
SENATE BILL 5564

State of Washington

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By Senators Brown, Wellman, Warnick, Takko, Hobbs, Walsh, Zeiger, Frockt, Wilson, L., Becker, and Padden

1 AN ACT Relating to creating the building business ecosystems act;
2 adding a new section to chapter 82.14 RCW; and adding a new chapter
3 to Title 39 RCW.

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

5 NEW SECTION. **Sec. 1.** SHORT TITLE. This chapter may be known and
6 cited as the building business ecosystems act.

7 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this
8 section apply throughout this chapter unless the context clearly
9 requires otherwise.

10 (1) "Bond" means a bond, a note, or other evidence of
11 indebtedness including, but not limited to, a lease-purchase
12 agreement or an executory conditional sales contract.

13 (2) "Business ecosystems area" means the geographic area adopted
14 by a sponsoring local government and approved by the department, from
15 which local sales and use tax increments are estimated for building
16 business ecosystems financing.

17 (3) "Dedicated building business ecosystems financing" means the
18 use of revenues from local public sources and revenues received from
19 the local option sales and use tax authorized in section 15 of this
20 act dedicated to pay the principal and interest on bonds authorized

1 under section 11 of this act and public improvement costs within the
2 business ecosystems area on a pay-as-you-go basis.

3 (4) "Department" means the department of commerce.

4 (5) "Fiscal year" means the twelve-month period beginning July
5 1st and ending the following June 30th.

6 (6) "Local government" means any city, town, county, or port.

7 (7) "Local property tax allocation revenue" means those tax
8 revenues derived from the receipt of regular property taxes levied on
9 the property tax allocation revenue value and used for building
10 business ecosystems financing.

11 (8) "Local sales and use tax increment" means the estimated
12 annual increase in local sales and use taxes as determined by the
13 local government in the calendar years following the approval of the
14 building business ecosystems financing by the department from taxable
15 activity within the business ecosystems area.

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

18 (10) "Ordinance" means any appropriate method of taking
19 legislative action by a local government.

20 (11) "Participating local government" means a local government
21 having a business ecosystems area within its geographic boundaries
22 that has taken action as provided in section 6 or 7 of this act to
23 allow the use of all or some of its local sales and use tax increment
24 or other revenues from local public sources for dedicated building
25 business ecosystems financing.

26 (12) "Participating taxing district" means a taxing district
27 that:

28 (a) Has a business ecosystems area wholly or partially within its
29 geographic boundaries;

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

32 (c) Has not taken action as provided in section 6 of this act.

33 (13) "Property tax allocation revenue base value" means the
34 assessed value of real property located within a business ecosystems
35 area, less the property tax allocation revenue value.

36 (14) (a) (i) "Property tax allocation revenue value" means seventy-
37 five percent of any increase in the assessed value of real property
38 in a business ecosystems area resulting from:

39 (A) The placement of new construction, improvements to property,
40 or both, on the assessment roll, where the new construction and

1 improvements are initiated after the business ecosystems area is
2 approved;

3 (B) The cost of new (I) housing construction, conversion, and
4 rehabilitation improvements and (II) industrial, manufacturing, or
5 research and development construction, when the cost is treated as
6 new construction for purposes of chapter 84.55 RCW as provided in RCW
7 84.14.020, and the new housing construction, conversion, and
8 rehabilitation improvements or the industrial, manufacturing, or
9 research and development construction is initiated after the business
10 ecosystems area is approved; or

11 (C) The cost of rehabilitation of historic property, when the
12 cost is treated as new construction for purposes of chapter 84.55 RCW
13 as provided in RCW 84.26.070, and the rehabilitation is initiated
14 after the business ecosystems area is approved.

15 (ii) Increases in the assessed value of real property in a
16 business ecosystems area resulting from (a)(i)(A) through (C) of this
17 subsection are included in the property tax allocation revenue value
18 in the initial year. These same amounts are also included in the
19 property tax allocation revenue value in subsequent years unless the
20 property becomes exempt from property taxation.

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

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

28 (d) There is no property tax allocation revenue value if the
29 assessed value of real property in a business ecosystems area has not
30 increased as a result of any of the reasons specified in (a)(i)(A)
31 through (C) of this subsection.

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

33 (i) For new construction and improvements to property added to
34 the assessment roll, the year during which the new construction and
35 improvements are initially placed on the assessment roll;

36 (ii) For the cost of new (A) housing construction, conversion,
37 and rehabilitation improvements and (B) industrial, manufacturing, or
38 research and development construction, when the cost is treated as
39 new construction for purposes of chapter 84.55 RCW, the year when the

1 cost is treated as new construction for purposes of levying taxes for
2 collection in the following year; and

3 (iii) For the cost of rehabilitation of historic property, when
4 the cost is treated as new construction for purposes of chapter 84.55
5 RCW, the year when such cost is treated as new construction for
6 purposes of levying taxes for collection in the following year.

7 (15) "Public improvement costs" means the costs of:

8 (a) Design, planning, acquisition, including land acquisition,
9 site preparation, including land clearing, construction,
10 reconstruction, rehabilitation, improvement, and installation of
11 public improvements;

12 (b) Demolishing, relocating, maintaining, and operating property
13 pending construction of public improvements;

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

15 (d) Financing public improvements, including interest during
16 construction, legal and other professional services, taxes,
17 insurance, principal and interest costs on general indebtedness
18 issued to finance public improvements, and any necessary reserves for
19 general indebtedness; and

20 (e) Administrative expenses and feasibility studies reasonably
21 necessary and related to these costs, including related costs that
22 may have been incurred before adoption of the ordinance authorizing
23 the public improvements and the use of dedicated building business
24 ecosystems financing to fund the costs of the public improvements.

25 (16) "Public improvements" means:

26 (a) Infrastructure improvements within the business ecosystems
27 area that include:

28 (i) Street, road, bridge, and rail construction and maintenance;

29 (ii) Water and sewer system construction and improvements;

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

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

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

33 (vi) Park facilities, recreational areas, and environmental
34 remediation;

35 (vii) Port facilities;

36 (viii) Stormwater and drainage management systems;

37 (ix) Electric, gas, fiber, and other utility infrastructures; and

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

39 (i) Providing environmental analysis, professional management,
40 planning, and promotion within the business ecosystems area,

1 including the management and promotion of retail trade activities in
2 the business ecosystems area;

3 (ii) Providing maintenance and security for common or public
4 areas in the business ecosystems area; or

5 (iii) Historic preservation activities authorized under RCW
6 35.21.395.

7 (17) "Real property" has the same meaning as in RCW 84.04.090 and
8 also includes any privately owned improvements located on publicly
9 owned land that are subject to property taxation.

10 (18)(a) "Regular property taxes" means regular property taxes as
11 defined in RCW 84.04.140, except: (i) Regular property taxes levied
12 by public utility districts specifically for the purpose of making
13 required payments of principal and interest on general indebtedness;
14 (ii) regular property taxes levied by the state for the support of
15 common schools under RCW 84.52.065; and (iii) regular property taxes
16 authorized by RCW 84.55.050 that are limited to a specific purpose.

17 (b) "Regular property taxes" do not include:

18 (i) Excess property tax levies that are exempt from the aggregate
19 limits for junior and senior taxing districts as provided in RCW
20 84.52.043; and

21 (ii) Property taxes that are specifically excluded through an
22 interlocal agreement between the sponsoring local government and a
23 participating taxing district as set forth in section 7 of this act.

24 (19)(a) "Revenues from local public sources" means:

25 (i) The local sales and use tax amounts received as a result of
26 an interlocal agreement and local sales and use tax amounts from
27 sponsoring local governments based on its local sales and use tax
28 increment, which are dedicated by a sponsoring local government and
29 participating local governments, for payment of bonds issued under
30 section 11 of this act or public improvement costs within the
31 business ecosystems area on a pay-as-you-go basis; and

32 (ii) Any other local revenues, except as provided in (b) of this
33 subsection, including revenues derived from federal and private
34 sources, which are dedicated for the payment of bonds issued under
35 section 11 of this act or public improvement costs within the
36 business ecosystems area on a pay-as-you-go basis.

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

1 (20) "Sponsoring local government" means a city, town, county, or
2 any combination thereof, that adopts a business ecosystems area.

3 (21) "State contribution" means the lesser of:

4 (a) Five hundred thousand dollars;

5 (b) The project award amount approved by the department as
6 provided in section 10 of this act; or

7 (c) The total amount of revenues from local public sources
8 dedicated in the preceding calendar year to the payment of principal
9 and interest on bonds issued under section 11 of this act and public
10 improvement costs within the business ecosystems area on a pay-as-
11 you-go basis. Revenues from local public sources dedicated in the
12 preceding calendar year that are in excess of the project award may
13 be carried forward and used in later years for the purpose of this
14 subsection (21) (c).

15 (22) "State property tax increment" means the estimated amount of
16 annual tax revenues estimated to be received by the state from the
17 imposition of property taxes levied by the state for the support of
18 common schools under RCW 84.52.065 on the property tax allocation
19 revenue value, as determined by the sponsoring local government in an
20 application under section 10 of this act and updated periodically as
21 required in section 14 of this act.

22 (23) "State sales and use tax increment" means the estimated
23 amount of annual increase in state sales and use taxes to be received
24 by the state from taxable activity within the business ecosystems
25 area in the years following the approval of the business ecosystems
26 area as determined by the sponsoring local government in an
27 application under section 10 of this act and updated periodically as
28 required in section 14 of this act.

29 (24) "State sales and use taxes" means state retail sales and use
30 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in
31 RCW 82.08.020(1), less the amount of tax distributions from all local
32 retail sales and use taxes, other than the local sales and use taxes
33 authorized by section 15 of this act for the applicable business
34 ecosystems area, imposed on the same taxable events that are credited
35 against the state retail sales and use taxes under RCW 82.08.020(1)
36 and 82.12.020.

37 (25) "Taxing district" means a government entity that levies or
38 has levied for it regular property taxes upon real property located
39 within a proposed or approved business ecosystems area.

1 NEW SECTION. **Sec. 3.** CONDITIONS. A local government may finance
2 public improvements using building business ecosystems area financing
3 subject to the following conditions:

4 (1) The local government has adopted an ordinance designating a
5 business ecosystems area within its boundaries and specified the
6 public improvements proposed to be financed in whole or in part with
7 the use of building business ecosystems financing.

8 (2) The public improvements proposed to be financed in whole or
9 in part using building business ecosystems area financing are
10 expected to encourage private development within the business
11 ecosystems area and to increase the fair market value of real
12 property within the business ecosystems area.

13 (3) The local government has entered into a contract with a
14 private developer relating to the development of private improvements
15 within the business ecosystems area or has received a letter of
16 intent from a private developer relating to the developer's plans for
17 the development of private improvements within the business
18 ecosystems area.

19 (4) Private development that is anticipated to occur within the
20 business ecosystems area, as a result of the public improvements,
21 will be consistent with the countywide planning policy adopted by the
22 county under RCW 36.70A.210 and the local government's comprehensive
23 plan and development regulations adopted under chapter 36.70A RCW.

24 (5) The local government may not use dedicated building business
25 ecosystems financing to finance the costs associated with the
26 financing, design, acquisition, construction, equipping, operating,
27 maintaining, remodeling, repairing, and reequipping of public
28 facilities funded with taxes collected under RCW 82.14.048 or
29 82.14.390.

30 (6) The governing body of the local government must make a
31 finding that building business ecosystems financing:

32 (a) Will not be used for the purpose of relocating a business
33 from outside the business ecosystems area, but within this state,
34 into the business ecosystems area unless convincing evidence is
35 provided that the firm being relocated would otherwise leave the
36 state;

37 (b) Will improve the viability of existing business entities
38 within the business ecosystems area; and

39 (c) Will be used exclusively in areas within the jurisdiction of
40 the local government deemed in need of either economic development or

1 redevelopment, or both, and absent the financing available under this
2 chapter and section 15 of this act the proposed economic development
3 or redevelopment would more than likely not occur.

4 (7) The governing body of the local government finds that the
5 public improvements proposed to be financed in whole or in part using
6 business ecosystems area financing are reasonably likely to:

7 (a) Increase private investment within the business ecosystems
8 area;

9 (b) Increase employment within the business ecosystems area; and

10 (c) Generate, over the period of time that the local sales and
11 use tax will be imposed under section 15 of this act, increases in
12 state and local property, sales, and use tax revenues that are equal
13 to or greater than the respective state and local contributions made
14 under this chapter.

15 NEW SECTION. **Sec. 4.** CREATION OF BUSINESS ECOSYSTEMS AREA. (1)

16 Before adopting an ordinance creating the business ecosystems area, a
17 sponsoring local government must:

18 (a) Provide notice to all local governments with geographic
19 boundaries within the proposed business ecosystems area of the
20 sponsoring local government's intent to create a business ecosystems
21 area. Notice must be provided in writing to the governing body of the
22 local governments at least sixty days in advance of the public
23 hearing as required by (b) of this subsection. The notice must
24 include at least the following information:

25 (i) The name of the proposed business ecosystems area;

26 (ii) The date for the public hearing as required by (b) of this
27 subsection;

28 (iii) The earliest anticipated date when the sponsoring local
29 government will take action to adopt the proposed business ecosystems
30 area; and

31 (iv) The name of a contact person with the phone number of the
32 sponsoring local government and mailing address where a copy of an
33 ordinance adopted under this section may be sent; and

34 (b) Hold a public hearing on the proposed financing of the public
35 improvements in whole or in part with building business ecosystems
36 financing. Notice of the public hearing must be published in a legal
37 newspaper of general circulation within the proposed business
38 ecosystems area at least ten days before the public hearing and
39 posted in at least six conspicuous public places located in the

1 proposed business ecosystems area. Notices must describe the
2 contemplated public improvements, estimate the costs of the public
3 improvements, describe the portion of the costs of the public
4 improvements to be borne by building business ecosystems financing,
5 describe any other sources of revenue to finance the public
6 improvements, describe the boundaries of the proposed business
7 ecosystems area, and estimate the period during which building
8 business ecosystems financing is contemplated to be used. The public
9 hearing may be held by either the governing body of the sponsoring
10 local government, or a committee of the governing body that includes
11 at least a majority of the whole governing body.

12 (2) To create a business ecosystems area, a sponsoring local
13 government must adopt an ordinance establishing the business
14 ecosystems area that:

15 (a) Describes the public improvements proposed to be made in the
16 business ecosystems area;

17 (b) Describes the boundaries of the business ecosystems area,
18 subject to the limitations in section 5 of this act;

19 (c) Estimates the cost of the proposed public improvements and
20 the portion of these costs to be financed by building business
21 ecosystems financing;

22 (d) Estimates the time during which revenues from local public
23 sources, such as amounts of local sales and use taxes from
24 participating local governments, are to be used for business
25 ecosystems area financing;

26 (e) Provides the date when the use of local property tax
27 allocation revenues will commence and a list of the participating
28 taxing districts and the regular property taxes that must be used to
29 calculate property tax allocation revenues;

30 (f) Finds that all of the requirements in section 3 of this act
31 are met;

32 (g) Provides the anticipated rate of sales and use tax under
33 section 15 of this act that the local government will impose if
34 awarded a state contribution under section 10 of this act;

35 (h) Provides the anticipated date when the sales and use tax in
36 section 15 of this act will be imposed.

37 (3) The sponsoring local government must deliver a certified copy
38 of the adopted ordinance to the county treasurer, county assessor,
39 governing body of each participating taxing authority and

1 participating taxing district within which the business ecosystems
2 area is located, department of revenue, and department.

3 NEW SECTION. **Sec. 5.** LIMITATIONS ON BUSINESS ECOSYSTEMS AREAS.

4 A business ecosystems area is subject to the following limitations:

5 (1) (a) Except as provided in (b) of this subsection, no business
6 ecosystems area may have within its geographic boundaries any part of
7 a hospital benefit zone under chapter 39.100 RCW, any part of a
8 revenue development area created under chapter 39.102 RCW, any part
9 of a revitalization area under chapter 39.104 RCW, any part of an
10 increment area under chapter 39.89 RCW, or any part of another
11 business ecosystems area under this chapter.

12 (b) A business ecosystems area's boundaries may include all or a
13 portion of an existing increment area if:

14 (i) The state of Washington has loaned money for environmental
15 cleanup on such an area in order to stimulate redevelopment of
16 brownfields;

17 (ii) The environmental cleanup, for which the state's loans were
18 intended, has been completed; and

19 (iii) The sponsoring local government determines the creation of
20 the business ecosystems area is necessary for redevelopment and
21 protecting the state's investment by increasing property tax revenue.

22 (2) A business ecosystems area is limited to contiguous tracts,
23 lots, pieces, or parcels of land without the creation of islands of
24 property not included in the business ecosystems area.

25 (3) The boundaries may not be drawn to purposely exclude parcels
26 where economic growth is unlikely to occur.

27 (4) The public improvements financed through bonds issued under
28 section 11 of this act and public improvements made on a pay-as-you-
29 go basis must be located in the business ecosystems area.

30 (5) A business ecosystems area cannot comprise an area containing
31 more than twenty-five percent of the total assessed value of the
32 taxable real property within the boundaries of the sponsoring local
33 government at the time the business ecosystems area is created.

34 (6) The boundaries of the business ecosystems area may not be
35 changed for the time period that local property tax allocation
36 revenues, local sales and use taxes of participating local
37 governments, and the local sales and use tax under section 15 of this
38 act, are used to pay bonds issued under section 11 of this act and

1 public improvement costs within the business ecosystems area on a
2 pay-as-you-go basis, as provided under this chapter.

3 (7) A business ecosystems area must be geographically restricted
4 to the location of the public improvement and adjacent locations that
5 the sponsoring local government finds to have a high likelihood of
6 receiving direct positive business and economic impacts due to the
7 public improvement, such as a neighborhood or a block.

8 NEW SECTION. **Sec. 6.** USE OF LOCAL PROPERTY TAX ALLOCATION
9 REVENUES FOR BUILDING BUSINESS ECOSYSTEMS. (1) Participating taxing
10 districts must allow the use of all of their local property tax
11 allocation revenues for building business ecosystems financing.

12 (2) (a) If a taxing district does not want to allow the use of its
13 property tax revenues for the building business ecosystems financing
14 of public improvements in a business ecosystems area, its governing
15 body must adopt an ordinance to remove itself as a participating
16 taxing district and must notify the sponsoring local government.

17 (b) The taxing district must provide a copy of the adopted
18 ordinance and notice to the sponsoring local government creating the
19 business ecosystems area before the anticipated date that the
20 sponsoring local government proposes to adopt the ordinance creating
21 the business ecosystems area as provided in the notice required by
22 section 4 of this act.

23 (3) If a taxing district wants to become a participating taxing
24 district by allowing one or more but not all of its regular property
25 tax levies to be used for the calculation of local property tax
26 allocation revenues, it may do so through an interlocal agreement
27 specifying the regular property taxes that will be used for
28 calculating its local property tax allocation revenues. This
29 subsection does not authorize a taxing district to allow the use of
30 only part of one or more of its regular property tax levies by the
31 sponsoring local government.

32 (4) If a taxing district wants to participate on a partial basis
33 by providing a specified amount of money to a sponsoring local
34 government to be used for building business ecosystems financing for
35 a specified amount of time, it may do so through an interlocal
36 agreement. However, the taxing district must adopt an ordinance as
37 described in subsection (2) of this section to remove itself as a
38 participating taxing district for purposes of calculating property

1 tax allocation revenues and instead partially participate through an
2 interlocal agreement outlining the specifics of its participation.

3 NEW SECTION. **Sec. 7.** OPTING IN OR OUT AS A PARTICIPATING LOCAL
4 GOVERNMENT. (1) A participating local government must enter into an
5 interlocal agreement as provided in chapter 39.34 RCW to participate
6 in building business ecosystems financing with the sponsoring local
7 government.

8 (2) (a) If a local government that imposes a sales and use tax
9 under RCW 82.14.030 does not want to participate in the building
10 business ecosystems financing of public improvements in a business
11 ecosystems area, its governing body must adopt an ordinance and
12 notify the sponsoring local government that the taxing authority will
13 not be a participating local government.

14 (b) The local government must provide a copy of the adopted
15 ordinance and the notice to the sponsoring local government creating
16 the business ecosystems area before the anticipated date that the
17 sponsoring local government proposes to adopt an ordinance creating
18 the business ecosystems area as provided in the notice required by
19 section 4 of this act.

20 NEW SECTION. **Sec. 8.** LOCAL PROPERTY TAX ALLOCATION REVENUES—
21 DISTRIBUTION—DETERMINATION—TERMINATION—EXCEPTION. (1) Commencing in
22 the second calendar year following the creation of a business
23 ecosystems area by a sponsoring local government, the county
24 treasurer must distribute receipts from regular taxes imposed on real
25 property located in the business ecosystems area as follows:

26 (a) Each participating taxing district and the sponsoring local
27 government must receive that portion of its regular property taxes
28 produced by the rate of tax levied by or for the taxing district on
29 the property tax allocation revenue base value for that building
30 business ecosystems financing project in the taxing district; and

31 (b) The sponsoring local government must receive an additional
32 portion of the regular property taxes levied by it and by or for each
33 participating taxing district upon the property tax allocation
34 revenue value within the business ecosystems area. However, if there
35 is no property tax allocation revenue value, the sponsoring local
36 government may not receive any additional regular property taxes
37 under this subsection (1)(b). The sponsoring local government may
38 agree to receive less than the full amount of the additional portion

1 of regular property taxes under this subsection (1)(b) as long as
2 bond debt service, reserve, and other bond covenant requirements are
3 satisfied, in which case the balance of these tax receipts shall be
4 allocated to the participating taxing districts that levied regular
5 property taxes, or have regular property taxes levied for them, in
6 the business ecosystems area for collection that year in proportion
7 to their regular tax levy rates for collection that year. The
8 sponsoring local government may request that the treasurer transfer
9 this additional portion of the property taxes to its designated
10 agent. The portion of the tax receipts distributed to the sponsoring
11 local government or its agent under this subsection (1)(b) may only
12 be expended to finance public improvement costs associated with the
13 public improvements financed in whole or in part by building business
14 ecosystems financing.

15 (2) The county assessor must determine the property tax
16 allocation revenue value and property tax allocation revenue base
17 value. This section does not authorize revaluations of real property
18 by the assessor for property taxation that are not made in accordance
19 with the assessor's revaluation plan under chapter 84.41 RCW or under
20 other authorized revaluation procedures.

21 (3) The distribution of local property tax allocation revenue to
22 the sponsoring local government must cease when local property tax
23 allocation revenues are no longer obligated to pay the costs of the
24 public improvements. Any excess local property tax allocation
25 revenues, and earnings on the revenues, remaining at the time the
26 distribution of local property tax allocation revenue terminates,
27 must be returned to the county treasurer and distributed to the
28 participating taxing districts that imposed regular property taxes,
29 or had regular property taxes imposed for it, in the business
30 ecosystems area for collection that year, in proportion to the rates
31 of their regular property tax levies for collection that year.

32 (4) The allocation to the business ecosystems area of that
33 portion of the sponsoring local government's and each participating
34 taxing district's regular property taxes levied upon the property tax
35 allocation revenue value within that business ecosystems area is
36 declared to be a public purpose of and benefit to the sponsoring
37 local government and each participating taxing district.

38 (5) The distribution of local property tax allocation revenues
39 under this section may not affect or be deemed to affect the rate of
40 taxes levied by or within any sponsoring local government and

1 participating taxing district or the consistency of any such levies
2 with the uniformity requirement of Article VII, section 1 of the
3 state Constitution.

4 (6) This section does not apply to a business ecosystems area
5 that has boundaries that include all or a portion of the boundaries
6 of an increment area created under chapter 39.89 RCW.

7 NEW SECTION. **Sec. 9.** LOCAL SALES AND USE TAX INCREMENTS. (1) A
8 sponsoring local government may use annually local sales and use tax
9 amounts equal to some or all of its local sales and use tax
10 increments to finance public improvements in the business ecosystems
11 area. The amounts of local sales and use tax dedicated by a
12 participating local government must begin and cease on the dates
13 specified in an interlocal agreement authorized in chapter 39.34 RCW.
14 Participating local governments are authorized to allocate some or
15 all of their local sales and use tax increment to the sponsoring
16 local government as provided by section 6 or 7 of this act.

17 (2) Upon request, the department, with the assistance of the
18 department of revenue, must assist sponsoring local governments in
19 estimating sales and use tax revenues from estimated taxable activity
20 in the proposed or adopted business ecosystems area. The sponsoring
21 local government must provide the department with accurate
22 information describing the geographical boundaries of the business
23 ecosystems area in an electronic format or in a manner as otherwise
24 prescribed by the department.

25 NEW SECTION. **Sec. 10.** APPLICATION PROCESS. (1) Prior to
26 applying to the department to receive a state contribution, a
27 sponsoring local government must adopt a business ecosystems area
28 within the limitations in section 5 of this act and in accordance
29 with section 4 of this act.

30 (2)(a) As a condition to imposing a sales and use tax under
31 section 15 of this act, a sponsoring local government must apply to
32 the department and be approved for a project award amount. The
33 application must be in a form and manner prescribed by the department
34 and include, but not be limited to:

35 (i) Information establishing that over the period of time that
36 the local sales and use tax will be imposed under section 15 of this
37 act, increases in state and local property and sales and use tax
38 revenues as a result of public improvements in the business

1 ecosystems area will be equal to or greater than the respective state
2 and local contributions made under this chapter;

3 (ii) Information demonstrating that the sponsoring local
4 government will meet the requirements necessary to receive the full
5 amount of state contribution it is requesting on an annual basis;

6 (iii) The amount of state contribution it is requesting;

7 (iv) The anticipated effective date for imposing the tax under
8 section 15 of this act;

9 (v) The estimated number of years that the tax will be imposed;

10 (vi) The anticipated rate of tax to be imposed under section 15
11 of this act, subject to the rate-setting conditions in section 15(3)
12 of this act, should the sponsoring local government be approved for a
13 project award;

14 (vii) The anticipated date when bonds issued under section 11 of
15 this act will be issued;

16 (viii) The name of current businesses located within the business
17 ecosystems area;

18 (ix) The estimated number of businesses that will locate within
19 the business ecosystems area as a result of the public improvements
20 undertaken by the sponsoring local government and financed in whole
21 or in part with building business ecosystems financing;

22 (x) The current number of permanent jobs located in the business
23 ecosystems area;

24 (xi) An estimate of the number of permanent jobs that will be
25 created as a result of public improvements undertaken by the
26 sponsoring local government and financed in whole or in part with
27 building business ecosystems financing;

28 (xii) The current estimate of the average wages and benefits
29 received by all employees of businesses located within the business
30 ecosystems area; and

31 (xiii) Any other information required by the department to
32 evaluate the merits of the application.

33 (b) As part of the application, each applicant must provide to
34 the department a copy of the adopted ordinance creating the business
35 ecosystems area as required in section 4 of this act, copies of any
36 adopted interlocal agreements from participating local governments,
37 and any notices from taxing districts that elect not to be a
38 participating taxing district.

39 (3) (a) Project awards must be determined through a competitive
40 process. In evaluating applications for a project award, the

1 department must develop the relative weight to be assigned to the
2 following criteria:

3 (i) The project's potential to enhance the sponsoring local
4 government's regional or international competitiveness;

5 (ii) The project's ability to encourage affordable housing, mixed
6 use or transit-oriented developments and the redevelopment of a
7 geographic area;

8 (iii) Achieving an overall distribution of projects statewide
9 that reflect geographic diversity;

10 (iv) The estimated wages and benefits for the project are greater
11 than the average labor market area;

12 (v) The estimated state and local net employment change over the
13 life of the project;

14 (vi) The current economic health and vitality of the proposed
15 business ecosystems area and the contiguous community and the
16 estimated impact of the proposed project on the proposed business
17 ecosystems area and contiguous community;

18 (vii) The estimated state and local net property tax change over
19 the life of the project;

20 (viii) The estimated state and local sales and use tax increase
21 over the life of the project;

22 (ix) If a project is located within an urban growth area,
23 evidence that the project utilizes existing urban infrastructure and
24 that the transportation needs of the project will be adequately met
25 through the use of dedicated building business ecosystems financing
26 or other sources.

27 (b) A project award may not be more than:

28 (i) One million dollars per year for a twenty-year period;

29 (ii) Eight hundred thousand dollars per year for a twenty-five
30 year period; or

31 (iii) Six hundred sixty-five thousand dollars per year for a
32 thirty-year period.

33 (c) The total of all project awards may not exceed the annual
34 state contribution limit in section 15 of this act.

35 (d) (i) Five million dollars of the total project award amount
36 must be used annually only for projects in rural jurisdictions or
37 designated opportunity zones. If as of December 31st of any year,
38 less than five million dollars is awarded to rural projects under
39 this subsection in any year, the difference between the amount
40 awarded under this subsection to rural projects and five million

1 dollars may be made available to any otherwise qualifying project
2 that has applied under this section in that year. To qualify for
3 funding under this subsection, a rural project must start
4 construction no later than December 31, 2025. If a rural project that
5 is awarded funding under this section does not start construction by
6 December 31, 2025, such award amount must be made available to any
7 qualifying applicants under this section that apply in 2026 for such
8 funding.

9 (ii) For the purposes of this subsection, "rural" means any
10 location, whether or not planning under RCW 36.70A.040, that is not
11 within:

12 (A) A city or town that has a population of greater than fifty
13 thousand persons, as determined by the office of financial
14 management; or

15 (B) An urbanized area contiguous and adjacent to a city or town
16 described in (d)(i) of this subsection.

17 (e) If the level of available state contribution is less than the
18 amount requested by the next available applicant, the applicant must
19 be given the first opportunity to accept the lesser amount of state
20 contribution but only if the applicant produces a new application
21 within sixty days of being notified by the department and the
22 application describes the impact on the proposed project as a result
23 of the lesser award in addition to new application information
24 outlined in subsection (2) of this section.

25 (f) Applications that are not approved for a project award due to
26 lack of available state contribution must be retained on file by the
27 department in order of the date of their receipt.

28 (g) Once total project awards reach the amount of annual state
29 contribution limit in section 15 of this act, no more applications
30 will be accepted.

31 (h) If the annual contribution limit is increased by making
32 additional funds available for applicants that apply through a
33 competitive process, applications will be accepted again beginning
34 sixty days after the effective date of the increase. However, in the
35 time period before any new applications are accepted, all sponsoring
36 local governments with a complete application already on file with
37 the department must be provided an opportunity to either withdraw
38 their application or update the information in the application. The
39 updated application must be for a project that is substantially the
40 same as the project in the original application. The department must

1 consider these applications for project awards prior to considering
2 any new applications.

3 (4) The department must notify the sponsoring local government of
4 approval or denial of a project award within sixty days of the
5 department's receipt of the sponsoring local government's
6 application. Determination of a project award by the department is
7 final. Notification must include the earliest date when the tax
8 authorized under section 15 of this act may be imposed, subject to
9 conditions in chapter 82.14 RCW. The project award notification must
10 specify the rate requested in the application and any adjustments to
11 the rate that would need to be made based on the project award and
12 rate restrictions in section 15 of this act.

13 (5) The department must begin accepting applications September 1,
14 2019, and make awards by September 1, 2020. The department must
15 notify the department of revenue of all approved project awards under
16 this section. The department must also provide to the department of
17 revenue any information necessary to implement the tax authorized
18 under section 15 of this act.

19 (6) No funding may be awarded under this chapter after June 30,
20 2051.

21 NEW SECTION. **Sec. 11.** ISSUANCE OF GENERAL OBLIGATION BONDS. (1)
22 A sponsoring local government creating a business ecosystems area and
23 authorizing the use of building business ecosystems financing may
24 incur general indebtedness, including issuing general obligation
25 bonds, to finance the public improvements and retire the indebtedness
26 in whole or in part from building business ecosystems financing it
27 receives, subject to the following requirements:

28 (a) (i) The ordinance adopted by the sponsoring local government
29 creating the business ecosystems area and authorizing the use of
30 building business ecosystems financing indicates an intent to incur
31 this indebtedness and the maximum amount of this indebtedness that is
32 contemplated; and

33 (ii) The sponsoring local government includes this statement of
34 intent in all notices required by section 4 of this act; or

35 (b) The sponsoring local government adopts a resolution, after
36 opportunity for public comment, that indicates an intent to incur
37 this indebtedness and the maximum amount of this indebtedness that is
38 contemplated.

1 (2) The general indebtedness incurred under subsection (1) of
2 this section may be payable from other tax revenues, the full faith
3 and credit of the sponsoring local government, and nontax income,
4 revenues, fees, and rents from the public improvements, as well as
5 contributions, grants, and nontax money available to the local
6 government for payment of costs of the public improvements or
7 associated debt service on the general indebtedness.

8 (3) In addition to the requirements in subsection (1) of this
9 section, a sponsoring local government creating a business ecosystems
10 area and authorizing the use of building business ecosystems
11 financing may require any nonpublic participants to provide adequate
12 security to protect the public investment in the public improvement
13 within the business ecosystems area.

14 (4) Bonds issued under this section must be authorized by
15 ordinance of the sponsoring local government and may be issued in one
16 or more series and must bear a date or dates, be payable upon demand
17 or mature at a time or times, bear interest at a rate or rates, be in
18 a denomination or denominations, be in a form either coupon or
19 registered as provided in RCW 39.46.030, carry conversion or
20 registration privileges, have a rank or priority, be executed in a
21 manner, be payable in a medium of payment, at a place or places, and
22 be subject to terms of redemption with or without premium, be secured
23 in a manner, and have other characteristics, as may be provided by an
24 ordinance or trust indenture or mortgage issued pursuant thereto.

25 (5) The sponsoring local government may:

26 (a) Annually pay into a special fund to be established for the
27 benefit of bonds issued under this section a fixed proportion or a
28 fixed amount of any local property tax allocation revenues derived
29 from property within the business ecosystems area containing the
30 public improvements funded by the bonds, the payment to continue
31 until all bonds payable from the fund are paid in full;

32 (b) Annually pay into the special fund established pursuant to
33 this section a fixed proportion or a fixed amount of any revenues
34 derived from taxes imposed under section 15 of this act, such payment
35 to continue until all bonds payable from the fund are paid in full;
36 and

37 (c) Issue revenue bonds payable from any or all revenues
38 deposited in the special fund established pursuant to this section.

39 (6) In case any of the public officials of the sponsoring local
40 government whose signatures appear on any bonds or any coupons issued

1 under this chapter cease to be the officials before the delivery of
2 the bonds, the signatures must, nevertheless, be valid and sufficient
3 for all purposes, the same as if the officials had remained in office
4 until the delivery. Any provision of any law to the contrary
5 notwithstanding, any bonds issued under this chapter are fully
6 negotiable.

7 (7) Notwithstanding subsections (4) through (6) of this section,
8 bonds issued under this section may be issued and sold in accordance
9 with chapter 39.46 RCW.

10 NEW SECTION. **Sec. 12.** USE OF TAX REVENUE FOR BOND REPAYMENT. A
11 sponsoring local government that issues bonds issued under section 11
12 of this act to finance public improvements may pledge for the payment
13 of such bonds all or part of any local property tax allocation
14 revenues derived from the public improvements. The sponsoring local
15 government may also pledge all or part of any revenues derived from
16 taxes imposed under section 15 of this act and held in connection
17 with the public improvements.

18 NEW SECTION. **Sec. 13.** LIMITATION ON BONDS ISSUED. The bonds
19 issued by a local government under section 11 of this act to finance
20 public improvements do not constitute an obligation of the state of
21 Washington, either general or special.

22 NEW SECTION. **Sec. 14.** REPORTING REQUIREMENTS. (1) A sponsoring
23 local government receiving a project award under section 10 of this
24 act must provide a report to the department by March 1st of each year
25 beginning March 1st after the project award has been approved. The
26 report must contain the following information:

27 (a) The amount of local sales and use tax and other revenue from
28 local public sources dedicated by any participating local government
29 used for the payment of bonds issued under section 11 of this act and
30 public improvement costs within the business ecosystems area on a
31 pay-as-you-go basis in the preceding calendar year;

32 (b) The amount of local sales and use tax dedicated by the
33 sponsoring local government, as it relates to the sponsoring local
34 government's local sales and use tax increment, used for the payment
35 of bonds issued under section 11 of this act and public improvement
36 costs within the business ecosystems area on a pay-as-you-go basis in
37 the preceding calendar year;

1 (c) The amounts, other than those listed in (a) and (b) of this
2 subsection, from local public sources, broken down by type or source,
3 used for payment of bonds issued under section 11 of this act or
4 public improvement costs within the business ecosystems area on a
5 pay-as-you-go basis in the preceding calendar year;

6 (d) The anticipated date when bonds issued under section 11 of
7 this act are expected to be retired;

8 (e) The names of any businesses locating within the business
9 ecosystems area as a result of the public improvements undertaken by
10 the sponsoring local government and financed in whole or in part with
11 building business ecosystems financing;

12 (f) An estimate of the cumulative number of permanent jobs
13 created in the business ecosystems area as a result of the public
14 improvements undertaken by the sponsoring local government and
15 financed in whole or in part with building business ecosystems
16 financing;

17 (g) An estimate of the average wages and benefits received by all
18 employees of businesses locating within the business ecosystems area
19 as a result of the public improvements undertaken by the sponsoring
20 local government and financed in whole or in part with building
21 business ecosystems financing;

22 (h) A list of public improvements financed by bonds issued under
23 section 11 of this act and public improvements made on a pay-as-you-
24 go basis within the business ecosystems area;

25 (i) That the sponsoring local government is in compliance with
26 section 3 of this act;

27 (j) At least once every three years, updated estimates of the
28 amounts of state and local sales and use tax increments received
29 since the approval by the department of the project award under
30 section 10 of this act;

31 (k) The amount of revenues from local public sources that (i)
32 were expended in prior years for the payment of bonds issued under
33 section 11 of this act and public improvement costs within the
34 business ecosystems area on a pay-as-you-go basis in prior calendar
35 years that were in excess of the project award amount for that year
36 and are carried forward for dedication in future years, (ii) are
37 deemed dedicated to payment of bonds or public improvement costs in
38 the calendar year for which the report is prepared, and (iii) remain
39 available for dedication in future years; and

1 (1) Any other information required by the department to (i)
2 enable the department to fulfill its duties under this chapter, and
3 (ii) enable the department of revenue to fulfill its duties under
4 section 15 of this act.

5 (2) The department must make a report available to the public and
6 the legislature by June 1st of each year. The report must include a
7 summary of the information provided to the department by sponsoring
8 local governments under subsection (1) of this section.

9 NEW SECTION. **Sec. 15.** A new section is added to chapter 82.14
10 RCW to read as follows:

11 (1) Any city or county that has been approved for a project award
12 under section 10 of this act may impose a sales and use tax under the
13 authority of this section in accordance with the terms of this
14 chapter. Except as provided in this section, the tax is in addition
15 to other taxes authorized by law and must be collected from those
16 persons who are taxable by the state under chapters 82.08 and 82.12
17 RCW upon the occurrence of any taxable event within the taxing
18 jurisdiction of the city or county.

19 (2) The tax authorized under subsection (1) of this section is
20 credited against the state taxes imposed under RCW 82.08.020(1) and
21 82.12.020 at the rate provided in RCW 82.08.020(1). The department
22 must perform the collection of such taxes on behalf of the city or
23 county at no cost to the city or county. The taxes must be
24 distributed to cities and counties as provided in RCW 82.14.060.

25 (3) The rate of tax imposed by a city or county may not exceed
26 the lesser of:

27 (a) The rate provided in RCW 82.08.020(1), less:

28 (i) The aggregate rates of all other local sales and use taxes
29 imposed by any taxing authority on the same taxable events;

30 (ii) The aggregate rates of all taxes under RCW 82.14.465,
31 82.14.475, 82.14.510, and this section that are authorized but have
32 not yet been imposed on the same taxable events by a city or county
33 that has been approved to receive a state contribution by the
34 department, the department of commerce, or the community economic
35 revitalization board under chapter 39.--- (the new chapter created in
36 section 16 of this act), 39.100, 39.102, or 39.104 RCW; and

37 (iii) The percentage amount of distributions required under RCW
38 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
39 82.08.020(1); and

1 (b) The rate, as determined by the city or county in consultation
2 with the department, reasonably necessary to receive the project
3 award under section 10 of this act over ten months.

4 (4) Upon request, the department of commerce, with assistance
5 from the department, must assist a city or county in establishing its
6 tax rate in accordance with subsection (3) of this section. Once the
7 rate of tax is selected through the application process and approved
8 under section 10 of this act, it may not be increased.

9 (5) (a) No tax may be imposed under the authority of this section
10 before July 1st of the calendar year immediately following the year
11 in which the department of commerce approved the application made
12 under section 10 of this act;

13 (b) The tax imposed under this section expires the earlier of the
14 date that the bonds issued under the authority of section 11 of this
15 act are retired or thirty years after the tax is first imposed.

16 (6) An ordinance or resolution adopted by the legislative
17 authority of the city or county imposing a tax under this section
18 must provide that:

19 (a) The tax will first be imposed on the first day of a fiscal
20 year;

21 (b) The cumulative amount of tax received by the city or county,
22 in any fiscal year, may not exceed the amount approved by the
23 department under subsection (10) of this section;

24 (c) The department must cease distributing the tax for the
25 remainder of any fiscal year in which either:

26 (i) The amount of tax received by the city or county equals the
27 amount of distributions approved by the department for the fiscal
28 year under subsection (10) of this section; or

29 (ii) The amount of revenue distributed to all sponsoring and
30 cosponsoring local governments from taxes imposed under this section
31 equals the annual state contribution limit in subsection (11) of this
32 section;

33 (d) The tax will be distributed again, should it cease to be
34 distributed for any of the reasons provided in (c) of this
35 subsection, at the beginning of the next fiscal year, subject to the
36 restrictions in this section; and

37 (e) The state is entitled to any revenue generated by the tax in
38 excess of the amounts specified in (c) of this subsection.

39 (7) If a city or county receives approval for more than one
40 business ecosystems area within its jurisdiction, the city or county

1 may impose a sales and use tax under this section for each business
2 ecosystems area.

3 (8) The department must determine the amount of tax receipts
4 distributed to each city and county imposing a sales and use tax
5 under the authority of this section and must advise a city or county
6 when tax distributions for the fiscal year equal the amount
7 determined by the department in subsection (10) of this section.
8 Determinations by the department of the amount of tax distributions
9 attributable to a city or county are not appealable. The department
10 must remit any tax receipts in excess of the amounts specified in
11 subsection (6)(c) of this section to the state treasurer who must
12 deposit the money in the general fund.

13 (9) If a city or county fails to comply with section 14 of this
14 act, no tax may be distributed in the subsequent fiscal year until
15 such time as the city or county complies and the department
16 calculates the state contribution amount according to subsection (10)
17 of this section for the fiscal year.

18 (10) For each fiscal year that a city or county imposes the tax
19 under the authority of this section, the department must approve the
20 amount of taxes that may be distributed to the city or county. The
21 amount approved by the department under this subsection is the lesser
22 of:

- 23 (a) The state contribution;
- 24 (b) The amount of project award granted by the department of
25 commerce as provided in section 10 of this act; or
- 26 (c) The total amount of revenues from local public sources
27 dedicated or, in the case of carry forward revenues, deemed dedicated
28 in the preceding calendar year, as reported in the required annual
29 report under section 14 of this act.

30 (11) The amount of tax distributions received from taxes imposed
31 under the authority of this section by all cities and counties is
32 limited annually to not more than the amount of the annual state
33 contribution limit, which is limited as follows:

34 (a) Except as provided in this subsection, no more than fifteen
35 million dollars of credit against the state sales and use tax may be
36 received by all cities, towns, and counties imposing a tax under this
37 section; and

38 (b) During the fiscal years beginning July 1, 2022, through June
39 30, 2025, and for each subsequent fiscal year, the total amount of
40 credit against the state sales and use tax that may be received by

1 all cities, towns, and counties imposing a tax under this section
2 must be increased as follows:

3 (i) In the fiscal year beginning July 1, 2022, the limit in (a)
4 of this subsection must be increased by the same percentage as the
5 percentage increase in the assessed value of all taxable property
6 within this state from calendar year 2019 through calendar year 2020,
7 as determined by the department;

8 (ii) In the fiscal year beginning July 1, 2023, the limit in (a)
9 of this subsection must be increased by the same percentage as the
10 percentage increase in the assessed value of all taxable property
11 within this state from calendar year 2019 through calendar year 2021,
12 as determined by the department; and

13 (iii) In the fiscal year beginning July 1, 2024, and for each
14 subsequent fiscal year, the limit in (a) of this subsection must be
15 increased by the same percentage increase in the assessed value of
16 all taxable property within this state from calendar year 2019
17 through calendar year 2022, as determined by the department.

18 (12) The definitions in section 2 of this act apply to this
19 section subject to subsection (13) of this section and unless the
20 context clearly requires otherwise.

21 (13) For purposes of this section, the following definitions
22 apply:

23 (a) "Department" means the department of revenue.

24 (b) "Local sales and use taxes" means sales and use taxes imposed
25 by cities, counties, public facilities districts, and other local
26 governments under the authority of this chapter, chapter 67.28 RCW,
27 or any other chapter, and that are credited against the state sales
28 and use taxes.

29 (c) "State sales and use taxes" means the taxes imposed in RCW
30 82.08.020(1) and 82.12.020.

31 NEW SECTION. **Sec. 16.** Sections 1 through 14 of this act
32 constitute a new chapter in Title 39 RCW.

--- END ---