



1        NEW SECTION.    **Sec. 102.**    DEFINITIONS.    The definitions in this  
2 section apply throughout this chapter unless the context clearly  
3 requires otherwise.

4        (1) "Accrued value" means seventy-five percent of any increase in  
5 the assessed value of real property in a revenue development area due  
6 to the placement of new construction and improvements to property on  
7 the assessment rolls after the revenue development area is created,  
8 where the new construction or improvements occur entirely after the  
9 revenue development area is created. "Accrued value" does not include  
10 any increase in the assessed value of real property representing new  
11 construction and improvements to property occurring after their initial  
12 placement on the assessment rolls, except that for new construction  
13 which represents entire buildings, "accrued value" includes seventy-  
14 five percent of any increase in assessed value of such new construction  
15 in the years following its initial placement on the assessment rolls.  
16 There is no accrued value if the assessed value of real property in a  
17 revenue development area has not increased due to new construction and  
18 improvements to property occurring after the revenue development area  
19 is created.

20        (2) "Assessed value" means the valuation of taxable real property  
21 as placed on the last completed assessment roll.

22        (3) "Base year" means the first calendar year following the  
23 creation of a revenue development area.

24        (4) "Demonstration project" means one of the following projects:

25        (a) Port of Walla Walla RailEx infrastructure project;

26        (b) Bellingham waterfront redevelopment project;

27        (c) Covington elementary school redevelopment project;

28        (d) Grays Harbor biomass plant project;

29        (e) Gig Harbor St. Anthony's hospital and retail area  
30 infrastructure project;

31        (f) Bothell gateway project.

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

33        (6) "Excess excise taxes" means the amount of excise taxes received  
34 by the local government during the measurement year from taxable  
35 activity within the revenue development area over and above the amount  
36 of excise taxes received by the local government during the base year  
37 from taxable activity within the revenue development area. However, if  
38 a local government creates a revenue development area and reasonably

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

10 (7) "Excess state excise taxes" means the amount of state excise  
11 taxes received by the state government during the measurement year from  
12 taxable activity within the revenue development area over and above the  
13 amount of excise taxes received by the state government during the base  
14 year from taxable activity within the revenue development area.  
15 However, if a local government creates a revenue development area and  
16 reasonably determines that no activity subject to tax under chapters  
17 82.08 and 82.12 RCW occurred in the twelve months immediately preceding  
18 the creation of the revenue development area within the boundaries of  
19 the area that became the revenue development area, "excess state excise  
20 taxes" means the entire amount of state excise taxes received by the  
21 state from taxable activity within the revenue development area during  
22 a calendar year period beginning with the calendar year immediately  
23 following the creation of the revenue development area and continuing  
24 with each measurement year thereafter.

25 (8) "Excise taxes" means local retail sales and use taxes  
26 authorized in RCW 82.14.030.

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

29 (10) "Local government" means any city, town, county, port  
30 district, or combination thereof that has a demonstration project  
31 located within it.

32 (11) "Local infrastructure financing" means revenue derived from:  
33 (a) The local option sales and use tax authorized in section 401 of  
34 this act; (b) tax allocation revenues authorized in section 301 of this  
35 act; or (c) local public sources.

36 (12) "Local public sources" means funds allocated by the local  
37 government to finance the public improvements financed by local  
38 infrastructure financing and may include, but are not limited to,

1 private monetary contributions and tax allocation revenues. Local  
2 public sources are dedicated to finance public improvements if they are  
3 expended to pay public improvement costs or are required by law or an  
4 agreement to be used exclusively to pay public improvement costs.

5 (13) "Low-income housing" means residential housing for persons or  
6 families who lack the amount of income which is necessary to enable  
7 them, without financial assistance, to live in decent, safe, and  
8 sanitary dwellings, without overcrowding.

9 (14) "Measurement year" means a calendar year, beginning with the  
10 calendar year following the base year and each calendar year  
11 thereafter, that is used annually to measure the amount of excess  
12 excise taxes used in whole or in part for local infrastructure  
13 financing.

14 (15) "Ordinance" means any appropriate method of taking legislative  
15 action by a local government.

16 (16) "Participating taxing authority" or "participating taxing  
17 district" means a taxing authority or taxing district:

18 (a) Within the geographic boundaries of which the demonstration  
19 project is located; and

20 (b) That has entered into a written agreement with a local  
21 government for the use of its tax allocation revenues for local  
22 infrastructure financing.

23 (17) "Public improvements" means:

24 (a) Infrastructure improvements within the revenue development area  
25 that include:

26 (i) Street, bridge, and road construction and maintenance;

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

28 (iii) Sidewalks, traffic controls, and streetlights;

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

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

31 (vi) Park facilities and recreational areas; and

32 (vii) Storm water and drainage management systems; and

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

35 (18) "Public improvement costs" means the cost of: (a) Design,  
36 planning, acquisition including land acquisition, site preparation  
37 including land clearing, construction, reconstruction, rehabilitation,  
38 improvement, and installation of public improvements; (b) demolishing,

1 relocating, maintaining, and operating property pending construction of  
2 public improvements; (c) the local government's portion of relocating  
3 utilities as a result of public improvements; (d) financing public  
4 improvements, including interest during construction, legal and other  
5 professional services, taxes, insurance, principal and interest costs  
6 on general indebtedness issued to finance public improvements, and any  
7 necessary reserves for general indebtedness; (e) assessments incurred  
8 in revaluing real property for the purpose of determining the tax  
9 allocation base value that are in excess of costs incurred by the  
10 assessor in accordance with the revaluation plan under chapter 84.41  
11 RCW, and the costs of apportioning the taxes and complying with this  
12 chapter and other applicable law; and (f) administrative expenses and  
13 feasibility studies reasonably necessary and related to these costs,  
14 including related costs that may have been incurred before adoption of  
15 the ordinance authorizing the public improvements and the use of local  
16 infrastructure financing to fund the costs of the public improvements.

17 (19) "Regular property taxes" means regular property taxes as  
18 defined in RCW 84.04.140, except: (a) Regular property taxes levied by  
19 public utility districts specifically for the purpose of making  
20 required payments of principal and interest on general indebtedness;  
21 (b) regular property taxes levied by the state for the support of the  
22 common schools under RCW 84.52.065; and (c) regular property taxes  
23 authorized by RCW 84.55.050 that are limited to a specific purpose.  
24 "Regular property taxes" do not include excess property tax levies that  
25 are exempt from the aggregate limits for junior and senior taxing  
26 districts as provided in RCW 84.52.043.

27 (20) "Relocating a business" means the closing of a business and  
28 the reopening of that business, or the opening of a new business that  
29 engages in the same activities as the previous business, in a different  
30 location within a one-year period, when an individual or entity has an  
31 ownership interest in the business at the time of closure and at the  
32 time of opening or reopening. "Relocating a business" does not include  
33 the closing and reopening of a business in a new location where the  
34 business has been acquired and is under entirely new ownership at the  
35 new location, or the closing and reopening of a business in a new  
36 location as a result of the exercise of the power of eminent domain.

37 (21) "Revenue development area" means the geographic area from

1 which taxes are to be dedicated to finance public improvements  
2 authorized under this chapter.

3 (22) "Small business" has the same meaning as provided in RCW  
4 19.85.020.

5 (23) "State contribution" means the lesser of one million dollars  
6 or an amount equal to:

7 (a) State property tax allocation revenues received by the state  
8 during the preceding calendar year; and

9 (b) Excess state excise taxes received by the state during the  
10 preceding calendar year.

11 (24) "State excise taxes" means state retail sales and use taxes  
12 authorized under chapters 82.08 and 82.12 RCW.

13 (25) "State property tax allocation revenues" means those tax  
14 revenues derived from the imposition of property taxes levied by the  
15 state for the support of common schools under RCW 84.52.065 on the  
16 accrued value.

17 (26) "Tax allocation base value" means the assessed value of real  
18 property located within a revenue development area for taxes levied in  
19 the year in which the revenue development area is created for  
20 collection in the following year, plus one hundred percent of any  
21 increase in the assessed value of real property located within a  
22 revenue development area that is placed on the assessment rolls after  
23 the revenue development area is created, less the accrued value.

24 (27) "Tax allocation revenues" means those tax revenues derived  
25 from the receipt of excess excise taxes and from regular property taxes  
26 on the accrued value and distributed to finance the public  
27 improvements.

28 (28) "Taxing authority" means a governmental entity that imposes a  
29 sales or use tax under chapter 82.14 RCW upon the occurrence of any  
30 taxable event within a proposed or approved revenue development area.

31 (29) "Taxing district" means a government entity that levies or has  
32 levied for it regular property taxes upon real property located within  
33 a proposed or approved revenue development area.

34 (30) "Urban growth area" has the same meaning as provided in  
35 chapter 36.70A RCW.

36 **PART II**

1 **CREATION**

2 NEW SECTION. **Sec. 201.** CREATION OF THE LOCAL INFRASTRUCTURE  
3 FINANCING TOOL DEMONSTRATION PROGRAM. The local infrastructure  
4 financing tool demonstration program is created to assist local  
5 governments finance authorized public infrastructure projects designed  
6 to promote economic development in the jurisdiction. The local  
7 infrastructure financing tool demonstration program is not created to  
8 enable existing Washington-based businesses from outside the revenue  
9 development area to relocate into the revenue development area.

10 NEW SECTION. **Sec. 202.** LIMITATIONS ON REVENUE DEVELOPMENT AREAS.  
11 The designation of a revenue development area is subject to the  
12 following limitations:

13 (1) The taxable real property within the revenue development area  
14 boundaries may not exceed one billion dollars in assessed value;

15 (2) The average assessed value per square foot of taxable land  
16 within the revenue development area boundaries may not exceed seventy  
17 dollars;

18 (3) A revenue development area is limited to contiguous tracts,  
19 lots, pieces, or parcels of land;

20 (4) The boundaries may not be drawn to purposely exclude parcels  
21 where economic growth is unlikely to occur;

22 (5) A demonstration project must be located in the revenue  
23 development area; and

24 (6) A revenue development area cannot comprise an area containing  
25 more than twenty-five percent of the total assessed value of the  
26 taxable real property within the boundaries of the local government  
27 creating the revenue development area.

28 NEW SECTION. **Sec. 203.** CONDITIONS. Local infrastructure  
29 financing under this chapter is subject to the following conditions:

30 (1) No funds may be used to finance, design, acquire, construct,  
31 equip, operate, maintain, remodel, repair, or reequip public facilities  
32 funded with taxes collected under RCW 82.14.048;

33 (2)(a) Except as provided in (b) of this subsection (2) no funds  
34 may be used for public improvements other than projects identified  
35 within the capital facilities, utilities, housing, or transportation  
36 element of a comprehensive plan required under chapter 36.70A RCW;

1 (b) Funds may be used for public improvements that are historical  
2 preservation activities as defined in RCW 39.89.020;

3 (3) No funds may be used to support projects where the sole purpose  
4 is the development of convention centers, sports complexes, or  
5 entertainment complexes;

6 (4) The public improvements proposed to be financed in whole or in  
7 part using local infrastructure financing are expected to encourage  
8 private development within the revenue development area and to increase  
9 the fair market value of real property within the revenue development  
10 area;

11 (5) The local government or participating taxing authority has  
12 entered or expects to enter into a contract with a private developer  
13 relating to the development of private improvements within the revenue  
14 development area or has received a letter of intent from a private  
15 developer relating to the developer's plans for the development of  
16 private improvements within the revenue development area;

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

22 (7) The governing body of the local government must make a finding  
23 that local infrastructure financing:

24 (a) Is not expected to be used for the purpose of relocating a  
25 business from outside the revenue development area, but within this  
26 state, into the revenue development area; and

27 (b) Will improve the viability of existing business entities within  
28 the revenue development area;

29 (8) The governing body of the local government finds that the  
30 public improvements proposed to be financed in whole or in part using  
31 local infrastructure financing are reasonably likely to:

32 (a) Increase private residential and commercial investment within  
33 the revenue development area;

34 (b) Increase employment within the revenue development area;

35 (c) Improve the viability of existing communities that are based on  
36 mixed-use development within the revenue development area; and

37 (d) Generate, over the period of time that the local sales and use

1 tax will be imposed under section 401 of this act, state and local  
2 property, sales, and use tax revenues that are equal to or greater than  
3 the respective state and local contributions made under this chapter;

4 (9) The local government may only use local infrastructure  
5 financing in areas within boundaries of the local government deemed in  
6 need of economic development or redevelopment.

7 NEW SECTION. **Sec. 204.** PROCESS. Before adopting an ordinance  
8 creating the revenue development area, a local government must:

9 (1) Obtain written agreement from any taxing district that levies  
10 regular property taxes on real property within the revenue development  
11 area, or from any taxing authority that imposes a sales or use tax  
12 under chapter 82.14 RCW within the revenue development area that  
13 chooses to dedicate its tax allocation revenues, in whole or in part,  
14 for local infrastructure financing authorized under this chapter. The  
15 agreement to opt into the local infrastructure financing public  
16 improvement project must be authorized by the governing body of such  
17 participating taxing districts and taxing authorities.

18 (2) Estimate the impact of the revenue development area on small  
19 business and low-income housing and develop a mitigation plan for the  
20 impacted businesses and housing. In analyzing the impact of the  
21 revenue development area, the local government must develop:

22 (a) An inventory of existing low-income housing units, and  
23 businesses and retail activity within the revenue development area;

24 (b) A reasonable estimate of the number of low-income housing  
25 units, small businesses, and other commercial activity that may be  
26 vulnerable to displacement within the revenue development area;

27 (c) A reasonable estimate of projected net job growth and net  
28 housing growth caused by creation of the revenue development area when  
29 compared to the existing jobs or housing balance for the area; and

30 (d) A reasonable estimate of the impact of net housing growth on  
31 the current housing price mix.

32 NEW SECTION. **Sec. 205.** ORDINANCE. (1) To create a revenue  
33 development area, a local government must adopt an ordinance  
34 establishing the revenue development area that:

35 (a) Describes the public improvements;

1 (b) Describes the boundaries of the revenue development area,  
2 subject to the limitations in section 202 of this act;

3 (c) Estimates the public improvement costs and the portion of these  
4 costs to be financed by local infrastructure financing;

5 (d) Estimates the time during which regular property taxes are to  
6 be apportioned and, if applicable, excess excise taxes are to be used  
7 for public improvement costs financed in whole or in part by local  
8 infrastructure financing;

9 (e) Provides the date when the apportionment of the regular  
10 property taxes and, if applicable, the use of excess excise taxes will  
11 commence; and

12 (f) Finds that the conditions of section 203 of this act are met.

13 (2) The local government must hold a public hearing on the proposed  
14 financing of the public improvements in whole or in part with local  
15 infrastructure financing at least thirty days before passage of the  
16 ordinance establishing the revenue development area. The public  
17 hearing may be held by either the governing body of the local  
18 government, or by a committee of that governing body that includes at  
19 least a majority of the whole governing body. The public hearing is  
20 subject to the notice requirements in section 206 of this act.

21 NEW SECTION. **Sec. 206.** NOTICE REQUIREMENTS. Prior to adopting  
22 the ordinance creating the revenue development area and to meet the  
23 requirements of section 501(1)(b) of this act, a local government must  
24 provide public notice.

25 (1) Notice of the public hearing must be published in a legal  
26 newspaper of general circulation within the proposed revenue  
27 development area at least ten days before the public hearing and posted  
28 in at least six conspicuous public places located in the proposed  
29 revenue development area.

30 (2) Notice must also be sent by United States mail to the property  
31 owners, all identifiable community-based organizations with involvement  
32 in the proposed revenue development area, and the business enterprises  
33 located within the proposed revenue development area at least thirty  
34 days prior to the hearing. In implementing provisions under this  
35 chapter, the local governing body may also consult with community-based  
36 groups, business organizations, including the local chamber of

1 commerce, and the office of minority and women's business enterprises  
2 to assist with providing appropriate notice to business enterprises and  
3 property owners for whom English is a second language.

4 (3) Notices must describe the contemplated public improvements,  
5 estimate the public improvement costs, describe the portion of the  
6 public improvement costs to be borne by local infrastructure financing,  
7 describe any other sources of revenue to finance the public  
8 improvements, describe the boundaries of the proposed revenue  
9 development area, estimate the impact that the public improvements will  
10 have on small businesses and low-income housing, and estimate the  
11 period during which local infrastructure financing is contemplated to  
12 be used.

13 (4) Notices must inform the public where to obtain information that  
14 shows how the limitations and conditions in sections 202 and 203 of  
15 this act will be met.

16 (5) The local government shall deliver a certified copy of the  
17 ordinance to the county treasurer, the county assessor, and the  
18 governing body of each participating taxing district within which the  
19 revenue development area is located.

20 **PART III**  
21 **REVENUE ALLOCATION**

22 NEW SECTION. **Sec. 301.** REGULAR PROPERTY TAXES. (1) Commencing in  
23 the second calendar year following the passage of the ordinance  
24 creating a revenue development area and authorizing the use of local  
25 infrastructure financing, the county treasurer shall distribute  
26 receipts from regular taxes imposed on real property located in the  
27 revenue development area as follows:

28 (a) Each participating taxing district and the local government  
29 that created the revenue development area shall receive that portion of  
30 its regular property taxes produced by the rate of tax levied by or for  
31 the taxing district on the tax allocation base value for that community  
32 local infrastructure financing project in the taxing district, or upon  
33 the total assessed value of real property in the taxing district,  
34 whichever is smaller; and

35 (b) The local government that created the revenue development area  
36 shall receive an additional portion of the regular property taxes

1 levied by it and by or for each participating taxing district upon the  
2 accrued value within the revenue development area. However, if there  
3 is no accrued value, the local government shall not receive any  
4 additional regular property taxes under this subsection (1)(b). The  
5 local government that created the revenue development area may agree to  
6 receive less than the full amount of the additional portion of regular  
7 property taxes under this subsection (1)(b) as long as bond debt  
8 service, reserve, and other bond covenant requirements are satisfied,  
9 in which case the balance of these tax receipts shall be allocated to  
10 the participating taxing districts that levied regular property taxes,  
11 or have regular property taxes levied for them, in the revenue  
12 development area for collection that year in proportion to their  
13 regular tax levy rates for collection that year. The local government  
14 may request that the treasurer transfer this additional portion of the  
15 property taxes to its designated agent. The portion of the tax  
16 receipts distributed to the local government or its agent under this  
17 subsection (1)(b) may only be expended to finance public improvement  
18 costs associated with the public improvements financed in whole or in  
19 part by local infrastructure financing.

20 (2) The county assessor shall allocate any increase in the assessed  
21 value of real property occurring in the revenue development area to the  
22 accrued value and tax allocation base value as appropriate. This  
23 section does not authorize revaluations of real property by the  
24 assessor for property taxation that are not made in accordance with the  
25 assessor's revaluation plan under chapter 84.41 RCW or under other  
26 authorized revaluation procedures.

27 (3) The apportionment of increases in assessed valuation in a  
28 revenue development area, and the associated distribution to the local  
29 government of receipts from regular property taxes that are imposed on  
30 the accrued value, must cease when tax allocation revenues are no  
31 longer necessary or obligated to pay the costs of the public  
32 improvements. Any excess tax allocation revenues derived from regular  
33 property taxes and earnings on these tax allocation revenues, remaining  
34 at the time the apportionment of tax receipts terminates, must be  
35 returned to the county treasurer and distributed to the participating  
36 taxing districts that imposed regular property taxes, or had regular  
37 property taxes imposed for it, in the revenue development area for

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

3 NEW SECTION. **Sec. 302.** EXCESS EXCISE TAX. (1) A local government  
4 that creates a revenue development area and has received approval from  
5 the department under section 404 of this act to impose the local option  
6 sales and use tax authorized in section 401 of this act may use  
7 annually any excess excise taxes received by it from taxable activity  
8 within the revenue development area to finance its costs associated  
9 with public improvements in the revenue development area financed in  
10 whole or in part by local infrastructure financing. The use of excess  
11 excise taxes must cease when tax allocation revenues are no longer  
12 necessary or obligated to pay the costs of the public improvements.  
13 Any participating taxing authority is authorized to allocate excess  
14 excise taxes to the local government as long as the local government  
15 has received approval from the department under section 404 of this act  
16 to impose the local option sales and use tax authorized in section 401  
17 of this act. The legislature declares that it is a proper purpose of  
18 a local government or participating taxing authority to allocate excess  
19 excise taxes for purposes of financing public improvements under this  
20 chapter.

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

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

28 (a) The city, town, or county realizes excess excise taxes from  
29 taxable activity within the revenue development area; or

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

32 (4) A local government shall provide the department accurate  
33 information describing the geographical boundaries of the revenue  
34 development area at least seventy-five days before the effective date  
35 of the ordinance creating the revenue development area. The local  
36 government shall ensure that the boundary information provided to the  
37 department is kept current.

1 (5) The department shall provide each local government that has  
2 provided boundary information to the department as provided in this  
3 section and that has received approval from the department under  
4 section 404 of this act to impose the local option sales and use tax  
5 authorized in section 401 of this act with the necessary information to  
6 calculate excess excise taxes.

7 **PART IV**  
8 **STATE CONTRIBUTION**

9 NEW SECTION. **Sec. 401.** A new section is added to chapter 82.14  
10 RCW to read as follows:

11 **SALES AND USE TAX.** (1) A city, town, or county that creates a  
12 revenue development area and finances public improvements pursuant to  
13 this act may impose a sales and use tax in accordance with the terms of  
14 this chapter and subject to the criteria set forth in this section.  
15 Except as provided in this section, the tax is in addition to other  
16 taxes authorized by law and shall be collected from those persons who  
17 are taxable by the state under chapters 82.08 and 82.12 RCW upon the  
18 occurrence of any taxable event within the taxing jurisdiction of the  
19 city, town, or county. The rate of tax shall not exceed the rate  
20 provided in RCW 82.08.020(1) in the case of a sales tax or the rate  
21 provided in RCW 82.12.020(5) in the case of a use tax, less the  
22 aggregate rates of any other taxes imposed on the same events that are  
23 credited against the state taxes imposed under chapters 82.08 and 82.12  
24 RCW.

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

30 (3) No tax may be imposed under this section before January 1,  
31 2007. Before imposing a tax under this section, the city, town, or  
32 county shall first have received tax allocation revenues derived from  
33 either regular property taxes or excess excise taxes, or both, during  
34 the preceding calendar year. The tax imposed under this section shall  
35 expire when the bonds issued under the authority of this act are  
36 retired, but not more than thirty years after the tax is first imposed.

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

3 (a) The tax shall first be imposed on the first day of a fiscal  
4 year;

5 (b) The amount of tax received by the local government in any  
6 fiscal year shall not exceed the amount of the state contribution;

7 (c) The tax shall cease to be imposed for the remainder of any  
8 fiscal year in which either:

9 (i) The amount of tax receipts totals the amount of the state  
10 contribution;

11 (ii) The amount of tax receipts totals the amount of "local public  
12 sources," as that term is used in section 102(12) of this act,  
13 dedicated in the previous calendar year to finance public improvements  
14 authorized under this act; or

15 (iii) The amount of revenue from taxes imposed under this section  
16 by all cities, towns, and counties totals the annual state credit limit  
17 as provided in section 404 of this act;

18 (d) The tax shall be reimposed, should it cease to be imposed for  
19 any of the reasons provided in (c) of this subsection, at the beginning  
20 of the next fiscal year, subject to the restrictions in this section;  
21 and

22 (e) Any revenue generated by the tax in excess of the amount  
23 specified in (c)(i), (ii), or (iii) of this subsection shall belong to  
24 the state of Washington.

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

28 (a) If the county has created a revenue development area before the  
29 city or town, the tax imposed by the county shall be credited against  
30 the tax imposed by the city or town, the purpose of such credit is to  
31 give priority to the county tax; and

32 (b) If the city or town has created a revenue development area  
33 before the county, the tax imposed by the city or town shall be  
34 credited against the tax imposed by the county, the purpose of such  
35 credit is to give priority to the city or town tax.

36 (6) The department shall determine the amount of tax receipts  
37 attributable to each city, town, and county imposing a sales and use  
38 tax under this section and shall advise a city, town, or county when it

1 must cease imposing the tax for the remainder of the fiscal year as  
2 provided in subsection (4) of this section. Determinations by the  
3 department of the amount of taxes attributable to a city, town, or  
4 county are final and shall not be used to challenge the validity of any  
5 tax imposed under this section. The department shall remit any tax  
6 receipts in excess of the amounts specified in subsection (4)(c) of  
7 this section to the state treasurer who shall deposit the moneys in the  
8 general fund.

9 (7) The definitions in section 102 of this act apply to this  
10 section unless the context clearly requires otherwise.

11 NEW SECTION. **Sec. 402.** USE OF FUNDS. (1) Money collected from  
12 the taxes imposed under section 401 of this act shall be used only for  
13 the purpose of principal and interest payments on bonds issued under  
14 the authority of section 501 of this act and must be matched with an  
15 amount from local public sources dedicated through December 31st of the  
16 previous calendar year to finance public improvements authorized under  
17 this chapter. Such local public sources are limited to private  
18 monetary contributions and tax allocation revenues. Local public  
19 sources are dedicated to finance public improvements if they are  
20 actually expended to pay public improvement costs or are required by  
21 law or an agreement to be used exclusively to pay public improvement  
22 costs. For the first year in which the tax under section 401 of this  
23 act is imposed, the tax allocation revenues must contain a proportion  
24 of property tax revenues to excess excise tax revenues that is equal to  
25 or greater than the proportion of regular property tax revenues to  
26 excise tax revenues received by the local government in the preceding  
27 six calendar years.

28 (2) A local government shall annually inform the department by the  
29 first day of March of the amount of:

30 (a) Local public sources dedicated in the preceding calendar year  
31 to finance public improvements authorized under this chapter; and

32 (b) Tax allocation revenues derived in the preceding calendar year  
33 from the imposition of regular property taxes on the accrued value and  
34 distributed to finance public improvements. Upon request of a local  
35 government, the county assessor shall assist the local government in  
36 determining the amount of tax allocation revenues derived in the  
37 preceding calendar year and distributed to finance public improvements.

1 (3) If a local government fails to comply with subsection (2) of  
2 this section, no tax may be imposed under section 401 of this act in  
3 the subsequent fiscal year.

4 NEW SECTION. **Sec. 403.** REPORTING REQUIREMENTS. (1) A local  
5 government shall provide a report to the department by March 1st of  
6 each year. The report shall contain the following information:

7 (a) The amount of tax allocation revenues, taxes under section 401  
8 of this act, and local public sources received by the local government  
9 during the preceding calendar year, and a summary of how these revenues  
10 were expended;

11 (b) The names of any businesses locating within the revenue  
12 development area as a result of the public improvements undertaken by  
13 the local government and financed in whole or in part with local  
14 infrastructure financing;

15 (c) The total number of permanent jobs created as a result of the  
16 public improvements undertaken by the local government and financed in  
17 whole or in part with local infrastructure financing;

18 (d) The average wages and benefits received by all employees of  
19 businesses locating within the revenue development area as a result of  
20 the public improvements undertaken by the local government and financed  
21 in whole or in part with local infrastructure financing; and

22 (e) That the local government is in compliance with section 203 of  
23 this act.

24 (2) The department shall make a report available to the public and  
25 the legislature by June 1st of each year. The report shall include a  
26 list of public improvements undertaken by local governments and  
27 financed in whole or in part with local infrastructure financing, and  
28 it shall also include a summary of the information provided to the  
29 department by local governments under subsection (1) of this section.

30 NEW SECTION. **Sec. 404.** APPLICATION. (1) As a condition to  
31 imposing a sales and use tax under section 401 of this act, a city,  
32 town, or county must apply to the department at least seventy-five days  
33 before the effective date of any such tax. The application shall be in  
34 a form and manner prescribed by the department and shall include but is  
35 not limited to information establishing that the applicant is eligible  
36 to impose such a tax, the anticipated effective date for imposing the

1 tax, the estimated number of years that the tax will be imposed, and  
2 the estimated amount of tax revenue to be received in each fiscal year  
3 that the tax will be imposed. For purposes of this section, "fiscal  
4 year" means the year beginning July 1st and ending the following June  
5 30th. The department shall make available forms to be used for this  
6 purpose. As part of the application, a city, town, or county must  
7 provide to the department a copy of the ordinance creating the revenue  
8 development area as required in section 205 of this act. The  
9 department shall rule on completed applications within sixty days of  
10 receipt. The department may begin accepting and approving applications  
11 August 1, 2006. No new applications shall be considered by the  
12 department after September 30, 2008.

13 (2) The authority to impose the local option sales and use taxes  
14 under section 401 of this act is on a first-come basis. Priority for  
15 collecting the taxes authorized under section 401 of this act among  
16 approved applicants shall be based on the date that the approved  
17 application was received by the department. As a part of the approval  
18 of applications under this section, the department shall approve the  
19 amount of tax under section 401 of this act that an applicant may  
20 impose. The amount of tax approved by the department shall not exceed  
21 the lesser of one million dollars or the average amount of tax revenue  
22 that the applicant estimates that it will receive in all fiscal years  
23 through the imposition of a sales and use tax under section 401 of this  
24 act. A city, town, or county shall not receive, in any fiscal year,  
25 more revenues from taxes imposed under section 401 of this act than the  
26 amount approved by the department. The department shall not approve  
27 the receipt of more credit against the state sales and use tax than is  
28 authorized under subsection (3) of this section.

29 (3) No more than five million dollars of credit against the state  
30 sales and use tax may be received in any fiscal year by all cities,  
31 towns, and counties imposing a tax under section 401 of this act.

32 (4) The credit against the state sales and use tax shall be  
33 available to any city, town, or county imposing a tax under section 401  
34 of this act only as long as the city, town, or county has outstanding  
35 indebtedness under section 501 of this act.

36 (5) The department may adopt any rules under chapter 34.05 RCW it  
37 considers necessary for the administration of this chapter.



1 characteristics, as may be provided by such ordinance or trust  
2 indenture or mortgage issued pursuant thereto.

3 (5) The local government may annually pay into a fund to be  
4 established for the benefit of bonds issued under this section a fixed  
5 proportion or a fixed amount of any tax allocation revenues derived  
6 from property or business activity within the revenue development area  
7 containing the public improvements funded by the bonds, such payment to  
8 continue until all bonds payable from the fund are paid in full. The  
9 local government may also annually pay into the fund established in  
10 this section a fixed proportion or a fixed amount of any revenues  
11 derived from taxes imposed under section 401 of this act, such payment  
12 to continue until all bonds payable from the fund are paid in full.  
13 Revenues derived from taxes imposed under section 401 of this act are  
14 subject to the use restriction in section 402 of this act.

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

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

26 NEW SECTION. **Sec. 502.** USE OF TAX ALLOCATION REVENUE FOR BOND  
27 REPAYMENT. A local government that issues bonds under section 501 of  
28 this act to finance public improvements may pledge for the payment of  
29 such bonds all or part of any tax allocation revenues dedicated by the  
30 local government and any participating taxing authority. The local  
31 government may also pledge all or part of any revenues derived from  
32 taxes imposed under section 401 of this act and held in connection with  
33 the public improvements. All of such tax revenues are subject to the  
34 use restrictions in sections 402 through 404 of this act, and the  
35 process requirements in section 204(1) of this act.

1        NEW SECTION.    **Sec. 503.**    BONDS ISSUED NOT AN OBLIGATION OF THE  
2    STATE OF WASHINGTON.    The bonds issued by a local government under  
3    section 501 of this act to finance public improvements shall not  
4    constitute an obligation of the state of Washington, either general or  
5    special.

6        NEW SECTION.    **Sec. 504.**    GENERAL INDEBTEDNESS--SECURITY.    (1) A  
7    local government designating a revenue development area and authorizing  
8    the use of local infrastructure financing may incur general  
9    indebtedness, and issue general obligation bonds, to finance the public  
10   improvements and retire the indebtedness in whole or in part from tax  
11   allocation revenues it receives, subject to the following requirements:

12        (a) The ordinance adopted by the local government creating the  
13   revenue development area and authorizing the use of local  
14   infrastructure financing indicates an intent to incur this indebtedness  
15   and the maximum amount of this indebtedness that is contemplated; and

16        (b) The local government includes this statement of the intent in  
17   all notices required by sections 204 and 205 of this act.

18        (2) The general indebtedness incurred under subsection (1) of this  
19   section may be payable from other tax revenues, the full faith and  
20   credit of the local government, and nontax income, revenues, fees, and  
21   rents from the public improvements, as well as contributions, grants,  
22   and nontax money available to the local government for payment of costs  
23   of the public improvements or associated debt service on the general  
24   indebtedness.

25        (3) In addition to the requirements in subsection (1) of this  
26   section, a local government designating a revenue development area and  
27   authorizing the use of local infrastructure financing may require the  
28   nonpublic participant to provide adequate security to protect the  
29   public investment in the public improvement within the revenue  
30   development area.

31        NEW SECTION.    **Sec. 505.**    REVENUE BONDS.    (1) A local government may  
32   issue revenue bonds to fund revenue-generating public improvements, or  
33   portions of public improvements, that are located within a revenue  
34   development area.    Whenever revenue bonds are to be issued, the  
35   legislative authority of the local government shall create or have  
36   created a special fund or funds from which, along with any reserves

1 created pursuant to RCW 39.44.140, the principal and interest on these  
2 revenue bonds shall exclusively be payable. The legislative authority  
3 of the local government may obligate the local government to set aside  
4 and pay into the special fund or funds a fixed proportion or a fixed  
5 amount of the revenues from the public improvements that are funded by  
6 the revenue bonds. This amount or proportion is a lien and charge  
7 against these revenues, subject only to operating and maintenance  
8 expenses. The local government shall have due regard for the cost of  
9 operation and maintenance of the public improvements that are funded by  
10 the revenue bonds, and shall not set aside into the special fund or  
11 funds a greater amount or proportion of the revenues that in its  
12 judgment will be available over and above the cost of maintenance and  
13 operation and the amount or proportion, if any, of the revenue  
14 previously pledged. The local government may also provide that revenue  
15 bonds payable out of the same source or sources of revenue may later be  
16 issued on a parity with any revenue bonds being issued and sold.

17 (2) Revenue bonds issued pursuant to this section are not an  
18 indebtedness of the local government issuing the bonds, and the  
19 interest and principal on the bonds shall only be payable from the  
20 revenues lawfully pledged to meet the principal and interest  
21 requirements and any reserves created pursuant to RCW 39.44.140. The  
22 owner or bearer of a revenue bond or any interest coupon issued  
23 pursuant to this section shall not have any claim against the local  
24 government arising from the bond or coupon except for payment from the  
25 revenues lawfully pledged to meet the principal and interest  
26 requirements and any reserves created pursuant to RCW 39.44.140. The  
27 substance of the limitations included in this subsection shall be  
28 plainly printed, written, or engraved on each bond issued pursuant to  
29 this section.

30 (3) Revenue bonds with a maturity in excess of thirty years shall  
31 not be issued. The legislative authority of the local government shall  
32 by resolution determine for each revenue bond issue the amount, date,  
33 form, terms, conditions, denominations, maximum fixed or variable  
34 interest rate or rates, maturity or maturities, redemption rights,  
35 registration privileges, manner of execution, manner of sale, callable  
36 provisions, if any, and covenants including the refunding of existing  
37 revenue bonds. Facsimile signatures may be used on the bonds and any

1 coupons. Refunding revenue bonds may be issued in the same manner as  
2 revenue bonds are issued.

3 **PART VI**  
4 **JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE REPORTS**

5 NEW SECTION. **Sec. 601.** JOINT LEGISLATIVE AUDIT AND REVIEW  
6 COMMITTEE REPORTS. Beginning September 1, 2013, and continuing every  
7 five years thereafter, the joint legislative audit and review committee  
8 shall submit a report to the appropriate committees of the legislature.  
9 The report shall, at a minimum, evaluate the effectiveness of the local  
10 infrastructure financing tool program, including a project by project  
11 review. The report shall include a comparison of the local  
12 infrastructure financing revenues received to the incremental  
13 improvements in assessed value of the real property located within the  
14 revenue development area. The report that is due September 1, 2028,  
15 should also include any recommendations regarding whether or not the  
16 program should be expanded statewide and what impact the expansion  
17 would have on economic development in Washington.

18 **PART VII**  
19 **MISCELLANEOUS**

20 NEW SECTION. **Sec. 701.** CAPTIONS. Captions and part headings used  
21 in this act are not any part of the law.

22 NEW SECTION. **Sec. 702.** SEVERABILITY. If any provision of this  
23 act or its application to any person or circumstance is held invalid,  
24 the remainder of the act or the application of the provision to other  
25 persons or circumstances is not affected.

26 NEW SECTION. **Sec. 703.** PORT DISTRICTS. Nothing in this act shall  
27 be construed to give port districts the authority to impose a sales or  
28 use tax under chapter 82.14 RCW.

29 NEW SECTION. **Sec. 704.** EFFECTIVE DATE. This act takes effect  
30 July 1, 2006.

1        NEW SECTION.   **Sec. 705.**   EXPIRATION DATE.   This act expires June  
2   30, 2039.

3        NEW SECTION.   **Sec. 706.**   NEW CHAPTER.   Sections 101 through 302 and  
4   402 through 601 of this act constitute a new chapter in Title 39 RCW.

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