

**HB 1527** - S COMM AMD

By Committee on Business, Financial Services, Gaming & Trade

**ADOPTED AS AMENDED 04/10/2023**

1 Strike everything after the enacting clause and insert the  
2 following:

3 **"Sec. 1.** RCW 39.114.010 and 2021 c 207 s 1 are each amended to  
4 read as follows:

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

7 (1) "Assessed value of real property" means the valuation of  
8 taxable real property as placed on the last completed assessment roll  
9 prepared pursuant to Title 84 RCW.

10 (2) "Increment area" means the geographic area within which  
11 regular property tax revenues are to be apportioned to pay public  
12 improvement costs, as authorized under this chapter.

13 (3) "Increment value" means 100 percent of any increase in the  
14 true and fair value of real property in an increment area that is  
15 placed on the tax rolls after the increment area (~~is created~~) takes  
16 effect. The increment value shall not be less than zero.

17 (4) "Local government" means any city, town, county, port  
18 district, or any combination thereof.

19 (5) "Ordinance" means any appropriate method of taking  
20 legislative action by a local government, including a resolution  
21 adopted by a port district organized under Title 53 RCW.

22 (6) "Public improvement costs" means the costs of:

23 (a) Design, planning, acquisition, required permitting, required  
24 environmental studies and mitigation, seismic studies or surveys,  
25 archaeological studies or surveys, land surveying, site acquisition,  
26 including appurtenant rights and site preparation, construction,  
27 reconstruction, rehabilitation, improvement, expansion, and  
28 installation of public improvements, and other directly related  
29 costs;

30 (b) Relocating, maintaining, and operating property pending  
31 construction of public improvements;

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

1 (d) Financing public improvements, including capitalized interest  
2 for up to six months following completion of construction, legal and  
3 other professional services, taxes, insurance, principal and interest  
4 costs on general indebtedness issued to finance public improvements,  
5 and any necessary debt service reserves;

6 (e) Expenses incurred in revaluing real property for the purpose  
7 of determining the tax allocation base value by a county assessor  
8 under chapter 84.41 RCW and expenses incurred by a county treasurer  
9 under chapter 84.56 RCW in apportioning the taxes and complying with  
10 this chapter and other applicable law. For purposes of this  
11 subsection (6)(e), "expenses incurred" means actual staff and  
12 software costs directly related to the implementation and ongoing  
13 administration of increment areas under this chapter; and

14 (f) Administrative expenses and feasibility studies reasonably  
15 necessary and related to these costs, including related costs that  
16 may have been incurred before adoption of the ordinance authorizing  
17 the public improvements and the use of tax increment financing to  
18 fund the costs of the public improvements.

19 (7) "Public improvements" means:

20 (a) Infrastructure improvements owned by a state or local  
21 government within or outside of and serving the increment area (~~that~~  
22 ~~include~~) and real property owned or acquired by a local government  
23 within the increment area including:

24 (i) Street and road construction;

25 (ii) Water and sewer system construction, expansion, and  
26 improvements;

27 (iii) Sidewalks and other nonmotorized transportation  
28 improvements and streetlights;

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

30 (v) Park and ride facilities or other transit facilities;

31 (vi) Park and community facilities and recreational areas;

32 (vii) Stormwater and drainage management systems;

33 (viii) Electric, broadband, or rail service;

34 (ix) Mitigation of brownfields; or

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

36 (i) Purchasing, rehabilitating, retrofitting for energy  
37 efficiency, and constructing housing for the purpose of creating or  
38 preserving long-term affordable housing;

1 (ii) Purchasing, rehabilitating, retrofitting for energy  
2 efficiency, and constructing child care facilities serving children  
3 and youth that are low-income, homeless, or in foster care;

4 (iii) Providing maintenance and security for the public  
5 improvements; ~~((~~iv~~))~~

6 (iv) Historic preservation activities authorized under RCW  
7 35.21.395; or

8 (v) Relocation and construction of a government-owned facility,  
9 with written permission from the agency owning the facility and the  
10 office of financial management.

11 (8) "Real property" means:

12 (a) Real property as defined in RCW 84.04.090; and

13 (b) Privately owned or used improvements located on publicly  
14 owned land that are subject to property taxation or leasehold excise  
15 tax.

16 (9) "Regular property taxes" means regular property taxes as  
17 defined in RCW 84.04.140, except: (a) Regular property taxes levied  
18 by port districts or public utility districts to the extent necessary  
19 for the payments of principal and interest on general obligation  
20 debt; and (b) regular property taxes levied by the state for the  
21 support of the common schools under RCW 84.52.065. Regular property  
22 taxes do not include excess property tax levies that are exempt from  
23 the aggregate limits for junior and senior taxing districts as  
24 provided in RCW 84.52.043. "Regular property taxes" does not include  
25 excess property taxes levied by local school districts.

26 ~~((~~9~~))~~ (10) "Tax allocation base value" means the assessed value  
27 of real property located within an increment area for taxes imposed  
28 in the year in which the increment area (~~(is first designated)~~) takes  
29 effect.

30 ~~((~~10~~))~~ (11) "Tax allocation revenues" means those revenues  
31 derived from the imposition of regular property taxes on the  
32 increment value.

33 ~~((~~11~~))~~ (12) "Taxing district" means a governmental entity that  
34 levies or has levied for it regular property taxes upon real property  
35 located within a proposed or approved increment area.

36 **Sec. 2.** RCW 39.114.020 and 2021 c 207 s 2 are each amended to  
37 read as follows:

1 (1) A local government may designate an increment area under this  
2 chapter and use the tax allocation revenues to pay public improvement  
3 costs, subject to the following conditions:

4 (a) The local government must adopt an ordinance designating an  
5 increment area within its boundaries and describing the public  
6 improvements proposed to be paid for, or financed with, tax  
7 allocation revenues;

8 (b) The local government may not designate increment area  
9 boundaries such that the entirety of its territory falls within an  
10 increment area;

11 (c) The increment area may not have an assessed valuation of more  
12 than \$200,000,000 or more than 20 percent of the sponsoring  
13 jurisdiction's total assessed valuation, whichever is less, when the  
14 ordinance is passed. If a sponsoring jurisdiction creates two  
15 increment areas, the total combined assessed valuation in both of the  
16 two increment areas may not equal more than \$200,000,000 or more than  
17 20 percent of the sponsoring jurisdiction's total assessed valuation,  
18 whichever is less, when the ordinances are passed creating the  
19 increment areas;

20 (d) A local government can create no more than two active  
21 increment areas at any given time and they may not physically overlap  
22 by including the same land in more than one increment area at any  
23 time;

24 (e) The ordinance must set a sunset date for the increment area,  
25 which may be no more than 25 years after the first year in which tax  
26 allocation revenues are collected from the increment area;

27 (f) The ordinance must identify the public improvements to be  
28 financed and indicate whether the local government intends to issue  
29 bonds or other obligations, payable in whole or in part, from tax  
30 allocation revenues to finance the public improvement costs, and must  
31 estimate the maximum amount of obligations contemplated;

32 (g) The ordinance must provide that the increment area takes  
33 effect on June 1st following the adoption of the ordinance in (a) of  
34 this subsection;

35 (h) The sponsoring jurisdiction may not add additional public  
36 improvements to the project after adoption of the ordinance creating  
37 the increment area or change the boundaries of the increment area.  
38 The sponsoring jurisdiction may expand, alter, or add to the original  
39 public improvements when doing so is necessary to assure the  
40 originally approved improvements can be constructed or operated;

1 (i) The ordinance must impose a deadline by which commencement of  
2 construction of the public improvements shall begin, which deadline  
3 must be at least five years into the future and for which extensions  
4 shall be made available for good cause; and

5 (j) The local government must make a finding that:

6 (i) The public improvements proposed to be paid or financed with  
7 tax allocation revenues are expected to encourage private development  
8 within the increment area and to increase the assessed value of real  
9 property within the increment area;

10 (ii) Private development that is anticipated to occur within the  
11 increment area as a result of the proposed public improvements will  
12 be permitted consistent with the permitting jurisdiction's applicable  
13 zoning and development standards;

14 (iii) The private development would not reasonably be expected to  
15 occur solely through private investment within the reasonably  
16 foreseeable future without the proposed public improvements; and

17 (iv) The increased assessed value within the increment area that  
18 could reasonably be expected to occur without the proposed public  
19 improvements would be less than the increase in the assessed value  
20 estimated to result from the proposed development with the proposed  
21 public improvements.

22 (2) In considering whether to designate an increment area, the  
23 legislative body of the local government must prepare a project  
24 analysis that shall include, but need not be limited to, the  
25 following:

26 (a) A statement of objectives of the local government for the  
27 designated increment area;

28 (b) A statement as to the property within the increment area, if  
29 any, that the local government may intend to acquire;

30 (c) The duration of the increment area;

31 (d) Identification of all parcels to be included in the area;

32 (e) A description of the expected private development within the  
33 increment area, including a comparison of scenarios with the proposed  
34 public improvements and without the proposed public improvements;

35 (f) A description of the public improvements, estimated public  
36 improvement costs, and the estimated amount of bonds or other  
37 obligations expected to be issued to finance the public improvement  
38 costs and repaid with tax allocation revenues;

39 (g) The assessed value of real property listed on the tax roll as  
40 certified by the county assessor under RCW 84.52.080 from within the

1 increment area and an estimate of the increment value and tax  
2 allocation revenues expected to be generated;

3 (h) An estimate of the job creation reasonably expected to result  
4 from the public improvements and the private development expected to  
5 occur in the increment area; and

6 (i) An assessment of any impacts and any necessary mitigation to  
7 address the impacts identified on the following:

8 (i) Affordable and low-income housing;

9 (ii) The local business community;

10 (iii) The local school districts; and

11 (iv) The local fire service.

12 (3) The local government may charge a private developer, who  
13 agrees to participate in creating the increment area, a fee  
14 sufficient to cover the cost of the project analysis and establishing  
15 the increment area, including staff time, professionals and  
16 consultants, and other administrative costs related to establishing  
17 the increment area.

18 (4) Nothing in this section prohibits a local government from  
19 entering into an agreement under chapter 39.34 RCW with another local  
20 government for the administration or other activities related to tax  
21 increment financing authorized under this section.

22 (5) If the project analysis indicates that an increment area will  
23 impact at least 20 percent of the assessed value in a fire protection  
24 district or regional fire protection service authority, or the fire  
25 service agency's annual report demonstrates an increase in the level  
26 of service directly related to the increment area, the local  
27 government must negotiate a mitigation plan with the fire protection  
28 district or regional fire protection service authority to address  
29 level of service issues in the increment area.

30 (6) The local government may reimburse the assessor and treasurer  
31 for their costs as provided in RCW 39.114.010(6)(e).

32 (7) Prior to the adoption of an ordinance authorizing creation of  
33 an increment area, the local government must:

34 (a) Hold at least two public briefings for the community solely  
35 on the tax increment project that include the description of the  
36 increment area, the public improvements proposed to be financed with  
37 the tax allocation revenues, and a detailed estimate of tax revenues  
38 for the participating local governments and taxing districts,  
39 including the amounts allocated to the increment public improvements.  
40 The briefings must be announced at least two weeks prior to the date

1 being held, including publishing in a legal newspaper of general  
2 circulation and posting information on the local government website  
3 and all local government social media sites; and

4 (b) Submit the project analysis to the office of the treasurer  
5 for review and consider any comments that the treasurer may provide  
6 upon completion of their review of the project analysis as provided  
7 under this subsection. The treasurer must complete the review within  
8 90 days of receipt of the project analysis and may consult with other  
9 agencies and outside experts as necessary. Upon completing their  
10 review, the treasurer must promptly provide to the local government  
11 any comments regarding suggested revisions or enhancements to the  
12 project analysis that the treasurer deems appropriate based on the  
13 requirements in subsection (2) of this section.

14 **Sec. 3.** RCW 39.114.040 and 2021 c 207 s 4 are each amended to  
15 read as follows:

16 The local government designating the increment area must:

17 (1) Publish notice in a legal newspaper of general circulation  
18 within the jurisdiction of the local government at least two weeks  
19 before the date on which the ordinance authorizing creation of an  
20 increment area is adopted that describes the public improvements,  
21 describes the boundaries of the increment area, and identifies the  
22 location and times where the ordinance and other public information  
23 concerning the public improvement may be inspected; and

24 (2) Deliver a certified copy of the adopted ordinance to the  
25 county treasurer, the county assessor, and the governing body of each  
26 taxing district within which the increment area is located at the  
27 respective addresses specified pursuant to RCW 42.56.040 within 10  
28 days of the date on which the ordinance was adopted.

29 **Sec. 4.** RCW 39.114.050 and 2021 c 207 s 5 are each amended to  
30 read as follows:

31 Apportionment of taxes shall be as follows:

32 (1) Commencing in the calendar year immediately following the  
33 ~~((passage of the ordinance))~~ calendar year in which the increment  
34 area takes effect in accordance with RCW 39.114.020, the county  
35 treasurer shall distribute receipts from regular property taxes  
36 imposed on real property located in the increment area as follows:

37 (a) Each taxing district shall receive that portion of its  
38 regular property taxes produced by the rate of tax levied by or for

1 the taxing district on the tax allocation base value for that  
2 increment area;

3 (b) The local government that designated the increment area shall  
4 be entitled to receive an additional amount equal to the amount  
5 derived from the regular property taxes levied by or for each taxing  
6 district upon the increment value within the increment area. The  
7 local government that designated the increment area shall receive no  
8 more than is needed to pay or repay costs directly associated with  
9 the public improvements identified in the approved ordinance and may  
10 agree to receive less than the full amount of this portion, as long  
11 as bond debt service, reserve, and other bond covenant requirements  
12 are satisfied, in which case the balance of these tax receipts shall  
13 be allocated to the taxing districts that imposed regular property  
14 taxes, or have regular property taxes imposed for them, in the  
15 increment area for collection that year in proportion to their  
16 regular tax levy rates for collection that year. The local government  
17 may request that the treasurer transfer this additional portion of  
18 the property taxes to its designated agent. The portion of the tax  
19 receipts distributed to the local government or its agent under this  
20 subsection (1)(b) may only be expended to finance public improvement  
21 costs associated with the public improvements financed in whole or in  
22 part by tax increment financing; and

23 (c) This section shall not apply to any receipts from the regular  
24 property taxes levied by:

25 (i) The state for the support of the common schools under RCW  
26 84.52.065;

27 (ii) Local school district excess levies; and

28 (iii) Port districts or public utility districts specifically for  
29 the purpose of making required payments of principal and interest or  
30 general indebtedness.

31 (2) The apportionment of tax allocation revenues must cease when  
32 the taxing district certifies to the county assessor in writing that  
33 tax allocation revenues are no longer necessary or obligated to pay  
34 public improvement costs, but in no event shall the apportionment of  
35 tax allocation revenues continue beyond the sunset date established  
36 pursuant to RCW 39.114.020(1)(e). Any excess tax allocation revenues  
37 and earnings on the tax allocation revenues remaining at the time the  
38 apportionment of tax receipts terminates must be returned to the  
39 county treasurer and distributed to the taxing districts that imposed  
40 regular property taxes, or had regular property taxes imposed for it,



1 in the increment area for collection that year, in proportion to the  
2 rates of their regular property tax levies for collection that year.

3 (3) The apportionment and distribution of portions of the regular  
4 property taxes levied by or for each taxing district upon the  
5 increment value within the increment area pursuant to and subject to  
6 the requirements of this chapter is declared to be a public purpose  
7 of and benefit each such taxing district.

8 (4) The apportionment and distribution of portions of the regular  
9 property taxes levied by or for each taxing district upon the  
10 increment value within the increment area pursuant to this section  
11 shall not affect or be deemed to affect the rate of taxes levied by  
12 or within any such taxing district or the consistency of any such  
13 levies with the uniformity requirement of Article VII, section 1 of  
14 the state Constitution.

15 (5) (a) For a local government having a designated increment area  
16 under this chapter as of the effective date of this section, the  
17 county assessor must adjust the tax allocation base value for that  
18 increment area to include the assessed value of any privately owned  
19 improvements located on publicly owned land for taxes imposed in the  
20 year in which the increment area was first designated. However, no  
21 adjustment is required if the increment area does not include any  
22 privately owned improvements located on publicly owned land subject  
23 to property taxation as of the date the increment area became  
24 effective.

25 (b) The adjusted tax allocation base value under this subsection  
26 (5) does not impact any apportionment and distribution under this  
27 section occurring in calendar years before calendar year 2024.

28 **Sec. 5.** RCW 84.55.015 and 2014 c 4 s 2 are each amended to read  
29 as follows:

30 If a taxing district has not levied since 1985 and elects to  
31 restore a regular property tax levy subject to applicable statutory  
32 limitations then such first restored levy must be set so that the  
33 regular property tax payable does not exceed the amount which was  
34 last levied, plus an additional dollar amount calculated by  
35 multiplying the property tax rate which is proposed to be restored,  
36 or the maximum amount which could be lawfully levied in the year such  
37 a restored levy is proposed, by the increase in assessed value in the  
38 district since the last levy resulting from:

39 (1) New construction;

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

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

8 (4) Any increase in the assessed value of state-assessed  
9 property; and

10 (5) Any increase in the assessed value of real property, as  
11 defined in RCW 39.114.010, within an increment area as designated by  
12 any local government in RCW 39.114.020 if the increase is not  
13 included elsewhere under this section. This subsection does not apply  
14 to levies by the state or by port districts or public utility  
15 districts for the purpose of making required payments of principal  
16 and interest on general indebtedness.

17 **Sec. 6.** RCW 84.55.020 and 2014 c 4 s 3 are each amended to read  
18 as follows:

19 Notwithstanding the limitation set forth in RCW 84.55.010, the  
20 first levy for a taxing district created from consolidation of  
21 similar taxing districts must be set so that the regular property  
22 taxes payable in the following year do not exceed the limit factor  
23 multiplied by the sum of the amount of regular property taxes  
24 lawfully levied for each component taxing district in the highest of  
25 the three most recent years in which such taxes were levied for such  
26 district plus the additional dollar amount calculated by multiplying  
27 the regular property tax rate of each component district for the  
28 preceding year by the increase in assessed value in each component  
29 district resulting from:

30 (1) New construction;

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

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

38 (4) Any increase in the assessed value of state-assessed  
39 property; and

1       (5) Any increase in the assessed value of real property, as  
2 defined in RCW 39.114.010, within an increment area as designated by  
3 any local government under RCW 39.114.020 if the increase is not  
4 included elsewhere under this section. This subsection does not apply  
5 to levies by the state or by port districts and public utility  
6 districts for the purpose of making required payments of principal  
7 and interest on general indebtedness.

8       **Sec. 7.** RCW 84.55.030 and 2014 c 4 s 4 are each amended to read  
9 as follows:

10       For the first levy for a taxing district following annexation of  
11 additional property, the limitation set forth in RCW 84.55.010 must  
12 be increased by an amount equal to the aggregate assessed valuation  
13 of the newly annexed property as shown by the current completed and  
14 balanced tax rolls of the county or counties within which such  
15 property lies, multiplied by the dollar rate that would have been  
16 used by the annexing unit in the absence of such annexation, plus the  
17 additional dollar amount calculated by multiplying the regular  
18 property tax levy rate of that annexing taxing district for the  
19 preceding year by the increase in assessed value in the annexing  
20 district resulting from:

21       (1) New construction;

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

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

29       (4) Any increase in the assessed value of state-assessed  
30 property; and

31       (5) Any increase in the assessed value of real property, as  
32 defined in RCW 39.114.010, within an increment area as designated by  
33 any local government in RCW 39.114.020 if the increase is not  
34 included elsewhere under this section. This subsection does not apply  
35 to levies by the state or by port districts or public utility  
36 districts for the purpose of making required payments of principal  
37 and interest on general indebtedness.

1        NEW SECTION.    **Sec. 8.**    This act is necessary for the immediate  
2 preservation of the public peace, health, or safety, or support of  
3 the state government and its existing public institutions, and takes  
4 effect immediately."

**HB 1527** - S COMM AMD

By Committee on Business, Financial Services, Gaming & Trade

**ADOPTED AS AMENDED 04/10/2023**

5        On page 1, line 11 of the title, after "84.55.010;" strike the  
6 remainder of the title and insert "amending RCW 39.114.010,  
7 39.114.020, 39.114.040, 39.114.050, 84.55.015, 84.55.020, and  
8 84.55.030; and declaring an emergency."

EFFECT: Makes technical corrections.

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