

HB 1527 - S COMM AMD

By Committee on Business, Financial Services, Gaming & Trade

ADOPTED AND ENGROSSED 04/10/2023

1 Strike everything after the enacting clause and insert the
2 following:

3 **"Sec. 1.** RCW 39.114.010 and 2021 c 207 s 1 are each amended to
4 read as follows:

5 The definitions in this section apply throughout this chapter
6 unless the context clearly requires otherwise.

7 (1) "Assessed value of real property" means the valuation of
8 taxable real property as placed on the last completed assessment roll
9 prepared pursuant to Title 84 RCW.

10 (2) "Increment area" means the geographic area within which
11 regular property tax revenues are to be apportioned to pay public
12 improvement costs, as authorized under this chapter.

13 (3) "Increment value" means 100 percent of any increase in the
14 true and fair value of real property in an increment area that is
15 placed on the tax rolls after the increment area (~~is created~~) takes
16 effect. The increment value shall not be less than zero.

17 (4) "Local government" means any city, town, county, port
18 district, or any combination thereof.

19 (5) "Ordinance" means any appropriate method of taking
20 legislative action by a local government, including a resolution
21 adopted by a port district organized under Title 53 RCW.

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

23 (a) Design, planning, acquisition, required permitting, required
24 environmental studies and mitigation, seismic studies or surveys,
25 archaeological studies or surveys, land surveying, site acquisition,
26 including appurtenant rights and site preparation, construction,
27 reconstruction, rehabilitation, improvement, expansion, and
28 installation of public improvements, and other directly related
29 costs;

30 (b) Relocating, maintaining, and operating property pending
31 construction of public improvements;

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

1 (d) Financing public improvements, including capitalized interest
2 for up to six months following completion of construction, legal and
3 other professional services, taxes, insurance, principal and interest
4 costs on general indebtedness issued to finance public improvements,
5 and any necessary debt service reserves;

6 (e) Expenses incurred in revaluing real property for the purpose
7 of determining the tax allocation base value by a county assessor
8 under chapter 84.41 RCW and expenses incurred by a county treasurer
9 under chapter 84.56 RCW in apportioning the taxes and complying with
10 this chapter and other applicable law. For purposes of this
11 subsection (6)(e), "expenses incurred" means actual staff and
12 software costs directly related to the implementation and ongoing
13 administration of increment areas under this chapter; and

14 (f) Administrative expenses and feasibility studies reasonably
15 necessary and related to these costs, including related costs that
16 may have been incurred before adoption of the ordinance authorizing
17 the public improvements and the use of tax increment financing to
18 fund the costs of the public improvements.

19 (7) "Public improvements" means:

20 (a) Infrastructure improvements owned by a state or local
21 government within or outside of and serving the increment area (~~that~~
22 ~~include~~) and real property owned or acquired by a local government
23 within the increment area including:

24 (i) Street and road construction;

25 (ii) Water and sewer system construction, expansion, and
26 improvements;

27 (iii) Sidewalks and other nonmotorized transportation
28 improvements and streetlights;

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

30 (v) Park and ride facilities or other transit facilities;

31 (vi) Park and community facilities and recreational areas;

32 (vii) Stormwater and drainage management systems;

33 (viii) Electric, broadband, or rail service;

34 (ix) Mitigation of brownfields; or

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

36 (i) Purchasing, rehabilitating, retrofitting for energy
37 efficiency, and constructing housing for the purpose of creating or
38 preserving long-term affordable housing;

1 (ii) Purchasing, rehabilitating, retrofitting for energy
2 efficiency, and constructing child care facilities serving children
3 and youth that are low-income, homeless, or in foster care;

4 (iii) Providing maintenance and security for the public
5 improvements; (~~(iv)~~)

6 (iv) Historic preservation activities authorized under RCW
7 35.21.395; or

8 (v) Relocation and construction of a government-owned facility,
9 with written permission from the agency owning the facility and the
10 office of financial management.

11 (8) "Real property" means:

12 (a) Real property as defined in RCW 84.04.090; and

13 (b) Privately owned or used improvements located on publicly
14 owned land that are subject to property taxation or leasehold excise
15 tax.

16 (9) "Regular property taxes" means regular property taxes as
17 defined in RCW 84.04.140, except: (a) Regular property taxes levied
18 by port districts or public utility districts to the extent necessary
19 for the payments of principal and interest on general obligation
20 debt; and (b) regular property taxes levied by the state for the
21 support of the common schools under RCW 84.52.065. Regular property
22 taxes do not include excess property tax levies that are exempt from
23 the aggregate limits for junior and senior taxing districts as
24 provided in RCW 84.52.043. "Regular property taxes" does not include
25 excess property taxes levied by local school districts.

26 (~~(9)~~) (10) "Tax allocation base value" means the assessed value
27 of real property located within an increment area for taxes imposed
28 in the year in which the increment area (~~(is first designated)~~) takes
29 effect.

30 (~~(10)~~) (11) "Tax allocation revenues" means those revenues
31 derived from the imposition of regular property taxes on the
32 increment value.

33 (~~(11)~~) (12) "Taxing district" means a governmental entity that
34 levies or has levied for it regular property taxes upon real property
35 located within a proposed or approved increment area.

36 **Sec. 2.** RCW 39.114.020 and 2021 c 207 s 2 are each amended to
37 read as follows:

1 (1) A local government may designate an increment area under this
2 chapter and use the tax allocation revenues to pay public improvement
3 costs, subject to the following conditions:

4 (a) The local government must adopt an ordinance designating an
5 increment area within its boundaries and describing the public
6 improvements proposed to be paid for, or financed with, tax
7 allocation revenues;

8 (b) The local government may not designate increment area
9 boundaries such that the entirety of its territory falls within an
10 increment area;

11 (c) The increment area may not have an assessed valuation of more
12 than \$200,000,000 or more than 20 percent of the sponsoring
13 jurisdiction's total assessed valuation, whichever is less, when the
14 ordinance is passed. If a sponsoring jurisdiction creates two
15 increment areas, the total combined assessed valuation in both of the
16 two increment areas may not equal more than \$200,000,000 or more than
17 20 percent of the sponsoring jurisdiction's total assessed valuation,
18 whichever is less, when the ordinances are passed creating the
19 increment areas;

20 (d) A local government can create no more than two active
21 increment areas at any given time and they may not physically overlap
22 by including the same land in more than one increment area at any
23 time;

24 (e) The ordinance must set a sunset date for the increment area,
25 which may be no more than 25 years after the first year in which tax
26 allocation revenues are collected from the increment area;

27 (f) The ordinance must identify the public improvements to be
28 financed and indicate whether the local government intends to issue
29 bonds or other obligations, payable in whole or in part, from tax
30 allocation revenues to finance the public improvement costs, and must
31 estimate the maximum amount of obligations contemplated;

32 (g) The ordinance must provide that the increment area takes
33 effect on June 1st following the adoption of the ordinance in (a) of
34 this subsection;

35 (h) The sponsoring jurisdiction may not add additional public
36 improvements to the project after adoption of the ordinance creating
37 the increment area or change the boundaries of the increment area.
38 The sponsoring jurisdiction may expand, alter, or add to the original
39 public improvements when doing so is necessary to assure the
40 originally approved improvements can be constructed or operated;

1 (i) The ordinance must impose a deadline by which commencement of
2 construction of the public improvements shall begin, which deadline
3 must be at least five years into the future and for which extensions
4 shall be made available for good cause; and

5 (j) The local government must make a finding that:

6 (i) The public improvements proposed to be paid or financed with
7 tax allocation revenues are expected to encourage private development
8 within the increment area and to increase the assessed value of real
9 property within the increment area;

10 (ii) Private development that is anticipated to occur within the
11 increment area as a result of the proposed public improvements will
12 be permitted consistent with the permitting jurisdiction's applicable
13 zoning and development standards;

14 (iii) The private development would not reasonably be expected to
15 occur solely through private investment within the reasonably
16 foreseeable future without the proposed public improvements; and

17 (iv) The increased assessed value within the increment area that
18 could reasonably be expected to occur without the proposed public
19 improvements would be less than the increase in the assessed value
20 estimated to result from the proposed development with the proposed
21 public improvements.

22 (2) In considering whether to designate an increment area, the
23 legislative body of the local government must prepare a project
24 analysis that shall include, but need not be limited to, the
25 following:

26 (a) A statement of objectives of the local government for the
27 designated increment area;

28 (b) A statement as to the property within the increment area, if
29 any, that the local government may intend to acquire;

30 (c) The duration of the increment area;

31 (d) Identification of all parcels to be included in the area;

32 (e) A description of the expected private development within the
33 increment area, including a comparison of scenarios with the proposed
34 public improvements and without the proposed public improvements;

35 (f) A description of the public improvements, estimated public
36 improvement costs, and the estimated amount of bonds or other
37 obligations expected to be issued to finance the public improvement
38 costs and repaid with tax allocation revenues;

39 (g) The assessed value of real property listed on the tax roll as
40 certified by the county assessor under RCW 84.52.080 from within the

1 increment area and an estimate of the increment value and tax
2 allocation revenues expected to be generated;

3 (h) An estimate of the job creation reasonably expected to result
4 from the public improvements and the private development expected to
5 occur in the increment area; and

6 (i) An assessment of any impacts and any necessary mitigation to
7 address the impacts identified on the following:

8 (i) Affordable and low-income housing;

9 (ii) The local business community;

10 (iii) The local school districts; and

11 (iv) The local fire service.

12 (3) The local government may charge a private developer, who
13 agrees to participate in creating the increment area, a fee
14 sufficient to cover the cost of the project analysis and establishing
15 the increment area, including staff time, professionals and
16 consultants, and other administrative costs related to establishing
17 the increment area.

18 (4) Nothing in this section prohibits a local government from
19 entering into an agreement under chapter 39.34 RCW with another local
20 government for the administration or other activities related to tax
21 increment financing authorized under this section.

22 (5) If the project analysis indicates that an increment area will
23 impact at least 20 percent of the assessed value in a fire protection
24 district or regional fire protection service authority, or the fire
25 service agency's annual report demonstrates an increase in the level
26 of service directly related to the increment area, the local
27 government must negotiate a mitigation plan with the fire protection
28 district or regional fire protection service authority to address
29 level of service issues in the increment area.

30 (6) The local government may reimburse the assessor and treasurer
31 for their costs as provided in RCW 39.114.010(6)(e).

32 (7) Prior to the adoption of an ordinance authorizing creation of
33 an increment area, the local government must:

34 (a) Hold at least two public briefings for the community solely
35 on the tax increment project that include the description of the
36 increment area, the public improvements proposed to be financed with
37 the tax allocation revenues, and a detailed estimate of tax revenues
38 for the participating local governments and taxing districts,
39 including the amounts allocated to the increment public improvements.
40 The briefings must be announced at least two weeks prior to the date

1 being held, including publishing in a legal newspaper of general
2 circulation and posting information on the local government website
3 and all local government social media sites; and

4 (b) Submit the project analysis to the office of the treasurer
5 for review and consider any comments that the treasurer may provide
6 upon completion of their review of the project analysis as provided
7 under this subsection. The treasurer must complete the review within
8 90 days of receipt of the project analysis and may consult with other
9 agencies and outside experts as necessary. Upon completing their
10 review, the treasurer must promptly provide to the local government
11 any comments regarding suggested revisions or enhancements to the
12 project analysis that the treasurer deems appropriate based on the
13 requirements in subsection (2) of this section.

14 **Sec. 3.** RCW 39.114.040 and 2021 c 207 s 4 are each amended to
15 read as follows:

16 The local government designating the increment area must:

17 (1) Publish notice in a legal newspaper of general circulation
18 within the jurisdiction of the local government at least two weeks
19 before the date on which the ordinance authorizing creation of an
20 increment area is adopted that describes the public improvements,
21 describes the boundaries of the increment area, and identifies the
22 location and times where the ordinance and other public information
23 concerning the public improvement may be inspected; and

24 (2) Deliver a certified copy of the adopted ordinance to the
25 county treasurer, the county assessor, and the governing body of each
26 taxing district within which the increment area is located at the
27 respective addresses specified pursuant to RCW 42.56.040 within 10
28 days of the date on which the ordinance was adopted.

29 **Sec. 4.** RCW 39.114.050 and 2021 c 207 s 5 are each amended to
30 read as follows:

31 Apportionment of taxes shall be as follows:

32 (1) Commencing in the calendar year immediately following the
33 ~~((passage of the ordinance))~~ calendar year in which the increment
34 area takes effect in accordance with RCW 39.114.020, the county
35 treasurer shall distribute receipts from regular property taxes
36 imposed on real property located in the increment area as follows:

37 (a) Each taxing district shall receive that portion of its
38 regular property taxes produced by the rate of tax levied by or for

1 the taxing district on the tax allocation base value for that
2 increment area;

3 (b) The local government that designated the increment area shall
4 be entitled to receive an additional amount equal to the amount
5 derived from the regular property taxes levied by or for each taxing
6 district upon the increment value within the increment area. The
7 local government that designated the increment area shall receive no
8 more than is needed to pay or repay costs directly associated with
9 the public improvements identified in the approved ordinance and may
10 agree to receive less than the full amount of this portion, as long
11 as bond debt service, reserve, and other bond covenant requirements
12 are satisfied, in which case the balance of these tax receipts shall
13 be allocated to the taxing districts that imposed regular property
14 taxes, or have regular property taxes imposed for them, in the
15 increment area for collection that year in proportion to their
16 regular tax levy rates for collection that year. The local government
17 may request that the treasurer transfer this additional portion of
18 the property taxes to its designated agent. The portion of the tax
19 receipts distributed to the local government or its agent under this
20 subsection (1)(b) may only be expended to finance public improvement
21 costs associated with the public improvements financed in whole or in
22 part by tax increment financing; and

23 (c) This section shall not apply to any receipts from the regular
24 property taxes levied by:

25 (i) The state for the support of the common schools under RCW
26 84.52.065;

27 (ii) Local school district excess levies; and

28 (iii) Port districts or public utility districts specifically for
29 the purpose of making required payments of principal and interest or
30 general indebtedness.

31 (2) The apportionment of tax allocation revenues must cease when
32 the taxing district certifies to the county assessor in writing that
33 tax allocation revenues are no longer necessary or obligated to pay
34 public improvement costs, but in no event shall the apportionment of
35 tax allocation revenues continue beyond the sunset date established
36 pursuant to RCW 39.114.020(1)(e). Any excess tax allocation revenues
37 and earnings on the tax allocation revenues remaining at the time the
38 apportionment of tax receipts terminates must be returned to the
39 county treasurer and distributed to the taxing districts that imposed
40 regular property taxes, or had regular property taxes imposed for it,

1 in the increment area for collection that year, in proportion to the
2 rates of their regular property tax levies for collection that year.

3 (3) The apportionment and distribution of portions of the regular
4 property taxes levied by or for each taxing district upon the
5 increment value within the increment area pursuant to and subject to
6 the requirements of this chapter is declared to be a public purpose
7 of and benefit each such taxing district.

8 (4) The apportionment and distribution of portions of the regular
9 property taxes levied by or for each taxing district upon the
10 increment value within the increment area pursuant to this section
11 shall not affect or be deemed to affect the rate of taxes levied by
12 or within any such taxing district or the consistency of any such
13 levies with the uniformity requirement of Article VII, section 1 of
14 the state Constitution.

15 (5) (a) For a local government having a designated increment area
16 under this chapter as of the effective date of this section, the
17 county assessor must adjust the tax allocation base value for that
18 increment area to include the assessed value of any privately owned
19 improvements located on publicly owned land for taxes imposed in the
20 year in which the increment area was first designated. However, no
21 adjustment is required if the increment area does not include any
22 privately owned improvements located on publicly owned land subject
23 to property taxation as of the date the increment area became
24 effective.

25 (b) The adjusted tax allocation base value under this subsection
26 (5) does not impact any apportionment and distribution under this
27 section occurring in calendar years before calendar year 2024.

28 **Sec. 5.** RCW 84.55.020 and 2014 c 4 s 3 are each amended to read
29 as follows:

30 Notwithstanding the limitation set forth in RCW 84.55.010, the
31 first levy for a taxing district created from consolidation of
32 similar taxing districts must be set so that the regular property
33 taxes payable in the following year do not exceed the limit factor
34 multiplied by the sum of the amount of regular property taxes
35 lawfully levied for each component taxing district in the highest of
36 the three most recent years in which such taxes were levied for such
37 district plus the additional dollar amount calculated by multiplying
38 the regular property tax rate of each component district for the

1 preceding year by the increase in assessed value in each component
2 district resulting from:

3 (1) New construction;

4 (2) Increases in assessed value due to construction of wind
5 turbine, solar, biomass, and geothermal facilities, if such
6 facilities generate electricity and the property is not included
7 elsewhere under this section for purposes of providing an additional
8 dollar amount. The property may be classified as real or personal
9 property;

10 (3) Improvements to property; (~~and~~)

11 (4) Any increase in the assessed value of state-assessed
12 property; and

13 (5) Any increase in the assessed value of real property, as
14 defined in RCW 39.114.010, within an increment area as designated by
15 any local government under RCW 39.114.020 if the increase is not
16 included elsewhere under this section. This subsection does not apply
17 to levies by the state or by port districts and public utility
18 districts for the purpose of making required payments of principal
19 and interest on general indebtedness.

20 **Sec. 6.** RCW 84.55.030 and 2014 c 4 s 4 are each amended to read
21 as follows:

22 For the first levy for a taxing district following annexation of
23 additional property, the limitation set forth in RCW 84.55.010 must
24 be increased by an amount equal to the aggregate assessed valuation
25 of the newly annexed property as shown by the current completed and
26 balanced tax rolls of the county or counties within which such
27 property lies, multiplied by the dollar rate that would have been
28 used by the annexing unit in the absence of such annexation, plus the
29 additional dollar amount calculated by multiplying the regular
30 property tax levy rate of that annexing taxing district for the
31 preceding year by the increase in assessed value in the annexing
32 district resulting from:

33 (1) New construction;

34 (2) Increases in assessed value due to construction of wind
35 turbine, solar, biomass, and geothermal facilities, if such
36 facilities generate electricity and the property is not included
37 elsewhere under this section for purposes of providing an additional
38 dollar amount. The property may be classified as real or personal
39 property;

- 1 (3) Improvements to property; (~~and~~)
2 (4) Any increase in the assessed value of state-assessed
3 property; and
4 (5) Any increase in the assessed value of real property, as
5 defined in RCW 39.114.010, within an increment area as designated by
6 any local government in RCW 39.114.020 if the increase is not
7 included elsewhere under this section. This subsection does not apply
8 to levies by the state or by port districts or public utility
9 districts for the purpose of making required payments of principal
10 and interest on general indebtedness.

11 NEW SECTION. **Sec. 7.** This act is necessary for the immediate
12 preservation of the public peace, health, or safety, or support of
13 the state government and its existing public institutions, and takes
14 effect immediately."

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15 On page 1, line 11 of the title, after "84.55.010;" strike the
16 remainder of the title and insert "amending RCW 39.114.010,
17 39.114.020, 39.114.040, 39.114.050, 84.55.020, and 84.55.030; and
18 declaring an emergency."

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