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HOUSE BILL 2673

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By Representatives Linville, Ericksen, P. Sullivan, Buck, Ericks, Kilmer, Kessler, Grant, Walsh, B. Sullivan, Lantz, Morris, O'Brien, Conway, Morrell and Wallace

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1 AN ACT Relating to creating the local infrastructure financing tool  
2 demonstration program; adding a new section to chapter 82.14 RCW;  
3 adding a new chapter to Title 39 RCW; creating new sections; providing  
4 an effective date; and providing an expiration date.

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

6 PART I

7 INTENT AND DEFINITIONS

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

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 during a calendar year period beginning with the calendar  
7 year immediately following the creation of the revenue development area  
8 and continuing with each measurement year thereafter.

9 (7) "Excise taxes" means local retail sales and use taxes  
10 authorized in RCW 82.14.030.

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

13 (9) "Local government" means any city, town, county, port district,  
14 or combination thereof that has a demonstration project located within  
15 it.

16 (10) "Local public sources" means funds allocated by the local  
17 government to finance the public improvements financed by local  
18 infrastructure financing and may include, but are not limited to,  
19 private monetary contributions and tax allocation revenues. Local  
20 public sources are dedicated to finance public improvements if they are  
21 expended to pay public improvement costs or are required by law or an  
22 agreement to be used exclusively to pay public improvement costs.

23 (11) "Low-income housing" has the same meaning as "housing units"  
24 within the context of RCW 43.185.050(2)(j).

25 (12) "Measurement year" means a calendar year, beginning with the  
26 calendar year following the base year and each calendar year  
27 thereafter, that is used annually to measure the amount of excess  
28 excise taxes required to be used to finance public improvement costs  
29 associated with public improvements financed in whole or in part by  
30 local infrastructure financing.

31 (13) "Ordinance" means any appropriate method of taking legislative  
32 action by a local government.

33 (14) "Participating taxing authority" means a taxing authority with  
34 jurisdiction over the demonstration project and that has entered into  
35 a written agreement with a local government for the use of local  
36 infrastructure financing to finance all or a portion of the costs of  
37 designated public improvements.

38 (15) "Public improvements" means:

1 (a) Infrastructure improvements within the revenue development area  
2 that include:

- 3 (i) Street and road construction and maintenance;
- 4 (ii) Water and sewer system construction and improvements;
- 5 (iii) Sidewalks and streetlights;
- 6 (iv) Parking, terminal, and dock facilities;
- 7 (v) Park and ride facilities of a transit authority;
- 8 (vi) Park facilities and recreational areas; and
- 9 (vii) Storm water and drainage management systems; and

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

12 (16) "Public improvement costs" means the cost of: (a) Design,  
13 planning, acquisition including land acquisition, site preparation  
14 including land clearing, construction, reconstruction, rehabilitation,  
15 improvement, and installation of public improvements; (b) demolishing,  
16 relocating, maintaining, and operating property pending construction of  
17 public improvements; (c) relocating utilities as a result of public  
18 improvements; (d) financing public improvements, including interest  
19 during construction, legal and other professional services, taxes,  
20 insurance, principal and interest costs on general indebtedness issued  
21 to finance public improvements, and any necessary reserves for general  
22 indebtedness; (e) assessments incurred in revaluing real property for  
23 the purpose of determining the tax allocation base value that are in  
24 excess of costs incurred by the assessor in accordance with the  
25 revaluation plan under chapter 84.41 RCW, and the costs of apportioning  
26 the taxes and complying with this chapter and other applicable law; and  
27 (f) administrative expenses and feasibility studies reasonably  
28 necessary and related to these costs, including related costs that may  
29 have been incurred before adoption of the ordinance authorizing the  
30 public improvements and the use of local infrastructure financing to  
31 fund the costs of the public improvements.

32 (17) "Regular property taxes" means regular property taxes as  
33 defined in RCW 84.04.140, except: (a) Regular property taxes levied by  
34 port districts or public utility districts specifically for the purpose  
35 of making required payments of principal and interest on general  
36 indebtedness; (b) regular property taxes levied by the state for the  
37 support of the common schools under RCW 84.52.065; and (c) regular  
38 property taxes levied under the authority of RCW 84.55.050 that are

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

5 (18) "Relocating a business" means the closing of a business and  
6 the reopening of that business, or the opening of a new business that  
7 engages in the same activities as the previous business, in a different  
8 location within a one-year period, when an individual or entity has an  
9 ownership interest in the business at the time of closure and at the  
10 time of opening or reopening. "Relocating a business" does not include  
11 the closing and reopening of a business in a new location where the  
12 business has been acquired and is under entirely new ownership at the  
13 new location, or the closing and reopening of a business in a new  
14 location as a result of the exercise of the power of eminent domain.

15 (19) "Revenue development area" means the geographic area from  
16 which taxes are to be appropriated to finance public improvements  
17 authorized under this chapter.

18 (20) "Small business" has the same meaning as provided in RCW  
19 19.85.020.

20 (21) "State contribution" means the lesser of one million dollars  
21 or an amount equal to:

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

24 (b) Excess state excise taxes received by the state during the  
25 preceding calendar year.

26 (22) "State property tax allocation revenues" means those tax  
27 revenues derived from the imposition of property taxes levied by the  
28 state for the support of common schools under RCW 84.52.065 on the  
29 accrued value.

30 (23) "Tax allocation base value" means the assessed value of real  
31 property located within a revenue development area for taxes levied in  
32 the year in which the revenue development area is created for  
33 collection in the following year, plus one hundred percent of any  
34 increase in the assessed value of real property located within a  
35 revenue development area that is placed on the assessment rolls after  
36 the revenue development area is created, less the accrued value.

37 (24) "Tax allocation revenues" means those tax revenues derived

1 from the receipt of excess excise taxes and from regular property taxes  
2 on the accrued value and distributed to finance the public  
3 improvements.

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

7 (26) "Taxing district" means a government entity that levies or has  
8 levied for it regular property taxes upon real property located within  
9 a proposed or approved revenue development area.

10 (27) "Urban growth area" has the same meaning as provided in  
11 chapter 36.70A RCW.

12 **PART II**  
13 **CREATION**

14 NEW SECTION. **Sec. 201.** CREATION OF THE LOCAL INFRASTRUCTURE  
15 FINANCING TOOL DEMONSTRATION PROGRAM. The local infrastructure  
16 financing tool demonstration program is created to assist local  
17 governments finance authorized public infrastructure projects designed  
18 to promote economic development in the jurisdiction. The local  
19 infrastructure financing tool demonstration program is not created to  
20 enable existing Washington-based businesses from outside the revenue  
21 development area to relocate into the revenue development area.

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

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

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

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

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

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

1 (6) A revenue development area cannot comprise an area containing  
2 more than twenty-five percent of the total assessed value of the  
3 taxable real property within the boundaries of the local government  
4 creating the revenue development area.

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

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

10 (b) Local infrastructure financing funds may not be used to  
11 displace other sources of funding that historically have been dedicated  
12 to or allocated for public improvement costs;

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

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

19 (3) No funds may be used to support projects where the primary  
20 purpose is the development of commercial or office space, hotel or  
21 convention centers, sports or entertainment complexes, industrial  
22 parks, or retail or shopping centers;

23 (4) The public improvements proposed to be financed in whole or in  
24 part using local infrastructure financing are expected to encourage  
25 private development within the revenue development area and to increase  
26 the fair market value of real property within the revenue development  
27 area;

28 (5) The local government has entered or expects to enter into a  
29 contract with a private developer relating to the development of  
30 private improvements within the revenue development area or has  
31 received a letter of intent from a private developer relating to the  
32 developer's plans for the development of private improvements within  
33 the revenue development area;

34 (6) Private development that is anticipated to occur within the  
35 revenue development area, as a result of the public improvements, will  
36 be consistent with the countywide planning policy adopted by the county

1 under RCW 36.70A.210 and the local government's comprehensive plan and  
2 development regulations adopted under chapter 36.70A RCW;

3 (7) The governing body of the local government must make a finding  
4 that local infrastructure financing will:

5 (a) Not be used for the purpose of relocating a business from  
6 outside the revenue development area, but within this state, into the  
7 revenue development area; and

8 (b) Improve the viability of existing business entities within the  
9 revenue development area;

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

13 (a) Increase private investment within the revenue development  
14 area;

15 (b) Increase employment within the revenue development area; and

16 (c) Generate, over the period of time that the local sales and use  
17 tax will be imposed under section 401 of this act, state and local  
18 property, sales, and use tax revenues that are equal to or greater than  
19 the respective state and local contributions made under this chapter;

20 (9) The local government may only use local infrastructure  
21 financing in areas within boundaries of the local government deemed in  
22 need of economic development or redevelopment, and absent the financing  
23 available under this chapter the proposed economic development or  
24 redevelopment would not occur.

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

27 (1) Obtain written agreement for the use of the local  
28 infrastructure financing to finance all or a portion of the costs of  
29 the designated public improvements from any taxing district that levies  
30 regular property taxes on real property within the revenue development  
31 area, or from any taxing authority that imposes a sales or use tax  
32 under chapter 82.14 RCW within the revenue development area if the  
33 taxing district or taxing authority chooses to participate in the  
34 public improvements to the extent of providing limited funding under  
35 local infrastructure financing authorized under this chapter. The  
36 agreement must be authorized by the governing body of such  
37 participating taxing districts and taxing authorities.



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

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

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

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

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

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

18 (a) Describes the public improvements;

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

21 (c) Estimates the cost of the public improvements and the portion  
22 of these costs to be financed by local infrastructure financing;

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

28 (e) Provides the date when the apportionment of the regular  
29 property taxes and, if applicable, the use of excess excise taxes will  
30 commence; and

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

32 (2) The local government must hold a public hearing on the proposed  
33 financing of the public improvements in whole or in part with local  
34 infrastructure financing at least sixty days before passage of the  
35 ordinance establishing the revenue development area. The public  
36 hearing may be held by either the governing body of the local

1 government, or by a committee of that governing body that includes at  
2 least a majority of the whole governing body. The public hearing is  
3 subject to the notice requirements in section 206 of this act.

4 NEW SECTION. **Sec. 206.** NOTICE REQUIREMENTS. Prior to adopting  
5 the ordinance creating the revenue development area, a local government  
6 must provide public notice.

7 (1) Notice of the public hearing must be published in a legal  
8 newspaper of general circulation within the proposed revenue  
9 development area at least ten days before the public hearing and posted  
10 in at least six conspicuous public places located in the proposed  
11 revenue development area.

12 (2) Notice must also be sent by United States mail to the property  
13 owners, all identifiable community-based organizations with involvement  
14 in the proposed revenue development area, and the business enterprises  
15 located within the proposed revenue development area at least thirty  
16 days prior to the hearing. In implementing provisions under this  
17 chapter, the local governing body may also consult with community-based  
18 groups, business organizations, including the local chamber of  
19 commerce, and the office of minority and women's business enterprises  
20 to assist with providing appropriate notice to business enterprises and  
21 property owners for whom English is a second language.

22 (3) Notices must describe the contemplated public improvements,  
23 estimate the costs of the public improvements, describe the portion of  
24 the costs of the public improvements to be borne by local  
25 infrastructure financing, describe any other sources of revenue to  
26 finance the public improvements, describe the boundaries of the  
27 proposed revenue development area, estimate the impact that the public  
28 improvements will have on small businesses and low-income housing, and  
29 estimate the period during which local infrastructure financing is  
30 contemplated to be used.

31 (4) Notices must inform the public where to obtain the analyses  
32 required in this chapter.

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

**PART III**  
**REVENUE ALLOCATION**

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2  
3       NEW SECTION.   **Sec. 301.**   REGULAR PROPERTY TAXES. (1) Commencing in  
4 the second calendar year following the passage of the ordinance  
5 creating a revenue development area and authorizing the use of local  
6 infrastructure financing, the county treasurer shall distribute  
7 receipts from regular taxes imposed on real property located in the  
8 revenue development area as follows:

9       (a) Each participating taxing district and the local government  
10 that created the revenue development area shall receive that portion of  
11 its regular property taxes produced by the rate of tax levied by or for  
12 the taxing district on the tax allocation base value for that community  
13 local infrastructure financing project in the taxing district, or upon  
14 the total assessed value of real property in the taxing district,  
15 whichever is smaller; and

16       (b) The local government that created the revenue development area  
17 shall receive an additional portion of the regular property taxes  
18 levied by it and by or for each participating taxing district upon the  
19 accrued value within the revenue development area. However, if there  
20 is no accrued value, the local government shall not receive any  
21 additional regular property taxes under this subsection (1)(b). The  
22 local government that created the revenue development area may agree to  
23 receive less than the full amount of the additional portion of regular  
24 property taxes under this subsection (1)(b) as long as bond debt  
25 service, reserve, and other bond covenant requirements are satisfied,  
26 in which case the balance of these tax receipts shall be allocated to  
27 the participating taxing districts that levied regular property taxes,  
28 or have regular property taxes levied for them, in the revenue  
29 development area for collection that year in proportion to their  
30 regular tax levy rates for collection that year. The local government  
31 may request that the treasurer transfer this additional portion of the  
32 property taxes to its designated agent. The portion of the tax  
33 receipts distributed to the local government or its agent under this  
34 subsection (1)(b) may only be expended to finance public improvement  
35 costs associated with the public improvements financed in whole or in  
36 part by local infrastructure financing.

37       (2) The county assessor shall allocate any increase in the assessed  
38 value of real property occurring in the revenue development area to the

1 accrued value and tax allocation base value as appropriate. This  
2 section does not authorize revaluations of real property by the  
3 assessor for property taxation that are not made in accordance with the  
4 assessor's revaluation plan under chapter 84.41 RCW or under other  
5 authorized revaluation procedures.

6 (3) The apportionment of increases in assessed valuation in a  
7 revenue development area, and the associated distribution to the local  
8 government of receipts from regular property taxes that are imposed on  
9 the accrued value, must cease when tax allocation revenues are no  
10 longer necessary or obligated to pay the costs of the public  
11 improvements. Any excess tax allocation revenues derived from regular  
12 property taxes and earnings on these tax allocation revenues, remaining  
13 at the time the apportionment of tax receipts terminates, must be  
14 returned to the county treasurer and distributed to the participating  
15 taxing districts that imposed regular property taxes, or had regular  
16 property taxes imposed for it, in the revenue development area for  
17 collection that year, in proportion to the rates of their regular  
18 property tax levies for collection that year.

19 NEW SECTION. **Sec. 302.** EXCESS EXCISE TAX. (1) A local government  
20 that creates a revenue development area and has received approval from  
21 the department under section 404 of this act to impose the local option  
22 sales and use tax authorized in section 401 of this act may use  
23 annually any excess excise taxes received by it from taxable activity  
24 within the increment area to finance its costs associated with public  
25 improvements in the revenue development area financed in whole or in  
26 part by local infrastructure financing. The use of excess excise taxes  
27 must cease when tax allocation revenues are no longer necessary or  
28 obligated to pay the costs of the public improvements. Any  
29 participating taxing authority is authorized to allocate excess excise  
30 taxes to the local government as long as the local government has  
31 received approval from the department under section 404 of this act to  
32 impose the local option sales and use tax authorized in section 401 of  
33 this act. The legislature declares that it is a proper purpose of a  
34 local government or participating taxing authority to allocate excess  
35 excise taxes for purposes of financing public improvements under this  
36 chapter.

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

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

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

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

12 (4) A local government shall provide the department accurate  
13 information describing the geographical boundaries of the revenue  
14 development area at least seventy-five days before the effective date  
15 of the ordinance creating the revenue development area. The local  
16 government shall ensure that the boundary information provided to the  
17 department is kept current.

18 (5) The department shall provide each local government that has  
19 provided boundary information to the department as provided in this  
20 section and that has received approval from the department under  
21 section 404 of this act to impose the local option sales and use tax  
22 authorized in section 401 of this act with the necessary information to  
23 calculate excess excise taxes.

24 **PART IV**

25 **STATE CONTRIBUTION**

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

28 SALES AND USE TAX. (1) A city, town, or county that creates a  
29 revenue development area and finances public improvements pursuant to  
30 this act may impose a sales and use tax in accordance with the terms of  
31 this chapter and subject to the criteria set forth in this section.  
32 Except as provided in this section, the tax is in addition to other  
33 taxes authorized by law and shall be collected from those persons who  
34 are taxable by the state under chapters 82.08 and 82.12 RCW upon the  
35 occurrence of any taxable event within the taxing jurisdiction of the  
36 city, town, or county. The rate of tax shall not exceed the rate

1 provided in RCW 82.08.020(1) in the case of a sales tax or the rate  
2 provided in RCW 82.12.020(5) in the case of a use tax, less the  
3 aggregate rates of any other taxes imposed on the same events that are  
4 credited against the state taxes imposed under chapters 82.08 and 82.12  
5 RCW.

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

11 (3) No tax may be imposed under this section before January 1,  
12 2007. Before imposing a tax under this section, the city, town, or  
13 county shall first have received tax allocation revenues derived from  
14 either regular property taxes or excess excise taxes, or both, during  
15 the preceding calendar year. The tax imposed under this section shall  
16 expire when the bonds issued under the authority of this act are  
17 retired, but not more than thirty years after the tax is first imposed.

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

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

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

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

26 (i) The amount of tax receipts totals the amount of the state  
27 contribution;

28 (ii) The amount of tax receipts totals the amount of "local public  
29 sources," as that term is used in section 102(10) of this act,  
30 dedicated in the previous calendar year to finance public improvements  
31 authorized under this act; or

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

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

1 (e) Any revenue generated by the tax in excess of the amounts  
2 specified in (c) of this subsection shall belong to the state of  
3 Washington.

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

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

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

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

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

28 NEW SECTION. **Sec. 402.** USE OF FUNDS. (1) Money collected from  
29 the taxes imposed under section 401 of this act shall be used only for  
30 the purpose of principal and interest payments on bonds issued under  
31 the authority of section 501 of this act and must be matched with an  
32 amount from local public sources dedicated through December 31st of the  
33 previous calendar year to finance public improvements authorized under  
34 this chapter. Such local public sources include but are not limited to  
35 private monetary contributions and tax allocation revenues. Local  
36 public sources are dedicated to finance public improvements if they are

1 actually expended to pay public improvement costs or are required by  
2 law or an agreement to be used exclusively to pay public improvement  
3 costs.

4 (2) A local government shall inform the department by the first day  
5 of March of the amount of:

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

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

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

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

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

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

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

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

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



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

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

9 (a) "Public improvement costs" has the same meaning as provided in  
10 section 102 of this act.

11 (b) "Tax allocation revenues" has the same meaning as provided in  
12 section 102 of this act.

13 NEW SECTION. **Sec. 404.** APPLICATION. (1) As a condition to  
14 imposing a sales and use tax under section 401 of this act, a city,  
15 town, or county must apply to the department at least seventy-five days  
16 before the effective date of any such tax. The application shall be in  
17 a form and manner prescribed by the department and shall include but is  
18 not limited to information establishing that the applicant is eligible  
19 to impose such a tax, the anticipated effective date for imposing the  
20 tax, the estimated number of years that the tax will be imposed, and  
21 the estimated amount of tax revenue to be received in each fiscal year  
22 that the tax will be imposed. For purposes of this section, "fiscal  
23 year" means the year beginning July 1st and ending the following June  
24 30th. The department shall make available forms to be used for this  
25 purpose. As part of the application, a city, town, or county must  
26 provide to the department a copy of the ordinance creating the revenue  
27 development area as required in section 205 of this act. The  
28 department shall rule on completed applications within sixty days of  
29 receipt. The department may begin accepting and approving applications  
30 August 1, 2006. No new applications shall be considered by the  
31 department after September 30, 2008.

32 (2) The department shall approve the amount of tax under section  
33 401 of this act that an applicant may impose. The amount of tax  
34 approved by the department shall not exceed the lesser of one million  
35 dollars or the average amount of tax revenue that the applicant  
36 estimates that it will receive in all fiscal years through the  
37 imposition of a sales and use tax under section 401 of this act. A

1 city, town, or county shall not receive, in any fiscal year, more  
2 revenues from taxes imposed under section 401 of this act than the  
3 amount approved by the department. The department shall not approve  
4 the receipt of more credit against the state sales and use tax than is  
5 authorized under subsection (3) of this section.

6 (3) The amount of credit against the state sales and use tax is  
7 limited to not more than five million dollars of credit against the  
8 state sales and use tax that may be received by all cities, towns, and  
9 counties imposing a tax under section 401 of this act.

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

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

16 **PART V**  
17 **BOND AUTHORIZATION**

18 NEW SECTION. **Sec. 501.** BOND ISSUANCE. (1) A local government  
19 designating a revenue development area and authorizing the use of local  
20 infrastructure financing may incur general indebtedness, and issue  
21 general obligation bonds, to finance the public improvements and retire  
22 the indebtedness in whole or in part from tax allocation revenues it  
23 receives, subject to the following requirements:

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

28 (b) The local government includes this statement of the intent in  
29 all notices required by section 206 of this act.

30 (2) The general indebtedness incurred under subsection (1) of this  
31 section may be payable from other tax revenues, the full faith and  
32 credit of the local government, and nontax income, revenues, fees, and  
33 rents from the public improvements, as well as contributions, grants,  
34 and nontax money available to the local government for payment of costs  
35 of the public improvements or associated debt service on the general  
36 indebtedness.

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

7 (4) Bonds issued under this section shall be authorized by  
8 ordinance of the local governing body and may be issued in one or more  
9 series and shall bear such date or dates, be payable upon demand or  
10 mature at such time or times, bear interest at such rate or rates, be  
11 in such denomination or denominations, be in such form either coupon or  
12 registered as provided in RCW 39.46.030, carry such conversion or  
13 registration privileges, have such rank or priority, be executed in  
14 such manner, be payable in such medium of payment, at such place or  
15 places, and be subject to such terms of redemption with or without  
16 premium, be secured in such manner, and have such other  
17 characteristics, as may be provided by such ordinance or trust  
18 indenture or mortgage issued pursuant thereto.

19 (5) The local government may annually pay into a fund to be  
20 established for the benefit of bonds issued under this section a fixed  
21 proportion or a fixed amount of any tax allocation revenues derived  
22 from property or business activity within the revenue development area  
23 containing the public improvements funded by the bonds, such payment to  
24 continue until all bonds payable from the fund are paid in full. The  
25 local government may also annually pay into the fund established in  
26 this section a fixed proportion or a fixed amount of any revenues  
27 derived from taxes imposed under section 401 of this act, such payment  
28 to continue until all bonds payable from the fund are paid in full.  
29 Revenues derived from taxes imposed under section 401 of this act are  
30 subject to the use restriction in section 402 of this act.

31 (6) In case any of the public officials of the local government  
32 whose signatures appear on any bonds or any coupons issued under this  
33 chapter shall cease to be such officials before the delivery of such  
34 bonds, such signatures shall, nevertheless, be valid and sufficient for  
35 all purposes, the same as if such officials had remained in office  
36 until such delivery. Any provision of any law to the contrary  
37 notwithstanding, any bonds issued under this chapter are fully  
38 negotiable.

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

4 NEW SECTION. **Sec. 502.** USE OF TAX ALLOCATION REVENUE FOR BOND  
5 REPAYMENT. A local government that issues bonds under section 501 of  
6 this act to finance public improvements may pledge for the payment of  
7 such bonds all or part of any tax allocation revenues derived from the  
8 public improvements. The local government may also pledge all or part  
9 of any revenues derived from taxes imposed under section 401 of this  
10 act and held in connection with the public improvements. All of such  
11 tax revenues are subject to the use restrictions in sections 402  
12 through 404 of this act.

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

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

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

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

30 (2) The general indebtedness incurred under subsection (1) of this  
31 section may be payable from other tax revenues, the full faith and  
32 credit of the local government, and nontax income, revenues, fees, and  
33 rents from the public improvements, as well as contributions, grants,  
34 and nontax money available to the local government for payment of costs

1 of the public improvements or associated debt service on the general  
2 indebtedness.

3 (3) In addition to the requirements in subsection (1) of this  
4 section, a local government designating a revenue development area and  
5 authorizing the use of local infrastructure financing may require the  
6 nonpublic participant to provide adequate security to protect the  
7 public investment in the public improvement within the revenue  
8 development area.

9 NEW SECTION. **Sec. 505.** REVENUE BONDS. (1) A local government may  
10 issue revenue bonds to fund revenue-generating public improvements, or  
11 portions of public improvements, that are located within a revenue  
12 development area. Whenever revenue bonds are to be issued, the  
13 legislative authority of the local government shall create or have  
14 created a special fund or funds from which, along with any reserves  
15 created pursuant to RCW 39.44.140, the principal and interest on these  
16 revenue bonds shall exclusively be payable. The legislative authority  
17 of the local government may obligate the local government to set aside  
18 and pay into the special fund or funds a fixed proportion or a fixed  
19 amount of the revenues from the public improvements that are funded by  
20 the revenue bonds. This amount or proportion is a lien and charge  
21 against these revenues, subject only to operating and maintenance  
22 expenses. The local government shall have due regard for the cost of  
23 operation and maintenance of the public improvements that are funded by  
24 the revenue bonds, and shall not set aside into the special fund or  
25 funds a greater amount or proportion of the revenues that in its  
26 judgment will be available over and above the cost of maintenance and  
27 operation and the amount or proportion, if any, of the revenue  
28 previously pledged. The local government may also provide that revenue  
29 bonds payable out of the same source or sources of revenue may later be  
30 issued on a parity with any revenue bonds being issued and sold.

31 (2) Revenue bonds issued pursuant to this section are not an  
32 indebtedness of the local government issuing the bonds, and the  
33 interest and principal on the bonds shall only be payable from the  
34 revenues lawfully pledged to meet the principal and interest  
35 requirements and any reserves created pursuant to RCW 39.44.140. The  
36 owner or bearer of a revenue bond or any interest coupon issued  
37 pursuant to this section shall not have any claim against the local

1 government arising from the bond or coupon except for payment from the  
2 revenues lawfully pledged to meet the principal and interest  
3 requirements and any reserves created pursuant to RCW 39.44.140. The  
4 substance of the limitations included in this subsection shall be  
5 plainly printed, written, or engraved on each bond issued pursuant to  
6 this section.

7 (3) Revenue bonds with a maturity in excess of thirty years shall  
8 not be issued. The legislative authority of the local government shall  
9 by resolution determine for each revenue bond issue the amount, date,  
10 form, terms, conditions, denominations, maximum fixed or variable  
11 interest rate or rates, maturity or maturities, redemption rights,  
12 registration privileges, manner of execution, manner of sale, callable  
13 provisions, if any, and covenants including the refunding of existing  
14 revenue bonds. Facsimile signatures may be used on the bonds and any  
15 coupons. Refunding revenue bonds may be issued in the same manner as  
16 revenue bonds are issued.

17 **PART VI**  
18 **JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE REPORTS**

19 NEW SECTION. **Sec. 601.** JOINT LEGISLATIVE AUDIT AND REVIEW  
20 COMMITTEE REPORTS. Beginning September 1, 2013, and continuing every  
21 five years thereafter, the joint legislative audit and review committee  
22 shall submit a report to the appropriate committees of the legislature.  
23 The report shall, at a minimum, evaluate the effectiveness of the local  
24 infrastructure financing tool program, including a project by project  
25 review. The report that is due September 1, 2028, should also include  
26 any recommendations regarding whether or not the program should be  
27 expanded statewide and what impact the expansion would have on economic  
28 development in Washington.

29 **PART VII**  
30 **MISCELLANEOUS**

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

1        NEW SECTION.    **Sec. 702.**    SEVERABILITY.    If any provision of this  
2    act or its application to any person or circumstance is held invalid,  
3    the remainder of the act or the application of the provision to other  
4    persons or circumstances is not affected.

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

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

10       NEW SECTION.    **Sec. 705.**    EXPIRATION DATE.    This act expires June  
11    30, 2039.

12       NEW SECTION.    **Sec. 706.**    NEW CHAPTER.    Sections 101 through 302 and  
13    402 through 601 of this act constitute a new chapter in Title 39 RCW.

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