

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2354**

68th Legislature  
2024 Regular Session

Passed by the House March 5, 2024  
Yeas 96 Nays 0

---

**Speaker of the House of  
Representatives**

Passed by the Senate March 1, 2024  
Yeas 48 Nays 0

---

**President of the Senate**

Approved

---

**Governor of the State of Washington**

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2354** as passed by the House of Representatives and the Senate on the dates hereon set forth.

---

**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

---

**ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2354**

---

AS AMENDED BY THE SENATE

Passed Legislature - 2024 Regular Session

**State of Washington**

**68th Legislature**

**2024 Regular Session**

**By** House Finance (originally sponsored by Representatives Street, Orcutt, Bronoske, Robertson, Chambers, Callan, Bateman, Doglio, and Reed)

READ FIRST TIME 02/05/24.

1 AN ACT Relating to creating an option for impacted taxing  
2 districts to provide a portion of their new revenue to support any  
3 tax increment area proposed within their jurisdiction and clarifying  
4 that a tax increment area must be dissolved when all bond obligations  
5 are paid; and amending RCW 39.114.010, 39.114.020, and 39.114.040.

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

7 **Sec. 1.** RCW 39.114.010 and 2023 c 354 s 1 are each amended to  
8 read as follows:

9 The definitions in this section apply throughout this chapter  
10 unless the context clearly requires otherwise.

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

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

17 (3) "Increment value" means 100 percent of any increase in the  
18 true and fair value of real property in an increment area that is  
19 placed on the tax rolls after the increment area takes effect. The  
20 increment value shall not be less than zero.

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

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

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

7 (a) Design, planning, acquisition, required permitting, required  
8 environmental studies and mitigation, seismic studies or surveys,  
9 archaeological studies or surveys, land surveying, site acquisition,  
10 including appurtenant rights and site preparation, construction,  
11 reconstruction, rehabilitation, improvement, expansion, and  
12 installation of public improvements, and other directly related  
13 costs;

14 (b) Relocating, maintaining, and operating property pending  
15 construction of public improvements;

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

17 (d) Financing public improvements, including capitalized interest  
18 for up to six months following completion of construction, legal and  
19 other professional services, taxes, insurance, principal and interest  
20 costs on general indebtedness issued to finance public improvements,  
21 and any necessary debt service reserves;

22 (e) Expenses incurred in revaluing real property for the purpose  
23 of determining the tax allocation base value by a county assessor  
24 under chapter 84.41 RCW and expenses incurred by a county treasurer  
25 under chapter 84.56 RCW in apportioning the taxes and complying with  
26 this chapter and other applicable law. For purposes of this  
27 subsection (6)(e), "expenses incurred" means actual staff and  
28 software costs directly related to the implementation and ongoing  
29 administration of increment areas under this chapter; (~~and~~)

30 (f) Administrative expenses and feasibility studies reasonably  
31 necessary and related to these costs, including related costs that  
32 may have been incurred before adoption of the ordinance authorizing  
33 the public improvements and the use of tax increment financing to  
34 fund the costs of the public improvements; and

35 (g) Funding for mitigation to impacted taxing districts as  
36 allowed in RCW 39.114.020.

37 (7) "Public improvements" means:

38 (a) Infrastructure improvements owned by a state or local  
39 government within or outside of and serving the increment area and

1 real property owned or acquired by a local government within the  
2 increment area including:

3 (i) Street and road construction;

4 (ii) Water and sewer system construction, expansion, and  
5 improvements;

6 (iii) Sidewalks and other nonmotorized transportation  
7 improvements and streetlights;

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

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

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

11 (vii) Stormwater and drainage management systems;

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

13 (ix) Mitigation of brownfields; or

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

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

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

21 (iii) Providing maintenance and security for the public  
22 improvements;

23 (iv) Historic preservation activities authorized under RCW  
24 35.21.395; or

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

28 (8) "Real property" means:

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

30 (b) Privately owned or used improvements located on publicly  
31 owned land that are subject to property taxation or leasehold excise  
32 tax.

33 (9) "Regular property taxes" means regular property taxes as  
34 defined in RCW 84.04.140, except: (a) Regular property taxes levied  
35 by port districts or public utility districts to the extent necessary  
36 for the payments of principal and interest on general obligation  
37 debt; and (b) regular property taxes levied by the state for the  
38 support of the common schools under RCW 84.52.065. Regular property  
39 taxes do not include excess property tax levies that are exempt from  
40 the aggregate limits for junior and senior taxing districts as

1 provided in RCW 84.52.043. "Regular property taxes" does not include  
2 excess property taxes levied by local school districts.

3 (10) "Tax allocation base value" means the assessed value of real  
4 property located within an increment area for taxes imposed in the  
5 year in which the increment area takes effect.

6 (11) "Tax allocation revenues" means those revenues derived from  
7 the imposition of regular property taxes on the increment value.

8 (12) "Taxing district" means a governmental entity that levies or  
9 has levied for it regular property taxes upon real property located  
10 within a proposed or approved increment area.

11 **Sec. 2.** RCW 39.114.020 and 2023 c 354 s 2 are each amended to  
12 read as follows:

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

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

20 (b) The local government may not designate increment area  
21 boundaries such that the entirety of its territory falls within an  
22 increment area;

23 (c) The increment area may not have an assessed valuation of more  
24 than \$200,000,000 or more than 20 percent of the sponsoring  
25 jurisdiction's total assessed valuation, whichever is less, when the  
26 ordinance is passed. If a sponsoring jurisdiction creates two  
27 increment areas, the total combined assessed valuation in both of the  
28 two increment areas may not equal more than \$200,000,000 or more than  
29 20 percent of the sponsoring jurisdiction's total assessed valuation,  
30 whichever is less, when the ordinances are passed creating the  
31 increment areas;

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

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

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

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

9 (h) The sponsoring jurisdiction may not add additional public  
10 improvements to the project after adoption of the ordinance creating  
11 the increment area or change the boundaries of the increment area.  
12 The sponsoring jurisdiction may expand, alter, or add to the original  
13 public improvements when doing so is necessary to assure the  
14 originally approved improvements can be constructed or operated;

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

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

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

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

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

31 (iv) The increased assessed value within the increment area that  
32 could reasonably be expected to occur without the proposed public  
33 improvements would be less than the increase in the assessed value  
34 estimated to result from the proposed development with the proposed  
35 public improvements.

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

1 (a) A statement of objectives of the local government for the  
2 designated increment area;

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

5 (c) The duration of the increment area;

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

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

10 (f) A description of the public improvements, estimated public  
11 improvement costs, and the estimated amount of bonds or other  
12 obligations expected to be issued to finance the public improvement  
13 costs and repaid with tax allocation revenues;

14 (g) The assessed value of real property listed on the tax roll as  
15 certified by the county assessor under RCW 84.52.080 from within the  
16 increment area and an estimate of the increment value and tax  
17 allocation revenues expected to be generated;

18 (h) An estimate of the job creation reasonably expected to result  
19 from the public improvements and the private development expected to  
20 occur in the increment area; ~~((and))~~

21 (i) An assessment of any impacts ~~((and any necessary mitigation  
22 to address the impacts identified))~~ on the following:

23 (i) Affordable and low-income housing;

24 (ii) The local business community;

25 (iii) The local school districts; and

26 (iv) The local fire service, public hospital service, and  
27 emergency medical services; and

28 (j) The assessment of impacts under (i) of this subsection (2)  
29 must include any necessary mitigation to the local fire service,  
30 public hospital service, and emergency medical services; and

31 (k) An assessment of any impacts of any other junior taxing  
32 districts not referenced in (i) of this subsection (2).

33 (3) The local government may charge a private developer, who  
34 agrees to participate in creating the increment area, a fee  
35 sufficient to cover the cost of the project analysis and establishing  
36 the increment area, including staff time, professionals and  
37 consultants, and other administrative costs related to establishing  
38 the increment area.

39 (4) Nothing in this section prohibits a local government from  
40 entering into an agreement under chapter 39.34 RCW with another local

1 government for the administration or other activities related to tax  
2 increment financing authorized under this section.

3 (5) (a) If the project analysis indicates that an increment area  
4 will impact at least 20 percent of the assessed value in a public  
5 hospital district, fire protection district, or regional fire  
6 protection service authority, or if the public hospital district's or  
7 the fire service agency's annual report, or other governing board-  
8 adopted capital facilities plan, demonstrates an increase in the  
9 level of service directly related to the increased development in the  
10 increment area, the local government must (~~negotiate~~) enter into  
11 negotiations for a mitigation plan with the impacted public hospital  
12 district, fire protection district, or regional fire protection  
13 service authority to address level of service issues in the increment  
14 area.

15 (b) If the parties cannot agree pursuant to (a) of this  
16 subsection (5), the parties must proceed to arbitration to determine  
17 the appropriate mitigation plan. The board of arbitrators must  
18 consist of three persons: One appointed by the local government  
19 seeking to designate the increment area and one appointed by the  
20 junior taxing district, both of whom must be appointed within 60 days  
21 of the date when arbitration is requested, and a third arbitrator who  
22 must be appointed by agreement of the other two arbitrators within 90  
23 days of the date when arbitration is requested. If the two are unable  
24 to agree on the appointment of the third arbitrator within this 90-  
25 day period, then the third arbitrator must be appointed by a judge in  
26 the superior court of the county within which the largest portion of  
27 the increment area is located. The determination by the board of  
28 arbitrators is binding on both the local government seeking to impose  
29 the increment area and the junior taxing district.

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 must occur no  
4 earlier than 90 days after submitting the project analysis to the  
5 office of the treasurer and all local governments and taxing  
6 districts impacted by the increment area; ((and))

7 (b) Submit the project analysis to all local governments and  
8 taxing districts impacted by the increment area no less than 90 days  
9 prior to the adoption of the ordinance; and

10 (c) Submit the project analysis to the office of the treasurer  
11 for review and consider any comments that the treasurer may provide  
12 upon completion of their review of the project analysis as provided  
13 under this subsection. The treasurer must complete the review within  
14 90 days of receipt of the project analysis and may consult with other  
15 agencies and outside experts as necessary. Upon completing their  
16 review, the treasurer must promptly provide to the local government  
17 any comments regarding suggested revisions or enhancements to the  
18 project analysis that the treasurer deems appropriate based on the  
19 requirements in subsection (2) of this section.

20 **Sec. 3.** RCW 39.114.040 and 2023 c 354 s 3 are each amended to  
21 read as follows:

22 The local government designating the increment area must:

23 (1) Provide written notice to the governing body of each taxing  
24 district within which the increment area is located a minimum of 90  
25 days before submitting the project analysis to the office of the  
26 treasurer as required in RCW 39.114.020(7)(c).

27 (2) Publish notice in a legal newspaper of general circulation  
28 within the jurisdiction of the local government at least two weeks  
29 before the date on which the ordinance authorizing creation of an  
30 increment area is adopted that describes the public improvements,  
31 describes the boundaries of the increment area, and identifies the  
32 location and times where the ordinance and other public information  
33 concerning the public improvement may be inspected; and

34 ((+2)) (3) Deliver a certified copy of the adopted ordinance to  
35 the county treasurer, the county assessor, and the governing body of  
36 each taxing district within which the increment area is located at

1 the respective addresses specified pursuant to RCW 42.56.040 within  
2 10 days of the date on which the ordinance was adopted.

--- **END** ---