
ENGROSSED HOUSE BILL 1513

State of Washington 64th Legislature 2015 Regular Session

By Representatives Springer, Fitzgibbon, Gregerson, and McBride

Read first time 01/22/15. Referred to Committee on Community
Development, Housing & Tribal Affairs.

1 AN ACT Relating to local infrastructure project areas; and
2 amending RCW 39.108.010, 39.108.070, 39.108.120, 39.108.130,
3 39.108.140, and 39.108.150.

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

5 **Sec. 1.** RCW 39.108.010 and 2011 c 318 s 201 are each amended to
6 read as follows:

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

9 (1) "Assessed value" means the valuation of taxable real property
10 as placed on the last completed assessment roll.

11 (2) "Eligible county" means any county that borders Puget Sound,
12 that has a population of six hundred thousand or more, and that has
13 an established program for transfer of development rights.

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

16 (4) "Exchange rate" means an increment of development beyond what
17 base zoning allows that is assigned to a development right by a
18 sponsoring city for use in a receiving area.

19 (5) "Local infrastructure project area" means the geographic area
20 identified by a sponsoring city under RCW 39.108.120.

1 (6) "Local infrastructure project financing" means the use of
2 local property tax allocation revenue distributed to the sponsoring
3 city to pay or finance public improvement costs within the local
4 infrastructure project area in accordance with RCW 39.108.150.

5 (7) "Local property tax allocation revenue" means those tax
6 revenues derived from the receipt of regular property taxes levied on
7 the property tax allocation revenue value and used for local
8 infrastructure project financing.

9 (8) "Participating taxing district" means a taxing district that:

10 (a) Has a local infrastructure project area wholly or partially
11 within the taxing district's geographic boundaries; and

12 (b) Levies, or has levied on behalf of the taxing district,
13 regular property taxes as defined in this section.

14 (9) "Population" means the population of a city or county, as
15 applicable, estimated by the office of financial management.

16 (10) "Property tax allocation revenue base value" means the
17 assessed value of real property located within a local infrastructure
18 project area, less the property tax allocation revenue value.

19 (11)(a)(i) "Property tax allocation revenue value" means an
20 amount equal to the sponsoring city ratio multiplied by seventy-five
21 percent of any increase in the assessed value of real property in a
22 local infrastructure project area resulting from(~~(+~~

23 ~~(A))~~the placement on the assessment roll of new construction of
24 entire buildings, improvements to property that are additions or
25 remodels that add new square footage to buildings, or both, ((~~on the~~
26 ~~assessment roll,~~)) where the new construction and improvements are
27 initiated after the local infrastructure project area is created by
28 the sponsoring city(~~(+~~

29 ~~(B) The cost of new housing construction, conversion, and~~
30 ~~rehabilitation improvements, when the cost is treated as new~~
31 ~~construction for purposes of chapter 84.55 RCW as provided in RCW~~
32 ~~84.14.020, and the new housing construction, conversion, and~~
33 ~~rehabilitation improvements are initiated after the local~~
34 ~~infrastructure project area is created by the sponsoring city;~~

35 ~~(C) The cost of rehabilitation of historic property, when the~~
36 ~~cost is treated as new construction for purposes of chapter 84.55 RCW~~
37 ~~as provided in RCW 84.26.070, and the rehabilitation is initiated~~
38 ~~after the local infrastructure project area is created by the~~
39 ~~sponsoring city)).~~

1 (ii) Increases in the assessed value of real property resulting
2 from (a)(i)(~~(A) through (C)~~) of this subsection are included in the
3 property tax allocation revenue value in the initial year. These same
4 amounts are also included in the property tax allocation revenue
5 value in subsequent years unless the property becomes exempt from
6 property taxation.

7 (b) "Property tax allocation revenue value" includes an amount
8 equal to the sponsoring city ratio multiplied by seventy-five percent
9 of any increase in the assessed value of new construction consisting
10 of an entire building in the years following the initial year, unless
11 the building becomes exempt from property taxation.

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

15 (d) There is no property tax allocation revenue value if the
16 assessed value of real property in a local infrastructure project
17 area has not increased as a result of any of the reasons specified in
18 (a)(i)(~~(A) through (C)~~) of this subsection.

19 (e) For purposes of this subsection(~~(7)~~):

20 (i) "Entire building" means new construction that is: (A)
21 Detached from existing buildings located on the same site; (B)
22 attached to, but structurally self-reliant from, existing buildings
23 located on the same site; or (C) attached to, but located
24 horizontally adjacent to, existing buildings located on the same
25 site;

26 (ii) "Initiated" means the date upon which a city issues the
27 first building permit associated with clearing, grading, excavation,
28 or shoring of real property as described in (a)(i) of this
29 subsection; and

30 (iii) "Initial year" means(~~(+~~
31 ~~(+)~~), for new construction and improvements to property added to
32 the assessment roll, the year during which the new construction and
33 improvements are initially placed on the assessment roll(~~(+~~

34 ~~(ii) For the cost of new housing construction, conversion, and~~
35 ~~rehabilitation improvements, when the cost is treated as new~~
36 ~~construction for purposes of chapter 84.55 RCW, the year when the~~
37 ~~cost is treated as new construction for purposes of levying taxes for~~
38 ~~collection in the following year; and~~

39 ~~(iii) For the cost of rehabilitation of historic property, when~~
40 ~~the cost is treated as new construction for purposes of chapter 84.55~~

1 ~~RCW, the year when such cost is treated as new construction for~~
2 ~~purposes of levying taxes for collection in the following year)).~~

3 (12)(a) "Public improvements" means:

4 (i) Infrastructure improvements within the local infrastructure
5 project area that include:

6 (A) Street, road, bridge, and rail construction and maintenance;

7 (B) Water and sewer system construction and improvements;

8 (C) Sidewalks, streetlights, landscaping, and streetscaping;

9 (D) Parking, terminal, and dock facilities;

10 (E) Park and ride facilities of a transit authority and other
11 facilities that support transportation efficient development;

12 (F) Park facilities, recreational areas, bicycle paths, and
13 environmental remediation;

14 (G) Storm water and drainage management systems;

15 (H) Electric, gas, fiber, and other utility infrastructures;

16 (~~and~~))

17 (ii) Expenditures for facilities and improvements that support
18 affordable housing;

19 (iii) Providing maintenance and security for common or public
20 areas in the local infrastructure project area; or

21 (iv) Historic preservation activities authorized under RCW
22 35.21.395.

23 (b) Public improvements do not include the acquisition by a
24 sponsoring city of transferable development rights.

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

28 (14)(a) "Regular property taxes" means regular property taxes as
29 defined in RCW 84.04.140, except: (i) Regular property taxes levied
30 by port districts or public utility districts specifically for the
31 purpose of making required payments of principal and interest on
32 general indebtedness; (ii) regular property taxes levied by the state
33 for the support of common schools under RCW 84.52.065; (~~and~~)) (iii)
34 regular property taxes authorized by RCW 84.55.050 that are limited
35 to a specific purpose; and (iv) regular property tax levies made for
36 a specific statutory purpose such as levies under RCW 36.82.040 and
37 chapter 84.34 RCW.

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

1 (i) Excess property tax levies that are exempt from the aggregate
2 limits for junior and senior taxing districts as provided in RCW
3 84.52.043; and

4 (ii) Property taxes that are specifically excluded through an
5 interlocal agreement between the sponsoring local government and a
6 participating taxing district as set forth in RCW 39.104.060(3).

7 (15) "Receiving areas," for purposes of this chapter, are those
8 designated lands within local infrastructure project areas in which
9 transferable development rights from sending areas may be used.

10 (16) "Receiving city" means any incorporated city with population
11 plus employment equal to twenty-two thousand five hundred or greater
12 within an eligible county.

13 (17) "Receiving city allocated share" means the total number of
14 transferable development rights from agricultural and forest land of
15 long-term commercial significance and rural zoned lands designated
16 under RCW 39.108.050 within the eligible counties allocated to a
17 receiving city under RCW 39.108.070 (1) and (2).

18 (18) "Sending areas" means those lands within an eligible county
19 that meet conservation criteria as described in RCW 39.108.030 and
20 39.108.050.

21 (19) "Sponsoring city" means a receiving city that accepts all or
22 a portion of its receiving city allocated share, adopts a plan for
23 development of infrastructure within one or more proposed local
24 infrastructure project areas in accordance with RCW 39.108.080, and
25 creates one or more local infrastructure project areas, as specified
26 in RCW 39.108.070(4). For the purposes of this subsection and
27 subsection (20) of this section, a receiving city is deemed to have
28 accepted transferable development rights on the date on which a
29 sponsoring city has issued the first building permit for a project
30 for which transferable development rights have been purchased and
31 applied by the property owner, or the date when a sponsoring city has
32 purchased development rights.

33 (20) "Sponsoring city allocated share" means the total number of
34 transferable development rights a sponsoring city agrees to accept,
35 under RCW 39.108.070(4), from agricultural and forest land of
36 long-term commercial significance and rural zoned lands designated
37 under RCW 39.108.050 within the eligible counties, plus the total
38 number of transferable development rights transferred to the
39 sponsoring city from another receiving city under RCW 39.108.070(5).

1 (21) "Sponsoring city ratio" means the ratio of the sponsoring
2 city specified portion to the sponsoring city allocated share.

3 (22) "Sponsoring city specified portion" means the portion of a
4 sponsoring city allocated share which may be used within one or more
5 local infrastructure project areas, as set forth in the sponsoring
6 city's plan for development of infrastructure under RCW 39.108.080.

7 (23) "Taxing district" means a city or county that levies or has
8 levied on behalf of the taxing district, regular property taxes upon
9 real property located within a local infrastructure project area.

10 (24) "Transfer of development rights" includes methods for
11 protecting land from development by voluntarily removing the
12 development rights from a sending area and transferring them to one
13 or more receiving areas for the purpose of increasing development
14 density or intensity.

15 (25) "Transferable development rights" means a right to develop
16 one or more residential units in a sending area that can be sold and
17 transferred.

18 **Sec. 2.** RCW 39.108.070 and 2011 c 318 s 305 are each amended to
19 read as follows:

20 (1) The Puget Sound regional council must allocate among
21 receiving cities the total number of development rights reported by
22 eligible counties under RCW 39.108.060. Each receiving city allocated
23 share must be determined by the Puget Sound regional council, in
24 consultation with eligible counties and receiving cities, based on
25 growth targets, determined by established growth management
26 processes, and other relevant factors as determined by the Puget
27 Sound regional council in conjunction with the counties and receiving
28 cities.

29 (2) The Puget Sound regional council must report to each
30 receiving city its receiving city allocated share on or before March
31 1, 2012.

32 (3) The Puget Sound regional council must report each receiving
33 city allocated share to the department of commerce on or before March
34 1, 2012.

35 (4) A receiving city may become a sponsoring city by accepting
36 all or a portion of its receiving city allocated share, adopting a
37 plan in accordance with RCW 39.108.080, and creating one or more
38 local infrastructure project areas to pay or finance costs of public
39 improvements.

1 (5) A receiving city may, by interlocal agreement, transfer all
2 or a portion of its receiving city allocated share to another
3 sponsoring city. The transferred portion of the receiving city
4 allocated share must be included in the other sponsoring city
5 allocated share.

6 (6) A receiving city is deemed to have accepted transferable
7 development rights in accordance with RCW 39.108.010(19).

8 **Sec. 3.** RCW 39.108.120 and 2011 c 318 s 601 are each amended to
9 read as follows:

10 (1) Before adopting an ordinance or resolution creating one or
11 more local infrastructure project areas, a sponsoring city must:

12 (a) Provide notice to the county assessor, county treasurer, and
13 county within the proposed local infrastructure project area of the
14 sponsoring city's intent to create one or more local infrastructure
15 project areas. This notice must be provided at least one hundred
16 eighty days in advance of the public hearing as required by (b) of
17 this subsection;

18 (b) Hold a public hearing on the proposed formation of the local
19 infrastructure project area; and

20 (c) Together with the county in which the sponsoring city is
21 located, adopt the department of commerce transfer of development
22 rights interlocal terms and conditions rule or enter into an
23 interlocal agreement with the county or counties in which any local
24 infrastructure project area is located, except that any city located
25 in a county with a population of one million or more must enter into
26 an interlocal agreement with that county in which the local
27 infrastructure project area is located. An interlocal agreement
28 between any city located in a county with a population of one million
29 or more and a county in which the local infrastructure project area
30 is located under this subsection must describe the boundaries and
31 size of the local infrastructure project area consistent with the
32 limitations in RCW 39.108.130, include exchange rates, identify
33 potential priority sending site areas, if any, and describe and
34 define the roles and responsibilities of the parties with respect to
35 the transfer of development rights and public improvements to be
36 financed with local infrastructure project financing in the local
37 infrastructure project areas, as determined by the parties.

38 (2) A sponsoring city may create one or more local infrastructure
39 project areas by ordinance or resolution that:

1 (a) Describes the proposed public improvements, identified in the
2 plan under RCW 39.108.080, to be financed in each local
3 infrastructure project area;

4 (b) Describes the boundaries of each local infrastructure project
5 area, subject to the limitations in RCW 39.108.130; and

6 (c) Provides the date when the use of local property tax
7 allocation revenues will commence and a list of the participating
8 taxing districts.

9 (3) The sponsoring city must deliver a certified copy of the
10 adopted ordinance or resolution to the county assessor, county
11 treasurer, and each other participating taxing district within which
12 the local infrastructure project area is located.

13 **Sec. 4.** RCW 39.108.130 and 2011 c 318 s 602 are each amended to
14 read as follows:

15 The designation of any local infrastructure project area is
16 subject to the following limitations:

17 (1) A local infrastructure project area is limited to contiguous
18 tracts, lots, pieces, or parcels of land without the creation of
19 islands of territory not included in the local infrastructure project
20 area;

21 (2) The public improvements to be financed with local
22 infrastructure project financing must be located in the local
23 infrastructure project area and must, in the determination of the
24 sponsoring city, further the intent of this chapter;

25 (3) Local infrastructure project areas created by a sponsoring
26 city may not comprise an area containing more than twenty-five
27 percent of the total assessed value of taxable property within the
28 sponsoring city at the time the local infrastructure project areas
29 are created;

30 (4) The boundaries of each local infrastructure project area may
31 not overlap and may not be changed during the time period that local
32 infrastructure project financing is used within the local
33 infrastructure project area, as provided under this chapter; and

34 (5) All local infrastructure project areas created by the
35 sponsoring city must comprise, in the aggregate, an area that the
36 sponsoring city determines (a) is sufficient to use the sponsoring
37 city specified portion, unless the sponsoring city satisfies its
38 sponsoring city allocated share under RCW 39.108.090(1)(b)(ii), and

1 (b) is no larger than ((reasonably)) necessary to use the sponsoring
2 city specified portion in projected future developments.

3 **Sec. 5.** RCW 39.108.140 and 2011 c 318 s 603 are each amended to
4 read as follows:

5 (1) Participating taxing districts must allow the use of all of
6 their local property tax allocation revenues for local infrastructure
7 project financing.

8 (2) The sponsoring city must be a participating taxing district
9 and must use all of its local property tax allocation revenues for
10 local infrastructure project financing.

11 **Sec. 6.** RCW 39.108.150 and 2011 c 318 s 701 are each amended to
12 read as follows:

13 (1) Commencing in the second calendar year following the
14 ~~((creation of a local infrastructure project area by a sponsoring~~
15 ~~city))date on which the sponsoring city certifies to the county
16 treasurer that the local property tax threshold level 1 is met, the
17 county treasurer must distribute receipts from regular taxes imposed
18 on real property located in the local infrastructure project area as
19 follows:~~

20 (a) Each participating taxing district and the sponsoring city
21 must receive that portion of its regular property taxes produced by
22 the rate of tax levied by or for the taxing district on the property
23 tax allocation revenue base value for that local infrastructure
24 project area in the taxing district; and

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

1 rates for collection that year. The sponsoring city may request that
2 the treasurer transfer this additional portion of the property taxes
3 to its designated agent. The portion of the tax receipts distributed
4 to the sponsoring local government or its agent under this subsection
5 (1)(b) may only be expended to pay or finance public improvement
6 costs within the local infrastructure project area.

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

13 (3)(a) The distribution of local property tax allocation revenue
14 to the sponsoring city must cease on the date that is the earlier of:

15 (i) The date when local property tax allocation revenues are no
16 longer used or obligated to pay the costs of the public improvements;
17 or

18 (ii) The final termination date as determined under (b) of this
19 subsection.

20 (b) The final termination date is determined as follows:

21 (i) Except as provided otherwise in this subsection (3)(b), if
22 the sponsoring city certifies to the county treasurer that the local
23 property tax threshold level 1 is met, the final termination date is
24 ten years after the date of the first distribution of local property
25 tax allocation revenues under subsection (1) of this section;

26 (ii) If the sponsoring city certifies to the county treasurer
27 that the local property tax threshold level 2 is met at least six
28 months prior to the final termination date under (b)(i) of this
29 subsection (3), the final termination date is fifteen years after the
30 date of the first distribution of local property tax allocation
31 revenues under subsection (1) of this section;

32 (iii) If the sponsoring city certifies to the county treasurer
33 that the local property tax threshold level 3 is met at least six
34 months prior to the final termination date under (b)(ii) of this
35 subsection (3), the final termination date is twenty years after the
36 date of the first distribution of local property tax allocation
37 revenues under subsection (1) of this section;

38 (iv) If the sponsoring city certifies to the county treasurer
39 that the local property tax threshold level 4 is met at least six
40 months prior to the final termination date under (b)(iii) of this

1 subsection (3), the final termination date is twenty-five years after
2 the date of the first distribution of local property tax allocation
3 revenues under subsection (1) of this section.

4 (4) For purposes of this section:

5 (a) The "local property tax threshold level 1" is met when the
6 sponsoring city has either:

7 (i) Issued building permits for development within the local
8 infrastructure project area that, on an aggregate basis, uses at
9 least twenty-five percent of the sponsoring city specified portion;

10 ~~((or))~~

11 (ii) Acquired transferable development rights equal to at least
12 twenty-five percent of the sponsoring city specified portion for use
13 in the local infrastructure project area or for extinguishment; or

14 (iii) Entered into an interlocal agreement with the county or
15 counties in which the local infrastructure project area is located,
16 under which the parties agree that the local property tax threshold
17 level 1 is met, without regard to (a)(i) or (ii) of this subsection
18 (4).

19 (b) The "local property tax threshold level 2" is met when the
20 sponsoring city has either:

21 (i) Issued building permits for development within the local
22 infrastructure project area that, on an aggregate basis, uses at
23 least fifty percent of the sponsoring city specified portion; or

24 (ii) Acquired transferable development rights equal to at least
25 fifty percent of the sponsoring city specified portion for use in the
26 local infrastructure project area or for extinguishment.

27 (c) The "local property tax threshold level 3" is met when the
28 sponsoring city has either:

29 (i) Issued building permits for development within the local
30 infrastructure project area that, on an aggregate basis, uses at
31 least seventy-five percent of the sponsoring city specified portion;

32 or

33 (ii) Acquired transferable development rights equal to at least
34 seventy-five percent of the sponsoring city specified portion for use
35 in the local infrastructure project area or for extinguishment.

36 (d) The "local property tax threshold level 4" is met when the
37 sponsoring city has either:

38 (i) Issued building permits for development within the local
39 infrastructure project area that, on an aggregate basis, uses at

1 least one hundred percent of the sponsoring city specified portion;
2 or

3 (ii) Acquired transferable development rights equal to at least
4 one hundred percent of the sponsoring city specified portion for use
5 in the local infrastructure project area or for extinguishment.

6 (5) Any excess local property tax allocation revenues, and
7 earnings on the revenues, remaining at the time the distribution of
8 local property tax allocation revenue terminates must be returned to
9 the county treasurer and distributed to the participating taxing
10 districts that imposed regular property taxes, or had regular
11 property taxes imposed for it, in the local infrastructure project
12 area for collection that year, in proportion to the rates of their
13 regular property tax levies for collection that year.

14 (6) The allocation to local infrastructure project financing of
15 that portion of the sponsoring city's and each participating taxing
16 district's regular property taxes levied upon the property tax
17 allocation revenue value within that local infrastructure project
18 area is declared to be a public purpose of and benefit to the
19 sponsoring city and each participating taxing district.

20 (7) The distribution of local property tax allocation revenues
21 under this section may not affect or be deemed to affect the rate of
22 taxes levied by or within any sponsoring local government and
23 participating taxing district or the consistency of any such levies
24 with the uniformity requirement of Article VII, section 1 of the
25 state Constitution.

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