
HOUSE BILL 2804

State of Washington 66th Legislature 2020 Regular Session

By Representatives Duerr, Ryu, Pollet, Slatter, and Boehnke

Read first time 01/22/20. Referred to Committee on Local Government.

1 AN ACT Relating to local government infrastructure; and amending
2 RCW 39.104.020 and 39.104.100.

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

4 **Sec. 1.** RCW 39.104.020 and 2016 c 207 s 1 are each amended to
5 read as follows:

6 The definitions in this section apply throughout this chapter
7 unless the context clearly requires otherwise.

8 (1) "Annual state contribution limit" means two million five
9 hundred thousand dollars statewide per fiscal year for projects
10 approved prior to January 1, 2020, plus the additional amounts
11 approved for demonstration projects in RCW 82.14.505. For projects
12 approved after January 1, 2021, the annual state contribution limit
13 means up to fifteen million dollars statewide per fiscal year for no
14 more than thirty years.

15 (2) "Approving agency" means the department of revenue for
16 project awards approved before June 9, 2016, and the department of
17 commerce for project awards approved after June 9, 2016.

18 (3) "Assessed value" means the valuation of taxable real property
19 as placed on the last completed assessment roll.

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

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

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

7 (7) "Local government" means any city, town, county, and port
8 district.

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

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

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

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

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

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

36 (14) "Participating taxing district" means a taxing district
37 that:

38 (a) Has a revitalization area wholly or partially within its
39 geographic boundaries;

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

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

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

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

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

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

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

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

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

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

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

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

1 (i) For new construction and improvements to property added to
2 the assessment roll, the year during which the new construction and
3 improvements are initially placed on the assessment roll;

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

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

13 (17) "Public improvement costs" means the costs of:

14 (a) Design, planning, acquisition, including land acquisition,
15 site preparation including land clearing, construction,
16 reconstruction, rehabilitation, improvement, environmental
17 remediation, and installation of public improvements;

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

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

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

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

31 (18) "Public improvements" means:

32 (a) Infrastructure improvements within the revitalization area
33 that include:

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

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

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

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

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

39 (vi) Park facilities, recreational areas, and environmental
40 remediation;

- 1 (vii) Stormwater and drainage management systems;
2 (viii) Electric, gas, fiber, and other utility infrastructures;
3 and
4 (ix) Site stabilization to allow for higher density construction;

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

6 (i) Providing environmental analysis, professional management,
7 planning, and promotion within the revitalization area, including the
8 management and promotion of retail trade activities in the
9 revitalization area;

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

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

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

17 (20)(a) "Regular property taxes" means regular property taxes as
18 defined in RCW 84.04.140, except: (i) 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 (ii) regular property taxes levied by the state for the support of
22 common schools under RCW 84.52.065; and (iii) regular property taxes
23 authorized by RCW 84.55.050 that are limited to a specific purpose.

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

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

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

31 (21)(a) "Revenues from local public sources" means:

32 (i) The local sales and use tax amounts received as a result of
33 interlocal agreement, local sales and use tax amounts from sponsoring
34 local governments based on its local sales and use tax increment, and
35 local property tax allocation revenues, which are dedicated by a
36 sponsoring local government, participating local governments, and
37 participating taxing districts, for payment of bonds under RCW
38 39.104.110 or public improvement costs within the revitalization area
39 on a pay-as-you-go basis; and

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

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

12 (22) "Revitalization area" means the geographic area adopted by a
13 sponsoring local government and approved by the approving agency,
14 from which local sales and use tax increments are estimated and
15 property tax allocation revenues are derived for local revitalization
16 financing.

17 (23) "Sponsoring local government" means a city, town, county, or
18 any combination thereof, that adopts a revitalization area.

19 (24) "State contribution" means the lesser of:

20 (a) Five hundred thousand dollars;

21 (b) The project award amount approved by the approving agency as
22 provided in RCW 39.104.100 or 82.14.505; or

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

31 (25) "State property tax increment" means the estimated amount of
32 annual tax revenues estimated to be received by the state from the
33 imposition of property taxes levied by the state for the support of
34 common schools under RCW 84.52.065 on the property tax allocation
35 revenue value, as determined by the sponsoring local government in an
36 application under RCW 39.104.100 and updated periodically as required
37 in RCW 82.32.765.

38 (26) "State sales and use tax increment" means the estimated
39 amount of annual increase in state sales and use taxes to be received
40 by the state from taxable activity within the revitalization area in

1 the years following the approval of the revitalization area as
2 determined by the sponsoring local government in an application under
3 RCW 39.104.100 and updated periodically as required in RCW 82.32.765.

4 (27) "State sales and use taxes" means state retail sales and use
5 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in
6 RCW 82.08.020(1), less the amount of tax distributions from all local
7 retail sales and use taxes, other than the local sales and use taxes
8 authorized by RCW 82.14.510 for the applicable revitalization area,
9 imposed on the same taxable events that are credited against the
10 state retail sales and use taxes under RCW 82.08.020(1) and
11 82.12.020.

12 (28) "Taxing district" means a government entity that levies or
13 has levied for it regular property taxes upon real property located
14 within a proposed or approved revitalization area.

15 **Sec. 2.** RCW 39.104.100 and 2016 c 207 s 2 are each amended to
16 read as follows:

17 (1) Prior to applying to receive a state contribution, a
18 sponsoring local government must adopt a revitalization area within
19 the limitations in RCW 39.104.050 and in accordance with RCW
20 39.104.040.

21 (2)(a) As a condition to imposing a sales and use tax under RCW
22 82.14.510, a sponsoring local government must apply and be approved
23 for a project award amount. The application must be in a form and
24 manner prescribed by the approving agency and include, but not be
25 limited to:

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

32 (ii) Information demonstrating that the sponsoring local
33 government will meet the requirements necessary to receive the full
34 amount of state contribution it is requesting on an annual basis;

35 (iii) Information demonstrating that the project would not
36 proceed but for use of a revitalization financing award;

37 (iv) The amount of state contribution it is requesting;

38 ~~((+iv))~~ (v) The anticipated effective date for imposing the tax
39 under RCW 82.14.510;

1 (~~(v)~~) (vi) The estimated number of years that the tax will be
2 imposed;

3 (~~(vi)~~) (vii) The anticipated rate of tax to be imposed under
4 RCW 82.14.510, subject to the rate-setting conditions in RCW
5 82.14.510(3), should the sponsoring local government be approved for
6 a project award; and

7 (~~(vii)~~) (viii) The anticipated date when bonds under RCW
8 39.104.110 will be issued.

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

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

17 (i) The availability of a state contribution;

18 (ii) Whether the sponsoring local government would be able to
19 generate enough tax revenue under RCW 82.14.510 to generate the
20 amount of project award requested;

21 (iii) The number of jobs created;

22 (iv) The fit of the expected business creation or expansion
23 within the region's preferred economic growth strategy;

24 (v) The speed with which the project can begin construction; and

25 (vi) The extent to which the project leverages nonstate funds.

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

28 (c) If the level of available state contribution is less than the
29 amount requested by the next available applicant, the applicant must
30 be given the first opportunity to accept the lesser amount of state
31 contribution but only if the applicant produces a new application
32 within sixty days of being notified by the approving agency and the
33 application describes the impact on the proposed project as a result
34 of the lesser award in addition to new application information
35 outlined in subsection (2) of this section.

36 (d) Applications that are not approved for a project award due to
37 lack of available state contribution must be retained on file by the
38 approving agency.

1 (e)(i) Except as provided in (e)(ii) of this subsection, once
2 total project awards reach the amount of annual state contribution
3 limit, no more applications will be accepted.

4 (ii) Any city or county that has been approved for a project
5 award by the department prior to January 1, 2011, and has not imposed
6 a sales and use tax under RCW 82.14.510 by December 31, 2016, must
7 forfeit their project award. However, amounts will not be forfeited
8 if a city or county has sent the department a letter indicating its
9 intent to impose the sales and use tax by July 1, 2022, before July
10 1, 2016. Amounts forfeited under this section must be made available
11 for new applications under subsection (5) of this section.

12 (f) If the annual contribution limit is increased by making
13 additional funds available for applicants or if funds become
14 available from project awards forfeited under (e)(ii) of this
15 subsection, applications will be accepted again as described in
16 subsection (5) of this section.

17 (4) The approving agency must notify the sponsoring local
18 government of approval or denial of a project award within sixty days
19 of the approving agency's receipt of the sponsoring local
20 government's application. Determination of a project award by the
21 approving agency is final. Notification must include the earliest
22 date when the tax authorized under RCW 82.14.510 may be imposed,
23 subject to conditions in chapter 82.14 RCW. The project award
24 notification must specify the rate requested in the application and
25 any adjustments to the rate that would need to be made based on the
26 project award and rate restrictions in RCW 82.14.510. The department
27 of commerce must consult with the department of revenue in
28 determining the amount of a project award.

29 (5) The department of commerce must begin accepting applications
30 and approving project awards under this section on and after ((June
31 9)) January 1, ((2016)) 2021. The department of commerce must notify
32 the department of all approved project awards under this section. The
33 department of commerce must also provide to the department any
34 information necessary to implement the tax authorized under RCW
35 82.14.510.

36 (a) For project awards approved on and after January 1, 2021, the
37 department of commerce shall use the following criteria to evaluate
38 and make awards:

39 (i) The project's potential to enhance the sponsoring local
40 government's regional or international competitiveness;

1 (ii) The project's ability to encourage mixed-use or transit-
2 oriented development and the redevelopment of a geographic area;
3 (iii) The project's ability to redevelop a brownfield;
4 (iv) Achieving an overall distribution of projects statewide that
5 reflect geographic diversity;
6 (v) The estimated wages and benefits for the project are greater
7 than the average labor market area;
8 (vi) The estimated state and local net employment change over the
9 life of the project;
10 (vii) The estimated state and local net property tax change over
11 the life of the project;
12 (viii) The estimated state and local sales and use tax increase
13 over the life of the project;
14 (ix) The speed at which the project can begin construction;
15 (x) The extent to which the project leverages nonstate funds; and
16 (xi) The likelihood that the project would proceed forward
17 without the use of state funds.
18 (b) State funding for the projects approved under this section is
19 provided through a credit against the state sales and use tax. The
20 maximum state contribution a sponsoring local government may receive
21 each year is limited to the lesser of one million dollars per year
22 for twenty years; eight hundred thousand dollars per year for twenty-
23 five years; or six hundred sixty-five thousand dollars per year for
24 thirty years.
25 (c) Projects must begin no later than December 31, 2026, to
26 qualify to receive funding.

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