

CERTIFICATION OF ENROLLMENT

HOUSE BILL 2858

65th Legislature
2018 Regular Session

Passed by the House February 28, 2018
Yeas 96 Nays 2

Speaker of the House of Representatives

Passed by the Senate March 2, 2018
Yeas 48 Nays 0

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2858** as passed by House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

HOUSE BILL 2858

Passed Legislature - 2018 Regular Session

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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