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**HOUSE BILL 1243**

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**State of Washington**

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**2021 Regular Session**

**By** Representatives Wicks, Springer, Dolan, Ryu, Fitzgibbon, Simmons, Fey, Ramel, Bateman, Senn, Sells, Davis, Peterson, Wylie, Slatter, Berg, and Tharinger

Read first time 01/18/21. Referred to Committee on Finance.

1 AN ACT Relating to local infrastructure project areas; and  
2 amending RCW 39.108.120, 84.55.010, 84.55.015, 84.55.020, 84.55.030,  
3 84.55.120, and 39.108.010.

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

5 **Sec. 1.** RCW 39.108.120 and 2011 c 318 s 601 are each amended to  
6 read as follows:

7 (1) Before adopting an ordinance or resolution creating one or  
8 more local infrastructure project areas, a sponsoring city must:

9 (a) Provide notice to the county assessor, county treasurer, and  
10 county within the proposed local infrastructure project area of the  
11 sponsoring city's intent to create one or more local infrastructure  
12 project areas. This notice must be provided at least one hundred  
13 eighty days in advance of the public hearing as required by (b) of  
14 this subsection;

15 (b) Hold a public hearing on the proposed formation of the local  
16 infrastructure project area.

17 (2) A sponsoring city may create one or more local infrastructure  
18 project areas by ordinance or resolution that:

19 (a) Describes the proposed public improvements, identified in the  
20 plan under RCW 39.108.080, to be financed in each local  
21 infrastructure project area;

1 (b) Describes the boundaries of each local infrastructure project  
2 area, subject to the limitations in RCW 39.108.130; and

3 (c) Provides the date when the use of local property tax  
4 allocation revenues will commence and a list of the participating  
5 taxing districts.

6 (3) The sponsoring city must deliver a certified copy of the  
7 adopted ordinance or resolution to the county assessor, county  
8 treasurer, and each other participating taxing district within which  
9 the local infrastructure project area is located.

10 (4) The sponsoring city must adopt the department of commerce  
11 transfer of development rights interlocal terms and conditions in WAC  
12 365-198-040 and 365-198-060, or its successors, and, if required by  
13 an eligible county, enter into a superseding interlocal agreement  
14 prior to the date when the use of local property tax allocation  
15 revenues will commence for any local infrastructure project area  
16 formed after the effective date of this section. An interlocal  
17 agreement under this subsection shall define the roles and  
18 responsibilities of the parties with respect to the transfer of  
19 development rights as determined by the parties.

20 **Sec. 2.** RCW 84.55.010 and 2017 3rd sp.s. c 13 s 302 are each  
21 amended to read as follows:

22 (1) Except as provided in this chapter, the levy for a taxing  
23 district in any year must be set so that the regular property taxes  
24 payable in the following year do not exceed the limit factor  
25 multiplied by the amount of regular property taxes lawfully levied  
26 for such district in the highest of the three most recent years in  
27 which such taxes were levied for such district plus an additional  
28 dollar amount calculated by multiplying the regular property tax levy  
29 rate of that district for the preceding year by the increase in  
30 assessed value in that district resulting from:

31 (a) New construction;

32 (b) Increases in assessed value due to construction of wind  
33 turbine, solar, biomass, and geothermal facilities, if such  
34 facilities generate electricity and the property is not included  
35 elsewhere under this section for purposes of providing an additional  
36 dollar amount. The property may be classified as real or personal  
37 property;

38 (c) Improvements to property; (~~and~~)

1 (d) Any increase in the assessed value of state-assessed  
2 property; and

3 (e) For taxing districts defined in RCW 39.108.010(23) in any  
4 year in which distributions may be made under RCW 39.108.150, any  
5 increase in the assessed value within any local infrastructure  
6 project area, as defined in RCW 39.108.010(5), to the extent that  
7 such increase in assessed value is not included under (a) through (d)  
8 of this subsection.

9 (2) The requirements of this section do not apply to:

10 (a) State property taxes levied under RCW 84.52.065(1) for  
11 collection in calendar years 2019 through 2021; and

12 (b) State property taxes levied under RCW 84.52.065(2) for  
13 collection in calendar years 2018 through 2021.

14 **Sec. 3.** RCW 84.55.015 and 2014 c 4 s 2 are each amended to read  
15 as follows:

16 If a taxing district has not levied since 1985 and elects to  
17 restore a regular property tax levy subject to applicable statutory  
18 limitations then such first restored levy must be set so that the  
19 regular property tax payable does not exceed the amount which was  
20 last levied, plus an additional dollar amount calculated by  
21 multiplying the property tax rate which is proposed to be restored,  
22 or the maximum amount which could be lawfully levied in the year such  
23 a restored levy is proposed, by the increase in assessed value in the  
24 district since the last levy resulting from:

25 (1) New construction;

26 (2) Increases in assessed value due to construction of wind  
27 turbine, solar, biomass, and geothermal facilities, if such  
28 facilities generate electricity and the property is not included  
29 elsewhere under this section for purposes of providing an additional  
30 dollar amount. The property may be classified as real or personal  
31 property;

32 (3) Improvements to property; ~~((and))~~

33 (4) Any increase in the assessed value of state-assessed  
34 property; and

35 (5) For taxing districts defined in RCW 39.108.010(23) in any  
36 year in which distributions may be made under RCW 39.108.150, any  
37 increase in the assessed value within any local infrastructure  
38 project area, as defined in RCW 39.108.010(5), to the extent that

1 such increase in assessed value is not included under subsections (1)  
2 through (4) of this section.

3 **Sec. 4.** RCW 84.55.020 and 2014 c 4 s 3 are each amended to read  
4 as follows:

5 Notwithstanding the limitation set forth in RCW 84.55.010, the  
6 first levy for a taxing district created from consolidation of  
7 similar taxing districts must be set so that the regular property  
8 taxes payable in the following year do not exceed the limit factor  
9 multiplied by the sum of the amount of regular property taxes  
10 lawfully levied for each component taxing district in the highest of  
11 the three most recent years in which such taxes were levied for such  
12 district plus the additional dollar amount calculated by multiplying  
13 the regular property tax rate of each component district for the  
14 preceding year by the increase in assessed value in each component  
15 district resulting from:

- 16 (1) New construction;
- 17 (2) Increases in assessed value due to construction of wind  
18 turbine, solar, biomass, and geothermal facilities, if such  
19 facilities generate electricity and the property is not included  
20 elsewhere under this section for purposes of providing an additional  
21 dollar amount. The property may be classified as real or personal  
22 property;
- 23 (3) Improvements to property; ~~((and))~~
- 24 (4) Any increase in the assessed value of state-assessed  
25 property; and
- 26 (5) For taxing districts defined in RCW 39.108.010(23) in any  
27 year in which distributions may be made under RCW 39.108.150, any  
28 increase in the assessed value within any local infrastructure  
29 project area, as defined in RCW 39.108.010(5), to the extent that  
30 such increase in assessed value is not included under subsections (1)  
31 through (4) of this section.

32 **Sec. 5.** RCW 84.55.030 and 2014 c 4 s 4 are each amended to read  
33 as follows:

34 For the first levy for a taxing district following annexation of  
35 additional property, the limitation set forth in RCW 84.55.010 must  
36 be increased by an amount equal to the aggregate assessed valuation  
37 of the newly annexed property as shown by the current completed and  
38 balanced tax rolls of the county or counties within which such

1 property lies, multiplied by the dollar rate that would have been  
2 used by the annexing unit in the absence of such annexation, plus the  
3 additional dollar amount calculated by multiplying the regular  
4 property tax levy rate of that annexing taxing district for the  
5 preceding year by the increase in assessed value in the annexing  
6 district resulting from:

7 (1) New construction;

8 (2) Increases in assessed value due to construction of wind  
9 turbine, solar, biomass, and geothermal facilities, if such  
10 facilities generate electricity and the property is not included  
11 elsewhere under this section for purposes of providing an additional  
12 dollar amount. The property may be classified as real or personal  
13 property;

14 (3) Improvements to property; ~~((and))~~

15 (4) Any increase in the assessed value of state-assessed  
16 property; and

17 (5) For taxing districts defined in RCW 39.108.010(23) in any  
18 year in which distributions may be made under RCW 39.108.150, any  
19 increase in the assessed value within any local infrastructure  
20 project area, as defined in RCW 39.108.010(5), to the extent that  
21 such increase in assessed value is not included under subsections (1)  
22 through (4) of this section.

23 **Sec. 6.** RCW 84.55.120 and 2014 c 4 s 5 are each amended to read  
24 as follows:

25 (1) A taxing district, other than the state, that collects  
26 regular levies must hold a public hearing on revenue sources for the  
27 district's following year's current expense budget. The hearing must  
28 include consideration of possible increases in property tax revenues  
29 and must be held prior to the time the taxing district levies the  
30 taxes or makes the request to have the taxes levied. The county  
31 legislative authority, or the taxing district's governing body if the  
32 district is a city, town, or other type of district, must hold the  
33 hearing. For purposes of this section, "current expense budget" means  
34 that budget which is primarily funded by taxes and charges and  
35 reflects the provision of ongoing services. It does not mean the  
36 capital, enterprise, or special assessment budgets of cities, towns,  
37 counties, or special purpose districts.

1 (2) If the taxing district is otherwise required to hold a public  
2 hearing on its proposed regular tax levy, a single public hearing may  
3 be held on this matter.

4 (3)(a) Except as provided in (b) of this subsection (3), no  
5 increase in property tax revenue may be authorized by a taxing  
6 district, other than the state, except by adoption of a separate  
7 ordinance or resolution, pursuant to notice, specifically authorizing  
8 the increase in terms of both dollars and percentage. The ordinance  
9 or resolution may cover a period of up to two years, but the  
10 ordinance must specifically state for each year the dollar increase  
11 and percentage change in the levy from the previous year.

12 (b) Exempt from the requirements of (a) of this subsection are  
13 increases in revenue resulting from the addition of:

14 (i) New construction;

15 (ii) Increases in assessed value due to construction of wind  
16 turbine, solar, biomass, and geothermal facilities, if such  
17 facilities generate electricity and the property is not included  
18 elsewhere under this section for purposes of providing an additional  
19 dollar amount. The property may be classified as real or personal  
20 property;

21 (iii) Improvements to property; ~~((and))~~

22 (iv) Any increase in the value of state-assessed property; and

23 (v) For taxing districts defined in RCW 39.108.010(23) in any  
24 year in which distributions may be made under RCW 39.108.150, any  
25 increase in the assessed value within any local infrastructure  
26 project area, as defined in RCW 39.108.010(5), to the extent that  
27 such increase in assessed value is not included under (b)(i) through  
28 (iv) of this subsection.

29 **Sec. 7.** RCW 39.108.010 and 2011 c 318 s 201 are each amended to  
30 read as follows:

31 The definitions in this section apply throughout this chapter  
32 unless the context clearly requires otherwise.

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

35 (2) "Eligible county" means any county that borders Puget Sound,  
36 that has a population of six hundred thousand or more, and that has  
37 an established program for transfer of development rights.

38 (3) "Employment" means total employment in a county or city, as  
39 applicable, estimated by the office of financial management.

1 (4) "Exchange rate" means an increment of development beyond what  
2 base zoning allows that is assigned to a development right by a  
3 sponsoring city for use in a receiving area.

4 (5) "Local infrastructure project area" means the geographic area  
5 identified by a sponsoring city under RCW 39.108.120.

6 (6) "Local infrastructure project financing" means the use of  
7 local property tax allocation revenue distributed to the sponsoring  
8 city to pay or finance public improvement costs within the local  
9 infrastructure project area in accordance with RCW 39.108.150.

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

14 (8) "Participating taxing district" means a taxing district that:

15 (a) Has a local infrastructure project area wholly or partially  
16 within the taxing district's geographic boundaries; and

17 (b) Levies, or has levied on behalf of the taxing district,  
18 regular property taxes as defined in this section.

19 (9) "Population" means the population of a city or county, as  
20 applicable, estimated by the office of financial management.

21 (10) "Property tax allocation revenue base value" means the  
22 assessed value of real property located within a local infrastructure  
23 project area, less the property tax allocation revenue value.

24 (11)(a)(i) "Property tax allocation revenue value" means an  
25 amount equal to the sponsoring city ratio multiplied by seventy-five  
26 percent of any increase in the assessed value of real property in a  
27 local infrastructure project area resulting from:

28 (A) The placement of new construction, improvements to property,  
29 or both, on the assessment roll, where the new construction and  
30 improvements are initiated after the local infrastructure project  
31 area is created by the sponsoring city;

32 (B) The cost of new housing construction, conversion, and  
33 rehabilitation improvements, when the cost is treated as new  
34 construction for purposes of chapter 84.55 RCW as provided in RCW  
35 84.14.020, and the new housing construction, conversion, and  
36 rehabilitation improvements are initiated after the local  
37 infrastructure project area is created by the sponsoring city;

38 (C) The cost of rehabilitation of historic property, when the  
39 cost is treated as new construction for purposes of chapter 84.55 RCW  
40 as provided in RCW 84.26.070, and the rehabilitation is initiated

1 after the local infrastructure project area is created by the  
2 sponsoring city.

3 (ii) Increases in the assessed value of real property resulting  
4 from (a)(i)(A) through (C) of this subsection are included in the  
5 property tax allocation revenue value in the initial year. These same  
6 amounts are also included in the property tax allocation revenue  
7 value in subsequent years unless the property becomes exempt from  
8 property taxation.

9 (b) "Property tax allocation revenue value" includes an amount  
10 equal to the sponsoring city ratio multiplied by seventy-five percent  
11 of any increase in the assessed value of new construction consisting  
12 of an entire building in the years following the initial year, unless  
13 the building becomes exempt from property taxation.

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

17 (d) There is no property tax allocation revenue value if the  
18 assessed value of real property in a local infrastructure project  
19 area has not increased as a result of any of the reasons specified in  
20 (a)(i)(A) through (C) of this subsection.

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

22 (i) For new construction and improvements to property added to  
23 the assessment roll, the year during which the new construction and  
24 improvements are initially placed on the assessment roll;

25 (ii) For the cost of new housing construction, conversion, and  
26 rehabilitation improvements, when the cost is treated as new  
27 construction for purposes of chapter 84.55 RCW, the year when the  
28 cost is treated as new construction for purposes of levying taxes for  
29 collection in the following year; and

30 (iii) For the cost of rehabilitation of historic property, when  
31 the cost is treated as new construction for purposes of chapter 84.55  
32 RCW, the year when such cost is treated as new construction for  
33 purposes of levying taxes for collection in the following year.

34 (12)(a) "Public improvements" means:

35 (i) Infrastructure improvements within the local infrastructure  
36 project area that include:

37 (A) Street, road, bridge, and rail construction and maintenance;

38 (B) Water and sewer system construction and improvements;

39 (C) Sidewalks, streetlights, landscaping, and streetscaping;

40 (D) Parking, terminal, and dock facilities;



1 (E) Park and ride facilities of a transit authority and other  
2 facilities that support transportation efficient development;

3 (F) Park facilities, recreational areas, bicycle paths, and  
4 environmental remediation;

5 (G) Stormwater and drainage management systems;

6 (H) Electric, gas, fiber, and other utility infrastructures;  
7 ((and))

8 (I) Affordable housing as defined in RCW 36.70A.030(2), either  
9 provided directly by the sponsoring city, or funded in part or in  
10 full by the sponsoring city through municipal governments or  
11 nonprofit organizations that fund or provide housing;

12 (ii) Expenditures for facilities and improvements that support  
13 affordable housing;

14 (iii) Providing maintenance and security for common or public  
15 areas in the local infrastructure project area; or

16 (iv) Historic preservation activities authorized under RCW  
17 35.21.395.

18 (b) Public improvements do not include the acquisition by a  
19 sponsoring city of transferable development rights.

20 (13) "Real property" has the same meaning as in RCW 84.04.090 and  
21 also includes any privately owned improvements located on publicly  
22 owned land that are subject to property taxation.

23 (14)(a) "Regular property taxes" means regular property taxes as  
24 defined in RCW 84.04.140, except: (i) Regular property taxes levied  
25 by port districts or public utility districts specifically for the  
26 purpose of making required payments of principal and interest on  
27 general indebtedness; (ii) regular property taxes levied by the state  
28 for the support of common schools under RCW 84.52.065; ((and)) (iii)  
29 regular property taxes authorized by RCW 84.55.050 that are limited  
30 to a specific purpose; and (iv) any regular property tax levy made  
31 for any specific statutory purpose other than use in the county  
32 current expense fund.

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

34 (i) Excess property tax levies that are exempt from the aggregate  
35 limits for junior and senior taxing districts as provided in RCW  
36 84.52.043; and

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

1 (15) "Receiving areas," for purposes of this chapter, are those  
2 designated lands within local infrastructure project areas in which  
3 transferable development rights from sending areas may be used.

4 (16) "Receiving city" means any incorporated city with population  
5 plus employment equal to twenty-two thousand five hundred or greater  
6 within an eligible county.

7 (17) "Receiving city allocated share" means the total number of  
8 transferable development rights from agricultural and forestland of  
9 long-term commercial significance and rural zoned lands designated  
10 under RCW 39.108.050 within the eligible counties allocated to a  
11 receiving city under RCW 39.108.070 (1) and (2).

12 (18) "Sending areas" means those lands within an eligible county  
13 that meet conservation criteria as described in RCW 39.108.030 and  
14 39.108.050.

15 (19) "Sponsoring city" means a receiving city that accepts all or  
16 a portion of its receiving city allocated share, adopts a plan for  
17 development of infrastructure within one or more proposed local  
18 infrastructure project areas in accordance with RCW 39.108.080, and  
19 creates one or more local infrastructure project areas, as specified  
20 in RCW 39.108.070(4).

21 (20) "Sponsoring city allocated share" means the total number of  
22 transferable development rights a sponsoring city agrees to accept,  
23 under RCW 39.108.070(4), from agricultural and forestland of  
24 long-term commercial significance and rural zoned lands designated  
25 under RCW 39.108.050 within the eligible counties, plus the total  
26 number of transferable development rights transferred to the  
27 sponsoring city from another receiving city under RCW 39.108.070(5).

28 (21) "Sponsoring city ratio" means the ratio of the sponsoring  
29 city specified portion to the sponsoring city allocated share.

30 (22) "Sponsoring city specified portion" means the portion of a  
31 sponsoring city allocated share which may be used within one or more  
32 local infrastructure project areas, as set forth in the sponsoring  
33 city's plan for development of infrastructure under RCW 39.108.080.

34 (23) "Taxing district" means a city or county that levies or has  
35 levied on behalf of the taxing district, regular property taxes upon  
36 real property located within a local infrastructure project area.

37 (24) "Transfer of development rights" includes methods for  
38 protecting land from development by voluntarily removing the  
39 development rights from a sending area and transferring them to one

1 or more receiving areas for the purpose of increasing development  
2 density or intensity.

3 (25) "Transferable development rights" means a right to develop  
4 one or more residential units in a sending area that can be sold and  
5 transferred.

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