

SUBSTITUTE HOUSE BILL 1281

State of Washington

58th Legislature

2004 Regular Session

By House Committee on Trade & Economic Development (originally sponsored by Representatives Pettigrew, Skinner, Gombosky, Clibborn, Anderson, Rockefeller, Grant, Tom, O'Brien, Cody, Moeller, McDonald, Woods, Hunter, Kagi, Morrell, Benson, Kessler, Wood, Upthegrove, Conway, Linville and Morris; by request of Governor Locke)

READ FIRST TIME 02/06/04.

1 AN ACT Relating to community revitalization financing; amending RCW
2 39.89.020, 39.89.030, 39.89.050, 39.89.060, 39.89.070, and 39.89.080;
3 adding new sections to chapter 39.89 RCW; adding new sections to
4 chapter 82.14 RCW; adding a new section to chapter 82.32 RCW; and
5 creating new sections.

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

PART I

COMMUNITY REVITALIZATION FINANCING--GENERAL PROVISIONS

9 NEW SECTION. **Sec. 101.** The legislature recognizes that the state
10 as a whole benefits from investment in public infrastructure because it
11 promotes community and economic development. Public investment
12 stimulates business activity and helps create jobs; stimulates the
13 redevelopment of brownfields and blighted areas in the inner city;
14 lowers the cost of housing; and promotes efficient land use. The
15 legislature finds that these activities generate revenue for the state
16 and that it is in the public interest to invest in these projects
17 through a credit against the state sales and use tax to those local
18 governments that can demonstrate the expected returns to the state.

1 **Sec. 102.** RCW 39.89.020 and 2001 c 212 s 2 are each amended to
2 read as follows:

3 The definitions in this section apply throughout this chapter
4 unless the context clearly requires otherwise.

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

7 (2) "Department" means the department of revenue.

8 (3) "Increment area" means the geographic area from which taxes are
9 to be appropriated to finance public improvements authorized under this
10 chapter.

11 (4) "Increment value" means seventy-five percent of any increase in
12 the assessed value of real property in an increment area that is placed
13 on the assessment rolls after the increment area is created. There is
14 no increment value if the assessed value of real property in an
15 increment area is less than or equal to the assessed value of real
16 property in the increment area for taxes levied in the year in which
17 the increment area was created for collection in the following year.

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

20 (~~(3)~~) (6) "Ordinance" means any appropriate method of taking
21 legislative action by a local government.

22 (~~(4)~~) (7) "Participating taxing authority" means a taxing
23 authority that has entered into a written agreement with a local
24 government for the use of community revitalization financing to finance
25 all or a portion of the costs of designated public improvements.

26 (8) "Participating taxing district" means a taxing district that
27 has entered into a written agreement with a local government for the
28 use of community revitalization financing to finance all or a portion
29 of the costs of designated public improvements.

30 (9) "Public improvements" means infrastructure improvements within
31 the increment area that include:

32 (a) (~~Infrastructure improvements within the increment area that~~
33 ~~include:~~

34 (i)) Street and road construction and maintenance;

35 (ii)) (b) Water and sewer system construction and improvements;

36 (iii)) (c) Sidewalks and streetlights;

37 (iv)) (d) Parking, terminal, and dock facilities;

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

1 ~~((vi))~~ (f) Park facilities and recreational areas; ~~((and~~
2 ~~(vii))~~ (g) Storm water and drainage management systems; and
3 ~~((b) Expenditures for any of the following purposes:~~
4 ~~(i) Providing environmental analysis, professional management,~~
5 ~~planning, and promotion within the increment area, including the~~
6 ~~management and promotion of retail trade activities in the increment~~
7 ~~area;~~
8 ~~(ii) Providing maintenance and security for common or public areas~~
9 ~~in the increment area; or~~
10 ~~(iii))~~ (h) Historic preservation activities authorized under RCW
11 35.21.395.
12 ~~((5))~~ (10) "Public improvement costs" means the costs of: (a)
13 Design, planning, acquisition, including land acquisition, site
14 preparation including land clearing, construction, reconstruction,
15 rehabilitation, improvement, and installation of public improvements;
16 (b) demolishing, relocating, maintaining, and operating property
17 pending construction of public improvements; (c) relocating utilities
18 as a result of public improvements; (d) financing public improvements,
19 including interest during construction, legal and other professional
20 services, taxes, insurance, principal and interest costs on general
21 indebtedness issued to finance public improvements, and any necessary
22 reserves for general indebtedness; (e) assessments incurred in
23 revaluing real property for the purpose of determining the tax
24 allocation base value that are in excess of costs incurred by the
25 assessor in accordance with the revaluation plan under chapter 84.41
26 RCW, and the costs of apportioning the taxes and complying with this
27 chapter and other applicable law; and (f) administrative expenses and
28 feasibility studies reasonably necessary and related to these costs,
29 including related costs that may have been incurred before adoption of
30 the ordinance authorizing the public improvements and the use of
31 community revitalization financing to fund the costs of the public
32 improvements.
33 ~~((6))~~ (11) "Regular property taxes" means regular property taxes
34 as defined in RCW 84.04.140, except: (a) Regular property taxes levied
35 by port districts or public utility districts specifically for the
36 purpose of making required payments of principal and interest on
37 general indebtedness; ~~((and))~~ (b) regular property taxes levied by the
38 state for the support of the common schools under RCW 84.52.065; and

1 (c) regular property taxes levied under the authority of RCW 84.55.050
2 that are limited to a specific purpose as provided in RCW
3 84.55.050(3)(b). Regular property taxes do not include excess property
4 tax levies that are exempt from the aggregate limits for junior and
5 senior taxing districts as provided in RCW 84.52.043.

6 ~~((+7))~~ (12) "Tax allocation base value" means the ~~((true and~~
7 ~~fair))~~ assessed value of real property located within an increment area
8 for taxes ~~((imposed))~~ levied in the year in which the increment area is
9 created for collection in the following year, plus twenty-five percent
10 of any increase in the ~~((true and fair))~~ assessed value of real
11 property located within an increment area that is placed on the
12 assessment rolls after the increment area is created.

13 ~~((+8))~~ (13) "Tax allocation revenues" means those tax revenues
14 derived from the ~~((imposition of))~~ receipt of excess excise taxes under
15 section 202 of this act and from regular property taxes levied on the
16 increment value and distributed to finance public improvements.

17 ~~((+9) "Increment area" means the geographic area from which taxes~~
18 ~~are to be appropriated to finance public improvements authorized under~~
19 ~~this chapter.~~

20 ~~(10) "Increment value" means seventy five percent of any increase~~
21 ~~in the true and fair value of real property in an increment area that~~
22 ~~is placed on the tax rolls after the increment area is created.~~

23 ~~((+11))~~ (14) "Taxing authority" means a governmental entity that
24 imposes a sales or use tax under chapter 82.14 RCW upon the occurrence
25 of any taxable event within a proposed or approved increment area.

26 (15) "Taxing district~~((s))~~" means a governmental entity that levies
27 or has levied for it regular property taxes upon real property located
28 within a proposed or approved increment area.

29 ~~((+12))~~ (16) "Value of taxable property" means the value of the
30 taxable property as defined in RCW 39.36.015.

31 **Sec. 103.** RCW 39.89.030 and 2002 c 12 s 1 are each amended to read
32 as follows:

33 A local government may finance public improvements using community
34 revitalization financing subject to the following conditions:

35 (1) The local government adopts an ordinance designating an
36 increment area within its boundaries and specifying the public

1 improvements proposed to be financed in whole or in part with the use
2 of community revitalization financing;

3 (2) The public improvements proposed to be financed in whole or in
4 part using community revitalization financing are expected to encourage
5 private development within the increment area and to increase the fair
6 market value of real property within the increment area;

7 (3) Private development that is anticipated to occur within the
8 increment area, as a result of the public improvements, will be
9 consistent with the countywide planning policy adopted by the county
10 under RCW 36.70A.210 and the local government's comprehensive plan and
11 development regulations adopted under chapter 36.70A RCW;

12 ~~(4) ((Taxing districts, in the aggregate, that levy at least
13 seventy five percent of the regular property tax within which the
14 increment area is located approves the community revitalization
15 financing of the project under RCW 39.89.050(1); and~~

16 ~~(5) In an increment area that includes any portion of a fire
17 protection district as defined in Title 52 RCW, the fire protection
18 district must agree to participate in the community revitalization
19 financing of the project under chapter 212, Laws of 2001, for the
20 project to proceed. Approval by the fire protection district shall be
21 considered as part of the required participation by taxing districts
22 under subsection (4) of this section)) The local government may not use
23 community revitalization financing to finance the costs associated with
24 the financing, design, acquisition, construction, equipping, operating,
25 maintaining, remodeling, repairing, and reequipping of public
26 facilities funded with taxes collected under RCW 82.14.048;~~

27 (5) The governing body of the local government must make a finding
28 that community revitalization financing: (a) Will not be used for the
29 purpose of relocating a business from outside the increment area, but
30 within this state, into the increment area; and (b) will improve the
31 viability of existing business entities within the increment area; and

32 (6) The governing body of the local government finds that the
33 public improvements proposed to be financed in whole or in part using
34 community revitalization financing are reasonably likely to:

35 (a) Increase private investment within the increment area;

36 (b) Increase employment within the increment area as determined by
37 wage band analysis, as defined in section 302 of this act; and

1 (c) Generate, over the period of time that the local sales and use
2 tax will be imposed under section 301 of this act, state and local
3 property, sales, and use tax revenues that are equal to or greater than
4 the respective state and local contributions made under this chapter.

5 **Sec. 104.** RCW 39.89.050 and 2001 c 212 s 5 are each amended to
6 read as follows:

7 (1) Before adopting an ordinance creating the increment area, a
8 local government must:

9 ~~((1))~~ (a) Obtain written agreement for the use of community
10 revitalization financing to finance all or a portion of the costs of
11 the designated public improvements from any taxing district~~((s that, in~~
12 ~~the aggregate, levy at least seventy five percent of the regular~~
13 ~~property tax on property within the increment area. A signed, written~~
14 ~~agreement from taxing districts that in the aggregate levy at least~~
15 ~~seventy five percent of the regular property tax within the increment~~
16 ~~area, constitutes concurrence by all taxing districts in the increment~~
17 ~~area in the public improvement and participation in the public~~
18 ~~improvement))~~ that levies regular property taxes on real property
19 within the increment area, or from any taxing authority that imposes a
20 sales or use tax under chapter 82.14 RCW within the increment area if
21 the taxing district or taxing authority chooses to participate in the
22 public improvements to the extent of providing limited funding under
23 community revitalization financing authorized under this chapter. The
24 agreement must be authorized by the governing body of such
25 participating taxing districts ~~((that in the aggregate levy at least~~
26 ~~seventy five percent of the regular property tax on property within the~~
27 ~~increment area))~~ and taxing authorities; and

28 ~~((2))~~ (b) Hold a public hearing on the proposed financing of the
29 public improvement in whole or in part with community revitalization
30 financing.

31 (i) Notice of the public hearing must be published in a legal
32 newspaper of general circulation within the proposed increment area at
33 least ten days before the public hearing and posted in at least six
34 conspicuous public places located in the proposed increment area.

35 (ii) Notice must also be sent by United States mail to the property
36 owners and the business enterprises located within the proposed
37 increment area at least thirty days prior to the hearing. In

1 implementing provisions under this act, the local governing body shall
2 also consult with business organizations, including the local chamber
3 of commerce, and ethnic associations to develop methods of notice to
4 ensure that appropriate notice is also provided to business enterprises
5 and property owners for whom English is a second language.

6 (iii) Notices must describe the contemplated public improvements,
7 estimate the costs of the public improvements, describe the portion of
8 the costs of the public improvements to be borne by community
9 revitalization financing, describe any other sources of revenue to
10 finance the public improvements, describe the boundaries of the
11 proposed increment area, and estimate the period during which community
12 revitalization financing is contemplated to be used.

13 (iv) The public hearing may be held by either the governing body of
14 the local government, or a committee of the governing body that
15 includes at least a majority of the whole governing body(~~(+and)~~).

16 ~~((+3))~~ (2) In order to create an increment area, a local
17 government must adopt an ordinance establishing the increment area
18 that:

19 (a) Describes the public improvements(~~(+)~~);

20 (b) Describes the boundaries of the increment area(~~(+)~~);

21 (c) Estimates the cost of the public improvements and the portion
22 of these costs to be financed by community revitalization
23 financing(~~(+)~~);

24 (d) Estimates the time during which regular property taxes are to
25 be apportioned(~~(+)~~) and, if applicable, excess excise taxes are to be
26 used to finance public improvement costs associated with the public
27 improvements financed in whole or in part by community revitalization
28 financing;

29 (e) Estimates the highest amount of tax revenue to be received in
30 any one fiscal year through the imposition of a sales and use tax under
31 section 301 of this act;

32 (f) Provides the date when the apportionment of the regular
33 property taxes and, if applicable, the use of excess excise taxes will
34 commence(~~(+)~~); and

35 (g) Finds that the conditions of RCW 39.89.030 are met.

36 (3) For purposes of this section, "fiscal year" means the year
37 beginning July 1st and ending the following June 30th.

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

15 (2) The county assessor shall allocate twenty-five percent of any
16 increased real property value occurring in the increment area to the
17 tax allocation base value and seventy-five percent to the increment
18 value. This section does not authorize revaluations of real property
19 by the assessor for property taxation that are not made in accordance
20 with the assessor's revaluation plan under chapter 84.41 RCW or under
21 other authorized revaluation procedures.

22 (3) The apportionment of increases in assessed valuation in an
23 increment area, and the associated distribution to the local government
24 of receipts from regular property taxes that are imposed on the
25 increment value, must cease when tax allocation revenues are no longer
26 necessary or obligated to pay the costs of the public improvements.
27 Any excess tax allocation revenues derived from regular property taxes
28 and earnings on (~~the~~) such tax allocation revenues, remaining at the
29 time the apportionment of tax receipts terminates, must be returned to
30 the county treasurer and distributed to the participating taxing
31 districts that imposed regular property taxes, or had regular property
32 taxes imposed for it, in the increment area for collection that year,
33 in proportion to the rates of their regular property tax levies for
34 collection that year.

35 NEW SECTION. Sec. 202. A new section is added to chapter 39.89
36 RCW to read as follows:

37 (1) A local government that creates an increment area may use

1 annually any excess excise taxes received by it from taxable activity
2 within the increment area to finance public improvement costs
3 associated with the public improvements financed in whole or in part by
4 community revitalization financing. The use of excess excise taxes
5 must cease when tax allocation revenues are no longer necessary or
6 obligated to pay the costs of the public improvements. Any
7 participating taxing authority is authorized to allocate excess excise
8 taxes to the local government. The legislature declares that it is a
9 proper purpose of a local government or participating taxing authority
10 to allocate excess excise taxes for purposes of financing public
11 improvements under this chapter.

12 (2) A local government consisting solely of a port district may use
13 excess excise taxes as provided in this section only to the extent that
14 any participating taxing authority allocates excess excise taxes to the
15 local government.

16 (3) A local government consisting of a port district and any city,
17 town, or county may use excess excise taxes as provided in this section
18 only if:

19 (a) The city, town, or county realizes excess excise taxes from
20 taxable activity within the increment area; or

21 (b) Any participating taxing authority allocates excess excise
22 taxes to the local government.

23 (4) A local government shall provide the department accurate
24 information describing the geographical boundaries of the increment
25 area at least seventy-five days before the effective date of the
26 ordinance creating the increment area. The local government shall
27 ensure that the boundary information provided to the department is kept
28 current.

29 (5) The department shall provide each local government that has
30 provided boundary information to the department as provided in this
31 section with the necessary information to calculate excess excise
32 taxes.

33 (6) The definitions in this subsection apply throughout this
34 section unless the context clearly requires otherwise.

35 (a) "Base year" means the first calendar year following the
36 creation of an increment area.

37 (b) "Excess excise taxes" means the amount of excise taxes received
38 by the local government during the measurement year from taxable

1 activity within the increment area over and above the amount of excise
2 taxes received by the local government during the base year from
3 taxable activity within the increment area. However, if a local
4 government creates an increment area and reasonably determines that no
5 activity subject to tax under chapters 82.08 and 82.12 RCW occurred in
6 the twelve months immediately preceding the creation of the increment
7 area within the boundaries of the area that became the increment area,
8 "excess excise taxes" means the entire amount of excise taxes received
9 by the local government during a calendar year period beginning with
10 the calendar year immediately following the creation of the increment
11 area and continuing with each measurement year thereafter.

12 (c) "Excise taxes" means local retail sales and use taxes
13 authorized in RCW 82.14.030.

14 (d) "Measurement year" means a calendar year, beginning with the
15 calendar year following the base year and each calendar year
16 thereafter, that is used annually to measure the amount of excess
17 excise taxes required to be used to finance public improvement costs
18 associated with public improvements financed in whole or in part by
19 community revitalization financing.

20

PART III

21

COMMUNITY REVITALIZATION FINANCING--STATE CONTRIBUTION

22 NEW SECTION. **Sec. 301.** A new section is added to chapter 82.14
23 RCW to read as follows:

24 (1) A city, town, or county that creates an increment area and
25 finances public improvements pursuant to chapter 39.89 RCW may impose
26 a sales and use tax in accordance with the terms of this chapter and
27 subject to the criteria set forth in this section. Except as provided
28 in this section, the tax is in addition to other taxes authorized by
29 law and shall be collected from those persons who are taxable by the
30 state under chapters 82.08 and 82.12 RCW upon the occurrence of any
31 taxable event within the taxing jurisdiction of the city, town, or
32 county. The rate of tax shall not exceed the rate provided in RCW
33 82.08.020(1) in the case of a sales tax or the rate provided in RCW
34 82.12.020(4) in the case of a use tax, less the aggregate rates of any
35 other taxes imposed on the same events that are credited against the
36 state taxes imposed under chapters 82.08 and 82.12 RCW.

1 (2) The tax imposed under subsection (1) of this section shall be
2 deducted from the amount of tax otherwise required to be collected or
3 paid over to the department under chapter 82.08 or 82.12 RCW. The
4 department shall perform the collection of such taxes on behalf of the
5 city, town, or county at no cost to the city, town, or county.

6 (3) No tax may be imposed under this section before January 1,
7 2005. Before imposing a tax under this section, the city, town, or
8 county shall first have received tax allocation revenues derived from
9 either regular property taxes or excess excise taxes, or both, during
10 the preceding calendar year. The tax imposed under this section shall
11 expire when the bonds issued under the authority of chapter 39.89 RCW
12 are retired, but not more than twenty-five years after the tax is first
13 imposed.

14 (4) An ordinance adopted by the legislative authority of a city,
15 town, or county imposing a tax under this section shall provide that:

16 (a) The tax shall first be imposed on the first day of a calendar
17 year.

18 (b) The amount of tax received by the local government in any
19 calendar year shall not exceed the amount of the state contribution;

20 (c) The tax shall cease to be imposed for the remainder of any
21 calendar year in which either:

22 (i) The amount of tax receipts totals the amount of the state
23 contribution;

24 (ii) The amount of tax receipts totals the amount of "local public
25 sources," as that term is used in section 302 of this act, dedicated in
26 the previous calendar year to finance public improvements authorized
27 under chapter 39.89 RCW; or

28 (iii) The amount of revenue from taxes imposed under this section
29 by all cities, towns, and counties totals the annual state credit limit
30 as provided in section 303(3) of this act;

31 (d) The tax shall be reimposed, should it cease to be imposed for
32 any of the reasons provided in (c) of this subsection, at the beginning
33 of the next calendar year, subject to the restrictions in this section;
34 and

35 (e) Any revenue generated by the tax in excess of the amounts
36 specified in (a), (b), and (c) of this subsection shall belong to the
37 state of Washington.

1 (5) If both a county and a city or town impose a tax under this
2 section, the tax imposed by the city, town, or county shall be credited
3 as follows:

4 (a) If the county has created an increment area before the city or
5 town, the tax imposed by the county shall be credited against the tax
6 imposed by the city or town, the purpose of such credit is to give
7 priority to the county tax; and

8 (b) If the city or town has created an increment area before the
9 county, the tax imposed by the city or town shall be credited against
10 the tax imposed by the county, the purpose of such credit is to give
11 priority to the city or town tax.

12 (6) The department shall determine the amount of tax receipts
13 attributable to each city, town, and county imposing a sales and use
14 tax under this section and shall advise a city, town, or county when it
15 must cease imposing the tax for the remainder of the calendar year as
16 provided in subsection (4)(c) of this section. Determinations by the
17 department of the amount of taxes attributable to a city, town, or
18 county are final and shall not be used to challenge the validity of any
19 tax imposed under this section. The department shall remit any tax
20 receipts in excess of the amounts specified in subsection (4)(a), (b),
21 and (c) of this section to the state treasurer who shall deposit the
22 moneys in the general fund.

23 (7) The definitions in this subsection apply throughout this
24 section unless the context clearly requires otherwise.

25 (a) "Base year" means the first calendar year following the
26 creation of an increment area.

27 (b) "Excess state excise taxes" means the amount of excise taxes
28 received by the state during the measurement year from taxable activity
29 within the increment area over and above the amount of excise taxes
30 received by the state during the base year from taxable activity within
31 the increment area. However, if a local government creates an
32 increment area and reasonably determines that no activity subject to
33 tax under chapters 82.08 and 82.12 RCW occurred in the twelve months
34 immediately preceding the creation of the increment area within the
35 boundaries of the area that became the increment area, "excess state
36 excise taxes" means the entire amount of excise taxes received by the
37 state during a calendar year period beginning with the calendar year

1 immediately following the creation of the increment area and continuing
2 with each measurement year thereafter.

3 (c) "Excise taxes" means the state retail sales and use taxes
4 imposed under chapters 82.08 and 82.12 RCW.

5 (d) "Increment area" has the same meaning as in RCW 39.89.020.

6 (e) "Measurement year" means a calendar year, beginning with the
7 calendar year following the base year and each calendar year
8 thereafter, that is used annually to measure the amount of excess
9 excise taxes required to be used to finance public improvement costs
10 associated with public improvements financed in whole or in part by
11 community revitalization financing.

12 (f) "State contribution" means the lesser of one million dollars or
13 an amount equal to:

14 (i) State property tax allocation revenues received by the state
15 during the preceding calendar year; and

16 (ii) Excess state excise taxes received by the state during the
17 preceding calendar year.

18 (g) "State property tax allocation revenues" means those tax
19 revenues derived from the imposition of property taxes levied by the
20 state for the support of common schools under RCW 84.52.065 on the
21 increment value as defined in RCW 39.89.020.

22 (h) "Tax allocation revenues" has the same meaning as in RCW
23 39.89.020.

24 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.14
25 RCW to read as follows:

26 (1) Moneys collected from the taxes imposed under section 301 of
27 this act shall be used only for the purpose of principal and interest
28 payments on bonds issued under the authority of RCW 39.89.080 and must
29 be matched with an amount from local public sources dedicated through
30 December 20th of the previous calendar year to finance public
31 improvements authorized under chapter 39.89 RCW. Such local public
32 sources include but are not limited to private monetary contributions
33 and tax allocation revenues. Local public sources are dedicated to
34 finance public improvements if they are actually expended to pay public
35 improvement costs or are required by law or an agreement to be used
36 exclusively to pay public improvement costs.

1 (2) A local government shall inform the department by the twentieth
2 day of December of the amount of:

3 (a) Local public sources dedicated in the current calendar year to
4 finance public improvements authorized under chapter 39.89 RCW; and

5 (b) Tax allocation revenues derived in the current calendar year
6 from the imposition of regular property taxes on the increment value
7 and distributed to finance public improvements. Upon request of a
8 local government, the county assessor shall assist the local government
9 in determining the amount of tax allocation revenues derived in the
10 current calendar year and distributed to finance public improvements.

11 (3) If a local government fails to comply with subsection (2) of
12 this section, no tax may be imposed under section 301 of this act in
13 the following calendar year.

14 (4) A local government shall provide a report to the department by
15 March 1st of each year. The report shall contain the following
16 information:

17 (a) The amount of tax allocation revenues, taxes under section 301
18 of this act, and local public sources received by the local government
19 during the preceding calendar year, and a summary of how these revenues
20 were expended;

21 (b) The names, and previous business locations, of any businesses
22 locating within the increment area as a result of the public
23 improvements undertaken by the local government and financed in whole
24 or in part with community revitalization financing;

25 (c) The number and industrial classification of businesses and the
26 number of employees in the increment area prior to the establishment of
27 the increment area, and the number of these businesses and the number
28 of their employees continuing to conduct business enterprise activities
29 after the completion of the proposed improvements;

30 (d) The total number of permanent jobs created as a result of the
31 public improvements undertaken by the local government and financed in
32 whole or in part with community revitalization financing;

33 (e) The wages and benefits received by the employees of businesses
34 locating within the increment area as a result of the public
35 improvements undertaken by the local government and financed in whole
36 or in part with community revitalization financing. The wage and
37 benefit information should be collected and reported to the department
38 by the local government and include:

1 (i) Employee benefits, including employer-provided health or
2 medical insurance, vacation or sick leave, or retirement benefits; and

3 (ii) Wages reported in wage bands. Wage bands means the following
4 six groupings of wage rates:

5 (A) Up to the state minimum wage plus two dollars per hour;

6 (B) Between the state minimum wage plus two dollars and one cent to
7 the state minimum wage plus four dollars per hour;

8 (C) Between the state minimum wage plus four dollars and one cent
9 to the state minimum wage plus six dollars per hour;

10 (D) Between the state minimum wage plus six dollars and one cent to
11 the state minimum wage plus eight dollars per hour;

12 (E) Between the state minimum wage plus eight dollars and one cent
13 to the state minimum wage plus ten dollars per hour; and

14 (F) Greater than the state minimum wage plus ten dollars and one
15 cent per hour;

16 (f) The increase in employment within the increment area reported
17 by wage bands; and

18 (g) The amount of tax receipts the local government has received
19 from taxable activity from the businesses located within the increment
20 area prior to the establishment of the tax increment area and after the
21 establishment of the increment area.

22 (5) The department shall make a report available to the public and
23 the legislature by June 1st of each year. The report shall include a
24 list of public improvements undertaken by local governments and
25 financed in whole or in part with community revitalization financing,
26 and it shall also include a summary of the information provided to the
27 department by local governments under subsection (4) of this section.
28 The full report submitted to the department by the local government
29 under subsection (4) of this section shall be made available, upon
30 request, to the public.

31 (6) The definitions in this subsection apply throughout this
32 section unless the context clearly requires otherwise.

33 (a) "Public improvement costs" has the same meaning as in RCW
34 39.89.020.

35 (b) "Tax allocation revenues" has the same meaning as in RCW
36 39.89.020.

1 NEW SECTION. **Sec. 303.** A new section is added to chapter 82.32

2 RCW to read as follows:

3 (1) As a condition to imposing a sales and use tax under section
4 301 of this act, a city, town, or county must apply to the department
5 at least seventy-five days before the effective date of any such tax.
6 The application shall be in a form and manner prescribed by the
7 department and shall include but is not limited to information
8 establishing that the applicant is eligible to impose such a tax, the
9 anticipated effective date for imposing the tax, the estimated number
10 of years that the tax will be imposed, and the estimated amount of tax
11 revenue to be received in each fiscal year that the tax will be
12 imposed. For purposes of this section, "fiscal year" means the year
13 beginning July 1st and ending the following June 30th. The department
14 shall make available forms to be used for this purpose. As part of the
15 application, a city, town, or county must provide to the department a
16 copy of the ordinance creating the increment area as required in RCW
17 39.89.050. The department shall rule on completed applications within
18 sixty days of receipt. No new applications shall be considered by the
19 department after the thirtieth day of September of the third year
20 following the year in which the first application was received.

21 (2) The authority to impose the local option sales and use taxes
22 under section 301 of this act is on a first-come basis. Priority for
23 collecting the taxes authorized under section 301 of this act among
24 approved applicants shall be based on the date that the approved
25 application was received by the department. As a part of the approval
26 of applications under this section, the department shall approve the
27 amount of tax under section 301 of this act that an applicant may
28 impose. The amount of tax approved by the department shall not exceed
29 the lesser of one million dollars or the highest amount of tax revenue
30 that the applicant estimates that it will receive in any one fiscal
31 year through the imposition of a sales and use tax under section 301 of
32 this act. A city, town, or county shall not receive, in any fiscal
33 year, more revenues from taxes imposed under section 301 of this act
34 than the amount approved by the department. The department shall not
35 approve the receipt of more credit against the state sales and use tax
36 than is authorized under subsection (3) of this section.

37 (3) The amount of credit against the state sales and use tax is
38 limited as follows:

1 (a) No more than five million dollars of credit against the state
2 sales and use tax may be received by all cities, towns, and counties
3 imposing a tax under section 301 of this act during the fiscal year
4 beginning July 1, 2004.

5 (b) No more than five million dollars of credit against the state
6 sales and use tax increased by the same percentage as the percentage
7 increase in the assessed value of all property within this state from
8 calendar year 2002 to calendar year 2003, as determined by the
9 department, may be received by all cities, towns, and counties imposing
10 a tax under section 301 of this act during the fiscal year beginning
11 July 1, 2005.

12 (c) No more than the amount determined in (b) of this subsection
13 increased by the same percentage as the percentage increase in the
14 assessed value of all property within this state from calendar year
15 2003 to calendar year 2004, as determined by the department, may be
16 received by all cities, towns, and counties imposing a tax under
17 section 301 of this act during the fiscal year beginning July 1, 2006.

18 (d) No more than the amount determined in (c) of this subsection
19 increased by the same percentage as the percentage increase in the
20 assessed value of all property within this state from calendar year
21 2004 to calendar year 2005, as determined by the department, may be
22 received by all cities, towns, and counties imposing a tax under
23 section 301 of this act during the fiscal year beginning July 1, 2007.

24 (4) The credit against the state sales and use tax shall be
25 available to any city, town, or county imposing a tax under section 301
26 of this act only as long as the city, town, or county has outstanding
27 indebtedness under RCW 39.89.080.

28 (5) The department may adopt rules under chapter 34.05 RCW clearly
29 required for the administration of sections 202 through 303 of this
30 act.

31 **PART IV**
32 **BOND AUTHORIZATION**

33 **Sec. 401.** RCW 39.89.080 and 2001 c 212 s 8 are each amended to
34 read as follows:

35 (1) A local government designating an increment area and
36 authorizing the use of community revitalization financing may incur

1 general indebtedness, and issue general obligation bonds, to finance
2 the public improvements and retire the indebtedness in whole or in part
3 from tax allocation revenues it receives, subject to the following
4 requirements:

5 (a) The ordinance adopted by the local government creating the
6 increment area and authorizing the use of community revitalization
7 financing indicates an intent to incur this indebtedness and the
8 maximum amount of this indebtedness that is contemplated; and

9 (b) The local government includes this statement of the intent in
10 all notices required by RCW 39.89.050.

11 (2) The general indebtedness incurred under subsection (1) of this
12 section may be payable from other tax revenues, the full faith and
13 credit of the local government, and nontax income, revenues, fees, and
14 rents from the public improvements, as well as contributions, grants,
15 and nontax money available to the local government for payment of costs
16 of the public improvements or associated debt service on the general
17 indebtedness.

18 (3) In addition to the requirements in subsection (1) of this
19 section, a local government designating an increment area and
20 authorizing the use of community revitalization financing may require
21 the nonpublic participant to provide adequate security to protect the
22 public investment in the public improvement within the increment area.

23 (4) Bonds issued under this section shall be authorized by
24 ordinance of the local governing body and may be issued in one or more
25 series and shall bear such date or dates, be payable upon demand or
26 mature at such time or times, bear interest at such rate or rates, be
27 in such denomination or denominations, be in such form either coupon or
28 registered as provided in RCW 39.46.030, carry such conversion or
29 registration privileges, have such rank or priority, be executed in
30 such manner, be payable in such medium of payment, at such place or
31 places, and be subject to such terms of redemption with or without
32 premium, be secured in such manner, and have such other
33 characteristics, as may be provided by such ordinance or trust
34 indenture or mortgage issued pursuant thereto.

35 (5) The local government may annually pay into a fund to be
36 established for the benefit of bonds issued under this section a fixed
37 proportion or a fixed amount of any tax allocation revenues derived
38 from property or business activity within the increment area containing

1 the public improvements funded by the bonds, such payment to continue
2 until all bonds payable from the fund are paid in full. The local
3 government may also annually pay into the fund established in this
4 section a fixed proportion or a fixed amount of any revenues derived
5 from taxes imposed under section 301 of this act, such payment to
6 continue until all bonds payable from the fund are paid in full.
7 Revenues derived from taxes imposed under section 301 of this act are
8 subject to the use restriction in section 302 of this act.

9 (6) In case any of the public officials of the local government
10 whose signatures appear on any bonds or any coupons issued under this
11 chapter shall cease to be such officials before the delivery of such
12 bonds, such signatures shall, nevertheless, be valid and sufficient for
13 all purposes, the same as if such officials had remained in office
14 until such delivery. Any provision of any law to the contrary
15 notwithstanding, any bonds issued under this chapter are fully
16 negotiable.

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

20 NEW SECTION. Sec. 402. A new section is added to chapter 39.89
21 RCW to read as follows:

22 A local government that issues bonds under RCW 39.89.080 to finance
23 public improvements may pledge for the payment of such bonds all or
24 part of any tax allocation revenues derived from the public
25 improvements. The local government may also pledge all or part of any
26 revenues derived from taxes imposed under section 301 of this act and
27 held in connection with the public improvements. All of such tax
28 revenues are subject to the use restriction in section 302 of this act.

29 NEW SECTION. Sec. 403. A new section is added to chapter 39.89
30 RCW to read as follows:

31 The bonds issued by a local government under RCW 39.89.080 to
32 finance public improvements shall not constitute an obligation of the
33 state of Washington, either general or special.

34 **PART V**

MISCELLANEOUS

1

2 NEW SECTION. **Sec. 501.** If any provision of this act or its
3 application to any person or circumstance is held invalid, the
4 remainder of the act or the application of the provision to other
5 persons or circumstances is not affected.

6 NEW SECTION. **Sec. 502.** Part headings used in this act do not
7 constitute any part of the law.

8 NEW SECTION. **Sec. 503.** Nothing in this act shall be construed to
9 give port districts the authority to impose a sales or use tax under
10 chapter 82.14 RCW.

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