
HOUSE BILL 1786

State of Washington

69th Legislature

2025 Regular Session

By Representatives Volz, Griffey, Low, Eslick, Salahuddin, and Davis

Read first time 02/03/25. Referred to Committee on Finance.

1 AN ACT Relating to adding public safety facilities to the
2 allowable uses of revenues for local infrastructure financing
3 projects; amending RCW 39.89.020 and 39.114.010; and reenacting and
4 amending RCW 39.102.020 and 39.104.020.

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

6 **Sec. 1.** RCW 39.89.020 and 2022 c 38 s 1 are each amended to read
7 as follows:

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

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

12 (2) "Increment area" means the geographic area from which taxes
13 are to be appropriated to finance public improvements authorized
14 under this chapter.

15 (3) "Increment value" means 75 percent of any increase in the
16 true and fair value of real property in an increment area that is
17 placed on the tax rolls after the increment area is created.

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

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

1 (6) "Permanently affordable housing" means housing, regardless of
2 ownership, for which there is a legally binding, recorded document in
3 effect that limits the price at which the owner may sell or restricts
4 the occupancy of the unit to a qualified, low-income household, for a
5 period of at least 40 years for a property used for shelter or rental
6 housing, or for a period of at least 25 years for a property to be
7 owned by a low-income household. These documents include, but are not
8 limited to, affordability covenants, deed restrictions, and community
9 land trust leases. Resale restrictions exercised by providers of
10 permanently affordable housing can include, but are not limited to:

11 (a) Continuous ownership of land by a public entity or nonprofit
12 housing provider with a lease allowing ownership of the structure by
13 an income-eligible household;

14 (b) A nonpossessory interest or right in real property, such as a
15 deed restriction, restrictive covenant, resale restriction, or other
16 contractual agreement, that ensures affordability.

17 (7) "Public improvement costs" means the costs of: (a) Design,
18 planning, acquisition, site preparation, construction,
19 reconstruction, rehabilitation, improvement, and installation of
20 public improvements; (b) purchasing, rehabilitating, retrofitting for
21 energy efficiency, and constructing housing for the purpose of
22 creating or preserving permanently affordable housing; (c)
23 relocating, maintaining, and operating property pending construction
24 of public improvements; (d) relocating utilities as a result of
25 public improvements; (e) financing public improvements, including
26 interest during construction, legal and other professional services,
27 taxes, insurance, principal and interest costs on general
28 indebtedness issued to finance public improvements, and any necessary
29 reserves for general indebtedness; (f) assessments incurred in
30 revaluing real property for the purpose of determining the tax
31 allocation base value that are in excess of costs incurred by the
32 assessor in accordance with the revaluation plan under chapter 84.41
33 RCW, and the costs of apportioning the taxes and complying with this
34 chapter and other applicable law; and (g) administrative expenses and
35 feasibility studies reasonably necessary and related to these costs,
36 including related costs that may have been incurred before adoption
37 of the ordinance authorizing the public improvements and the use of
38 community revitalization financing to fund the costs of the public
39 improvements.

40 (8) "Public improvements" means:

1 (a) Infrastructure improvements within the increment area that
2 include:

3 (i) Street and road construction and maintenance;
4 (ii) Water and sewer system construction and improvements;
5 (iii) Sidewalks and streetlights;
6 (iv) Parking, terminal, and dock facilities;
7 (v) Park and ride facilities of a transit authority;
8 (vi) Park facilities and recreational areas;
9 (vii) Stormwater and drainage management systems; (~~and~~)
10 (viii) Permanently affordable housing; and
11 (ix) Public safety facilities; and

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

13 (i) Providing environmental analysis, professional management,
14 planning, and promotion within the increment area, including the
15 management and promotion of retail trade activities in the increment
16 area;

17 (ii) Providing maintenance and security for common or public
18 areas in the increment area; or

19 (iii) Historic preservation activities authorized under RCW
20 35.21.395.

21 (9) "Public safety facilities" means any facilities, structures,
22 improvements, or equipment used to provide police, fire, emergency
23 medical, or other public safety services.

24 (10) "Regular property taxes" means regular property taxes as
25 defined in RCW 84.04.140, except: (a) Regular property taxes levied
26 by port districts or public utility districts specifically for the
27 purpose of making required payments of principal and interest on
28 general indebtedness; and (b) regular property taxes levied by the
29 state for the support of the common schools under RCW 84.52.065.
30 Regular property taxes do not include excess property tax levies that
31 are exempt from the aggregate limits for junior and senior taxing
32 districts as provided in RCW 84.52.043.

33 (~~(10)~~) (11) "Tax allocation base value" means the true and fair
34 value of real property located within an increment area for taxes
35 imposed in the year in which the increment area is created, plus 25
36 percent of any increase in the true and fair value of real property
37 located within an increment area that is placed on the assessment
38 rolls after the increment area is created.

1 (~~(11)~~) (12) "Tax allocation revenues" means those tax revenues
2 derived from the imposition of regular property taxes on the
3 increment value and distributed to finance public improvements.

4 (~~(12)~~) (13) "Taxing districts" means a governmental entity that
5 levies or has levied for it regular property taxes upon real property
6 located within a proposed or approved increment area.

7 (~~(13)~~) (14) "Value of taxable property" means the value of the
8 taxable property as defined in RCW 39.36.015.

9 **Sec. 2.** RCW 39.102.020 and 2020 c 280 s 2 are each reenacted and
10 amended to read as follows:

11 The definitions in this section apply throughout this chapter
12 unless the context clearly requires otherwise.

13 (1) "Annual state contribution limit" means (~~seven million five~~
14 ~~hundred thousand dollars~~) \$7,500,000 statewide per fiscal year.

15 (2) "Assessed value" means the valuation of taxable real property
16 as placed on the last completed assessment roll.

17 (3) "Board" means the community economic revitalization board
18 under chapter 43.160 RCW.

19 (4) "Dedicated" means pledged, set aside, allocated, received,
20 budgeted, or otherwise identified.

21 (5) "Demonstration project" means one of the following projects:

22 (a) Bellingham waterfront redevelopment project;

23 (b) Spokane river district project at Liberty Lake; and

24 (c) Vancouver riverwest project.

25 (6) "Department" means the department of revenue.

26 (7) "Fiscal year" means the (~~twelve~~) 12-month period beginning
27 July 1st and ending the following June 30th.

28 (8) "Local excise tax allocation revenue" means an amount of
29 local excise taxes equal to some or all of the sponsoring local
30 government's local excise tax increment, amounts of local excise
31 taxes equal to some or all of any participating local government's
32 excise tax increment as agreed upon in the written agreement under
33 RCW 39.102.080(1), or both, and dedicated to local infrastructure
34 financing.

35 (9) "Local excise tax increment" means an amount equal to the
36 estimated annual increase in local excise taxes in each calendar year
37 following the approval of the revenue development area by the board
38 from taxable activity within the revenue development area, as set

1 forth in the application provided to the board under RCW 39.102.040,
2 and updated in accordance with RCW 39.102.140(1)(f).

3 (10) "Local excise taxes" means local revenues derived from the
4 imposition of sales and use taxes authorized in RCW 82.14.030.

5 (11) "Local government" means any city, town, county, port
6 district, and any federally recognized Indian tribe.

7 (12) "Local infrastructure financing" means the use of revenues
8 received from local excise tax allocation revenues, local property
9 tax allocation revenues, other revenues from local public sources,
10 and revenues received from the local option sales and use tax
11 authorized in RCW 82.14.475, dedicated to pay either the principal
12 and interest on bonds authorized under RCW 39.102.150 or to pay
13 public improvement costs on a pay-as-you-go basis subject to RCW
14 39.102.195, or both.

15 (13) "Local property tax allocation revenue" means those tax
16 revenues derived from the receipt of regular property taxes levied on
17 the property tax allocation revenue value and used for local
18 infrastructure financing.

19 (14) "Low-income housing" means residential housing for low-
20 income persons or families who lack the means which is necessary to
21 enable them, without financial assistance, to live in decent, safe,
22 and sanitary dwellings, without overcrowding. For the purposes of
23 this subsection, "low income" means income that does not exceed
24 ((eighty)) 80 percent of the median family income for the standard
25 metropolitan statistical area in which the revenue development area
26 is located.

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

29 (16) "Participating local government" means a local government
30 having a revenue development area within its geographic boundaries
31 that has entered into a written agreement with a sponsoring local
32 government as provided in RCW 39.102.080 to allow the use of all or
33 some of its local excise tax allocation revenues or other revenues
34 from local public sources dedicated for local infrastructure
35 financing.

36 (17) "Participating taxing district" means a local government
37 having a revenue development area within its geographic boundaries
38 that has entered into a written agreement with a sponsoring local
39 government as provided in RCW 39.102.080 to allow the use of some or
40 all of its local property tax allocation revenues or other revenues

1 from local public sources dedicated for local infrastructure
2 financing.

3 (18) "Permanently affordable housing" means housing, regardless
4 of ownership, for which there is a legally binding, recorded document
5 in effect that limits the price at which the owner may sell or
6 restricts the occupancy of the unit to a qualified, low-income
7 household, for a period of at least (~~forty~~) 40 years for a property
8 used for shelter or rental housing, or for a period of at least
9 (~~twenty-five~~) 25 years for a property to be owned by a low-income
10 household. These documents include, but are not limited to,
11 affordability covenants, deed restrictions, and community land trust
12 leases. Resale restrictions exercised by providers of permanently
13 affordable housing can include, but are not limited to:

14 (a) Continuous ownership of land by a public entity or nonprofit
15 housing provider with a lease allowing ownership of the structure by
16 an income-eligible household;

17 (b) A nonpossessory interest or right in real property, such as a
18 deed restriction, restrictive covenant, resale restriction(~~([+])~~) ,
19 or other contractual agreement, that ensures affordability.

20 (19) "Property tax allocation revenue base value" means the
21 assessed value of real property located within a revenue development
22 area less the property tax allocation revenue value.

23 (20) (a) (i) "Property tax allocation revenue value" means
24 (~~seventy-five~~) 75 percent of any increase in the assessed value of
25 real property in a revenue development area resulting from:

26 (A) The placement of new construction, improvements to property,
27 or both, on the assessment roll, where the new construction and
28 improvements are initiated after the revenue development area is
29 approved by the board;

30 (B) The cost of new housing construction, conversion, and
31 rehabilitation improvements, when such cost is treated as new
32 construction for purposes of chapter 84.55 RCW as provided in RCW
33 84.14.020, and the new housing construction, conversion, and
34 rehabilitation improvements are initiated after the revenue
35 development area is approved by the board;

36 (C) The cost of rehabilitation of historic property, when such
37 cost is treated as new construction for purposes of chapter 84.55 RCW
38 as provided in RCW 84.26.070, and the rehabilitation is initiated
39 after the revenue development area is approved by the board.

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

7 (b) "Property tax allocation revenue value" includes (~~seventy-~~
8 ~~five~~) 75 percent of any increase in the assessed value of new
9 construction consisting of an entire building in the years following
10 the initial year, unless the building becomes exempt from property
11 taxation.

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

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

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

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

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

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

32 (21) "Public improvement costs" means the cost of: (a) Design,
33 planning, acquisition including land acquisition, site preparation
34 including land clearing, construction, reconstruction,
35 rehabilitation, improvement, and installation of public improvements;
36 (b) demolishing, relocating, maintaining, and operating property
37 pending construction of public improvements; (c) the local
38 government's portion of relocating utilities as a result of public
39 improvements; (d) financing public improvements, including interest
40 during construction, legal and other professional services, taxes,

1 insurance, principal and interest costs on general indebtedness
2 issued to finance public improvements, and any necessary reserves for
3 general indebtedness; (e) assessments incurred in revaluing real
4 property for the purpose of determining the property tax allocation
5 revenue base value that are in excess of costs incurred by the
6 assessor in accordance with the revaluation plan under chapter 84.41
7 RCW, and the costs of apportioning the taxes and complying with this
8 chapter and other applicable law; (f) administrative expenses and
9 feasibility studies reasonably necessary and related to these costs;
10 and (g) any of the above-described costs that may have been incurred
11 before adoption of the ordinance authorizing the public improvements
12 and the use of local infrastructure financing to fund the costs of
13 the public improvements.

14 (22) "Public improvements" means:

15 (a) Infrastructure improvements within the revenue development
16 area that include:

17 (i) Street, bridge, and road construction and maintenance,
18 including highway interchange construction;

19 (ii) Water and sewer system construction and improvements,
20 including wastewater reuse facilities;

21 (iii) Sidewalks, traffic controls, and streetlights;

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

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

24 (vi) Park facilities and recreational areas, including trails;

25 (~~and~~)

26 (vii) Stormwater and drainage management systems; and

27 (viii) Public safety facilities;

28 (b) Expenditures for facilities and improvements that support
29 affordable housing as defined in RCW 43.63A.510; and

30 (c) Expenditures to purchase, rehabilitate, retrofit for energy
31 efficiency, and construct housing for the purpose of creating or
32 preserving permanently affordable housing.

33 (23) "Public safety facilities" means any facilities, structures,
34 improvements, or equipment used to provide police, fire, emergency
35 medical, or other public safety services.

36 (24) "Real property" has the same meaning as in RCW 84.04.090 and
37 also includes any privately owned improvements located on publicly
38 owned land that are subject to property taxation.

39 (~~(24)~~) (25) "Regular property taxes" means regular property
40 taxes as defined in RCW 84.04.140, except: (a) Regular property taxes

1 levied by public utility districts specifically for the purpose of
2 making required payments of principal and interest on general
3 indebtedness; (b) regular property taxes levied by the state for the
4 support of the common schools under RCW 84.52.065; and (c) regular
5 property taxes authorized by RCW 84.55.050 that are limited to a
6 specific purpose. "Regular property taxes" do not include excess
7 property tax levies that are exempt from the aggregate limits for
8 junior and senior taxing districts as provided in RCW 84.52.043.

9 ~~((25))~~ (26) "Relocating a business" means the closing of a
10 business and the reopening of that business, or the opening of a new
11 business that engages in the same activities as the previous
12 business, in a different location within a one-year period, when an
13 individual or entity has an ownership interest in the business at the
14 time of closure and at the time of opening or reopening. "Relocating
15 a business" does not include the closing and reopening of a business
16 in a new location where the business has been acquired and is under
17 entirely new ownership at the new location, or the closing and
18 reopening of a business in a new location as a result of the exercise
19 of the power of eminent domain.

20 ~~((26))~~ (27) "Revenue development area" means the geographic
21 area adopted by a sponsoring local government and approved by the
22 board, from which local excise and property tax allocation revenues
23 are derived for local infrastructure financing.

24 ~~((27))~~ (28)(a) "Revenues from local public sources" means:

25 (i) Amounts of local excise tax allocation revenues and local
26 property tax allocation revenues, dedicated by sponsoring local
27 governments, participating local governments, and participating
28 taxing districts, for local infrastructure financing; and

29 (ii) Any other local revenues, except as provided in (b) of this
30 subsection, including revenues derived from federal and private
31 sources.

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

36 ~~((28))~~ (29) "Small business" has the same meaning as provided
37 in RCW 19.85.020.

38 ~~((29))~~ (30) "Sponsoring local government" means a city, town,
39 or county, and for the purpose of this chapter a federally recognized
40 Indian tribe or any combination thereof, that adopts a revenue

1 development area and applies to the board to use local infrastructure
2 financing.

3 ~~((30))~~ (31) "State contribution" means the lesser of:

4 (a) One million dollars;

5 (b) The total amount of local excise tax allocation revenues,
6 local property tax allocation revenues, and other revenues from local
7 public sources, that are dedicated by a sponsoring local government,
8 any participating local governments, and participating taxing
9 districts, in the preceding calendar year to the payment of principal
10 and interest on bonds issued under RCW 39.102.150 or to pay public
11 improvement costs on a pay-as-you-go basis subject to RCW 39.102.195,
12 or both. Revenues from local public sources dedicated in the
13 preceding calendar year that are in excess of the project award may
14 be carried forward and used in later years for the purpose of this
15 subsection ~~((30))~~ (31) (b);

16 (c) The amount of project award granted by the board in the
17 notice of approval to use local infrastructure financing under RCW
18 39.102.040; or

19 (d) The highest amount of state excise tax allocation revenues
20 and state property tax allocation revenues for any one calendar year
21 as determined by the sponsoring local government and reported to the
22 board and the department as required by RCW 39.102.140.

23 ~~((31))~~ (32) "State excise tax allocation revenue" means an
24 amount equal to the annual increase in state excise taxes estimated
25 to be received by the state in each calendar year following the
26 approval of the revenue development area by the board, from taxable
27 activity within the revenue development area as set forth in the
28 application provided to the board under RCW 39.102.040 and
29 periodically updated and reported as required in RCW
30 39.102.140(1)(f).

31 ~~((32))~~ (33) "State excise taxes" means revenues derived from
32 state retail sales and use taxes under RCW 82.08.020(1) and 82.12.020
33 at the rate provided in RCW 82.08.020(1), less the amount of tax
34 distributions from all local retail sales and use taxes, other than
35 the local sales and use taxes authorized by RCW 82.14.475 for the
36 applicable revenue development area, imposed on the same taxable
37 events that are credited against the state retail sales and use taxes
38 under chapters 82.08 and 82.12 RCW.

39 ~~((33))~~ (34) "State property tax allocation revenue" means an
40 amount equal to the estimated tax revenues derived from the

1 imposition of property taxes levied by the state for the support of
2 common schools under RCW 84.52.065 on the property tax allocation
3 revenue value, as set forth in the application submitted to the board
4 under RCW 39.102.040 and updated annually in the report required
5 under RCW 39.102.140(1)(f).

6 ((~~34~~)) (35) "Taxing district" means a government entity that
7 levies or has levied for it regular property taxes upon real property
8 located within a proposed or approved revenue development area.

9 **Sec. 3.** RCW 39.104.020 and 2020 c 280 s 3 are each reenacted and
10 amended to read as follows:

11 The definitions in this section apply throughout this chapter
12 unless the context clearly requires otherwise.

13 (1) "Annual state contribution limit" means (~~two million five~~
14 ~~hundred thousand dollars~~) \$2,500,000 statewide per fiscal year, plus
15 the additional amounts approved for demonstration projects in RCW
16 82.14.505.

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

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

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

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

26 (6) "Fiscal year" means the (~~twelve~~) 12-month period beginning
27 July 1st and ending the following June 30th.

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

30 (8) "Local property tax allocation revenue" means those tax
31 revenues derived from the receipt of regular property taxes levied on
32 the property tax allocation revenue value and used for local
33 revitalization financing.

34 (9) "Local revitalization financing" means the use of revenues
35 from local public sources, dedicated to pay the principal and
36 interest on bonds authorized under RCW 39.104.110 and public
37 improvement costs within the revitalization area on a pay-as-you-go
38 basis, and revenues received from the local option sales and use tax

1 authorized in RCW 82.14.510, dedicated to pay the principal and
2 interest on bonds authorized under RCW 39.104.110.

3 (10) "Local sales and use tax increment" means the estimated
4 annual increase in local sales and use taxes as determined by the
5 local government in the calendar years following the approval of the
6 revitalization area by the department from taxable activity within
7 the revitalization area.

8 (11) "Local sales and use taxes" means local revenues derived
9 from the imposition of sales and use taxes authorized in RCW
10 82.14.030.

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

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

19 (14) "Participating taxing district" means a taxing district
20 that:

21 (a) Has a revitalization area wholly or partially within its
22 geographic boundaries;

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

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

26 (15) "Permanently affordable housing" means housing, regardless
27 of ownership, for which there is a legally binding, recorded document
28 in effect that limits the price at which the owner may sell or
29 restricts the occupancy of the unit to a qualified, low-income
30 household, for a period of at least (~~forty~~) 40 years for a property
31 used for shelter or rental housing, or for a period of at least
32 (~~twenty-five~~) 25 years for a property to be owned by a low-income
33 household. These documents include, but are not limited to,
34 affordability covenants, deed restrictions, and community land trust
35 leases. Resale restrictions exercised by providers of permanently
36 affordable housing can include, but are not limited to:

37 (a) Continuous ownership of land by a public entity or nonprofit
38 housing provider with a lease allowing ownership of the structure by
39 an income-eligible household;

1 (b) A nonpossessory interest or right in real property, such as a
2 deed restriction, restrictive covenant, resale restriction(~~([+])~~), or
3 other contractual agreement, that ensures affordability.

4 (16) "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 (17) (a) (i) "Property tax allocation revenue value" means
8 (~~(seventy-five)~~) 75 percent of any increase in the assessed value of
9 real property 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-~~
30 ~~five)~~) 75 percent of any increase in the assessed value of new
31 construction consisting of an entire building in the years following
32 the initial year, unless the building becomes exempt from property
33 taxation.

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

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

1 (e) For purposes of this subsection, "initial year" means:
2 (i) For new construction and improvements to property added to
3 the assessment roll, the year during which the new construction and
4 improvements are initially placed on the assessment roll;
5 (ii) For the cost of new housing construction, conversion, and
6 rehabilitation improvements, when the cost is treated as new
7 construction for purposes of chapter 84.55 RCW, the year when the
8 cost is treated as new construction for purposes of levying taxes for
9 collection in the following year; and
10 (iii) For the cost of rehabilitation of historic property, when
11 the cost is treated as new construction for purposes of chapter 84.55
12 RCW, the year when such cost is treated as new construction for
13 purposes of levying taxes for collection in the following year.
14 (18) "Public improvement costs" means the costs of:
15 (a) Design, planning, acquisition, including land acquisition,
16 site preparation including land clearing, construction,
17 reconstruction, rehabilitation, improvement, and installation of
18 public improvements;
19 (b) Demolishing, relocating, maintaining, and operating property
20 pending construction of public improvements;
21 (c) Relocating utilities as a result of public improvements;
22 (d) Financing public improvements, including interest during
23 construction, legal and other professional services, taxes,
24 insurance, principal and interest costs on general indebtedness
25 issued to finance public improvements, and any necessary reserves for
26 general indebtedness; and
27 (e) Administrative expenses and feasibility studies reasonably
28 necessary and related to these costs, including related costs that
29 may have been incurred before adoption of the ordinance authorizing
30 the public improvements and the use of local revitalization financing
31 to fund the costs of the public improvements.
32 (19) "Public improvements" means:
33 (a) Infrastructure improvements within the revitalization area
34 that include:
35 (i) Street, road, bridge, and rail construction and maintenance;
36 (ii) Water and sewer system construction and improvements;
37 (iii) Sidewalks, streetlights, landscaping, and streetscaping;
38 (iv) Parking, terminal, and dock facilities;
39 (v) Park and ride facilities of a transit authority;

1 (vi) Park facilities, recreational areas, and environmental
2 remediation;

3 (vii) Stormwater and drainage management systems;

4 (viii) Electric, gas, fiber, and other utility infrastructures;

5 and

6 (ix) Public safety facilities;

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

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

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

14 (iii) Historic preservation activities authorized under RCW
15 35.21.395; and

16 (c) Expenditures to purchase, rehabilitate, retrofit for energy
17 efficiency, and construct housing for the purpose of creating or
18 preserving permanently affordable housing.

19 (20) "Public safety facilities" means any facilities, structures,
20 improvements, or equipment used to provide police, fire, emergency
21 medical, or other public safety services.

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

25 (~~(21)~~) (22) (a) "Regular property taxes" means regular property
26 taxes as defined in RCW 84.04.140, except: (i) Regular property taxes
27 levied by public utility districts specifically for the purpose of
28 making required payments of principal and interest on general
29 indebtedness; (ii) regular property taxes levied by the state for the
30 support of common schools under RCW 84.52.065; and (iii) regular
31 property taxes authorized by RCW 84.55.050 that are limited to a
32 specific purpose.

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).

40 (~~(22)~~) (23) (a) "Revenues from local public sources" means:

1 (i) The local sales and use tax amounts received as a result of
2 interlocal agreement, local sales and use tax amounts from sponsoring
3 local governments based on its local sales and use tax increment, and
4 local property tax allocation revenues, which are dedicated by a
5 sponsoring local government, participating local governments, and
6 participating taxing districts, for payment of bonds under RCW
7 39.104.110 or public improvement costs within the revitalization area
8 on a pay-as-you-go basis; and

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

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

20 ~~((23))~~ (24) "Revitalization area" means the geographic area
21 adopted by a sponsoring local government and approved by the
22 approving agency, from which local sales and use tax increments are
23 estimated and property tax allocation revenues are derived for local
24 revitalization financing.

25 ~~((24))~~ (25) "Sponsoring local government" means a city, town,
26 county, or any combination thereof, that adopts a revitalization
27 area.

28 ~~((25))~~ (26) "State contribution" means the lesser of:

29 (a) Five hundred thousand dollars;

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

32 (c) The total amount of revenues from local public sources
33 dedicated in the preceding calendar year to the payment of principal
34 and interest on bonds issued under RCW 39.104.110 and public
35 improvement costs within the revitalization area on a pay-as-you-go
36 basis. Revenues from local public sources dedicated in the preceding
37 calendar year that are in excess of the project award may be carried
38 forward and used in later years for the purpose of this subsection
39 ~~((25))~~ (26) (c).

1 (~~(26)~~) (27) "State property tax increment" means the estimated
2 amount of annual tax revenues estimated to be received by the state
3 from the imposition of property taxes levied by the state for the
4 support of common schools under RCW 84.52.065 on the property tax
5 allocation revenue value, as determined by the sponsoring local
6 government in an application under RCW 39.104.100 and updated
7 periodically as required in RCW 82.32.765.

8 (~~(27)~~) (28) "State sales and use tax increment" means the
9 estimated amount of annual increase in state sales and use taxes to
10 be received by the state from taxable activity within the
11 revitalization area in the years following the approval of the
12 revitalization area as determined by the sponsoring local government
13 in an application under RCW 39.104.100 and updated periodically as
14 required in RCW 82.32.765.

15 (~~(28)~~) (29) "State sales and use taxes" means state retail
16 sales and use taxes under RCW 82.08.020(1) and 82.12.020 at the rate
17 provided in RCW 82.08.020(1), less the amount of tax distributions
18 from all local retail sales and use taxes, other than the local sales
19 and use taxes authorized by RCW 82.14.510 for the applicable
20 revitalization area, imposed on the same taxable events that are
21 credited against the state retail sales and use taxes under RCW
22 82.08.020(1) and 82.12.020.

23 (~~(29)~~) (30) "Taxing district" means a government entity that
24 levies or has levied for it regular property taxes upon real property
25 located within a proposed or approved revitalization area.

26 **Sec. 4.** RCW 39.114.010 and 2024 c 236 s 1 are each amended to
27 read as follows:

28 The definitions in this section apply throughout this chapter
29 unless the context clearly requires otherwise.

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

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

36 (3) "Increment value" means 100 percent of any increase in the
37 true and fair value of real property in an increment area that is
38 placed on the tax rolls after the increment area takes effect. The
39 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;

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; (~~(x)~~)
- 14 (x) Public safety facilities; and

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

- 16 (i) Purchasing, rehabilitating, retrofitting for energy
17 efficiency, and constructing housing for the purpose of creating or
18 preserving long-term affordable housing;
- 19 (ii) Purchasing, rehabilitating, retrofitting for energy
20 efficiency, and constructing child care facilities serving children
21 and youth that are low-income, homeless, or in foster care;
- 22 (iii) Providing maintenance and security for the public
23 improvements;
- 24 (iv) Historic preservation activities authorized under RCW
25 35.21.395; or
- 26 (v) Relocation and construction of a government-owned facility,
27 with written permission from the agency owning the facility and the
28 office of financial management.

29 (8) "Public safety facilities" means any facilities, structures,
30 improvements, or equipment used to provide police, fire, emergency
31 medical, or other public safety services.

32 (9) "Real property" means:

- 33 (a) Real property as defined in RCW 84.04.090; and
- 34 (b) Privately owned or used improvements located on publicly
35 owned land that are subject to property taxation or leasehold excise
36 tax.

37 (~~(9)~~) (10) "Regular property taxes" means regular property
38 taxes as defined in RCW 84.04.140, except: (a) Regular property taxes
39 levied by port districts or public utility districts to the extent
40 necessary for the payments of principal and interest on general

1 obligation debt; and (b) regular property taxes levied by the state
2 for the support of the common schools under RCW 84.52.065. Regular
3 property taxes do not include excess property tax levies that are
4 exempt from the aggregate limits for junior and senior taxing
5 districts as provided in RCW 84.52.043. "Regular property taxes" does
6 not include excess property taxes levied by local school districts.

7 ~~((10))~~ (11) "Tax allocation base value" means the assessed
8 value of real property located within an increment area for taxes
9 imposed in the year in which the increment area takes effect.

10 ~~((11))~~ (12) "Tax allocation revenues" means those revenues
11 derived from the imposition of regular property taxes on the
12 increment value.

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

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