

CERTIFICATION OF ENROLLMENT

**HOUSE BILL 2842**

64th Legislature  
2016 Regular Session

Passed by the House February 17, 2016  
Yeas 89 Nays 9

---

**Speaker of the House of Representatives**

Passed by the Senate March 4, 2016  
Yeas 48 Nays 0

---

**President of the Senate**

Approved

---

**Governor of the State of Washington**

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2842** as passed by House of Representatives and the Senate on the dates hereon set forth.

---

**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

---

HOUSE BILL 2842

---

Passed Legislature - 2016 Regular Session

State of Washington

64th Legislature

2016 Regular Session

By Representatives Schmick, Wylie, Nealey, Reykdal, Dye, and Walsh

Read first time 01/22/16. Referred to Committee on Community Development, Housing & Tribal Affairs.

1 AN ACT Relating to financing of improvements for state-owned  
2 lands to be transferred for private development; and adding a new  
3 chapter to Title 39 RCW.

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

5 NEW SECTION. **Sec. 1.** DEFINITIONS. The definitions in this  
6 section apply throughout this chapter unless the context clearly  
7 requires otherwise.

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

10 (2) "Bond" means a bond, note, or other evidence of indebtedness,  
11 including but not limited to a lease-purchase agreement or an  
12 executory conditional sales contract.

13 (3) "City" means a city with a population greater than sixty  
14 thousand that is located east of the Cascade mountains and abutted by  
15 the Columbia river to the south and that is the sponsor of a state  
16 land improvement financing area.

17 (4) "Fiscal year" means the twelve-month period beginning July  
18 1st and ending the following June 30th.

19 (5) "Ordinance" means any appropriate method of taking  
20 legislative action by a local government.

1 (6) "Property tax revenue" means tax revenue derived from the  
2 receipt of all regular property taxes levied on the state land  
3 improvement financing area and used for state land improvement  
4 financing.

5 (7) "Public improvement costs" means the costs of:

6 (a) Design, planning, acquisition, including land acquisition,  
7 site preparation, including land clearing, construction,  
8 reconstruction, rehabilitation, improvement, and installation of  
9 public improvements;

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

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

13 (d) Financing public improvements, including interest during  
14 construction, legal and other professional services, taxes,  
15 insurance, principal and interest costs on general indebtedness  
16 issued to finance public improvements, and any necessary reserves for  
17 general indebtedness; and

18 (e) Administrative expenses and feasibility studies reasonably  
19 necessary and related to these costs, including related costs that  
20 may have been incurred before adoption of the ordinance authorizing  
21 the public improvements and the use of state land improvement  
22 financing to fund the costs of the public improvements.

23 (8) "Public improvements" means:

24 (a) Infrastructure improvements within the state land improvement  
25 financing area including:

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

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

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

29 (iv) Parking facilities;

30 (v) Park facilities, recreational areas, and environmental  
31 remediation;

32 (vi) Storm water and drainage management systems;

33 (vii) Electric, gas, fiber, and other utility infrastructures;

34 and

35 (b) Expenditures for any of the following purposes:

36 (i) Providing environmental analysis, professional management,  
37 planning, and promotion within the state land improvement financing  
38 area;

39 (ii) Providing maintenance and security for common or public  
40 areas in the state land improvement financing area; and

1 (iii) Historic preservation activities authorized under RCW  
2 35.21.395.

3 (9) "Real property" has the same meaning as in RCW 84.04.090 and  
4 also includes any privately owned improvements located on publicly  
5 owned land that are subject to property taxation.

6 (10) "Regular property taxes" means regular property taxes as  
7 defined in RCW 84.04.140, except regular property taxes levied by the  
8 state for the support of the common schools under RCW 84.52.065.  
9 "Regular property taxes" do not include excess property tax levies  
10 that are exempt from the aggregate limits for junior and senior  
11 taxing districts as provided in RCW 84.52.043.

12 (11) "State land improvement financing" means the use of regular  
13 property tax revenue dedicated to pay the public improvement costs  
14 within the state land improvement financing area.

15 (12) "State land improvement financing area" means the geographic  
16 area adopted by a city and from which property tax revenues are  
17 derived for state land improvement financing, and which meets the  
18 following conditions:

19 (a) The state of Washington is the current owner of the land, and  
20 the land is being sold for private development; or

21 (b) The state of Washington was the most recent owner of the  
22 land, prior to it being sold for private development.

23 (13) "Taxing district" means a government entity that levies or  
24 has levied for it regular property taxes upon real property located  
25 within a proposed or approved state land improvement financing area.

26 (14) "Value of taxable property" means the value of the taxable  
27 property as defined in RCW 39.36.015.

28 NEW SECTION. **Sec. 2.** CONDITIONS. A city may finance public  
29 improvements using state land improvement financing subject to the  
30 following conditions:

31 (1) The city has adopted an ordinance designating a state land  
32 improvement financing area within its boundaries and specified the  
33 public improvements proposed to be financed in whole or in part with  
34 the use of state land improvement financing.

35 (2) The public improvements proposed to be financed in whole or  
36 in part using state land improvement financing are expected to  
37 encourage private development within the state land improvement  
38 financing area and to increase the fair market value of real property  
39 within the state land improvement financing area.

1 (3) Private development that is anticipated to occur within the  
2 state land improvement financing area, as a result of the public  
3 improvements, will be consistent with the countywide planning policy  
4 adopted by the county under RCW 36.70A.210 and the city's  
5 comprehensive plan and development regulations adopted under chapter  
6 36.70A RCW.

7 NEW SECTION. **Sec. 3.** PROCEDURES FOR CREATING STATE LAND  
8 IMPROVEMENT FINANCING AREA. Before adopting an ordinance creating the  
9 state land improvement financing area, a city must:

10 (1) Provide written notice of a public hearing to each taxing  
11 jurisdiction that levies regular property taxes in the state land  
12 improvement financing area, publish notice of the public hearing in a  
13 legal newspaper of general circulation within the proposed state land  
14 improvement financing area at least ten days before the public  
15 hearing, and post the notice in at least six conspicuous public  
16 places located in the proposed state land improvement financing area.  
17 Notices must describe the contemplated public improvements, estimate  
18 the costs of the public improvements, describe the portion of the  
19 costs of the public improvements to be borne by state land  
20 improvement financing, describe any other sources of revenue to  
21 finance the public improvements, describe the boundaries of the  
22 proposed state land improvement financing area, and estimate the  
23 period during which state land improvement financing is contemplated  
24 to be used. The public hearing may be held by either the governing  
25 body of the city, or a committee of the governing body that includes  
26 at least a majority of the whole governing body;

27 (2) Hold a public hearing on the proposed financing of the public  
28 improvement in whole or in part with state land improvement  
29 financing; and

30 (3) Adopt an ordinance establishing the state land improvement  
31 financing area that describes the public improvements, describes the  
32 boundaries of the state land improvement financing area, estimates  
33 the cost of the public improvements and the portion of these costs to  
34 be financed by state land improvement financing, estimates the time  
35 during which regular property taxes are to be apportioned, provides  
36 the date when the apportionment of the regular property taxes will  
37 commence, and finds that the conditions of section 2 of this act are  
38 met.

1        NEW SECTION.    **Sec. 4.**    PUBLIC NOTICE—NOTICE TO OFFICIALS. The  
2 city must:

3        (1) Publish notice in a legal newspaper of general circulation  
4 within the state land improvement financing area that describes the  
5 public improvement, describes the boundaries of the state land  
6 improvement financing area, and identifies the location and times  
7 where the ordinance and other public information concerning the  
8 public improvement may be inspected; and

9        (2) Deliver a certified copy of the ordinance to the county  
10 treasurer, the county assessor, and the governing body of each taxing  
11 district within which the state land improvement financing area is  
12 located.

13        NEW SECTION.    **Sec. 5.**    LIMITATIONS ON STATE LAND IMPROVEMENT  
14 FINANCING AREAS. A state land improvement financing area is subject  
15 to the following limitations:

16        (1) A state land improvement financing area is limited to  
17 contiguous tracts, lots, pieces, or parcels of land without the  
18 creation of islands of property not included in the state land  
19 improvement financing area.

20        (2) The public improvements financed through bonds issued under  
21 section 7 of this act and public improvements made on a pay-as-you-go  
22 basis must be located in the state land improvement financing area.

23        (3) A state land improvement financing area cannot comprise an  
24 area containing more than twenty-five percent of the total assessed  
25 value of the taxable real property within the boundaries of the city  
26 at the time the state land improvement financing area is created.

27        (4) The boundaries of the state land improvement financing area  
28 may not be changed for the time period that receipts from regular  
29 property taxes are used to pay bonds issued under section 7 of this  
30 act and public improvement costs within the state land improvement  
31 financing area on a pay-as-you-go basis, as provided under this  
32 chapter.

33        NEW SECTION.    **Sec. 6.**    APPORTIONMENT OF REVENUES. (1) Commencing  
34 in the calendar year following the passage of the ordinance, the  
35 county treasurer must distribute receipts from regular taxes imposed  
36 on real property located in the state land improvement financing area  
37 to the city.

1 (2) The city may agree to receive less than the full amount of  
2 the regular property taxes under subsection (1) of this section as  
3 long as bond debt service, reserve, and other bond covenant  
4 requirements are satisfied, in which case the balance of these tax  
5 receipts must be allocated to the taxing districts that levied  
6 regular property taxes, or have regular property taxes levied for  
7 them, in the state land improvement financing area for collection  
8 that year in proportion to their regular tax levy rates for  
9 collection that year.

10 (3) The city may request that the treasurer transfer the property  
11 taxes to its designated agent. The tax receipts distributed to the  
12 city or its agent under this section may only be expended to finance  
13 public improvement costs associated with the public improvements  
14 financed in whole or in part by state land improvement financing.

15 (4) This section does not authorize revaluations of real property  
16 by the assessor for property taxation that are not made in accordance  
17 with the assessor's revaluation plan under chapter 84.41 RCW or under  
18 other authorized revaluation procedures.

19 (5) The distribution of regular property tax revenue to the city  
20 must cease when regular property taxes are no longer obligated to pay  
21 the costs of the public improvements. Any excess regular property tax  
22 revenues, and earnings on the revenues, remaining at the time the  
23 distribution of regular property tax revenue terminates, must be  
24 returned to the county treasurer and distributed to the participating  
25 taxing districts that imposed regular property taxes, or had regular  
26 property taxes imposed for it, in the state land improvement  
27 financing area for collection that year, in proportion to the rates  
28 of their regular property tax levies for collection that year.

29 NEW SECTION. **Sec. 7.** GENERAL INDEBTEDNESS. (1) A city creating  
30 a state land improvement financing area and authorizing the use of  
31 state land improvement financing may incur general indebtedness,  
32 including issuing general obligation bonds, to finance the public  
33 improvements and retire the indebtedness in whole or in part from  
34 state land improvement financing it receives, subject to the  
35 following requirements:

36 (a) The ordinance adopted by the city creating the state land  
37 improvement financing area and authorizing the use of state land  
38 improvement financing indicates an intent to incur this indebtedness  
39 and the maximum amount of this indebtedness that is contemplated; and

1 (b) The city includes this statement of intent in all notices  
2 required by section 4 of this act.

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

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

15 NEW SECTION. **Sec. 8.** USE OF TAX REVENUE FOR BOND REPAYMENT. A  
16 city that issues bonds issued under section 7 of this act to finance  
17 public improvements may pledge for the payment of such bonds all or  
18 part of any regular property tax revenues derived from the public  
19 improvements.

20 NEW SECTION. **Sec. 9.** LIMITATION ON BONDS ISSUED. The bonds  
21 issued by a city under section 7 of this act to finance public  
22 improvements do not constitute an obligation of the state of  
23 Washington, either general or special.

24 NEW SECTION. **Sec. 10.** Sections 1 through 9 of this act  
25 constitute a new chapter in Title 39 RCW.

--- END ---