exceed the rate provided in~~
32 ~~RCW 82.08.020(1), less the aggregate rates of any other local sales and~~
33 ~~use taxes imposed on the same taxable events that are credited against~~
34 ~~the state sales and use taxes imposed under chapters 82.08 and 82.12~~
35 ~~RCW. The rate of tax may be changed only on the first day of a fiscal~~

1 ~~year as needed. Notice of rate changes must be provided to the~~
2 ~~department on the first day of March to be effective on July 1st of the~~
3 ~~next fiscal year.))~~

4 (2) The tax authorized under subsection (1) of this section shall
5 be credited against the state taxes imposed under (~~chapter 82.08 or~~
6 ~~82.12~~) RCW 82.08.020(1) and 82.12.020 at the rate provided in RCW
7 82.08.020(1). The department shall perform the collection of such
8 taxes on behalf of the sponsoring local government or cosponsoring
9 local government at no cost to the sponsoring local government or
10 cosponsoring local government and shall remit the taxes as provided in
11 RCW 82.14.060.

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

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

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

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

24 (iii) The percentage amount of distributions required under RCW
25 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
26 82.08.020(1); and

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

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

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

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

1 (i) Before July 1, 2008;

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

4 (iii) (~~Before the sponsoring local government has received local~~
5 ~~excise tax allocation revenues, local property tax allocation revenues,~~
6 ~~or both, during the preceding calendar year~~) Before the state excise
7 tax allocation revenues and state property tax allocation revenues for
8 the preceding calendar year equal or exceed the amount of project award
9 approved by the board under RCW 39.102.040.

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

16 (~~(+4)~~) (7) An ordinance adopted by the legislative authority of a
17 sponsoring local government or cosponsoring local government imposing
18 a tax under this section shall provide that:

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

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

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

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

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

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

35 (d) Neither the local excise tax allocation revenues nor the local
36 property tax allocation revenues may constitute more than eighty
37 percent of the total local funds as described in RCW
38 39.102.020(~~(+29)(e)~~) (28)(b). This requirement applies beginning

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

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

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

11 ~~((+5))~~ (8) If a county and city cosponsor a revenue development
12 area, the ~~((combined rates of the city and county tax shall not exceed
13 the rate provided in RCW 82.08.020(1), less the aggregate rates of any
14 other local sales and use taxes imposed on the same taxable events that
15 are credited against the state sales and use taxes imposed under
16 chapters 82.08 and 82.12 RCW. The))~~ combined amount of distributions
17 received by both the city and county may not exceed the state
18 contribution.

19 ~~((+6))~~ (9) The department shall determine the amount of tax
20 receipts distributed to each sponsoring local government, and any
21 cosponsoring local government, imposing sales and use tax under this
22 section and shall advise a sponsoring or cosponsoring local government
23 when tax distributions for the fiscal year equal the amount of state
24 contribution for that fiscal year as provided in subsection ~~((+8))~~
25 (11) of this section. Determinations by the department of the amount
26 of tax distributions attributable to each sponsoring or cosponsoring
27 local government are final and shall not be used to challenge the
28 validity of any tax imposed under this section. The department shall
29 remit any tax receipts in excess of the amounts specified in subsection
30 ~~((+4))~~ (7)(c) of this section to the state treasurer who shall deposit
31 the money in the general fund.

32 ~~((+7))~~ (10) If a sponsoring or cosponsoring local government fails
33 to comply with RCW 39.102.140, no tax may be distributed in the
34 subsequent fiscal year until such time as the sponsoring or
35 cosponsoring local government complies and the department calculates
36 the state contribution amount for such fiscal year.

37 ~~((+8))~~ (11) Each year, the amount of taxes approved by the
38 department for distribution to a sponsoring or cosponsoring local

1 government in the next fiscal year shall be equal to the state
2 contribution and shall be no more than the total local funds as
3 described in RCW 39.102.020(~~((+29)(e))~~) (28)(b). The department shall
4 consider information from reports described in RCW 39.102.140 when
5 determining the amount of state contributions for each fiscal year. A
6 sponsoring or cosponsoring local government shall not receive, in any
7 fiscal year, more revenues from taxes imposed under the authority of
8 this section than the amount approved annually by the department. The
9 department shall not approve the receipt of more distributions of sales
10 and use tax under this section to a sponsoring or cosponsoring local
11 government than is authorized under subsection (~~((+4))~~) (7) of this
12 section.

13 (~~((+9))~~) (12) The amount of tax distributions received from taxes
14 imposed under the authority of this section by all sponsoring and
15 cosponsoring local governments is limited annually to not more than
16 seven million five hundred thousand dollars.

17 (~~((+10))~~) (13) The definitions in RCW 39.102.020 apply to this
18 section unless the context clearly requires otherwise.

19 (~~((+11))~~) (14) If a sponsoring local government is a federally
20 recognized Indian tribe, the distribution of the sales and use tax
21 authorized under this section shall be authorized through an interlocal
22 agreement pursuant to chapter 39.34 RCW.

23 (~~((+12))~~) (15) Subject to RCW 39.102.195, the tax imposed under the
24 authority of this section may be applied either to provide for the
25 payment of debt service on bonds issued under RCW 39.102.150 by the
26 sponsoring local government or to pay public improvement costs on a
27 pay-as-you-go basis, or both.

28 (~~((+13))~~) (16) The tax imposed under the authority of this section
29 shall cease to be imposed if the sponsoring local government or
30 cosponsoring local government fails to issue (~~(bonds)~~) indebtedness
31 under the authority of RCW 39.102.150, and fails to commence
32 construction on public improvements, by June 30th of the fifth fiscal
33 year in which the local tax authorized under this section is imposed.

34 (17) 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

1 67.40 RCW, or any other chapter, and that are credited against the
2 state sales and use taxes.

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

6 NEW SECTION. **Sec. 9.** This act expires June 30, 2039.

--- END ---