
HOUSE BILL 2349

State of Washington

63rd Legislature

2014 Regular Session

By Representatives Springer, Fitzgibbon, Habib, Rodne, Blake, Pollet, Roberts, Sells, Morrell, and Goodman

Read first time 01/15/14. Referred to Committee on Finance.

1 AN ACT Relating to community redevelopment financing in
2 apportionment districts; amending RCW 39.88.030, 39.88.040, 39.88.070,
3 39.88.080, 39.88.100, 84.52.043, 84.52.043, and 84.52.050; reenacting
4 and amending RCW 39.88.020; adding a new section to chapter 39.88 RCW;
5 repealing RCW 39.88.060 and 39.88.090; providing an effective date; and
6 providing an expiration date.

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

8 **Sec. 1.** RCW 39.88.020 and 2011 c 336 s 815 are each reenacted and
9 amended to read as follows:

10 ~~((As used in this chapter the following terms have the following~~
11 ~~meanings unless a different meaning is clearly indicated by the~~
12 ~~context:)) The definitions in this section apply throughout this act
13 unless the context clearly requires otherwise.~~

14 (1) "Apportionment district" means the geographic area, within an
15 urban area, from which ~~((regular property taxes are to be apportioned~~
16 ~~to finance a public improvement contained therein.~~

17 ~~(2) "Assessed value of real property" means the valuation of real~~
18 ~~property as placed on the last completed assessment roll of the county.~~

19 ~~(3) "City" means any city or town.~~

1 ~~(4) "Ordinance" means any appropriate method of taking a~~
2 ~~legislative action by a county or city, whether known as a statute,~~
3 ~~resolution, ordinance, or otherwise.~~

4 ~~(5) "Public improvement" means an undertaking to provide public~~
5 ~~facilities in an urban area which the sponsor has authority to provide.~~

6 ~~(6) "Public improvement costs" means the costs of design, planning,~~
7 ~~acquisition, site preparation, construction, reconstruction,~~
8 ~~rehabilitation, improvement, and installation of the public~~
9 ~~improvement; costs of relocation, maintenance, and operation of~~
10 ~~property pending construction of the public improvement; costs of~~
11 ~~utilities relocated as a result of the public improvement; costs of~~
12 ~~financing, including interest during construction, legal and other~~
13 ~~professional services, taxes, and insurance; costs incurred by the~~
14 ~~assessor to revalue real property for the purpose of determining the~~
15 ~~tax allocation base value that are in excess of costs incurred by the~~
16 ~~assessor in accordance with his or her revaluation plan under chapter~~
17 ~~84.41 RCW, and the costs of apportioning the taxes and complying with~~
18 ~~this chapter and other applicable law; and administrative costs~~
19 ~~reasonably necessary and related to these costs. These costs may~~
20 ~~include costs incurred prior to the adoption of the public improvement~~
21 ~~ordinance, but subsequent to July 10, 1982.~~

22 ~~(7) "Public improvement ordinance" means the ordinance passed under~~
23 ~~RCW 39.88.040(4).~~

24 ~~(8) "Regular property taxes" means regular property taxes as now or~~
25 ~~hereafter defined in RCW 84.04.140, except regular property taxes~~
26 ~~levied by port districts or public utility districts specifically for~~
27 ~~the purpose of making required payments of principal and interest on~~
28 ~~general indebtedness.~~

29 ~~(9) "Sponsor" means any county or city initiating and undertaking~~
30 ~~a public improvement.~~

31 ~~(10) "Tax allocation base value of real property" means the true~~
32 ~~and fair value of real property within an apportionment district for~~
33 ~~the year in which the apportionment district was established.~~

34 ~~(11) "Tax allocation bonds" means any bonds, notes, or other~~
35 ~~obligations issued by a sponsor pursuant to section 10 of this act.~~

36 ~~(12) "Tax allocation revenues" means those tax revenues allocated~~
37 ~~to a sponsor under RCW 39.88.070(1)(b).~~

1 ~~(13) "Taxing districts" means any governmental entity which levies~~
2 ~~or has levied for it regular property taxes upon real property located~~
3 ~~within a proposed or approved apportionment district.~~

4 ~~(14) "Urban area" means an area in a city or located outside of a~~
5 ~~city that is characterized by intensive use of the land for the~~
6 ~~location of structures and receiving such urban services as sewers,~~
7 ~~water, and other public utilities and services normally associated with~~
8 ~~urbanized areas. Not more than twenty five percent of the area within~~
9 ~~the urban area proposed apportionment district may be vacant land.~~

10 ~~(15) "Value of taxable property" means value of taxable property as~~
11 ~~defined in RCW 39.36.015)) special property taxes are to be levied and~~
12 ~~collected to finance a public improvement contained therein.~~

13 (2) "City" means any city or town.

14 (3) "Community benefit activities" means activities undertaken to
15 meet the affordable housing, conservation, social equity, and other
16 public goals as described in section 2 of this act.

17 (4) "County" means any county of the state of Washington.

18 (5) "Ordinance" means an ordinance, resolution, or any other
19 appropriate method of taking a legislative action by the legislative
20 authority of a county or city, whether known as a statute, resolution,
21 ordinance, or otherwise.

22 (6) "Public improvements" means:

23 (a) Public infrastructure improvements, including acquisition,
24 construction, improvement, expansion, extension, or maintenance of the
25 following:

26 (i) Street, road, bridge, and rail improvements;

27 (ii) Water and sewer systems;

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

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

30 (v) Park and ride facilities;

31 (vi) Park facilities, recreational areas, and environmental
32 remediation activities;

33 (vii) Storm water and drainage management systems; and

34 (viii) Electric, gas, fiber, and other utility infrastructure; and

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

36 (i) Providing maintenance and security for public improvements or
37 for common or public areas in the apportionment district; or

1 (ii) Historic preservation assets and activities authorized under
2 RCW 35.21.395; or

3 (iii) Costs of establishing and administering the apportionment
4 district, including without limitation the costs of data collection,
5 reporting, and accountability activities.

6 (7) "Public improvement costs" means capital expenditures with
7 respect to public improvements, including without limitation the costs
8 of design, planning, acquisition, site preparation, construction,
9 reconstruction, rehabilitation, improvement, and installation of the
10 public improvement; costs of relocation, maintenance, and operation of
11 property pending construction of the public improvement; costs of
12 relocating utilities in connection with undertaking the public
13 improvement; costs of financing, including interest during and for a
14 reasonable period after construction, legal and other professional
15 services, taxes, and insurance; costs of levying and collecting the
16 special property taxes and complying with this chapter and other
17 applicable law; costs of operating and maintaining the public
18 improvements; and administrative costs reasonably necessary and related
19 to these costs. These costs may include costs incurred prior to the
20 adoption of the public improvement ordinance but may not include costs
21 that are satisfied by revenues from impact fees or other development
22 fees.

23 (8) "Public improvement ordinance" means an ordinance passed under
24 RCW 39.88.040(1)(d).

25 (9) "Regular property taxes" means regular property taxes as now or
26 hereafter defined in RCW 84.04.140.

27 (10) "Special property taxes" means the special property taxes
28 authorized to be levied and collected within an apportionment district
29 under RCW 39.88.070. Special property taxes are not regular property
30 taxes for any purpose under this chapter or under any other provision
31 of law, but special property taxes are "excess real property taxes" for
32 purposes of RCW 84.36.381 through 84.36.389, are "real property taxes"
33 for purposes of chapters 84.37 and 84.38 RCW, are "property taxes" for
34 purposes of chapter 84.39 RCW, and also constitute "ad valorem
35 taxation" as that term is used in RCW 84.33.040.

36 (11) "Sponsor" means any county or city forming an apportionment
37 district under this chapter.

1 (12) "Tax allocation base value" means the value of taxable
2 property within an apportionment district for the year in which the
3 public improvement ordinance is passed.

4 (13) "Tax allocation bonds" means any bonds, notes, or other
5 obligations issued or incurred by a sponsor pursuant to RCW 39.88.100.

6 (14) "Tax allocation increment value" means, as of any time of
7 calculation, the value of taxable property in an apportionment district
8 in excess of the tax allocation base value within that apportionment
9 district.

10 (15) "Tax allocation revenues" means those special property tax
11 revenues levied and collected by a sponsor under RCW 39.88.070(1).

12 (16) "Taxing districts" means any governmental entity which levies
13 or has levied for its regular property taxes upon real property located
14 within a proposed or approved apportionment district.

15 (17) "Value of taxable property" means value of taxable property as
16 defined in RCW 39.36.015.

17 (18) "Urban area" means an area:

18 (a) In a city; or

19 (b) Located outside of a city within an urban eligible area.

20 (19) "Urban eligible area" means an area inside an urban growth
21 area as defined in RCW 36.70A.030 that is a growth center, a
22 transportation center, or a local center. For purposes of this
23 definition:

24 (a) "Growth center" means an area that is designated as a mixed-
25 use, manufacturing, or urban center in a land use or transportation
26 plan adopted by a regional transportation planning organization or an
27 adopted multicounty or countywide planning policy.

28 (b) "Transportation center" means an area that is within one-half
29 mile walking distance of:

30 (i) A station where passengers can access a high capacity
31 transportation system such as a ferry system, airport, fixed guideway
32 rail system, or designated bus rapid transit line; or

33 (ii) A stop for a bus or other transit mode providing fixed route
34 service at intervals of at least every thirty minutes during peak
35 morning commute hours of six to nine a.m.

36 (c) "Local center" means an area that is:

37 (i) Designated as a center in the local comprehensive plan;

- 1 (ii) Zoned to provide for medium or high-density mixed use or
2 industrial development; and
3 (iii) Not zoned to permit low density commercial development with
4 a floor area ratio of one or less.

5 NEW SECTION. **Sec. 2.** A new section is added to chapter 39.88 RCW
6 to read as follows:

7 (1) Prior to imposing the special tax authorized in RCW 39.88.070,
8 a sponsor must adopt an ordinance in accordance with subsection (3) of
9 this section, dedicating to the funding of community benefit activities
10 an amount equal to twenty percent of the maximum stated principal
11 amount of tax allocation bonds expected to be issued as set forth in
12 the public improvement ordinance. Amounts dedicated to community
13 benefit activities must be in addition to those treated as having been
14 expended on public improvement costs under this chapter. The community
15 benefit funding requirement must be satisfied in accordance with the
16 periodic goals set forth in that ordinance.

17 (2)(a) For purposes of this chapter, community benefit activities
18 must include:

19 (i) Activities supporting development of low-income and moderate-
20 income housing within walking or transit-connected distance of the
21 apportionment district;

22 (ii) The conservation of open space, forestlands, and farmlands,
23 including but not limited to the transfer of development rights or the
24 acquisition for conservation purposes of lands (or conservation
25 interests therein), which bear a nexus to the location of the
26 apportionment district. Such a nexus may include without limitation,
27 location within the same watershed, designation as corresponding
28 sending and receiving sites for transfer of development rights under
29 chapter 39.108 RCW, or other similar environmental nexus; and

30 (iii) Activities that further the sponsor's affordable housing,
31 environmental, and any other social equity and public goals described
32 in an ordinance passed pursuant to subsection (3) of this section. By
33 way of example and without limitation, such goals may include:
34 Retaining small businesses within the apportionment district;
35 developing the workforce and supporting fair labor practices within the
36 apportionment district; increasing energy and water use efficiency,

1 managing wastewater, and conserving natural resources within the
2 apportionment district; and other activities intended to increase
3 social equity.

4 (b) The amount required to be dedicated to funding community
5 benefit activities under subsection (1) of this section must be
6 allocated among the purposes set forth in (a) of this subsection (2) by
7 the legislative body of the sponsor in an ordinance adopted pursuant to
8 subsection (3) of this section. The legislative authority of the
9 sponsor must set the allocation after opportunity for public comment.
10 However, no more than twenty percent of the available funding may be
11 dedicated to the purposes described in (a)(iii) of this subsection (2),
12 and the remaining available funding must be divided among the purposes
13 described in (a)(i) and (ii) of this subsection (2).

14 (3) The sponsor's legislative authority must adopt an ordinance
15 after opportunity for public comment, which sets periodic goals for the
16 timing of funding community benefit activities during successive
17 reporting periods of up to five calendar years each:

18 (a) The first such reporting period must begin with the calendar
19 year during which the special property tax under RCW 39.88.070 is first
20 collected. The last such required reporting period ends with the
21 earlier of:

22 (i) The last calendar year during which the special property tax
23 authorized in RCW 39.88.070 is collected; or

24 (ii) The total community benefit funding requirement has been
25 satisfied.

26 (b) In setting the funding goals, the sponsor may take into account
27 projected revenues of the special property tax, projected debt service
28 coverage ratios set forth in covenants made or entered into in
29 connection with the issuance of tax allocation bonds, and other
30 relevant factors. "Debt service coverage ratio" means the ratio of
31 projected tax allocation revenues to the expected aggregate annual debt
32 service on tax allocation bonds.

33 (c) At a minimum, the funding goals must provide that within the
34 first year of the first reporting period, an amount equal to five
35 percent of the maximum stated principal amount of tax allocation bonds
36 expected to be issued (as set forth in the public improvement
37 ordinance) must be dedicated to the acquisition of real property, or an
38 interest therein, to be made available for the development of low-

1 income and moderate-income housing within walking or transit-connected
2 distance of the apportionment district. A sponsor may meet this goal
3 by depositing such amount with the Washington state housing finance
4 commission, created under chapter 43.180 RCW, with a public housing
5 authority or by acquiring the real property directly. This amount must
6 be deemed a portion of the allocation dedicated to the purposes under
7 subsection (2)(a) of this section.

8 (d) The ordinance may be combined with the public improvement
9 ordinance or may be a separate ordinance.

10 (4) A sponsor is held accountable for meeting its periodic
11 community benefit funding goals as follows:

12 (a) As soon as practicable after the June 1st that follows the end
13 of each reporting period, the finance officer (or other administrative
14 officer) of the sponsor must report to the legislative authority of the
15 sponsor at a regular meeting on the amount dedicated by the sponsor to
16 community benefit activities under this section on an annual basis and
17 in total over the preceding reporting period. The report must also
18 include a description of the sponsor's goals for timing of dedication
19 of community benefit funding over the preceding reporting period and
20 the total goals set forth in the ordinance adopted pursuant to
21 subsection (3) of this section. After receiving the report, the
22 legislative body must make a determination as to whether the sponsor
23 has met its goals over that reporting period.

24 (b) If a sponsor determines that it has not met its goals for
25 funding community benefit activities over the reporting period, or if
26 a taxpayer challenge under (c) of this subsection is upheld, then on or
27 before the next January 1st, the sponsor must pay the amount by which
28 the sponsor fell short of its goal for that period, in accordance with
29 the proportional allocation established under subsection (3)(b) of this
30 section, for the purposes of furthering the community benefit
31 activities described in the ordinance adopted under subsection (3) of
32 this section, as follows:

33 (i) For the purposes of meeting any obligation to fund the
34 activities under subsection (2)(a)(i) of this section, to the housing
35 trust fund created pursuant to chapter 43.185 RCW, to the housing
36 finance commission created pursuant to chapter 43.180 RCW, or to a
37 local housing authority; and

1 (ii) For meeting obligations pursuant to subsection (2)(a)(ii) of
2 this section, to a rural conservation fund established by the sponsor
3 or to a qualified county agency or accredited land trust.

4 (c) Any person who pays the special property tax levied within the
5 apportionment district may challenge the sponsor's determination that
6 it has met its community benefit activity funding goals during the
7 preceding reporting period by filing an objection with the clerk of the
8 sponsor's legislative body within thirty days after the date of the
9 sponsor's determination. Upon receipt of such an objection, the clerk
10 must forward such objection to the chair of the legislative body who
11 must schedule at the next practicable opportunity, a public hearing at
12 which the matter of the community benefit funding goals must be heard.
13 Notice of the public hearing must be mailed to the taxpayer submitting
14 the objection and must be given in accordance with the requirements for
15 giving notice of a special meeting under RCW 42.30.080. If, after due
16 consideration, the legislative body determines that the sponsor has not
17 met the community benefit funding goals, the remedy in (b) of this
18 subsection applies. If the legislative body determines that the
19 sponsor has met the community benefit funding goals, the taxpayer has
20 the right to bring action in superior court to compel payment of the
21 amounts required under (b) of this subsection.

22 (5) The legislative authority of a sponsor may periodically amend
23 the community benefit funding goals after opportunity for public
24 comment, so long as the overall goals remain consistent with the
25 allocation requirements of subsection (2) of this section. If a
26 sponsor has not issued the maximum amount of tax allocation bonds set
27 forth in the public improvement ordinance by the date that is five
28 years after that ordinance was passed, the legislative body may by
29 ordinance revise downward the maximum expected amount of such bonds and
30 the amounts required to be dedicated to the community benefit funding
31 goals must be adjusted accordingly.

32 (6) The community benefit funding requirement expires at the
33 earlier of thirty years after the special property tax under RCW
34 39.88.070 is first collected or when the total community benefit
35 funding requirement has been satisfied. A sponsor may at any time
36 satisfy all or a portion of its community benefit funding requirement
37 by contributing money, in accordance with the allocations pursuant to

1 subsection (2) of this section to one or more of the entities listed in
2 subsection (4)(b) of this section.

3 (7) Nothing in this section may be deemed to permit expenditures of
4 public funds prohibited by Article VIII, sections 5 or 7 of the state
5 Constitution. Nothing in this section may be interpreted to grant to
6 any sponsor the authority to engage in any community benefit activities
7 that are not otherwise authorized to be undertaken by the sponsor.

8 **Sec. 3.** RCW 39.88.030 and 1982 1st ex.s. c 42 s 4 are each amended
9 to read as follows:

10 (1) Only public improvements which are determined by the
11 legislative authority of the sponsor to meet the following criteria are
12 eligible to be financed under this chapter:

13 (a) The public improvement is located within an urban area;

14 (b) The public improvement will encourage private development
15 within the apportionment district;

16 (c) The public improvement will increase the ((fair-market))
17 assessed value of the real property located within the apportionment
18 district;

19 (d) The private development which is anticipated to occur within
20 the apportionment district as a result of the public improvement is
21 consistent with an existing comprehensive land use plan and approved
22 growth policies of the jurisdiction within which it is located;

23 (e) A public improvement located within a city has been approved by
24 the legislative authority of such city; and

25 (f) A public improvement located ((within an urban area in an
26 unincorporated area has been approved by the legislative authority of
27 the county within whose boundaries the area lies.

28 ~~(2) Apportionment of regular property tax revenues to finance the~~
29 ~~public improvements is subject to the following limitations:~~

30 ~~(a) No apportionment of regular property tax revenues may take~~
31 ~~place within a previously established apportionment district where~~
32 ~~regular property taxes are still apportioned to finance public~~
33 ~~improvements without the concurrence of the sponsor which established~~
34 ~~the district;~~

35 ~~(b) No apportionment district may be established which includes any~~
36 ~~geographic area included within a previously established apportionment~~

1 ~~district which has outstanding bonds payable in whole or in part from~~
2 ~~tax allocation revenues;~~

3 ~~(c) The total amount of outstanding bonds payable in whole or in~~
4 ~~part from tax allocation revenues arising from property located within~~
5 ~~a city shall not exceed two percent of the value of taxable property~~
6 ~~within the city, and the total amount of outstanding bonds payable in~~
7 ~~whole or in part from tax allocation revenues arising from property~~
8 ~~located within the unincorporated areas of a county shall not exceed~~
9 ~~two percent of the value of taxable property within the entire~~
10 ~~unincorporated area of the county; and~~

11 ~~(d) No taxes other than regular property taxes may be apportioned~~
12 ~~under this chapter.~~

13 ~~(3) Public improvements)) in an unincorporated area has been~~
14 ~~approved by the legislative authority of the county within whose~~
15 ~~boundaries the apportionment district lies and by the legislative~~
16 ~~authority of a city having a nexus to the urban growth area in which~~
17 ~~the apportionment district lies, if any.~~

18 ~~(2) The levying and collection of special property tax revenues to~~
19 ~~finance the public improvements may take place within a previously~~
20 ~~established apportionment district where special property taxes are~~
21 ~~still levied and collected to finance public improvements without the~~
22 ~~concurrence of the sponsor which established the previously established~~
23 ~~district.~~

24 ~~(3) Public improvements and community benefit activities may be~~
25 ~~undertaken and coordinated with other programs or efforts undertaken by~~
26 ~~the sponsor or others and may be funded in whole or in part from~~
27 ~~sources other than those provided by this chapter.~~

28 **Sec. 4.** RCW 39.88.040 and 1982 1st ex.s. c 42 s 5 are each amended
29 to read as follows:

30 ~~(1) Public improvements funded by tax allocation revenues may only~~
31 ~~be located within ((an urban area. In order to secure an allocation of~~
32 ~~regular property taxes to finance a public improvement, a sponsor~~
33 ~~shall:~~

34 ~~(1) Propose by ordinance a plan for the public improvement which~~
35 ~~includes a description of the contemplated public improvement, the~~
36 ~~estimated cost thereof, the boundaries of the apportionment district,~~
37 ~~the estimated period during which tax revenue apportionment is~~

1 contemplated, and the ways in which the sponsor plans to use tax
2 allocation revenues to finance the public improvement, and which sets
3 at least three public hearings thereon before the legislative authority
4 of the sponsor or a committee thereof: PROVIDED, That public hearings
5 for the public improvement that is undertaken in combination or
6 coordination by two or more sponsors may be held jointly; and public
7 hearings, held before the legislative authority or a committee of a
8 majority thereof may be combined with public hearings held for other
9 purposes;

10 (2) At least fifteen days in advance of the hearing:

11 (a) Deliver notice of the hearing to all taxing districts, the
12 county treasurer, and the county assessor, which notice includes a map
13 or drawing showing the location of the contemplated public improvement
14 and the boundaries of the proposed apportionment district, a brief
15 description of the public improvement, the estimated cost thereof, the
16 anticipated increase in property values within the apportionment
17 district, the location of the sponsor's principal business office where
18 it will maintain information concerning the public improvement for
19 public inspection, and the date and place of hearing; and

20 (b) Post notice in at least six public places located in the
21 proposed apportionment district and publish notice in a legal newspaper
22 of general circulation within the sponsor's jurisdiction briefly
23 describing the public improvement, the proposed apportionment, the
24 boundaries of the proposed apportionment district, the location where
25 additional information concerning the public improvement may be
26 inspected, and the date and place of hearing;

27 (3) At the time and place fixed for the hearing under subsection
28 (1) of this section, and at such times to which the hearing may be
29 adjourned, receive and consider all statements and materials as may be
30 submitted, and objections and letters filed before or within ten days
31 thereafter;

32 (4) Within one hundred twenty days after completion of the public
33 hearings, pass an ordinance establishing the apportionment district and
34 authorizing the proposed public improvement, including any
35 modifications which in the sponsor's opinion the hearings indicated
36 should be made, which includes the boundaries of the apportionment
37 district, a description of the public improvement, the estimated cost
38 thereof, the portion of the estimated cost thereof to be reimbursed

1 ~~from tax allocation revenues, the estimated time during which regular~~
2 ~~property taxes are to be apportioned, the date upon which apportionment~~
3 ~~of the regular property taxes will commence, and a finding that the~~
4 ~~public improvement meets the conditions of RCW 39.88.030)) or serve an~~
5 ~~apportionment district. In order to levy and collect special property~~
6 ~~taxes to finance a public improvement, a sponsor must:~~

7 (a)(i) Propose by ordinance a plan for the public improvements
8 which includes a description of the contemplated public improvements,
9 the estimated cost thereof, the boundaries of the apportionment
10 district, the maximum period (not to exceed thirty years) during which
11 the special property tax is to be levied and collected, the maximum
12 aggregate stated principal amount of tax allocation bonds expected to
13 be issued (not including accreted value of capital appreciation bonds),
14 the anticipated level of funding for community benefit activities under
15 section 2 of this act, and the ways in which the sponsor plans to use
16 special property tax revenues to finance the public improvements.

17 (ii) The public improvement ordinance must also include the
18 following findings:

19 (A) The public improvements proposed to be financed in whole or in
20 part using apportionment district financing are expected to encourage
21 private development within the apportionment district and to increase
22 the assessed value of real property within the apportionment district,
23 improve the viability of existing business entities, or increase
24 employment or affordable housing availability proximate to the
25 apportionment district;

26 (B) Private development that is anticipated to occur within the
27 apportionment district as a result of the public improvements is
28 consistent with: (I) The countywide planning policy adopted by the
29 county under RCW 36.70A.210; (II) the sponsor's comprehensive plan; and
30 (III) development regulations adopted under chapter 36.70A RCW;

31 (C) The use of the financing tool under this act will promote
32 economic development or redevelopment within the apportionment district
33 and the sponsor will meet the requirements for funding community
34 benefit activities under section 2 of this act; and

35 (D) The proposed apportionment district will not be used for the
36 purpose of encouraging the relocation of a business from outside the
37 apportionment district, but within the state, into the apportionment

1 district, unless the governing body of the sponsor finds, based on
2 evidence provided to the apportionment district, that the firm being
3 relocated would otherwise be likely to leave the state.

4 (iii) The public improvement ordinance must provide for one or more
5 public hearings on the question of forming the apportionment district,
6 which must be held before the legislative authority of the sponsor or
7 a committee thereof. However, public hearings for formation of an
8 apportionment district that is undertaken in combination or
9 coordination by two or more sponsors may be held jointly; and public
10 hearings held before the legislative authority or a committee of a
11 majority thereof may be combined with public hearings held for other
12 purposes;

13 (b) At least fifteen days in advance of the hearing:

14 (i) Deliver notice of the hearing to all taxing districts, the
15 county treasurer, the county assessor, and the owners or reputed owners
16 of all lots, tracts, and parcels of land within the proposed
17 apportionment district, as shown on the rolls of the county assessor
18 and directed to the address shown thereon. The notice must include a
19 map or drawing showing the approximate locations of the contemplated
20 public improvements and the boundaries of the proposed apportionment
21 district, a brief description of the proposed public improvement(s) and
22 the estimated cost thereof, the anticipated level of funding for
23 community benefit activities under section 2 of this act, the maximum
24 aggregate stated principal amount of tax allocation bonds expected to
25 be issued (not including accreted value of capital appreciation bonds),
26 the maximum period during which the special property tax is to be
27 levied and collected, the anticipated increase in assessed values
28 within the apportionment district, the location of the sponsor's
29 principal business office where it will maintain information concerning
30 the public improvements for public inspection, and the date and place
31 of hearing; and

32 (ii) Post notice in at least three public places located in the
33 proposed apportionment district and publish notice in a legal newspaper
34 of general circulation within the sponsor's jurisdiction briefly
35 describing the public improvements, the proposed special property
36 taxes, the boundaries of the proposed apportionment district, the
37 location where additional information concerning the public
38 improvements may be inspected, and the date and place of hearing;

1 (c) At the time and place fixed for the hearing under subsection
2 (1)(a) of this section, and at such times to which the hearing may be
3 adjourned, receive and consider all statements and materials as may be
4 submitted, and objections and letters filed before or within ten days
5 thereafter;

6 (d) Not earlier than ten days and not more than one hundred twenty
7 days after completion of the public hearing or hearings, pass the
8 public improvement ordinance establishing the apportionment district
9 and authorizing the proposed public improvements, including any
10 modifications which the legislative authority of the sponsor deems
11 appropriate, which includes the boundaries of the apportionment
12 district, a description of the public improvements, the estimated cost
13 thereof, the maximum aggregate stated principal amount of tax
14 allocation bonds expected to be issued (not including accreted value of
15 capital appreciation bonds), the date upon which the levying and
16 collection of the special property taxes will commence, the maximum
17 period during which the special property tax is to be levied and
18 collected, and a finding that the formation of the apportionment
19 district meets the conditions of RCW 39.88.030 and of section 2 of this
20 act;

21 (2) The authority of the sponsor to proceed with the levying and
22 collection of special property taxes within an apportionment district
23 will be divested by a protest, filed with the legislative authority of
24 the sponsor within thirty days after the date of passage of the public
25 improvement ordinance, signed by either:

26 (a) The owners of the property within the apportionment district
27 representing more than fifty percent of the value of taxable property
28 within that apportionment district as reflected on rolls of the county
29 assessor for the year in which the ordinance is passed; or

30 (b) The owners of sixty-five percent of the parcels comprising the
31 apportionment district as reflected on rolls of the county assessor for
32 the year in which the ordinance is passed.

33 **Sec. 5.** RCW 39.88.070 and 1982 1st ex.s. c 42 s 8 are each amended
34 to read as follows:

35 (1) Upon the date established in the public improvement ordinance,
36 but not (~~sooner than the first day of the calendar year following the~~

1 ~~passage of the ordinance, the regular property taxes levied upon the~~
2 ~~assessed value of real property within the apportionment district shall~~
3 ~~be divided as follows:~~

4 ~~(a) That portion of the regular property taxes produced by the rate~~
5 ~~of tax levied each year by or for each of the taxing districts upon the~~
6 ~~tax allocation base value of real property, or upon the assessed value~~
7 ~~of real property in each year, whichever is smaller, shall be allocated~~
8 ~~to and paid to the respective taxing districts; and~~

9 ~~(b) That portion of the regular property taxes levied each year by~~
10 ~~or for each of the taxing districts upon the assessed value of real~~
11 ~~property within an apportionment district which is in excess of the tax~~
12 ~~allocation base value of real property shall be allocated and paid to~~
13 ~~the sponsor, or the sponsor's designated agent, until all public~~
14 ~~improvement costs to be paid from the tax allocation revenues have been~~
15 ~~paid, except that the sponsor may agree to receive less than the full~~
16 ~~amount of such portion as long as bond debt service, reserve, and other~~
17 ~~bond covenant requirements are satisfied, in which case the balance of~~
18 ~~the taxes shall be allocated to the respective taxing districts as the~~
19 ~~sponsor and the taxing districts may agree.~~

20 ~~(2) The county assessor shall revalue the real property within the~~
21 ~~apportionment district for the purpose of determining the tax~~
22 ~~allocation base value for the apportionment district and shall certify~~
23 ~~to the sponsor the tax allocation base value as soon as practicable~~
24 ~~after the assessor receives notice of the public improvement ordinance~~
25 ~~and shall certify to the sponsor the total assessed value of real~~
26 ~~property within thirty days after the property values for each~~
27 ~~succeeding year have been established, except that the assessed value~~
28 ~~of state-assessed real property within the apportionment district shall~~
29 ~~be certified as soon as the values are provided to the assessor by the~~
30 ~~department of revenue. Nothing in this section authorizes revaluations~~
31 ~~of real property by the assessor for property taxation that are not~~
32 ~~made in accordance with the assessor's revaluation plan under chapter~~
33 ~~84.41 RCW.~~

34 ~~(3) The date upon which the apportionment district was established~~
35 ~~shall be considered the date upon which the public improvement~~
36 ~~ordinance was enacted by the sponsor.~~

37 ~~(4) The apportionment of regular property taxes under this section~~
38 ~~shall cease when tax allocation revenues are no longer necessary or~~

1 obligated to pay public improvement costs or to pay principal of and
2 interest on bonds issued to finance public improvement costs and
3 payable in whole or in part from tax allocation revenues. At the time
4 of termination of the apportionment, any excess money and any earnings
5 thereon held by the sponsor shall be returned to the county treasurer
6 and distributed to the taxing districts which were subject to the
7 allocation in proportion to their regular property tax levies due for
8 the year in which the funds are returned)) earlier than the first day
9 of the calendar year following the passage of the ordinance and no
10 earlier than would be permitted under RCW 84.09.030:

11 (a) Regular property taxes levied upon the property within the
12 apportionment district by taxing districts must continue to be
13 collected in accordance with applicable law, without regard to the
14 existence of the apportionment district or the special property taxes
15 levied or collected therein; and

16 (b)(i) The sponsor may levy upon the value of taxable property
17 within the apportionment district, and collect special property taxes
18 in amounts not in excess of the amounts the legislative authority of
19 the sponsor deems necessary to provide for the purposes set forth in
20 RCW 39.88.080, but in annual amounts not in excess of one percent of
21 the tax allocation increment value within the apportionment district.

22 (ii) Special property taxes collected within an apportionment
23 district must be paid to the sponsor, or the sponsor's designated
24 agent, until all public improvement costs and tax allocation bonds
25 issued or incurred to be paid from the tax allocation revenues have
26 been paid and the community benefit funding goals have been met, but in
27 no event may special property taxes be collected longer than the
28 maximum period set forth in the public improvement ordinance.

29 (2) Special property taxes are not regular property taxes and are
30 not subject to the limitations imposed by Article VII, section 2 of the
31 Washington state Constitution and are in excess of all statutory and
32 charter limitations otherwise applicable to property taxes.

33 (3) The county assessor must determine the value of the taxable
34 property within the apportionment district according to the final
35 assessment roll established for the calendar year in which the public
36 improvement ordinance is enacted for the purpose of determining the tax
37 allocation base value for the apportionment district and must certify
38 to the sponsor the tax allocation base value as soon as practicable

1 after the assessor receives notice of the public improvement ordinance
2 and must certify to the sponsor the total value of taxable property
3 within thirty days after the property values for each succeeding year
4 have been established, except that the assessed value of state-assessed
5 real property within the apportionment district must be certified as
6 soon as the values are provided to the assessor by the department of
7 revenue. Nothing in this section authorizes revaluations of real
8 property by the assessor for property taxation that are not made in
9 accordance with the assessor's revaluation plan under chapter 84.41
10 RCW.

11 (4) The date upon which the apportionment district was established
12 is the date upon which the public improvement ordinance was enacted by
13 the sponsor.

14 (5) The collection of special property taxes within an
15 apportionment district under this section must cease when tax
16 allocation revenues are no longer necessary or obligated to pay public
17 improvement costs, to satisfy community benefit funding goals or to pay
18 tax allocation bonds, but in no event may special property taxes be
19 collected longer than the maximum period set forth in the public
20 improvement ordinance. At the time of termination of the collection of
21 those special property taxes, any excess money and any earnings thereon
22 held by the sponsor must be spent on costs of public improvements or on
23 funding for community benefit activities.

24 (6) For purposes of Title 84 RCW, an apportionment district is
25 deemed a "taxing district" and any special property tax levy is deemed
26 a levy of the apportionment district, separate from any other tax levy
27 of the sponsor.

28 **Sec. 6.** RCW 39.88.080 and 1982 1st ex.s. c 42 s 9 are each amended
29 to read as follows:

30 (1) Tax allocation revenues may be applied, in no particular order,
31 as follows:

32 ((+1)) (a) To pay for public improvements including public
33 improvement costs;

34 ((+2)) (b) To ((pay)) provide for payments with respect to
35 principal of and interest on, and to fund any necessary reserves for,
36 tax allocation bonds;

1 ~~((3) To pay into bond funds established to pay the principal of~~
2 ~~and interest on general obligation bonds issued pursuant to law to~~
3 ~~finance public facilities that are specified in the public improvement~~
4 ~~ordinance and constructed following the establishment of and within the~~
5 ~~apportionment district; or~~

6 (4)) (c) To fund community benefit activities in accordance with
7 section 2 of this act; or

8 (d) To pay any combination of the foregoing.

9 (2) In the event that the legislative authority of a sponsor
10 determines that public improvements specified in the public improvement
11 ordinance are impracticable to carry out, or if unspent tax allocation
12 bond proceeds or tax allocation revenues remain after the completion of
13 the public improvements specified in the public improvement ordinance,
14 the legislative authority may by ordinance authorize expenditure of the
15 remaining bond proceeds and tax allocation revenues to retire or
16 defease those bonds or on other costs of public improvements, after
17 holding a hearing with public notice given substantially in accordance
18 with the procedure described in RCW 39.88.040(1)(b). No such change of
19 use of tax allocation revenues or the proceeds of tax allocation bonds
20 may permit an increase in the maximum period of time during which the
21 special property tax is to be levied and collected, or permit an
22 increase in the total amount of the estimated cost to be paid from
23 special property taxes or from tax allocation bonds as set forth in the
24 public improvement ordinance. Upon the retirement or defeasance of all
25 tax allocation bonds secured by special property taxes levied and
26 collected within an apportionment district, any remaining tax
27 allocation revenues must be spent to fund public improvement costs or
28 community benefit activities specified in accordance with section 2 of
29 this act.

30 **Sec. 7.** RCW 39.88.100 and 1982 1st ex.s. c 42 s 11 are each
31 amended to read as follows:

32 (1) A sponsor may issue such tax allocation bonds as it may deem
33 appropriate for the financing of public improvement costs and a
34 reasonable bond reserve and for the refunding of any outstanding tax
35 allocation bonds.

36 (2) The principal and interest of tax allocation bonds may be made
37 payable from:

1 (a) Tax allocation revenues;

2 (b) Project revenues which may include (i) nontax income, revenues,
3 fees, and rents from the public improvement financed with the proceeds
4 of the bonds, or portions thereof, and (ii) contributions, grants, and
5 nontax money available to the sponsor for payment of costs of the
6 public improvement or the debt service of the bonds issued therefor;

7 (c) Proceeds of tax allocation bonds, if needed to capitalize
8 interest for up to thirty-six months following completion of
9 construction, or as necessary to accomplish a refunding or refinancing
10 of a prior issue of tax allocation bonds, consistent with applicable
11 federal tax regulations;

12 (d) The full faith and credit of the sponsor or of any other taxing
13 district (provision of which is declared to be a proper purpose for any
14 such taxing district) payable from annual ad valorem taxes to be levied
15 within the constitutional and statutory tax limitations provided by law
16 without a vote of the electors of the sponsor or other taxing district
17 on all of the taxable property within the boundaries of that sponsor or
18 other taxing district; or

19 (e) Any combination of the foregoing.

20 (3) Except and to the extent that a sponsor or other taxing
21 district has expressly pledged its full faith and credit to the payment
22 of tax allocation bonds, tax allocation bonds (~~shall~~) may not be the
23 general obligation of or guaranteed by all or any part of the full
24 faith and credit of the sponsor or any other state or local government,
25 or any tax revenues other than tax allocation revenues, and (~~shall~~)
26 may not be considered a debt of the sponsor or other state or local
27 government for general indebtedness limitation purposes.

28 (4) The terms and conditions of tax allocation bonds may include
29 provisions for the following matters, among others:

30 (a) The date of issuance, maturity date or dates, denominations,
31 form, series, negotiability, registration, rank or priority, place of
32 payment, interest rate or rates which may be fixed or may vary over the
33 life of the tax allocation bonds, bond reserve, coverage, and such
34 other terms related to repayment of the tax allocation bonds;

35 (b) The application of tax allocation bond proceeds; the use, sale,
36 or disposition of property acquired; consideration or rents and fees to
37 be charged in the sale or lease of property acquired; consideration or
38 rents and fees to be charged in the sale or lease of property within a

1 public improvement; the application of rents, fees, and revenues within
2 a public improvement; the maintenance, insurance, and replacement of
3 property within a public improvement; other encumbrances, if any, upon
4 all or part of property within a public improvement, then existing or
5 thereafter acquired; and the type of debts that may be incurred;

6 (c) The creation of special funds; the money to be so applied; and
7 the use and disposition of the money;

8 (d) The securing of the tax allocation bonds by a pledge of
9 property and property rights, by assignment of income generated by the
10 public improvement, or by pledging such additional specifically
11 described resources other than tax revenues as are available to the
12 sponsor;

13 (e) The terms and conditions for redemption;

14 (f) The replacement of lost and destroyed bond instruments;

15 (g) Procedures for amendment of the terms and conditions of the tax
16 allocation bonds;

17 (h) The powers of a trustee to enforce covenants and take other
18 actions in event of default; the rights, liabilities, powers, and
19 duties arising upon the breach of any covenant, condition, or
20 obligation; and

21 (i) When consistent with the terms of this chapter, such other
22 terms, conditions, and provisions which may make the tax allocation
23 bonds more marketable and further the purposes of this chapter.

24 (5) Tax allocation bonds may be issued and sold in such manner as
25 the legislative authority of the sponsor (~~shall determine~~)
26 determines. Notwithstanding anything in subsection (4) of this
27 section, tax allocation bonds may be issued and sold in accordance with
28 chapter 39.46 RCW.

29 (6) The sponsor may also issue or incur obligations in anticipation
30 of the receipt of tax allocation bond proceeds or other money available
31 to pay public improvement costs.

32 (7) Nothing in this section grants a sponsor authority to issue tax
33 allocation bonds payable solely from revenues of a project constituting
34 a community benefit activity involving the provision of housing or
35 nonprofit facilities in duplication of the authority of the Washington
36 state housing finance commission under chapter 43.180 RCW.

1 **Sec. 8.** RCW 84.52.043 and 2011 c 275 s 2 are each amended to read
2 as follows:

3 Within and subject to the limitations imposed by RCW 84.52.050 as
4 amended, the regular ad valorem tax levies upon real and personal
5 property by the taxing districts hereafter named are as follows:

6 (1) Levies of the senior taxing districts are as follows: (a) The
7 levy by the state may not exceed three dollars and sixty cents per
8 thousand dollars of assessed value adjusted to the state equalized
9 value in accordance with the indicated ratio fixed by the state
10 department of revenue to be used exclusively for the support of the
11 common schools; (b) the levy by any county may not exceed one dollar
12 and eighty cents per thousand dollars of assessed value; (c) the levy
13 by any road district may not exceed two dollars and twenty-five cents
14 per thousand dollars of assessed value; and (d) the levy by any city or
15 town may not exceed three dollars and thirty-seven and one-half cents
16 per thousand dollars of assessed value. However any county is hereby
17 authorized to increase its levy from one dollar and eighty cents to a
18 rate not to exceed two dollars and forty-seven and one-half cents per
19 thousand dollars of assessed value for general county purposes if the
20 total levies for both the county and any road district within the
21 county do not exceed four dollars and five cents per thousand dollars
22 of assessed value, and no other taxing district has its levy reduced as
23 a result of the increased county levy.

24 (2) The aggregate levies of junior taxing districts and senior
25 taxing districts, other than the state, may not exceed five dollars and
26 ninety cents per thousand dollars of assessed valuation. The term
27 "junior taxing districts" includes all taxing districts other than the
28 state, counties, road districts, cities, towns, apportionment districts
29 established under chapter 39.88 RCW, port districts, and public utility
30 districts. The limitations provided in this subsection do not apply
31 to: (a) Levies at the rates provided by existing law by or for any
32 port or public utility district; (b) excess property tax levies
33 authorized in Article VII, section 2 of the state Constitution; (c)
34 levies for acquiring conservation futures as authorized under RCW
35 84.34.230; (d) levies for emergency medical care or emergency medical
36 services imposed under RCW 84.52.069; (e) levies to finance affordable
37 housing for very low-income housing imposed under RCW 84.52.105; (f)
38 the portions of levies by metropolitan park districts that are

1 protected under RCW 84.52.120; (g) levies imposed by ferry districts
2 under RCW 36.54.130; (h) levies for criminal justice purposes under RCW
3 84.52.135; (i) the portions of levies by fire protection districts that
4 are protected under RCW 84.52.125; (j) levies by counties for transit-
5 related purposes under RCW 84.52.140; (~~and~~) (k) the protected portion
6 of the levies imposed under RCW 86.15.160 by flood control zone
7 districts in a county with a population of seven hundred seventy-five
8 thousand or more that are coextensive with a county; and (l) levies by
9 or for apportionment districts established under chapter 39.88 RCW.

10 **Sec. 9.** RCW 84.52.043 and 2009 c 551 s 6 are each amended to read
11 as follows:

12 Within and subject to the limitations imposed by RCW 84.52.050 as
13 amended, the regular ad valorem tax levies upon real and personal
14 property by the taxing districts hereafter named (~~shall be~~) are as
15 follows:

16 (1) Levies of the senior taxing districts (~~shall~~) must be as
17 follows: (a) The levy by the state (~~shall~~) may not exceed three
18 dollars and sixty cents per thousand dollars of assessed value adjusted
19 to the state equalized value in accordance with the indicated ratio
20 fixed by the state department of revenue to be used exclusively for the
21 support of the common schools; (b) the levy by any county shall not
22 exceed one dollar and eighty cents per thousand dollars of assessed
23 value; (c) the levy by any road district shall not exceed two dollars
24 and twenty-five cents per thousand dollars of assessed value; and (d)
25 the levy by any city or town shall not exceed three dollars and thirty-
26 seven and one-half cents per thousand dollars of assessed value.
27 However any county is hereby authorized to increase its levy from one
28 dollar and eighty cents to a rate not to exceed two dollars and forty-
29 seven and one-half cents per thousand dollars of assessed value for
30 general county purposes if the total levies for both the county and any
31 road district within the county do not exceed four dollars and five
32 cents per thousand dollars of assessed value, and no other taxing
33 district has its levy reduced as a result of the increased county levy.

34 (2) The aggregate levies of junior taxing districts and senior
35 taxing districts, other than the state, shall not exceed five dollars
36 and ninety cents per thousand dollars of assessed valuation. The term
37 "junior taxing districts" includes all taxing districts other than the

1 state, counties, road districts, cities, towns, apportionment districts
2 established under chapter 39.88 RCW, port districts, and public utility
3 districts. The limitations provided in this subsection shall not apply
4 to: (a) Levies at the rates provided by existing law by or for any
5 port or public utility district; (b) excess property tax levies
6 authorized in Article VII, section 2 of the state Constitution; (c)
7 levies for acquiring conservation futures as authorized under RCW
8 84.34.230; (d) levies for emergency medical care or emergency medical
9 services imposed under RCW 84.52.069; (e) levies to finance affordable
10 housing for very low-income housing imposed under RCW 84.52.105; (f)
11 the portions of levies by metropolitan park districts that are
12 protected under RCW 84.52.120; (g) levies imposed by ferry districts
13 under RCW 36.54.130; (h) levies for criminal justice purposes under RCW
14 84.52.135; (i) the portions of levies by fire protection districts that
15 are protected under RCW 84.52.125; ~~((and))~~ (j) levies by counties for
16 transit-related purposes under RCW 84.52.140; and (k) levies by or for
17 apportionment districts established under chapter 39.88 RCW.

18 **Sec. 10.** RCW 84.52.050 and 1973 1st ex.s. c 194 s 1 are each
19 amended to read as follows:

20 ~~(1) Except as ((hereinafter provided, the aggregate of all tax~~
21 ~~levies upon real and personal property by the state and all taxing~~
22 ~~districts, now existing or hereafter created, shall not in any year~~
23 ~~exceed one percentum of the true and fair value of such property in~~
24 ~~money: PROVIDED, HOWEVER, That nothing herein shall prevent levies at~~
25 ~~the rates now provided by law by or for any port or public utility~~
26 ~~district. The term "taxing district" for the purposes of this section~~
27 ~~shall mean)) provided otherwise in this section, the aggregate of all~~
28 ~~tax levies upon real and personal property by the state and all taxing~~
29 ~~districts, now existing or hereafter created, may not in any year~~
30 ~~exceed one percentum of the true and fair value of such property in~~
31 ~~money. Nothing in this section prevents levies at the rates now~~
32 ~~provided by law by or for any port or public utility district or any~~
33 ~~apportionment district established under chapter 39.88 RCW. The term~~
34 ~~"taxing district" for the purposes of this section means any political~~
35 ~~subdivision, municipal corporation, district, or other governmental~~
36 ~~agency authorized by law to levy, or have levied for it, ad valorem~~
37 ~~taxes on property, other than a port or public utility district or any~~

1 apportionment district established under chapter 39.88 RCW. Such
2 aggregate limitation or any specific limitation imposed by law in
3 conformity therewith may be exceeded only as authorized by law and in
4 conformity with the provisions of Article VII, section 2(a), (b), or
5 (c) of the Constitution of the state of Washington, or in conformity
6 with any other provision of Article VII of the Constitution of the
7 state of Washington.

8 (2) Nothing ((~~herein contained shall~~)) in this section prohibits
9 the legislature from allocating or reallocating the authority to levy
10 taxes between the taxing districts of the state and its political
11 subdivisions in a manner which complies with the aggregate tax
12 limitation set forth in this section.

13 NEW SECTION. **Sec. 11.** The following acts or parts of acts are
14 each repealed:

15 (1) RCW 39.88.060 (Disagreements between taxing districts) and 1989
16 c 378 s 1 & 1982 1st ex.s. c 42 s 7; and

17 (2) RCW 39.88.090 (General obligation bonds) and 1982 1st ex.s. c
18 42 s 10.

19 NEW SECTION. **Sec. 12.** Section 8 of this act expires January 1,
20 2018.

21 NEW SECTION. **Sec. 13.** Section 9 of this act takes effect January
22 1, 2018.

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