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HOUSE BILL 2858

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State of Washington

65th Legislature

2018 Regular Session

By Representatives Johnson, Chandler, Appleton, McCabe, and Haler

Read first time 01/18/18. Referred to Committee on Technology & Economic Development.

1 AN ACT Relating to allowing excess local infrastructure financing  
2 revenues to be carried forward; amending RCW 39.102.020; and  
3 repealing 2010 c 164 s 13, 2009 c 518 s 25, 2009 c 267 s 9, 2008 c  
4 209 s 2, and 2007 c 229 s 17 (uncodified).

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

6 **Sec. 1.** RCW 39.102.020 and 2013 2nd sp.s. c 21 s 6 are each  
7 amended to read as follows:

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

10 (1) "Annual state contribution limit" means seven million five  
11 hundred thousand dollars statewide per fiscal year.

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

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

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

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

19 (a) Bellingham waterfront redevelopment project;

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

21 (c) Vancouver riverwest project.

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

2 (7) "Fiscal year" means the twelve-month period beginning July  
3 1st and ending the following June 30th.

4 (8) "Local excise tax allocation revenue" means an amount of  
5 local excise taxes equal to some or all of the sponsoring local  
6 government's local excise tax increment, amounts of local excise  
7 taxes equal to some or all of any participating local government's  
8 excise tax increment as agreed upon in the written agreement under  
9 RCW 39.102.080(1), or both, and dedicated to local infrastructure  
10 financing.

11 (9) "Local excise tax increment" means an amount equal to the  
12 estimated annual increase in local excise taxes in each calendar year  
13 following the approval of the revenue development area by the board  
14 from taxable activity within the revenue development area, as set  
15 forth in the application provided to the board under RCW 39.102.040,  
16 and updated in accordance with RCW 39.102.140(1)(f).

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

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

21 (12) "Local infrastructure financing" means the use of revenues  
22 received from local excise tax allocation revenues, local property  
23 tax allocation revenues, other revenues from local public sources,  
24 and revenues received from the local option sales and use tax  
25 authorized in RCW 82.14.475, dedicated to pay either the principal  
26 and interest on bonds authorized under RCW 39.102.150 or to pay  
27 public improvement costs on a pay-as-you-go basis subject to RCW  
28 39.102.195, or both.

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

33 (14) "Low-income housing" means residential housing for low-  
34 income persons or families who lack the means which is necessary to  
35 enable them, without financial assistance, to live in decent, safe,  
36 and sanitary dwellings, without overcrowding. For the purposes of  
37 this subsection, "low income" means income that does not exceed  
38 eighty percent of the median family income for the standard  
39 metropolitan statistical area in which the revenue development area  
40 is located.

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

3 (16) "Participating local government" means a local government  
4 having a revenue development area within its geographic boundaries  
5 that has entered into a written agreement with a sponsoring local  
6 government as provided in RCW 39.102.080 to allow the use of all or  
7 some of its local excise tax allocation revenues or other revenues  
8 from local public sources dedicated for local infrastructure  
9 financing.

10 (17) "Participating taxing district" means a local government  
11 having a revenue development area within its geographic boundaries  
12 that has entered into a written agreement with a sponsoring local  
13 government as provided in RCW 39.102.080 to allow the use of some or  
14 all of its local property tax allocation revenues or other revenues  
15 from local public sources dedicated for local infrastructure  
16 financing.

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

20 (19)(a)(i) "Property tax allocation revenue value" means  
21 seventy-five percent of any increase in the assessed value of real  
22 property in a revenue development area resulting from:

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

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

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

37 (ii) Increases in the assessed value of real property in a  
38 revenue development area resulting from (a)(i)(A) through (C) of this  
39 subsection are included in the property tax allocation revenue value  
40 in the initial year. These same amounts are also included in the

1 property tax allocation revenue value in subsequent years unless the  
2 property becomes exempt from property taxation.

3 (b) "Property tax allocation revenue value" includes seventy-five  
4 percent of any increase in the assessed value of new construction  
5 consisting of an entire building in the years following the initial  
6 year, unless the building becomes exempt from property taxation.

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

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

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

15 (i) For new construction and improvements to property added to  
16 the assessment roll, the year during which the new construction and  
17 improvements are initially placed on the assessment roll;

18 (ii) For the cost of new housing construction, conversion, and  
19 rehabilitation improvements, when such cost is treated as new  
20 construction for purposes of chapter 84.55 RCW, the year when such  
21 cost is treated as new construction for purposes of levying taxes for  
22 collection in the following year; and

23 (iii) For the cost of rehabilitation of historic property, when  
24 such cost is treated as new construction for purposes of chapter  
25 84.55 RCW, the year when such cost is treated as new construction for  
26 purposes of levying taxes for collection in the following year.

27 (20) "Public improvement costs" means the cost of: (a) Design,  
28 planning, acquisition including land acquisition, site preparation  
29 including land clearing, construction, reconstruction,  
30 rehabilitation, improvement, and installation of public improvements;

31 (b) demolishing, relocating, maintaining, and operating property  
32 pending construction of public improvements; (c) the local  
33 government's portion of relocating utilities as a result of public  
34 improvements; (d) financing public improvements, including interest  
35 during construction, legal and other professional services, taxes,  
36 insurance, principal and interest costs on general indebtedness  
37 issued to finance public improvements, and any necessary reserves for  
38 general indebtedness; (e) assessments incurred in revaluing real  
39 property for the purpose of determining the property tax allocation  
40 revenue base value that are in excess of costs incurred by the

1 assessor in accordance with the revaluation plan under chapter 84.41  
2 RCW, and the costs of apportioning the taxes and complying with this  
3 chapter and other applicable law; (f) administrative expenses and  
4 feasibility studies reasonably necessary and related to these costs;  
5 and (g) any of the above-described costs that may have been incurred  
6 before adoption of the ordinance authorizing the public improvements  
7 and the use of local infrastructure financing to fund the costs of  
8 the public improvements.

9 (21) "Public improvements" means:

10 (a) Infrastructure improvements within the revenue development  
11 area that include:

12 (i) Street, bridge, and road construction and maintenance,  
13 including highway interchange construction;

14 (ii) Water and sewer system construction and improvements,  
15 including wastewater reuse facilities;

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

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

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

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

20 and

21 (vii) Stormwater and drainage management systems;

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

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

27 (23) "Regular property taxes" means regular property taxes as  
28 defined in RCW 84.04.140, except: (a) Regular property taxes levied  
29 by public utility districts specifically for the purpose of making  
30 required payments of principal and interest on general indebtedness;  
31 (b) regular property taxes levied by the state for the support of the  
32 common schools under RCW 84.52.065; and (c) regular property taxes  
33 authorized by RCW 84.55.050 that are limited to a specific purpose.  
34 "Regular property taxes" do not include excess property tax levies  
35 that are exempt from the aggregate limits for junior and senior  
36 taxing districts as provided in RCW 84.52.043.

37 (24) "Relocating a business" means the closing of a business and  
38 the reopening of that business, or the opening of a new business that  
39 engages in the same activities as the previous business, in a  
40 different location within a one-year period, when an individual or

1 entity has an ownership interest in the business at the time of  
2 closure and at the time of opening or reopening. "Relocating a  
3 business" does not include the closing and reopening of a business in  
4 a new location where the business has been acquired and is under  
5 entirely new ownership at the new location, or the closing and  
6 reopening of a business in a new location as a result of the exercise  
7 of the power of eminent domain.

8 (25) "Revenue development area" means the geographic area adopted  
9 by a sponsoring local government and approved by the board, from  
10 which local excise and property tax allocation revenues are derived  
11 for local infrastructure financing.

12 (26)(a) "Revenues from local public sources" means:

13 (i) Amounts of local excise tax allocation revenues and local  
14 property tax allocation revenues, dedicated by sponsoring local  
15 governments, participating local governments, and participating  
16 taxing districts, for local infrastructure financing; and

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

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

24 (27) "Small business" has the same meaning as provided in RCW  
25 19.85.020.

26 (28) "Sponsoring local government" means a city, town, or county,  
27 and for the purpose of this chapter a federally recognized Indian  
28 tribe or any combination thereof, that adopts a revenue development  
29 area and applies to the board to use local infrastructure financing.

30 (29) "State contribution" means the lesser of:

31 (a) One million dollars;

32 (b) The total amount of local excise tax allocation revenues,  
33 local property tax allocation revenues, and other revenues from local  
34 public sources, that are dedicated by a sponsoring local government,  
35 any participating local governments, and participating taxing  
36 districts, in the preceding calendar year to the payment of principal  
37 and interest on bonds issued under RCW 39.102.150 or to pay public  
38 improvement costs on a pay-as-you-go basis subject to RCW 39.102.195,  
39 or both. Revenues from local public sources dedicated in the  
40 preceding calendar year that are in excess of the project award may

1 be carried forward and used in later years for the purpose of this  
2 subsection (29)(b);

3 (c) The amount of project award granted by the board in the  
4 notice of approval to use local infrastructure financing under RCW  
5 39.102.040; or

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

10 (30) "State excise tax allocation revenue" means an amount equal  
11 to the annual increase in state excise taxes estimated to be received  
12 by the state in each calendar year following the approval of the  
13 revenue development area by the board, from taxable activity within  
14 the revenue development area as set forth in the application provided  
15 to the board under RCW 39.102.040 and periodically updated and  
16 reported as required in RCW 39.102.140(1)(f).

17 (31) "State excise taxes" means revenues derived from state  
18 retail sales and use taxes under RCW 82.08.020(1) and 82.12.020 at  
19 the rate provided in RCW 82.08.020(1), less the amount of tax  
20 distributions from all local retail sales and use taxes, other than  
21 the local sales and use taxes authorized by RCW 82.14.475 for the  
22 applicable revenue development area, imposed on the same taxable  
23 events that are credited against the state retail sales and use taxes  
24 under chapters 82.08 and 82.12 RCW.

25 (32) "State property tax allocation revenue" means an amount  
26 equal to the estimated tax revenues derived from the imposition of  
27 property taxes levied by the state for the support of common schools  
28 under RCW 84.52.065 on the property tax allocation revenue value, as  
29 set forth in the application submitted to the board under RCW  
30 39.102.040 and updated annually in the report required under RCW  
31 39.102.140(1)(f).

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

35 NEW SECTION. **Sec. 2.** The following acts or parts of acts are  
36 each repealed:

- 37 (1) 2010 c 164 s 13 (uncodified);  
38 (2) 2009 c 518 s 25 (uncodified);  
39 (3) 2009 c 267 s 9 (uncodified);

1 (4) 2008 c 209 s 2 (uncodified); and  
2 (5) 2007 c 229 s 17 (uncodified).

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