
SENATE BILL 6602

State of Washington

61st Legislature

2010 Regular Session

By Senators Kilmer, Kastama, Jacobsen, Ranker, Hobbs, McDermott, Tom, Shin, and Swecker

Read first time 01/19/10. Referred to Committee on Economic Development, Trade & Innovation.

1 AN ACT Relating to local conservation area financing; amending RCW
2 84.55.010 and 36.70A.080; adding a new section to chapter 82.32 RCW;
3 and adding a new chapter to Title 39 RCW.

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

5 **PART I**
6 **INTENT**

7 NEW SECTION. **Sec. 101.** INTENT. (1) The legislature has adopted
8 planning goals through the growth management act, chapter 36.70A RCW,
9 to conserve productive forest and agricultural lands and discourage
10 incompatible uses, to encourage development in urban areas where
11 adequate public facilities and services exist or can be provided
12 efficiently, and to reduce sprawl, and in RCW 36.70A.090 has encouraged
13 the use of innovative land use management techniques, including the
14 transfer of development rights, to meet these planning goals.

15 (2) The legislature also has recognized in RCW 43.362.005 that
16 creation of a regional transfer of development rights marketplace in
17 central Puget Sound will assist in conserving rural, agricultural, and
18 forest land.

1 (3) The legislature finds that a regional transfer of development
2 rights marketplace is most urgently needed for conserving a subset of
3 these lands: Agricultural and forest land of long-term commercial
4 significance in the central Puget Sound where a rapid and increasing
5 loss of such lands is occurring. Transferring the development rights
6 from these lands of statewide importance to receiving cities in the
7 central Puget Sound will help keep them in farming and forestry.
8 Targeting a state program on conservation of agricultural and forest
9 land of long-term commercial significance, and not on rural lands in
10 general, will increase the likelihood that enough development rights
11 from these lands will be absorbed by receiving cities to secure the
12 conservation of sufficient acres of agricultural and forest land to
13 maintain a viable industry of farming and forestry in the central Puget
14 Sound. Counties and cities are encouraged to use all of the mechanisms
15 available to them under the growth management act and zoning laws to
16 conserve other rural lands, such as land whose conservation meets other
17 state and regionally adopted priorities.

18 (4) The legislature finds that such a central Puget Sound
19 marketplace will also encourage compact development while preventing
20 sprawl, thereby advancing state goals regarding climate change and
21 protection of Puget Sound. Transferring growth from agricultural and
22 forest land of long-term commercial significance will reduce costs to
23 the counties that otherwise would be responsible for the provision of
24 infrastructure and other services to development on these lands.
25 Transferring growth to urban areas where public facilities and services
26 exist or can be provided efficiently and cost-effectively will ensure
27 vibrant, economically viable communities. Directing growth to
28 communities where people can live close to where they work or have
29 access to transportation choices will reduce vehicle miles traveled,
30 reducing fuel consumption and emissions that contribute to climate
31 change. Directing growth to these communities will also help reduce
32 the impacts of storm water runoff to Puget Sound by reducing impervious
33 surfaces in watershed uplands.

34 (5) The legislature further finds that, to be successful, a
35 regional transfer of development rights marketplace in the central
36 Puget Sound specifically focused on agricultural and forest land of
37 long-term commercial significance must be accompanied by adequate

1 funding for development of public facilities and services within the
2 cities willing to accept these transferable development rights.

3 (6) Accordingly, the legislature finds that it is in the public
4 interest to invest in a regional transfer of development rights
5 marketplace in the central Puget Sound specifically focused on
6 agricultural and forest land of long-term commercial significance. The
7 legislature recognizes that the state as a whole benefits from
8 investment in public infrastructure that facilitates the transfer of
9 development from agricultural and forest lands of long-term commercial
10 significance into urban areas. Public infrastructure investment
11 stimulates business activity and helps create jobs, stimulates the
12 redevelopment of brown fields and blighted areas in urban areas, lowers
13 the cost of housing, and promotes efficient land use. The legislature
14 finds that these activities generate revenue for the state and that it
15 is in the public interest to invest in these projects through a credit
16 against the state sales and use tax to those local governments that can
17 demonstrate the expected returns to the state.

18 **PART II**
19 **DEFINITIONS**

20 NEW SECTION. **Sec. 201.** DEFINITIONS. The definitions in this
21 section apply throughout this chapter unless the context clearly
22 requires otherwise.

23 (1) "Allocation rate" means the number of development rights per
24 parcel that a sending area landowner can sell for a given parcel under
25 the zoning in effect upon the effective date of this act.

26 (2) "Annual state contribution limit" means five million dollars
27 statewide per fiscal year.

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

30 (4) "By-right permitting" means that project applications for
31 permits that use transferable development rights would be subject to
32 administrative review. Administrative review allows a local planning
33 official to approve a project without noticed public hearings.

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

35 (6) "Eligible county" means any county that borders Puget Sound,

1 that has a population of six hundred thousand or more, and that has an
2 established program for transfer of development rights.

3 (7) "Employment" means total employment in a county or city, as
4 applicable, estimated by the state office of financial management.

5 (8) "Exchange rate" means the development bonus or increment of
6 development beyond what base zoning allows that is assigned to a
7 development right for use in a receiving area.

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

10 (10) "Local conservation finance area" means the geographic area
11 identified by a sponsoring city, from which local sales and use tax
12 increments are estimated and property tax allocation revenues are
13 derived for local conservation area financing.

14 (11) "Local conservation area financing" means the use of revenues
15 from local public sources and from the local option sales and use tax
16 authorized in section 1001 of this act, in each case dedicated to pay
17 the principal and interest on bonds authorized under section 1101 of
18 this act or to pay public improvement costs within the local
19 conservation finance area.

20 (12) "Local government" means any incorporated city within an
21 eligible county.

22 (13) "Local property tax allocation revenue" means those tax
23 revenues derived from the receipt of regular property taxes levied on
24 the property tax allocation revenue value and used for local
25 conservation area financing.

26 (14) "Local sales and use tax increment" means the estimated annual
27 increase in local sales and use taxes as determined by the local
28 government in the calendar years following the approval of the local
29 conservation finance area by the department from taxable activity
30 within the local conservation finance area.

31 (15) "Local sales and use taxes" means local revenues derived from
32 the imposition of sales and use taxes authorized in RCW 82.14.030.

33 (16) "Ordinance" means any appropriate method of taking legislative
34 action by a local government or taxing district.

35 (17) "Participating local government" means any local government
36 and any eligible county having a local conservation finance area within
37 its geographic boundaries that has taken action as provided in section

1 801 of this act to allow the use of all or some of its local sales and
2 use tax increment or other revenues from local public sources dedicated
3 for local conservation area financing.

4 (18) "Participating taxing district" means a taxing district having
5 a local conservation finance area within its geographic boundaries.

6 (19) "Population" means the population of a city or county, as
7 applicable, estimated by the state office of financial management.

8 (20) "Property tax allocation revenue base value" means the
9 assessed value of real property located within a local conservation
10 finance area, less the property tax allocation revenue value.

11 (21)(a)(i) "Property tax allocation revenue value" means that
12 portion of any increase in the assessed value of real property in a
13 local conservation finance area equal to the sponsoring city ratio and
14 resulting from:

15 (A) The placement of new construction, improvements to property, or
16 both, on the assessment roll, where the new construction and
17 improvements are initiated after the local conservation finance area is
18 approved by the department;

19 (B) The cost of new housing construction, conversion, and
20 rehabilitation improvements, when the cost is treated as new
21 construction for purposes of chapter 84.55 RCW as provided in RCW
22 84.14.020, and the new housing construction, conversion, and
23 rehabilitation improvements are initiated after the local conservation
24 finance area is approved by the department;

25 (C) The cost of rehabilitation of historic property, when the cost
26 is treated as new construction for purposes of chapter 84.55 RCW as
27 provided in RCW 84.26.070, and the rehabilitation is initiated after
28 the local conservation finance area is approved by the department.

29 (ii) Increases in the assessed value of real property in a local
30 conservation finance area resulting from (a)(i)(A) through (C) of this
31 subsection are included in the property tax allocation revenue value in
32 the initial year. These same amounts are also included in the property
33 tax allocation revenue value in subsequent years unless the property
34 becomes exempt from property taxation.

35 (b) "Property tax allocation revenue value" includes that portion
36 equal to the sponsoring city ratio of any increase in the assessed
37 value of:

1 (i) New construction consisting of an entire building in the years
2 following the initial year, unless the building becomes exempt from
3 property taxation; and

4 (ii) Property developed using transferable development rights, as
5 defined in this section, unless the property becomes exempt from
6 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 assessed
9 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 local conservation finance area
12 has not increased as a result of any of the reasons specified in
13 (a)(i)(A) through (C) of this subsection.

14 (e) For purposes of this subsection (21), "initial year" means:

15 (i) For new construction and improvements to property added to the
16 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 the cost is treated as new
20 construction for purposes of chapter 84.55 RCW, the year when the cost
21 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 the
24 cost is treated as new construction for purposes of chapter 84.55 RCW,
25 the year when such cost is treated as new construction for purposes of
26 levying taxes for collection in the following year.

27 (22) "Public improvement costs" means the costs of:

28 (a) Design, planning, acquisition, including land acquisition, site
29 preparation 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;

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

34 (d) Financing public improvements, including capitalized interest
35 during construction and for up to six months following completion of
36 construction, legal and other professional services, taxes, insurance,
37 principal of and interest on bonds issued to finance public

1 improvements, and any necessary reserves for bonds issued to finance
2 public improvements; and

3 (e) Administrative expenses and feasibility studies reasonably
4 necessary and related to these costs, including related costs that may
5 have been incurred before adoption of the ordinance authorizing the
6 public improvements and the use of local conservation area financing to
7 fund the costs of the public improvements.

8 (23) "Public improvements" means:

9 (a) Infrastructure improvements within the local conservation
10 finance area that include:

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

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

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

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

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

16 (vi) Park facilities, recreational areas, and environmental
17 remediation;

18 (vii) Storm water and drainage management systems;

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

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

22 (ii) Providing maintenance and security for common or public areas
23 in the local conservation finance area; or

24 (iii) Historic preservation activities authorized under RCW
25 35.21.395.

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

29 (25) "Receiving areas" are those lands within and designated by a
30 receiving city in which transferable development rights from sending
31 areas may be used.

32 (26) "Receiving city" means any incorporated city with population
33 plus employment equal to twenty-two thousand five hundred or greater
34 within an eligible county.

35 (27) "Receiving city allocated share" means the total number of
36 transferable development rights from agricultural and forest land of
37 long-term commercial significance within the eligible counties

1 allocated to a receiving city under section 304(1) of this act, as
2 updated under section 304(2) of this act.

3 (28) "Regular property taxes" means regular property taxes as
4 defined in RCW 84.04.140, except: (a) Regular property taxes levied by
5 public utility districts specifically for the purpose of making
6 required payments of principal and interest on general indebtedness;
7 (b) regular property taxes levied by the state for the support of
8 common schools under RCW 84.52.065; and (c) regular property taxes
9 authorized by RCW 84.55.050 that are limited to a specific purpose.
10 "Regular property taxes" do not include excess property tax levies that
11 are exempt from the aggregate limits for junior and senior taxing
12 districts as provided in RCW 84.52.043.

13 (29)(a) "Revenues from local public sources" means:

14 (i) The local sales and use tax amounts received as a result of
15 interlocal agreement, local sales and use tax amounts from
16 participating local governments based on its local sales and use tax
17 increment, and local property tax allocation revenues, which are
18 dedicated by a sponsoring city, participating local governments, and
19 participating taxing districts, to pay principal of and interest on
20 bonds issued under section 1101 of this act or to pay public
21 improvement costs within the local conservation finance area; and

22 (ii) Any other local revenues, except as provided in (b) of this
23 subsection, including revenues derived from federal and private
24 sources, which are dedicated to pay principal of and interest on bonds
25 issued under section 1101 of this act or to pay public improvement
26 costs within the local conservation finance area.

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

31 (30) "Sending areas" means those lands within an eligible county
32 that meet conservation criteria as described in section 301 of this
33 act.

34 (31) "Sponsoring city" means a receiving city that accepts all or
35 a portion of its receiving city allocated share, adopts a plan for
36 development of adequate infrastructure within receiving areas in
37 accordance with section 401 of this act, adopts a program in accordance

1 with section 402 of this act for transfer of development rights, and
2 creates one or more local conservation finance areas, all as specified
3 in section 304(3) of this act.

4 (32) "Sponsoring city allocated share" means the total number of
5 transferable development rights from agricultural and forest land of
6 long-term commercial significance within the eligible counties
7 allocated to the sponsoring city under section 304(1) of this act, as
8 updated under section 304(2) of this act, plus the total number of
9 transferable development rights transferred to the sponsoring city from
10 another receiving city under section 304(4) of this act.

11 (33) "Sponsoring city ratio" means the sponsoring city specified
12 portion divided by the sponsoring city allocated share multiplied by
13 three-fourths; provided that no sponsoring city ratio shall apply until
14 the sponsoring city has issued permits for properties within one or
15 more local conservation finance areas that, on an aggregate basis, use
16 development rights representing at least twenty-five percent of the
17 sponsoring city specified portion. The sponsoring city ratio may be
18 increased from time to time to reflect increases in the sponsoring city
19 specified portion by the sponsoring city under section 401 of this act;
20 provided that no increase in the sponsoring city ratio may apply until
21 the sponsoring city has issued permits for properties within one or
22 more local conservation finance areas that, on an aggregate basis, use
23 development rights representing at least twenty-five percent of the
24 increased sponsoring city specified portion.

25 (34) "Sponsoring city specified portion" means all or the portion
26 of a sponsoring city allocated share to be accommodated within one or
27 more local conservation finance areas, as set forth in the sponsoring
28 city's plan for development of adequate infrastructure within receiving
29 areas under section 401 of this act, as may be amended as provided in
30 section 401 of this act.

31 (35) "State contribution" means the lesser of:

32 (a) Five hundred thousand dollars;

33 (b) The project award amount approved by the department based on
34 the sponsoring city specified portion; or

35 (c) The total amount of revenues from local public sources
36 dedicated in the preceding calendar year to pay principal of and
37 interest on bonds issued under section 1101 of this act or to pay
38 public improvement costs within the local conservation finance area.

1 Revenues from local public sources dedicated in the preceding calendar
2 year that are in excess of the project award may be carried forward and
3 used in later years for the purpose of this subsection (35)(c).

4 (36) "State property tax increment" means the estimated amount of
5 annual tax revenues estimated to be received by the state from the
6 imposition of property taxes levied by the state for the support of
7 common schools under RCW 84.52.065 on the property tax allocation
8 revenue value, as determined by the sponsoring city in an application
9 under section 901 of this act and updated periodically as required in
10 section 902 of this act.

11 (37) "State sales and use tax increment" means the estimated amount
12 of annual increase in state sales and use taxes to be received by the
13 state from taxable activity within the local conservation finance area
14 in the years following the approval of the local conservation finance
15 area by the department as determined by the sponsoring city in an
16 application under section 901 of this act and updated periodically as
17 required in section 902 of this act.

18 (38) "State sales and use taxes" means state retail sales and use
19 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in RCW
20 82.08.020(1), less the amount of tax distributions from all local
21 retail sales and use taxes, other than the local sales and use taxes
22 authorized by section 1001 of this act for the applicable local
23 conservation finance area, imposed on the same taxable events that are
24 credited against the state retail sales and use taxes under RCW
25 82.08.020(1) and 82.12.020.

26 (39) "Taxing district" means any city, county, or port that levies
27 or has levied for it regular property taxes upon real property located
28 within a proposed or approved local conservation finance area.

29 (40) "Transfer of development rights" includes methods for
30 protecting land from development by voluntarily removing the
31 development rights from a sending area and transferring them to one or
32 more receiving areas for the purpose of increasing development density
33 or intensity in the receiving area.

34 (41) "Transferable development rights" means a right to develop one
35 or more residential units in a sending area that can be sold and
36 transferred for use consistent with an exchange rate for development in
37 a designated receiving area consistent with this act.

PART III
SENDING AREAS

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NEW SECTION. **Sec. 301.** DESIGNATION OF SENDING AREAS--INCLUSION OF AGRICULTURAL AND FOREST LAND OF LONG-TERM COMMERCIAL SIGNIFICANCE. An eligible county must designate all agricultural and forest land of long-term commercial significance within its jurisdiction as sending areas for conservation under the eligible county's program for transfer of development rights. The development rights from all such agricultural and forest land of long-term commercial significance within the eligible counties must be available for transfer to receiving cities under this chapter.

NEW SECTION. **Sec. 302.** DEVELOPMENT RIGHTS FROM AGRICULTURAL AND FOREST LAND OF LONG-TERM COMMERCIAL SIGNIFICANCE. (1) The number of development rights from agricultural and forest land of long-term commercial significance under land use or zoning classifications in effect as of the effective date of this act that a sending site within a sending area is eligible to send to a receiving site under this act must be determined by the eligible county under its program for transfer of development rights as of the effective date of this act.

(2) The number of development rights includes the development rights from agricultural and forest lands of long-term commercial significance that have been previously issued by the eligible county as transferable development rights but that have not as yet been transferred to a receiving area under the eligible county's program for transfer of development rights as of the effective date of this act.

(3) The number of development rights do not include development rights from agricultural and forest lands of long-term commercial significance that have previously been removed or extinguished, such as through an existing conservation easement, except where the development rights have been specifically issued by the eligible county as transferable development rights as of the effective date of this act.

NEW SECTION. **Sec. 303.** DETERMINATION OF TOTAL NUMBER OF DEVELOPMENT RIGHTS FOR AGRICULTURAL AND FOREST LAND OF LONG-TERM COMMERCIAL SIGNIFICANCE. (1) On or before September 1, 2010, each eligible county must report to the Puget Sound regional council the total number of development rights from agricultural and forest land of

1 long-term commercial significance within the eligible county that may
2 be available for allocation to receiving cities under this act, as
3 determined under section 302 of this act.

4 (2) On or before September 1, 2017, and September 1, 2024, each
5 eligible county must report to the Puget Sound regional council an
6 updated total number of development rights from agricultural and forest
7 land of long-term commercial significance within the eligible county
8 under land use or zoning classifications in effect as of the effective
9 date of this act that still may be available for allocation to
10 receiving cities under this act.

11 NEW SECTION. **Sec. 304.** ALLOCATION AMONG LOCAL GOVERNMENTS OF
12 DEVELOPMENT RIGHTS FROM AGRICULTURAL AND FOREST LAND OF LONG-TERM
13 COMMERCIAL SIGNIFICANCE. (1) The department of commerce must work with
14 the Puget Sound regional council to allocate among receiving cities the
15 total number of development rights reported by eligible counties under
16 section 303 of this act. Each receiving city allocated share must be
17 determined by the Puget Sound regional council, in consultation with
18 eligible counties and receiving cities, based on factors such as actual
19 and projected population growth.

20 (2) The department of commerce, working with the Puget Sound
21 regional council, must report to each receiving city its receiving city
22 allocated share on or before March 1, 2011, and must provide updated
23 receiving city allocated shares to each receiving city on or before
24 March 1, 2018, and March 1, 2025.

25 (3) A receiving city may become a sponsoring city by accepting all
26 or a portion of its receiving city allocated share, and adopting a plan
27 in accordance with section 401 of this act for development of adequate
28 infrastructure within one or more receiving areas, or portions thereof,
29 within the receiving city sufficient to accommodate its sponsoring city
30 specified portion, adopting a program in accordance with section 402 of
31 this act for transfer of the development rights into the receiving area
32 or receiving areas, and adopting one or more local conservation finance
33 areas within the limitations in section 603 of this act and in
34 accordance with sections 601 and 602 of this act to pay for the public
35 improvements.

36 (4) A receiving city may, by interlocal agreement, transfer all or
37 a portion of its receiving city allocated share to a sponsoring city.

1 The transferred portion of the receiving city allocated share must be
2 included in the sponsoring city allocated share for the purposes of
3 sections 701 and 901 of this act.

4 **PART IV**
5 **RECEIVING AREAS**

6 NEW SECTION. **Sec. 401.** DEVELOPMENT PLAN FOR ADEQUATE
7 INFRASTRUCTURE. (1) Before adopting an ordinance creating one or more
8 local conservation finance areas under section 602 of this act, a
9 sponsoring city must adopt a plan for development of adequate
10 infrastructure within one or more receiving areas, or portions thereof,
11 within one or more local conservation finance areas sufficient to
12 accommodate, on an aggregate basis, all of the sponsoring city
13 allocated share or a specified portion equal to or greater than twenty
14 percent of the sponsoring city allocated share, in each case over a
15 specified time period not to exceed ten years following creation of the
16 local conservation finance area or areas.

17 (2) The plan must be developed in consultation with taxing
18 districts within the local conservation finance areas to be created, be
19 consistent with the transfer of development rights policies or
20 development regulations adopted by the sponsoring city under section
21 402 of this act, specify the public improvements to be financed using
22 local conservation area financing under section 601 of this act,
23 estimate the number of development rights that will be used within the
24 local conservation finance areas to be created, and estimate the cost
25 of the public improvements.

26 (3) A plan adopted under this section may be revised by the
27 sponsoring city, in consultation with the taxing districts within the
28 local conservation finance areas, to increase the sponsoring city
29 specified portion or to account for updated receiving city allocated
30 shares pursuant to section 304(2) of this act.

31 NEW SECTION. **Sec. 402.** PROGRAM FOR TRANSFER OF DEVELOPMENT RIGHTS
32 INTO RECEIVING AREAS--REQUIREMENTS. (1) Before adopting an ordinance
33 creating one or more local conservation finance areas under section 601
34 of this act, a sponsoring city must adopt transfer of development
35 rights policies or implement development regulations that:

1 (a) Comply with chapter 36.70A RCW;
2 (b) Designate one or more receiving areas;
3 (c) Adopt permitting or environmental review incentives for
4 developers to participate consistent with subsection (2) of this
5 section;
6 (d) Adopt an exchange rate;
7 (e) Are not based upon downzone(s) within one or more receiving
8 areas solely to create a market for the transferable development
9 rights; and
10 (f) Require that the sale of a development right from agricultural
11 or forest land of long-term commercial significance be evidenced by its
12 current or prior removal or extinguishment from the sending site, such
13 as through a conservation easement on the sending site.
14 (2) Developer incentives should be designed to:
15 (a) Accommodate the densities or intensities reasonably likely to
16 result from absorption of the sponsoring city specified portion
17 identified in the plan under section 401 of this act;
18 (b) Include streamlined permitting strategies such as by-right
19 permitting;
20 (c) Include streamlined environmental review strategies such as
21 development and substantial environmental review of a subarea plan for
22 a receiving area that benefits projects that use transferable
23 development rights, adoption of a categorical exemption for infill
24 under RCW 43.21C.229 for a receiving area, and adoption of a planned
25 action under RCW 43.21C.031 for the receiving area; and
26 (d) Each sponsoring city may determine, at its option, what
27 developer incentives to adopt within its jurisdiction.
28 (3) Exchange rates should be designed to:
29 (a) Create a marketplace in which development rights are priced at
30 a level at which sending site landowners are willing to sell and
31 receiving site developers are willing to buy development rights;
32 (b) Accommodate the densities or intensities reasonably likely to
33 result from absorption of the sponsoring city specified portion
34 identified in the plan under section 401 of this act;
35 (c) Allow for translation to commodities other than residential
36 density, such as building height, commercial floor area, parking ratio,
37 impervious surface, parkland and open space, setbacks, floor area
38 ratio, and carbon offsets;

1 (d) Allow for exemptions from other land use or building
2 requirements; and

3 (e) Be flexible, allowing modification on a project-by-project
4 basis.

5 (4) A sponsoring city must designate all agricultural and forest
6 land of long-term commercial significance within the eligible counties
7 as available sending areas for conservation from which it may receive
8 transferable development rights to be used in its designated receiving
9 area(s).

10 (5) A sponsoring city, in accordance with its existing
11 comprehensive planning and development regulation authority under
12 chapter 36.70A RCW, and in accordance with section 1201 of this act,
13 may elect to adopt an optional comprehensive plan element and optional
14 development regulations that apply within one or more receiving areas
15 that are, or that are intended to become local conservation finance
16 areas under this act.

17 NEW SECTION. **Sec. 403.** DEVELOPMENT RIGHTS AVAILABLE FOR TRANSFER
18 TO RECEIVING CITIES. Only development rights from agricultural and
19 forest land of long-term commercial significance within the eligible
20 counties, as determined under section 302 of this act and reported
21 under section 303 of this act, may be available for transfer to
22 receiving cities in accordance with this act.

23 **PART V**

24 **TECHNICAL ASSISTANCE AND QUANTITATIVE AND QUALITATIVE**
25 **PERFORMANCE MEASURES**

26 NEW SECTION. **Sec. 501.** TECHNICAL ASSISTANCE. Subject to the
27 availability of funds appropriated for this specific purpose or other
28 source of funding made available for this specific purpose, the
29 department of commerce must provide the technical assistance described
30 in RCW 43.362.030(4) to implement the regional transfer of development
31 rights program under this chapter.

32 NEW SECTION. **Sec. 502.** QUANTITATIVE AND QUALITATIVE PERFORMANCE
33 MEASURES--REPORTING--POSTING ON WEB SITE. The department of commerce
34 must develop quantitative and qualitative performance measures for

1 monitoring the regional transfer of development rights program under
2 this chapter. The performance measures may address conservation of
3 agricultural and forest land of long-term commercial significance
4 within the eligible counties and creation of compact communities within
5 the receiving cities, as well as other measures identified by the
6 department. The department of commerce may require eligible counties
7 and sponsoring cities to report on these performance measures
8 biannually. The department of commerce must compile any performance
9 measure information that has been reported by the eligible counties and
10 sponsoring cities and post it on its web site.

11 **PART VI**

12 **ESTABLISHMENT OF LOCAL CONSERVATION FINANCE AREAS**

13 NEW SECTION. **Sec. 601.** CONDITIONS. A sponsoring city may finance
14 public improvements using local conservation area financing subject to
15 the following conditions:

16 (1) The sponsoring city has adopted an ordinance designating one or
17 more local conservation finance areas within its boundaries and
18 specified the public improvements proposed to be financed in whole or
19 in part with the use of local conservation area financing;

20 (2) The public improvements proposed to be financed in whole or in
21 part using local conservation area financing are expected to encourage
22 private development within the applicable local conservation finance
23 area, to increase the fair market value of real property within the
24 applicable local conservation finance area, and are identified in the
25 plan under section 401 of this act;

26 (3) The sponsoring city:

27 (a) Has entered into a contract with a private developer that owns
28 or has an option to purchase transferable development rights; or

29 (b) Has received a letter of intent from a private developer that
30 owns or has an option to purchase transferable development rights,
31 which contract or letter of intent relates to the developer's plans for
32 the development of private improvements within the applicable local
33 conservation finance area;

34 (4) The sponsoring city may not use local conservation area
35 financing to finance the costs associated with the financing, design,

1 acquisition, construction, equipping, operating, maintaining,
2 remodeling, repairing, and reequipping of public facilities funded with
3 taxes collected under RCW 82.14.048 or 82.14.390;

4 (5) The governing body of the sponsoring city must make findings
5 that local conservation area financing:

6 (a) Will not be used for the purpose of relocating a business from
7 outside the local conservation finance area, but within this state,
8 into the local conservation finance area unless convincing evidence is
9 provided that the firm being relocated would otherwise leave the state;

10 (b) Will improve the viability of existing business entities within
11 the local conservation finance area; and

12 (c) Will be used exclusively in areas within the jurisdiction of
13 the sponsoring city deemed in need of either economic development or
14 redevelopment, or both, and absent the financing available under this
15 act the proposed economic development or redevelopment would more than
16 likely not occur; and

17 (6) The governing body of the sponsoring city finds that the public
18 improvements proposed to be financed in whole or in part using local
19 conservation area financing are reasonably likely to:

20 (a) Increase private investment within the local conservation
21 finance area;

22 (b) Increase employment within the local conservation finance area;

23 (c) Result in the use within the local conservation finance areas
24 of the sponsoring city specified portion identified in the plan under
25 section 401 of this act; and

26 (d) Generate, over the period of time that the local sales and use
27 tax will be imposed under section 1001 of this act, increases in state
28 and local property, sales, and use tax revenues that are equal to or
29 greater than the respective state and local contributions made under
30 this chapter.

31 NEW SECTION. **Sec. 602.** CREATING A LOCAL CONSERVATION FINANCE
32 AREA. (1) Before adopting an ordinance creating one or more local
33 conservation finance areas, a sponsoring city must:

34 (a) Provide notice to all taxing districts and local governments
35 with geographic boundaries within the proposed local conservation
36 finance areas of the sponsoring city's intent to create one or more
37 local conservation finance areas. Notice must be provided in writing

1 to the governing body of the taxing districts and local governments at
2 least one hundred twenty days in advance of the public hearing as
3 required by (b) of this subsection. The notice must include at least
4 the following information:

5 (i) The name of the proposed local conservation finance areas;

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

8 (iii) The earliest anticipated date when the sponsoring city will
9 take action to adopt the proposed local conservation finance areas;

10 (iv) Whether the sponsoring city expects to issue bonds pursuant to
11 section 1101 of this act and, if so, the estimated principal amount of
12 the bonds; and

13 (v) The name of a contact person with the phone number of the
14 sponsoring city and mailing address where a copy of an ordinance
15 adopted under section 604 or 605 of this act may be sent; and

16 (b) Hold a public hearing on the proposed financing of the public
17 improvements in whole or in part with local conservation area
18 financing. Notice of the public hearing must be published in a
19 newspaper of general circulation within the proposed local conservation
20 finance areas at least ten days before the public hearing and posted in
21 at least six conspicuous public places located in each proposed local
22 conservation finance area. Notices must describe the contemplated
23 public improvements, estimate the costs of the public improvements,
24 describe the portion of the costs of the public improvements to be
25 borne by local conservation area financing, describe any other sources
26 of revenue to finance the public improvements, describe the boundaries
27 of the proposed local conservation finance areas, and estimate the
28 period during which local conservation area financing is contemplated
29 to be used. The public hearing may be held by either the governing
30 body of the sponsoring city, or a committee of the governing body that
31 includes at least a majority of the whole governing body.

32 (2) To create one or more local conservation finance areas, a
33 sponsoring city must adopt an ordinance that:

34 (a) Includes within each local conservation finance area all or a
35 portion of one or more receiving areas for transferable development
36 rights;

37 (b) Describes the public improvements proposed to be made in each
38 local conservation finance area;

1 (c) Describes the boundaries of each local conservation finance
2 area, subject to the limitations in section 603 of this act;

3 (d) Estimates the cost of the proposed public improvements and the
4 portion of these costs to be financed by local conservation area
5 financing;

6 (e) Estimates the time during which local property tax allocation
7 revenues, and other revenues from local public sources, such as amounts
8 of local sales and use taxes from participating local governments, are
9 to be used for local conservation area financing;

10 (f) Provides the date when the use of local property tax allocation
11 revenues will commence;

12 (g) Provides the anticipated rate of sales and use tax under
13 section 1001 of this act that the local government will impose if
14 awarded a state contribution under this act; and

15 (h) Provides the anticipated date when the sales and use tax in
16 section 1001 of this act will be imposed.

17 (3) The sponsoring city must deliver a certified copy of the
18 adopted ordinance to the county treasurer, the governing body of each
19 participating taxing authority and participating taxing district within
20 which the local conservation finance area is located, and the
21 department.

22 NEW SECTION. **Sec. 603.** LIMITATIONS ON LOCAL CONSERVATION FINANCE
23 AREAS. The designation of any local conservation finance area is
24 subject to the following limitations:

25 (1) A local conservation finance area is limited to contiguous
26 tracts, lots, pieces, or parcels of land without the creation of
27 islands of property not included in the local conservation finance
28 area;

29 (2) The boundaries may not be drawn to purposely exclude parcels
30 where economic growth is unlikely to occur;

31 (3) The public improvements paid with local conservation area
32 financing must be located in the local conservation finance area;

33 (4) All local conservation finance areas created by a sponsoring
34 city cannot, in the aggregate, comprise an area containing more than
35 twenty-five percent of the total assessed value of the taxable real
36 property within the boundaries of the sponsoring city at the time the
37 local conservation finance areas are created;

1 (5) The boundaries of each local conservation finance area may not
2 be changed for the time period that local property tax allocation
3 revenues, local sales and use taxes of participating local governments,
4 and the local sales and use tax under section 1001 of this act are used
5 to pay the principal of and interest on bonds issued under section 1101
6 of this act or public improvement costs within the local conservation
7 finance area, as provided under this chapter;

8 (6) Each local conservation finance area must be geographically
9 restricted to the location of the public improvement and adjacent
10 locations that the sponsoring city finds to have a high likelihood of
11 receiving direct positive business and economic impacts due to the
12 public improvement, such as an urban center, areas designated for
13 transit-oriented development, a neighborhood, or a block; and

14 (7) All local conservation finance areas created by the sponsoring
15 city must comprise, in the aggregate, an area that the sponsoring city
16 determines (a) is sufficient to accommodate the sponsoring city
17 specified portion, and (b) is no larger than reasonably necessary to
18 accommodate the sponsoring city specified portion, within the context
19 of the overall development planned for such area.

20 NEW SECTION. **Sec. 604.** PARTICIPATING TAXING DISTRICTS. Taxing
21 districts must allow the use of all of their local property tax
22 allocation revenues for local conservation area financing.

23 NEW SECTION. **Sec. 605.** OPTING IN OR OUT AS A PARTICIPATING LOCAL
24 GOVERNMENT. (1) A local government or eligible county that has not
25 opted out of the local conservation financing area pursuant to
26 subsection (2) of this section must enter into an interlocal agreement
27 as provided in chapter 39.34 RCW to participate in local conservation
28 area financing with the sponsoring city.

29 (2)(a) If a local government or an eligible county that imposes a
30 sales and use tax under RCW 82.14.030 does not want to participate in
31 the local conservation area financing of public improvements in a local
32 conservation finance area, its governing body must adopt an ordinance
33 and notify the sponsoring city that the local government or eligible
34 county will not be a participating local government.

35 (b) The local government or eligible county must provide a copy of
36 the adopted ordinance and the notice to the sponsoring city creating

1 the local conservation finance area before the anticipated date that
2 the sponsoring city proposes to adopt an ordinance creating the local
3 conservation finance area as provided in the notice required by section
4 602 of this act.

5 **PART VII**

6 **LOCAL CONSERVATION AREA FINANCING**

7 **USE OF LOCAL PROPERTY TAX ALLOCATION REVENUES TO PAY FOR**
8 **THE COST OF PUBLIC IMPROVEMENTS**

9 NEW SECTION. **Sec. 701.** LOCAL PROPERTY TAX ALLOCATION REVENUES.

10 (1) Commencing in the second calendar year following the date on which
11 the sponsoring city certifies to the county treasurer that a sponsoring
12 city ratio applies, the county treasurer must distribute receipts from
13 regular taxes imposed on real property located in the local
14 conservation finance area as follows:

15 (a) Each participating taxing district and the sponsoring city must
16 receive that portion of its regular property taxes produced by the rate
17 of tax levied by or for the taxing district on the property tax
18 allocation revenue base value for that local conservation area
19 financing project in the taxing district; and

20 (b) The sponsoring city must receive an additional portion of the
21 regular property taxes levied by it and by or for each participating
22 taxing district upon the property tax allocation revenue value within
23 the local conservation finance area. However, if there is no property
24 tax allocation revenue value, the sponsoring city may not receive any
25 additional regular property taxes under this subsection (1)(b). The
26 sponsoring city may agree to receive less than the full amount of the
27 additional portion of regular property taxes under this subsection
28 (1)(b) as long as bond debt service, reserve, and other bond covenant
29 requirements are satisfied, in which case the balance of these tax
30 receipts must be allocated to the participating taxing districts that
31 levied regular property taxes, or have regular property taxes levied
32 for them, in the local conservation finance area for collection that
33 year in proportion to their regular tax levy rates for collection that
34 year. The sponsoring city may request that the county treasurer
35 transfer this additional portion of the property taxes to its
36 designated agent. The sponsoring city must notify the county treasurer

1 of any increase in the sponsoring city ratio at least one hundred
2 eighty days prior to the first full calendar year for which the
3 increased sponsoring city ratio will be used to calculate the property
4 tax allocation revenue value. The portion of the tax receipts
5 distributed to the sponsoring city or its agent under this subsection
6 (1) (b) may only be expended to finance public improvement costs
7 associated with the public improvements financed in whole or in part by
8 local conservation area financing.

9 (2) The county assessor must determine the property tax allocation
10 revenue value and property tax allocation revenue base value. This
11 section does not authorize revaluations of real property by the
12 assessor for property taxation that are not made in accordance with the
13 assessor's revaluation plan under chapter 84.41 RCW or under other
14 authorized revaluation procedures.

15 (3) The distribution of local property tax allocation revenue to
16 the sponsoring city must cease when local property tax allocation
17 revenues are no longer obligated to pay the costs of the public
18 improvements. Any excess local property tax allocation revenues, and
19 earnings on the revenues, remaining at the time the distribution of
20 local property tax allocation revenue terminates, must be returned to
21 the county treasurer and distributed to the participating taxing
22 districts that imposed regular property taxes, or had regular property
23 taxes imposed for it, in the local conservation finance area for
24 collection that year, in proportion to the rates of their regular
25 property tax levies for collection that year.

26 (4) The allocation to the local conservation finance area of that
27 portion of the sponsoring city's and each participating taxing
28 district's regular property taxes levied upon the property tax
29 allocation revenue value within that local conservation finance area is
30 declared to be a public purpose of and benefit to the sponsoring city
31 and each participating taxing district.

32 (5) The distribution of local property tax allocation revenues
33 under this section may not affect or be deemed to affect the rate of
34 taxes levied by or within any sponsoring city and participating taxing
35 district or the consistency of any such levies with the uniformity
36 requirement of Article VII, section 1 of the state Constitution.

1 finance area in an electronic format or in a manner as otherwise
2 prescribed by the department.

3 **PART IX**

4 **LOCAL CONSERVATION AREA FINANCING--STATE CONTRIBUTION**

5 NEW SECTION. **Sec. 901.** APPLICATION PROCESS--DEPARTMENT OF REVENUE
6 APPROVAL. (1) Prior to applying to the department to receive a state
7 contribution for one or more local conservation finance areas, a
8 sponsoring city must develop a plan in accordance with section 401 of
9 this act and adopt the local conservation finance areas within the
10 limitations in section 603 of this act and in accordance with sections
11 601 and 602 of this act.

12 (2)(a) As a condition to imposing a sales and use tax under section
13 1001 of this act, a sponsoring city must apply to the department and be
14 approved for a project award amount. The application must be in a form
15 and manner prescribed by the department and include, but not be limited
16 to:

17 (i) Information establishing that over the period of time that the
18 local sales and use tax will be imposed under section 1001 of this act,
19 increases in state and local property, sales, and use tax revenues as
20 a result of public improvements in the local conservation finance area
21 will be equal to or greater than the respective state and local
22 contributions made under this chapter;

23 (ii) Information demonstrating that the sponsoring city will meet
24 the requirements necessary to receive the full amount of state
25 contribution it is requesting on an annual basis;

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

27 (iv) The anticipated effective date for imposing the tax under
28 section 1001 of this act;

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

30 (vi) The anticipated rate of tax to be imposed under section 1001
31 of this act should the sponsoring city be approved for a project award;
32 and

33 (vii) The anticipated date when any bonds under section 1101 of
34 this act will be issued.

35 (b) The department must make available electronic forms to be used
36 for this purpose. As part of the application, each applicant must

1 provide to the department a copy of the plan for development of
2 adequate infrastructure within receiving areas developed under section
3 401 of this act, a copy of the adopted ordinance creating one or more
4 local conservation finance areas as required in section 601 of this
5 act, and copies of any adopted interlocal agreements from participating
6 local governments.

7 (3)(a) Project awards will be made to sponsoring cities that submit
8 an application within a sixty-day application period designated by the
9 department and whose application includes a plan developed under
10 section 401 of this act that the department determines can reasonably
11 be expected to result in use of the sponsoring city specified portion
12 within the time period set forth therein.

13 (b) The total of all project awards may not exceed the annual state
14 contribution limit.

15 (c) If the level of available state contribution is less than the
16 amount requested by applicants meeting the requirements set forth in
17 (a) of this subsection, the amount of each project award will be
18 adjusted so that the annual state contribution is allocated on a pro
19 rata basis among all applicants meeting the requirements set forth in
20 (a) of this subsection based on their then respective sponsoring city
21 specified portions.

22 (d) If the annual contribution limit is increased or if project
23 award amounts are recaptured under subsection (6) of this section,
24 applications will be accepted again during a sixty-day application
25 period beginning sixty days after the effective date of the increase or
26 recapture of project award amounts. The increased annual contribution
27 limit or recaptured project awards will be allocated on a pro rata
28 basis among all applicants meeting the requirements set forth in (a) of
29 this subsection based on their then respective sponsoring city
30 specified portions, taking into account any previous allocation of
31 state contribution to the sponsoring city.

32 (4) The department must notify the sponsoring city of approval or
33 denial of a project award within sixty days of the department's receipt
34 of the sponsoring city's application. Determination of a project award
35 by the department is final. Notification must include the earliest
36 date when the tax authorized under section 1001 of this act may be
37 imposed, subject to conditions in chapter 82.14 RCW. The project award

1 notification must specify the rate requested in the application and any
2 adjustments to the rate that would need to be made based on the project
3 award.

4 (5) The department must begin accepting applications September 1,
5 2011.

6 (6) If a sponsoring city receiving a project award in 2011 has not
7 imposed a tax authorized under section 1001 of this act by September 1,
8 2018, the project award to such sponsoring city will be recaptured and
9 become available for reallocation to sponsoring cities pursuant to
10 subsection (3)(d) of this section. If a sponsoring city receiving a
11 project award in 2018 has not imposed a tax authorized under section
12 1001 of this act by September 1, 2025, the project award to such
13 sponsoring city will be recaptured and become available for
14 reallocation to sponsoring cities pursuant to subsection (3)(d) of this
15 section.

16 NEW SECTION. **Sec. 902.** A new section is added to chapter 82.32
17 RCW to read as follows:

18 REPORTING REQUIREMENTS. (1) A sponsoring city receiving a project
19 award under section 901 of this act must provide a report to the
20 department by March 1st of each year beginning March 1st after the
21 project award has been approved. The report must contain the following
22 information:

23 (a) The amounts of local property tax allocation revenues received
24 in the preceding calendar year broken down by sponsoring city and
25 participating taxing district;

26 (b) The amount of state property tax allocation revenues estimated
27 to have been received by the state in the preceding calendar year;

28 (c) Revenue from local public sources dedicated by any
29 participating local government to pay the principal of or interest on
30 bonds issued under section 1101 of this act or to pay public
31 improvement costs within the local conservation finance area in the
32 preceding calendar year;

33 (d) The anticipated date when any bonds under section 1101 of this
34 act are expected to be retired;

35 (e) The names of any businesses locating within the local
36 conservation finance area as a result of the public improvements

1 undertaken by the sponsoring city and financed in whole or in part with
2 local conservation area financing;

3 (f) An estimate of the cumulative number of permanent jobs created
4 in the local conservation finance area as a result of the public
5 improvements undertaken by the sponsoring city and financed in whole or
6 in part with local conservation area financing;

7 (g) An estimate of the average wages and benefits received by all
8 employees of businesses locating within the local conservation finance
9 area as a result of the public improvements undertaken by the
10 sponsoring city and financed in whole or in part with local
11 conservation area financing;

12 (h) A list of public improvements financed by bonds issued under
13 section 1101 of this act and the date on which the bonds are
14 anticipated to be retired;

15 (i) At least once every three years, updated estimates of the
16 amounts of state and local sales and use tax increments estimated to
17 have been received since the approval by the department of the project
18 award under section 901 of this act;

19 (j) The number of permits using transferable development rights
20 issued by the sponsoring city; and

21 (k) Any other information required by the department to enable the
22 department to fulfill its duties under this chapter and section 901 of
23 this act.

24 (2) The department must make a report available to the public and
25 the legislature by June 1st of each year. The report must include a
26 summary of the information provided to the department by sponsoring
27 cities under subsection (1) of this section.

28 **PART X**
29 **LOCAL SALES AND USE TAX CREDITED AGAINST THE**
30 **STATE SALES AND USE TAXES**

31 NEW SECTION. **Sec. 1001.** LOCAL SALES AND USE TAX. (1) Any
32 sponsoring city that has been approved for a project award under
33 section 901 of this act may impose a sales and use tax under the
34 authority of this section in accordance with the terms of this chapter.
35 Except as provided in this section, the tax is in addition to other
36 taxes authorized by law and must be collected from those persons who

1 are taxable by the state under chapters 82.08 and 82.12 RCW upon the
2 occurrence of any taxable event within the taxing jurisdiction of the
3 city or county.

4 (2) The tax authorized under subsection (1) of this section is
5 credited against the state taxes imposed under RCW 82.08.020(1) and
6 82.12.020 at the rate provided in RCW 82.08.020(1). The department
7 must perform the collection of such taxes on behalf of the sponsoring
8 city at no cost to the sponsoring city. The taxes must be distributed
9 to the sponsoring city as provided in RCW 82.14.060.

10 (3) The rate of tax imposed by a sponsoring city may not exceed the
11 lesser of:

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

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

15 (ii) The aggregate rates of all taxes under RCW 82.14.465 and
16 82.14.475 and this section that are authorized but have not yet been
17 imposed on the same taxable events by a sponsoring city that has been
18 approved to receive a state contribution by the department or the
19 community economic revitalization board under chapter 39.100, 39.102,
20 or 39.104 RCW; and

21 (iii) The percentage amount of distributions required under RCW
22 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
23 82.08.020(1); and

24 (b) The rate, as determined by the sponsoring city in consultation
25 with the department, reasonably necessary to receive the project award
26 under section 901 of this act over ten months. This rate may be
27 increased, as determined by the sponsoring city in consultation with
28 the department, to reflect an increased project award under section
29 901(3)(d) of this act. If a sponsoring city specified portion has not
30 increased since the prior project award, the rate for that sponsoring
31 city may be increased to reflect the increased project award,
32 commencing on the first day of the next succeeding calendar quarter.
33 If a sponsoring city specified portion has increased under section 401
34 of this act since the prior project award, the rate for that sponsoring
35 city may be increased to reflect the increased project award,
36 commencing on the first day of the calendar quarter following the date
37 on which the sponsoring city certifies to the department that it has
38 issued permits for properties within one or more local conservation

1 finance areas that, on an aggregate basis, use development rights
2 representing at least fifty percent of the sponsoring city specified
3 portion that was the basis for the increased project award.

4 (4) The department, upon request, must assist a sponsoring city in
5 establishing its tax rate in accordance with subsection (3) of this
6 section. Once the rate of tax is established, it may not be increased
7 except as set forth in subsection (3) of this section.

8 (5)(a) No tax may be imposed under the authority of this section
9 before:

10 (i) The date on which the sponsoring city certifies to the
11 department that it has issued permits for properties within one or more
12 local conservation finance areas that, on an aggregate basis, use
13 development rights representing at least fifty percent of the
14 sponsoring city specified portion that was the basis for the project
15 award; and

16 (ii) July 1st of the second calendar year following the year in
17 which the department approved the application made under section 901 of
18 this act.

19 (b) The tax imposed under this section expires the earlier of the
20 date that any bonds issued under the authority of section 1101 of this
21 act are retired or twenty-five years after the tax is first imposed.

22 (6) An ordinance or resolution adopted by the legislative authority
23 of the sponsoring city imposing a tax under this section must provide
24 that:

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

27 (b) The cumulative amount of tax received by the sponsoring city,
28 in any fiscal year, may not exceed the amount approved by the
29 department under subsection (9) of this section;

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

32 (i) The amount of tax received by the sponsoring city equals the
33 amount of distributions approved by the department for the fiscal year
34 under subsection (9) of this section; or

35 (ii) The amount of revenue from taxes imposed under this section by
36 all sponsoring cities equals the annual state contribution limit;

37 (d) The tax will be distributed again, should it cease to be

1 distributed for any of the reasons provided in (c) of this subsection,
2 at the beginning of the next fiscal year, subject to the restrictions
3 in this section; and

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

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

16 (8) If a sponsoring city fails to comply with section 902 of this
17 act, no tax may be distributed in the subsequent fiscal year until such
18 time as the sponsoring city complies and the department calculates the
19 state contribution amount according to subsection (9) of this section
20 for the fiscal year.

21 (9)(a) For each fiscal year that a sponsoring city imposes the tax
22 under the authority of this section, the department must approve the
23 amount of taxes that may be distributed to the sponsoring city. The
24 amount approved by the department under this subsection is the lesser
25 of:

26 (i) The state contribution;

27 (ii) The amount of project award granted by the department as
28 provided in section 901 of this act; or

29 (iii) The total amount of revenues from local public sources
30 dedicated in the preceding calendar year, as reported in the required
31 annual report under section 902 of this act. Revenues from local
32 public sources dedicated in the preceding calendar year that are in
33 excess of the project award may be carried forward and used in later
34 years for the purpose of this subsection.

35 (b) A sponsoring city may not receive, in any fiscal year, more
36 revenues from taxes imposed under the authority of this section than
37 the amount approved annually by the department.

1 (10) The amount of tax distributions received from taxes imposed
2 under the authority of this section by all sponsoring cities is limited
3 annually to not more than the amount of annual state contribution
4 limit.

5 (11) For purposes of this section, the following definitions, and
6 not the definitions in section 201 of this act for the same terms,
7 apply:

8 (a) "Local sales and use taxes" means sales and use taxes imposed
9 by cities, counties, public facilities districts, and other local
10 governments under the authority of this chapter, chapter 67.28 or 67.40
11 RCW, or any other chapter, and that are credited against the state
12 sales and use taxes.

13 (b) "State sales and use taxes" means the taxes imposed in RCW
14 82.08.020(1) and 82.12.020.

15 NEW SECTION. **Sec. 1002.** USE OF SALES AND USE TAX FUNDS. Money
16 collected from the taxes imposed under section 1001 of this act may be
17 used only for the purpose of paying the principal of or interest on
18 bonds issued under section 1101 of this act or for paying costs of
19 public improvements.

20 **PART XI**
21 **BOND AUTHORIZATION**

22 NEW SECTION. **Sec. 1101.** ISSUANCE OF BONDS. (1) A sponsoring city
23 that has created a local conservation finance area may issue bonds to
24 finance public improvements. The bonds may be issued as general
25 obligation bonds pursuant to chapter 39.46 RCW or as revenue bonds
26 pursuant to chapter 35.41 RCW. Bonds issued under this section may be
27 issued and sold in accordance with chapter 39.46 RCW.

28 (2) Bonds issued under subsection (1) of this section as general
29 obligation bonds may be payable from the full faith and credit of the
30 sponsoring city, income, revenues, fees, and rents from the public
31 improvements, and other funds legally available for payment of costs of
32 the public improvements or debt service on the general obligations.

33 (3) Bonds issued under subsection (1) of this section as revenue
34 bonds may be issued to fund revenue-generating public improvements that
35 are located within a local conservation finance area. Revenue bonds

1 issued pursuant to this subsection are not an indebtedness of the
2 sponsoring city issuing the bonds, and the interest and principal on
3 the bonds are only payable from the revenues lawfully pledged therefor
4 and from the special fund and any reserves created pursuant to chapter
5 35.41 RCW.

6 NEW SECTION. **Sec. 1102.** USE OF REVENUE FOR BOND REPAYMENT. A
7 sponsoring city that issues bonds under section 1101 of this act to
8 finance public improvements may pledge for the payment of such bonds
9 all or part of any local property tax allocation revenues derived from
10 the public improvements. However, any local property tax allocation
11 revenues consisting of taxes imposed by the sponsoring city may be
12 pledged only to pay the principal of and interest on general obligation
13 bonds and not revenue bonds. The sponsoring city may also pledge all
14 or part of any revenues derived from taxes imposed under section 1001
15 of this act and held in connection with the public improvements to pay
16 principal of and interest on general obligation or revenue bonds.

17 NEW SECTION. **Sec. 1103.** LIMITATION OF BONDS ISSUED. The bonds
18 issued by a sponsoring city under section 1101 of this act to finance
19 public improvements do not constitute an obligation of the state of
20 Washington, either general or special.

21 **PART XII**
22 **GROWTH MANAGEMENT ACT**
23 **COMPREHENSIVE PLAN OPTIONAL ELEMENTS**

24 **Sec. 1201.** RCW 36.70A.080 and 1990 1st ex.s. c 17 s 8 are each
25 amended to read as follows:

26 (1) A comprehensive plan may include additional elements, items, or
27 studies dealing with other subjects relating to the physical
28 development within its jurisdiction, including, but not limited to:

- 29 (a) Conservation;
- 30 (b) Solar energy; and
- 31 (c) Recreation.

32 (2) A comprehensive plan may include, where appropriate, subarea
33 plans, each of which is consistent with the comprehensive plan.

1 (3)(a) Cities that qualify as a receiving city may adopt a
2 comprehensive plan element and associated development regulations that
3 apply within receiving areas that have been or will be designated as
4 local conservation finance areas under chapter 39.--- RCW (the new
5 chapter created in section 1403 of this act).

6 (b) For purposes of this subsection (3), the terms "receiving
7 city," "receiving areas," and "local conservation finance areas" have
8 the same meaning as in section 201 of this act.

9
10

PART XIII
MISCELLANEOUS

11 NEW SECTION. Sec. 1301. ADMINISTRATION BY THE DEPARTMENT. The
12 department may adopt any rules under chapter 34.05 RCW it considers
13 necessary for the administration of this chapter.

14 NEW SECTION. Sec. 1302. SEVERABILITY. If any provision of this
15 act or its application to any person or circumstance is held invalid,
16 the remainder of the act or the application of the provision to other
17 persons or circumstances is not affected.

18 NEW SECTION. Sec. 1303. Sections 101 through 701, 801, 901, 1001
19 through 1103, and 1301 of this act constitute a new chapter in Title 39
20 RCW.

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