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**SECOND SUBSTITUTE SENATE BILL 6140**

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**State of Washington**

**62nd Legislature**

**2012 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Kilmer, Becker, King, Regala, Conway, Shin, and Chase)

READ FIRST TIME 02/07/12.

1        AN ACT Relating to local economic development financing; adding a  
2 new chapter to Title 39 RCW; and prescribing penalties.

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

4        NEW SECTION.    **Sec. 1.** (1) The legislature finds that the issuance  
5 of taxable nonrecourse revenue bonds by the Washington economic  
6 development finance authority has provided a number of Washington firms  
7 with the financing necessary to grow and create jobs. The legislature  
8 further finds that municipal authority to issue taxable nonrecourse  
9 revenue bonds does not exist and that authorizing the local issuance of  
10 taxable bonds for economic development purposes will increase local  
11 capacity to strengthen businesses and create jobs.

12        (2) It is the purpose of this chapter to permit cities, counties  
13 and port districts that created public corporations created under  
14 chapter 39.84 RCW prior to 2012 to create local economic development  
15 finance authorities to act as a financial conduit that, without using  
16 state or local government funds or lending the credit of the state or  
17 local governments, can issue taxable and nontaxable nonrecourse revenue  
18 bonds, and participate in federal, state, and local economic  
19 development programs to help facilitate access to needed capital by

1 Washington businesses. It is also a primary purpose of this chapter to  
2 encourage the development of local innovative approaches to the problem  
3 of unmet capital needs. This chapter must be construed liberally to  
4 carry out its purposes and objectives.

5 NEW SECTION. **Sec. 2.** The definitions in this section apply  
6 throughout this chapter unless the context clearly requires otherwise.

7 (1) "Authority" means a local economic development finance  
8 authority created under this chapter. An authority is a public body  
9 within the meaning of RCW 39.53.010.

10 (2) "Board of directors" means the board of directors of an  
11 authority.

12 (3) "Bonds" means any bonds, notes, debentures, interim  
13 certificates, conditional sales or lease financing agreements, lines of  
14 credit, forward purchase agreements, investment agreements, and other  
15 banking or financial arrangements, guaranties, or other obligations  
16 issued by or entered into by the authority. Such bonds may be issued  
17 on either a tax-exempt or taxable basis.

18 (4) "Borrower" means one or more public or private persons or  
19 entities acting as lessee, purchaser, mortgagor, or borrower who has  
20 obtained or is seeking to obtain financing either from an authority or  
21 from an eligible banking organization that has obtained or is seeking  
22 to obtain funds from the authority to finance a project. A borrower  
23 may include a party who transfers the right of use and occupancy to  
24 another party by lease, sublease, or otherwise, or a party who is  
25 seeking or has obtained a financial guaranty from the authority.

26 (5) "Economic development activities" means activities related to:  
27 Manufacturing, processing, the commercialization of research,  
28 production, assembly, tooling, warehousing, exporting products made in  
29 Washington or services provided by Washington firms, airports, docks  
30 and wharves, mass commuting facilities, high-speed intercity rail  
31 facilities, public broadcasting, pollution control, solid waste  
32 disposal, federally qualified hazardous waste facilities, energy  
33 generating, conservation, or transmission facilities, sports  
34 facilities, industrial parks, and activities conducted within a  
35 federally designated enterprise or empowerment zone or geographic area  
36 of similar nature.

1 (6) "Eligible banking organization" means any organization subject  
2 to regulation by the director of the department of financial  
3 institutions, any national bank, federal savings and loan association,  
4 and federal credit union located within this state.

5 (7) "Eligible person" means an individual, partnership,  
6 corporation, or joint venture carrying on business, or proposing to  
7 carry on business, within the state and seeking financial assistance  
8 under this act.

9 (8) "Financial assistance" means the infusion of capital to persons  
10 for use in the development and exploitation of specific inventions and  
11 products.

12 (9) "Financing agreements" means, and includes without limitation,  
13 a contractual arrangement with an eligible person whereby an authority  
14 obtains rights from or in an invention or product or proceeds from an  
15 invention or product in exchange for the granting of financial and  
16 other assistance to the person.

17 (10) "Financing document" means an instrument executed by an  
18 authority and one or more persons or entities pertaining to the  
19 issuance of or security for bonds, or the application of the proceeds  
20 of bonds or other funds of, or payable to, the authority. A financing  
21 document may include, but need not be limited to, a lease, installment  
22 sale agreement, conditional sale agreement, mortgage, loan agreement,  
23 trust agreement or indenture, security agreement, letter or line of  
24 credit, reimbursement agreement, insurance policy, guaranty agreement,  
25 or currency or interest rate swap agreement. A financing document also  
26 may be an agreement between the authority and an eligible banking  
27 organization which has agreed to make a loan to a borrower.

28 (11) "Municipality" means a city, town, county, or port district of  
29 this state.

30 (12) "Ordinance" means any appropriate method of taking official  
31 action or adopting a legislative decision by any municipality, whether  
32 known as a resolution, ordinance, or otherwise.

33 (13) "Plan" means the general plan of economic development finance  
34 objectives developed and adopted by the authority, and updated from  
35 time to time, as required under RCW 43.163.090.

36 (14) "Product" means a product, device, technique, or process that  
37 is or may be exploitable commercially. "Product" does not refer to

1 pure research, but does apply to products, devices, techniques, or  
2 processes that have advanced beyond the theoretic stage and are readily  
3 capable of being, or have been, reduced to practice.

4 (15) "Project costs" means costs of:

5 (a) Acquisition, lease, construction, reconstruction, remodeling,  
6 refurbishing, rehabilitation, extension, and enlargement of land,  
7 rights to land, buildings, structures, docks, wharves, fixtures,  
8 machinery, equipment, excavations, paving, landscaping, utilities,  
9 approaches, roadways and parking, handling and storage areas, and  
10 similar ancillary facilities, and any other real or personal property  
11 included in an economic development activity;

12 (b) Architectural, engineering, consulting, accounting, and legal  
13 costs related directly to the development, financing, acquisition,  
14 lease, construction, reconstruction, remodeling, refurbishing,  
15 rehabilitation, extension, and enlargement of an activity included  
16 under subsection (5) of this section, including costs of studies  
17 assessing the feasibility of an economic development activity;

18 (c) Finance costs, including the costs of credit enhancement and  
19 discounts, if any, the costs of issuing revenue bonds, and costs  
20 incurred in carrying out any financing document;

21 (d) Start-up costs, working capital, capitalized research and  
22 development costs, capitalized interest during construction and during  
23 the eighteen months after estimated completion of construction, and  
24 capitalized debt service or repair and replacement or other appropriate  
25 reserves;

26 (e) The refunding of any outstanding obligations incurred for any  
27 of the costs outlined in this subsection; and

28 (f) Other costs incidental to any of the costs listed in this  
29 subsection.

30 NEW SECTION. **Sec. 3.** (1) A municipality that formed a public  
31 corporation under chapter 39.84 RCW prior to January 1, 2012, may, if  
32 that public corporation is still in existence, enact an ordinance  
33 creating an economic development finance authority for the purposes  
34 authorized in this chapter. The ordinance creating the authority must  
35 approve a charter for the authority containing such provisions as are  
36 authorized by and not in conflict with this chapter. Any charter  
37 issued under this chapter must contain in substance the limitations set

1 forth in section 4 of this act. In any suit, action, or proceeding  
2 involving the validity or enforcement of or relating to any contract of  
3 the authority, the authority is conclusively presumed to be established  
4 and authorized to transact business and exercise its powers under this  
5 chapter upon proof of the adoption of the ordinance creating the  
6 authority by the governing body. A copy of the ordinance duly  
7 certified by the clerk of the governing body of the municipality is  
8 admissible in evidence in any suit, action, or proceeding.

9 (2) An authority created by a municipality pursuant to this chapter  
10 may be dissolved by the municipality if: (a) The authority has no  
11 property to administer, other than funds or property, if any, to be  
12 paid or transferred to the municipality by which it was established;  
13 and (b) all the authority's outstanding obligations have been  
14 satisfied. Such a dissolution must be accomplished by the governing  
15 body of the municipality adopting an ordinance providing for the  
16 dissolution.

17 (3) The creating municipality may, at its discretion and at any  
18 time, alter or change the structure, organizational programs, or  
19 activities of an authority, including termination of the authority if  
20 contracts entered into by the authority are not impaired. Any net  
21 earnings of an authority, beyond those necessary for retirement of  
22 indebtedness incurred by it, do not inure to the benefit of any person  
23 other than the creating municipality. Upon dissolution of an  
24 authority, title to all property owned by the authority vests in the  
25 municipality.

26 (4) The ordinance creating an authority must include provisions  
27 establishing a board of directors to govern the affairs of the  
28 authority, what constitutes a quorum of the board of directors, and how  
29 the authority must conduct its affairs. The board of directors may be  
30 composed, in whole or in part, of members who also serve on the board  
31 of directors of the public corporation created by the municipality  
32 under chapter 39.84 RCW.

33 (5) For a period of ten years after any financing through an  
34 authority, it is illegal for a director, officer, agent, or employee of  
35 an authority to have, directly or indirectly, any financial interest in  
36 any property to be included in or any contract for property, services,  
37 or materials to be furnished or used in connection with any economic

1 development activity financed through the authority. Violation of any  
2 provision of this section is a gross misdemeanor.

3 (6) The finances of any authority are subject to examination by the  
4 state auditor's office pursuant to RCW 43.09.260.

5 (7) The creating municipality may obligate the authority to assume  
6 and administer some or all of the obligations and functions of the  
7 public corporation created by such municipality pursuant to chapter  
8 39.84 RCW, but only if contracts previously entered into by the public  
9 corporation are not thereby impaired.

10 NEW SECTION. **Sec. 4.** No municipality may give or lend any money  
11 or property in aid of an authority. The municipality that creates an  
12 authority must annually review any financial statements of the  
13 authority and at all times must have access to the books and records of  
14 the authority. No authority may issue revenue obligations under this  
15 chapter except upon the approval of both the municipality under the  
16 auspices of which it was created and the county, city, or town within  
17 whose planning jurisdiction the economic development activity to be  
18 financed lies. Upon receiving approval from these jurisdictions, a  
19 letter of credit from an investment grade bank certifying the credit  
20 worthiness of the borrower and its ability to repay the principal and  
21 interest debt incurred must be obtained by the authority before bonds  
22 may be issued or the authority must confirm the borrower has made an  
23 arrangement for private placement of the bonds with an institutional  
24 investor before bonds may be issued. An authority established under  
25 the terms of this chapter constitutes an authority and an  
26 instrumentality (within the meaning of those terms in the regulations  
27 of the United States treasury and the rulings of the internal revenue  
28 service prescribed pursuant to 26 U.S.C. Sec. 103 of the federal  
29 internal revenue code of 1986, as amended) may act on behalf of the  
30 municipality under whose auspices it is created for the specific public  
31 purposes authorized by this chapter. The authority is not a municipal  
32 corporation within the meaning of the state Constitution and the laws  
33 of the state, or a political subdivision within the meaning of the  
34 state Constitution and the laws of the state, including without  
35 limitation, Article VIII, section 7 of the Washington state  
36 Constitution. A municipality may not delegate to an authority any of

1 the municipality's attributes of sovereignty including, without  
2 limitation, the power to tax, the power of eminent domain, and the  
3 police power.

4 NEW SECTION. **Sec. 5.** (1) An authority established pursuant to  
5 this chapter may develop and conduct a program or programs to provide  
6 nonrecourse revenue bond financing for the project costs for economic  
7 development activities.

8 (2) An authority is authorized to participate fully in federal and  
9 other governmental economic development finance programs and to take  
10 such actions as are necessary and consistent with this chapter to  
11 secure the benefits of those programs and to meet their requirements.

12 (3) An authority may develop and conduct a program that will  
13 stimulate and encourage the development of new products within  
14 Washington state by the infusion of financial aid for invention and  
15 innovation in situations in which the financial aid would not otherwise  
16 be reasonably available from commercial sources. The authority is  
17 authorized to provide nonrecourse revenue bond financing for this  
18 program.

19 (a) For the purposes of this program, the authority has the  
20 following powers and duties:

21 (i) To enter into financing agreements with eligible persons doing  
22 business in Washington state, upon terms and on conditions consistent  
23 with the purposes of this chapter, for the advancement of financial and  
24 other assistance to the persons for the development of specific  
25 products, procedures, and techniques, to be developed and produced in  
26 this state, and to condition the agreements upon contractual assurances  
27 that the benefits of increasing or maintaining employment and tax  
28 revenues remain in this state and accrue to it;

29 (ii) Own, possess, and take license in patents, copyrights, and  
30 proprietary processes and negotiate and enter into contracts and  
31 establish charges for the use of the patents, copyrights, and  
32 proprietary processes when the patents and licenses for products result  
33 from assistance provided by the authority;

34 (iii) Negotiate royalty payments to the authority on patents and  
35 licenses for products arising as a result of assistance provided by the  
36 authority;

1 (iv) Negotiate and enter into other types of contracts with  
2 eligible persons that assure that public benefits will result from the  
3 provision of services by the authority; provided that the contracts are  
4 consistent with the state Constitution;

5 (v) Encourage and provide technical assistance to eligible persons  
6 in the process of developing new products;

7 (vi) Refer eligible persons to researchers or laboratories for the  
8 purpose of testing and evaluating new products, processes, or  
9 innovations; and

10 (vii) To the extent permitted under its contract with eligible  
11 persons, to consent to a termination, modification, forgiveness, or  
12 other change of a term of a contractual right, payment, royalty,  
13 contract, or agreement of any kind to which the authority is a party.

14 (b) Eligible persons seeking financial and other assistance under  
15 this program must forward an application, together with an application  
16 fee prescribed by rule, to the authority. An investigation and report  
17 concerning the advisability of approving an application for assistance  
18 must be completed by the staff of the authority. The investigation and  
19 report may include, but is not limited to, facts about the company  
20 under consideration as its history, wage standards, job opportunities,  
21 stability of employment, past and present financial condition and  
22 structure, pro forma income statements, present and future markets and  
23 prospects, integrity of management as well as the feasibility of the  
24 proposed product and invention to be granted financial assistance,  
25 including the state of development of the product as well as the  
26 likelihood of its commercial feasibility. After receipt and  
27 consideration of the report set out in this subsection and after other  
28 action as is deemed appropriate, the application must be approved or  
29 denied by the authority. The applicant must be promptly notified of  
30 action by the authority.

31 (4) An authority may receive no appropriation of state funds. The  
32 department of commerce and the Washington economic development finance  
33 authority may assist a local economic development finance authority in  
34 organizing itself and in designing programs.

35 (5) An authority may use any funds legally available to it for any  
36 purpose specifically authorized by this chapter, or for otherwise  
37 improving economic development by assisting businesses and farm  
38 enterprises that do not have access to capital at terms and rates



1 comparable to large corporations due to the location of the business,  
2 the size of the business, the lack of financial expertise, or other  
3 appropriate reasons.

4 (6) An authority must coordinate its activities with those,  
5 including bond issuance activities, of the creating municipality and  
6 the public corporation created under chapter 39.84 RCW by the creating  
7 municipality.

8 NEW SECTION. **Sec. 6.** (1) An authority established pursuant to  
9 this chapter must adopt general operating procedures for the authority.  
10 The authority must also adopt operating procedures for individual  
11 programs as they are developed for obtaining funds and for providing  
12 funds to borrowers. These operating procedures must be adopted by  
13 resolution prior to the authority operating the applicable programs.

14 (2) The operating procedures must include, but are not limited to:

15 (a) Appropriate standards for securing loans and other financing  
16 the authority provides to borrowers, such as guarantees or collateral;  
17 and

18 (b) Strict standards for providing financing to borrowers, such as:

19 (i) The borrower is a responsible party with a high probability of  
20 being able to repay the financing provided by the authority;

21 (ii) The financing is reasonably expected to benefit the creating  
22 municipality by enabling a borrower to increase or maintain jobs or  
23 capital in the municipality;

24 (iii) The borrowers with the greatest needs or that provide the  
25 most public benefit are given higher priority by the authority; and

26 (iv) The financing is consistent with any plan adopted by the  
27 authority under the provisions of section 7 of this act.

28 NEW SECTION. **Sec. 7.** (1) Any authority established pursuant to  
29 this chapter must adopt a general plan of economic development finance  
30 objectives to be implemented by the authority during the period of the  
31 plan. The authority may exercise the powers authorized under this  
32 chapter prior to the adoption of the initial plan. In developing the  
33 plan, the authority must consider and set objectives for:

34 (a) Employment generation associated with the authority's programs;

35 (b) The application of funds to economic sectors and economic

1 development activity evidencing need for improved access to capital  
2 markets and funding resources;

3 (c) Eligibility criteria for participants in authority programs;

4 (d) The use of funds and resources available from or through  
5 federal, state, local, and private sources and programs;

6 (e) New programs which serve a targeted need for financing  
7 assistance within the purposes of this chapter; and

8 (f) Opportunities to improve capital access as evidenced by  
9 programs existent in other localities or as they are made possible by  
10 results of private capital market circumstances.

11 (2) Upon adoption of the general plan the authority must conduct  
12 its programs in observance of the objectives established in the plan.  
13 The authority may periodically update the plan as determined necessary  
14 by the authority.

15 NEW SECTION. **Sec. 8.** In addition to carrying out the economic  
16 development finance activities and programs specifically authorized in  
17 this chapter, an authority may:

18 (1) Maintain an office or offices;

19 (2) Sue and be sued in its own name, and plead and be impleaded;

20 (3) Engage consultants, agents, attorneys, and advisers, contract  
21 with federal, state, and local governmental entities for services, and  
22 hire such employees, agents, and other personnel as the authority deems  
23 necessary, useful, or convenient to accomplish its purposes;

24 (4) Make and execute all manner of contracts, agreements and  
25 instruments, and financing documents with public and private parties as  
26 the authority deems necessary, useful, or convenient to accomplish its  
27 purposes;

28 (5) Acquire and hold real or personal property, or any interest  
29 therein, in the name of the authority, and to sell, assign, lease,  
30 encumber, mortgage, or otherwise dispose of the same in such manner as  
31 the authority deems necessary, useful, or convenient to accomplish its  
32 purposes;

33 (6) Open and maintain accounts in qualified public depositories and  
34 otherwise provide for the investment of any funds not required for  
35 immediate disbursement, and provide for the selection of investments;

36 (7) Appear in its own behalf before boards, commissions,  
37 departments, or agencies of federal, state, or local government;

1 (8) Procure such insurance in such amounts and from such insurers  
2 as the authority deems desirable including, but not limited to,  
3 insurance against any loss or damage to its property or other assets,  
4 public liability insurance for injuries to persons or property, and  
5 directors and officers liability insurance;

6 (9) Apply for and accept subventions, grants, loans, advances, and  
7 contributions from any source of money, property, labor, or other  
8 things of value, to be held, used, and applied as the authority deems  
9 necessary, useful, or convenient to accomplish its purposes;

10 (10) Establish guidelines for the participation by eligible banking  
11 organizations in programs conducted by the authority under this  
12 chapter;

13 (11) Act as an agent, by agreement, for federal, state, or local  
14 governmental entities to carry out the programs authorized in this  
15 chapter;

16 (12) Establish, revise, and collect such fees and charges as the  
17 authority deems necessary, useful, or convenient to accomplish its  
18 purposes;

19 (13) Make such expenditures as are appropriate for paying the  
20 administrative costs and expenses of the authority in carrying out the  
21 provisions of this chapter;

22 (14) Establish such reserves and special funds, and controls on  
23 deposits to and disbursements from them, as the authority deems  
24 necessary, useful, or convenient to accomplish its purposes;

25 (15) Prepare, publish, and distribute, with or without charge, such  
26 studies, reports, bulletins, and other material as the authority deems  
27 necessary, useful, or convenient to accomplish its purposes;

28 (16) Delegate any of its powers and duties if consistent with the  
29 purposes of this chapter;

30 (17) Adopt rules concerning its exercise of the powers authorized  
31 by this chapter; and

32 (18) Exercise any other power the authority deems necessary,  
33 useful, or convenient to accomplish its purposes and exercise the  
34 powers expressly granted in this chapter.

35 NEW SECTION. **Sec. 9.** Notwithstanding any other provision of this  
36 chapter, an authority may not:

1 (1) Give any municipal or state money or property or loan any  
2 municipal or state money or credit to or in aid of any individual,  
3 association, company, or corporation, or become directly or indirectly  
4 the owner of any stock in or bonds of any association, company, or  
5 corporation;

6 (2) Issue bills of credit or accept deposits of money for time or  
7 demand deposit, administer trusts, engage in any form or manner in, or  
8 in the conduct of, any private or commercial banking business, or act  
9 as a savings bank or savings and loan association other than as  
10 provided in this chapter;

11 (3) Be or constitute a bank or trust company within the  
12 jurisdiction or under the control of the director of financial  
13 institutions, the comptroller of the currency of the United States of  
14 America, or the treasury department thereof;

15 (4) Be or constitute a bank, broker, or dealer in securities within  
16 the meaning of, or subject to the provisions of, any securities,  
17 securities exchange, or securities dealers' law of the United States of  
18 America or the state;

19 (5) Engage in the financing of housing as provided for in chapter  
20 43.180 RCW;

21 (6) Engage in the financing of health care facilities as provided  
22 for in chapter 70.37 RCW;

23 (7) Engage in financing higher education facilities as provided for  
24 in chapter 28B.07 RCW; or

25 (8) Finance projects outside the geographic jurisdiction of the  
26 municipality creating the authority without the express authorization  
27 of the jurisdiction in which the project is to be located.

28 NEW SECTION. **Sec. 10.** (1) An authority may issue its nonrecourse  
29 revenue bonds in order to obtain the funds to carry out the programs  
30 authorized in this chapter. The bonds must be special obligations of  
31 the authority, payable solely out of the special fund or funds  
32 established by the authority for their repayment.

33 (2) Any bonds issued under this chapter may be secured by a  
34 financing document between the authority and the purchasers or owners  
35 of such bonds or between the authority and a corporate trustee, which  
36 may be any trust company or bank having the powers of a trust company  
37 within or without the state.

1 (a) The financing document may pledge or assign, in whole or in  
2 part, the revenues and funds held or to be received by the authority,  
3 any present or future contract or other rights to receive the same, and  
4 the proceeds thereof.

5 (b) The financing document may contain such provisions for  
6 protecting and enforcing the rights, security, and remedies of bond  
7 owners as may be reasonable and proper including, without limiting the  
8 generality of the foregoing, provisions defining defaults and providing  
9 for remedies in the event of default which may include the acceleration  
10 of maturities, restrictions on the individual rights of action by bond  
11 owners, and covenants setting forth duties of and limitations on the  
12 authority in conduct of its programs and the management of its  
13 property.

14 (c) In addition to other security provided in this chapter or  
15 otherwise by law, bonds issued by the authority may be secured, in  
16 whole or in part, by financial guaranties, by insurance or by letters  
17 of credit issued to the authority or a trustee or any other person, by  
18 any bank, trust company, insurance or surety company, or other  
19 financial institution, within or without the state. The authority may  
20 pledge or assign, in whole or in part, the revenues and funds held or  
21 to be received by the authority, any present or future contract or  
22 other rights to receive the same, and the proceeds thereof, as security  
23 for such guaranties or insurance or for the reimbursement by the  
24 authority to any issuer of such letter of credit of any payments made  
25 under such letter of credit.

26 (3) Without limiting the powers of the authority contained in this  
27 chapter, in connection with each issue of its obligation bonds, the  
28 authority must create and establish one or more special funds  
29 including, but not limited to, debt service and sinking funds, reserve  
30 funds, project funds, and such other special funds as the authority  
31 deems necessary, useful, or convenient.

32 (4) Any security interest created against the unexpended bond  
33 proceeds and against the special funds created by the authority is  
34 immediately valid and binding against the money and any securities in  
35 which the money may be invested without authority or trustee  
36 possession. The security interest must be prior to any party having  
37 any competing claim against the moneys or securities, without filing or

1 recording under Article 9A of the uniform commercial code, Title 62A  
2 RCW, and regardless of whether the party has notice of the security  
3 interest.

4 (5) The bonds may be issued as serial bonds, term bonds, or any  
5 other type of bond instrument consistent with the provisions of this  
6 chapter. The bonds must bear such date or dates; mature at such time  
7 or times; bear interest at such rate or rates, either fixed or  
8 variable; be payable at such time or times; be in such denominations;  
9 be in such form; bear such privileges of transferability,  
10 exchangeability, and interchangeability; be subject to such terms of  
11 redemption; and be sold at public or private sale, in such manner, at  
12 such time or times, and at such price or prices as the authority  
13 determines. The bonds must be executed by the manual or facsimile  
14 signatures of the authority's chair and either its secretary or  
15 executive director, and may be authenticated by the trustee (if the  
16 authority determines to use a trustee) or any registrar which may be  
17 designated for the bonds by the authority.

18 (6) Bonds may be issued by the authority to refund other  
19 outstanding authority bonds, at or prior to maturity of, and to pay any  
20 redemption premium on, the outstanding bonds. Bonds issued for  
21 refunding purposes may be combined with bonds issued for the financing  
22 or refinancing of new projects. Pending the application of the  
23 proceeds of the refunding bonds to the redemption of the bonds to be  
24 redeemed, the authority may enter into an agreement or agreements with  
25 a corporate trustee regarding the interim investment of the proceeds  
26 and the application of the proceeds and the earnings on the proceeds to  
27 the payment of the principal of and interest on, and the redemption of,  
28 the bonds to be redeemed.

29 (7) The bonds of the authority may be negotiable instruments under  
30 Title 62A RCW.

31 (8) Neither the board of directors of the authority, nor its  
32 employees or agents, nor any person executing the bonds is personally  
33 liable on the bonds or subject to any personal liability or  
34 accountability by reason of the issuance of the bonds.

35 (9) The authority may purchase its bonds with any of its funds  
36 available for the purchase. The authority may hold, pledge, cancel, or  
37 resell the bonds subject to and in accordance with agreements with bond  
38 owners.

1 (10) The state finance committee must be notified in advance of the  
2 issuance of bonds by the authority in order to promote the orderly  
3 offering of obligations in the financial markets.

4 NEW SECTION. **Sec. 11.** (1) Bonds issued by an authority  
5 established under this chapter are not considered to constitute a debt  
6 of the state, of the municipality, or of any other municipal  
7 corporation, quasi-municipal corporation, subdivision, or agency of  
8 this state or to pledge any or all of the faith and credit of any of  
9 these entities. The revenue bonds are payable solely from both the  
10 revenues derived as a result of the economic development activities  
11 funded by the revenue bonds including, without limitation, amounts  
12 received under the terms of any financing document or by reason of any  
13 additional security furnished by beneficiaries of the economic  
14 development activity in connection with the financing thereof, and  
15 money and other property received from private sources. The issuance  
16 of bonds under this chapter do not obligate, directly, indirectly, or  
17 contingently, the state or any political subdivision of the state to  
18 levy any taxes or appropriate or expend any funds for the payment of  
19 the principal or the interest on the bonds. Each revenue bond must  
20 contain on its face, and any disclosure document prepared in  
21 conjunction with the offer and sale of bonds must include, statements  
22 to the effect that:

23 (a) Neither the state, the municipality, or any other municipal  
24 corporation, quasi-municipal corporation, subdivision, or agency of the  
25 state is obligated to pay the principal or the interest thereon;

26 (b) No tax funds or governmental revenue may be used to pay the  
27 principal or interest thereon; and

28 (c) Neither any or all of the faith and credit nor the taxing power  
29 of the state, the municipality, or any other municipal corporation,  
30 quasi-municipal corporation, subdivision, or agency thereof is pledged  
31 to the payment of the principal of or the interest on the revenue bond.

32 (2) Neither the proceeds of bonds issued under this chapter nor any  
33 money used or to be used to pay the principal of, premium, if any, or  
34 interest on the bonds constitute public money or property. All of such  
35 money must be kept segregated and set apart from funds of the state and  
36 any political subdivision of the state and are not subject to

1 appropriation or allotment by the state or subject to the provisions of  
2 chapter 43.88 RCW.

3 (3) Contracts entered into by an authority must be entered into in  
4 the name of the authority and not in the name of the state or any  
5 political subdivision of the state. The obligations of the authority  
6 under such contracts are obligations only of the authority and are not,  
7 in any way, obligations of the municipality creating the authority or  
8 the state. An authority may incur only those financial obligations  
9 which will be paid from revenues received pursuant to financing  
10 documents, from fees or charges paid by beneficiaries of the economic  
11 development activities funded by the revenue bonds, or from the  
12 proceeds of revenue bonds.

13 NEW SECTION. **Sec. 12.** (1)(a) An authority may enter into  
14 financing documents with borrowers regarding bonds issued by the  
15 authority that may provide for the payment by each borrower of amounts  
16 sufficient, together with other revenues available to the authority, if  
17 any, to:

18 (i) Pay the borrower's share of the fees established by the  
19 authority;

20 (ii) Pay the principal of, premium, if any, and interest on  
21 outstanding bonds of the authority issued in respect of such borrower  
22 as the same become due and payable; and

23 (iii) Create and maintain reserves required or provided for by the  
24 authority in connection with the issuance of such bonds.

25 (b) The payments are not subject to supervision or regulation by  
26 any department, committee, board, body, bureau, or agency of the state.

27 (2) All money received by or on behalf of the authority with  
28 respect to this issuance of its bonds must be trust funds to be held  
29 and applied solely as provided in this chapter. The authority, in lieu  
30 of receiving and applying the moneys itself, may enter into trust  
31 agreement or indenture with one or more banks or trust companies having  
32 the power and authority to conduct trust business in the state to:

33 (a) Perform all or any part of the obligations of the authority  
34 with respect to:

35 (i) Bonds issued by it;

36 (ii) The receipt, investment, and application of the proceeds of



1 the bonds and money paid by a participant or available from other  
2 sources for the payment of the bonds;

3 (iii) The enforcement of the obligations of a borrower in  
4 connection with the financing or refinancing of any project; and

5 (iv) Other matters relating to the exercise of the authority's  
6 powers under this chapter;

7 (b) Receive, hold, preserve, and enforce any security interest or  
8 evidence of security interest granted by a participant for purposes of  
9 securing the payment of the bonds; and

10 (c) Act on behalf of the authority or the owners of bonds of the  
11 authority for purposes of assuring or enforcing the payment of the  
12 bonds, when due.

13 NEW SECTION. **Sec. 13.** (1) Any owner of bonds issued under this  
14 chapter by any authority, and the trustee under any trust agreement or  
15 indenture, may, either at law or in equity, by suit, action, mandamus,  
16 or other proceeding, protect and enforce any of their respective  
17 rights, and may become the purchaser at any foreclosure sale if the  
18 person is the highest bidder, except to the extent the rights given are  
19 restricted by the authority in any bond resolution or trust agreement  
20 or indenture authorizing the issuance of the bonds.

21 (2) The bonds of an authority are securities in which all public  
22 officers and bodies of this state and all counties, cities, municipal  
23 corporations, and political subdivisions, all banks, eligible banking  
24 organizations, bankers, trust companies, savings banks and  
25 institutions, building and loan associations, savings and loan  
26 associations, investment companies, insurance companies and  
27 associations, and all executors, administrators, guardians, trustees,  
28 and other fiduciaries may legally invest any sinking funds, moneys, or  
29 other funds belonging to them or within their control. However, a  
30 municipality under the auspices of which an authority was created and  
31 the county, city, or town within whose planning jurisdiction the  
32 economic development activity to be financed lies, may not invest in  
33 bonds issued by the authority.

34 NEW SECTION. **Sec. 14.** This chapter provides a complete,  
35 additional, and alternative method for accomplishing the purposes of  
36 this chapter and must be regarded as supplemental and additional to

1 powers conferred by other laws. The issuance of bonds and refunding  
2 bonds under this chapter need not comply with the requirements of any  
3 other law applicable to the issuance of bonds.

4 NEW SECTION. **Sec. 15.** Insofar as the provisions of this chapter  
5 are inconsistent with the provisions of any general or special law, or  
6 parts thereof, the provisions of this chapter are controlling.

7 NEW SECTION. **Sec. 16.** Sections 1 through 15 of this act  
8 constitute a new chapter in Title 39 RCW.

9 NEW SECTION. **Sec. 17.** If any provision of this act or its  
10 application to any person or circumstance is held invalid, the  
11 remainder of the act or the application of the provision to other  
12 persons or circumstances is not affected.

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