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SECOND SUBSTITUTE HOUSE BILL 1277

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State of Washington                      60th Legislature                      2007 Regular Session

By House Committee on Finance (originally sponsored by Representatives Kelley, Simpson, Wood, P. Sullivan, Conway, Kenney, Ericks, Rolfes and Morrell; by request of Governor Gregoire)

READ FIRST TIME 03/05/07.

1            AN ACT Relating to expanding competitive local infrastructure  
2 financing tools projects; amending RCW 39.102.020, 39.102.040,  
3 39.102.050, 39.102.060, 39.102.090, 39.102.120, 82.14.475, 39.102.140,  
4 and 39.102.150; adding a new section to chapter 39.102 RCW; creating a  
5 new section; repealing RCW 39.102.180; and providing an expiration  
6 date.

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

8            **Sec. 1.** RCW 39.102.020 and 2006 c 181 s 102 are each amended to  
9 read as follows:

10            The definitions in this section apply throughout this chapter  
11 unless the context clearly requires otherwise.

12            (1) "Annual state contribution limit" means ~~((five))~~ seven million  
13 five hundred thousand dollars statewide per fiscal year.

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

16            (3) "Base year" means the first calendar year following the  
17 ~~((creation of a revenue development area. For a local government that~~  
18 ~~meets the requirements of RCW 39.102.040(2), "base year" is the~~  
19 ~~calendar year after it amends its ordinance as provided in RCW~~

1 ~~39.102.040(2))~~ calendar year in which a sponsoring local government,  
2 and any cosponsoring local government, receives approval by the board  
3 for a project award, provided that the approval is granted before  
4 October 15th. If approval by the board is received on or after October  
5 15th but on or before December 31st, the "base year" is the second  
6 calendar year following the calendar year in which a sponsoring local  
7 government, and any cosponsoring local government, receives approval by  
8 the board for a project award.

9 (4) "Board" means the community economic revitalization board under  
10 chapter 43.160 RCW.

11 (5) "Demonstration project" means one of the following projects:

12 (a) Bellingham waterfront redevelopment project;

13 (b) Spokane river district project at Liberty Lake; and

14 (c) Vancouver riverwest project.

15 (6) "Department" means the department of revenue.

16 (7) "Fiscal year" means the twelve-month period beginning July 1st  
17 and ending the following June 30th.

18 (8) "Local excise taxes" means local revenues derived from the  
19 imposition of sales and use taxes authorized in RCW 82.14.030 at the  
20 tax rate that was in effect at the time the revenue development area  
21 was ~~((created))~~ approved by the board, except that if a local  
22 government reduces the rate of such tax after the revenue development  
23 area was ~~((created))~~ approved by the board, "local excise taxes" means  
24 the local revenues derived from the imposition of the sales and use  
25 taxes authorized in RCW 82.14.030 at the lower tax rate.

26 (9) "Local excise tax allocation revenue" means the amount of local  
27 excise taxes received by the local government during the measurement  
28 year from taxable activity within the revenue development area over and  
29 above the amount of local excise taxes received by the local government  
30 during the base year from taxable activity within the revenue  
31 development area, except that:

32 (a) If a sponsoring local government ~~((creates))~~ adopts a revenue  
33 development area and reasonably determines that no activity subject to  
34 tax under chapters 82.08 and 82.12 RCW occurred within the boundaries  
35 of the revenue development area in the twelve months immediately  
36 preceding the ~~((creation))~~ approval of the revenue development area  
37 ~~((within the boundaries of the area that became the revenue development~~  
38 ~~area))~~ by the board, "local excise tax allocation revenue" means the

1 entire amount of local excise taxes received by the sponsoring local  
2 government during a calendar year period beginning with the calendar  
3 year immediately following the (~~creation~~) approval of the revenue  
4 development area by the board and continuing with each measurement year  
5 thereafter; and

6 (b) For revenue development areas (~~created~~) approved by the board  
7 in calendar years 2006 and 2007 that do not meet the requirements in  
8 (a) of this subsection and if legislation is enacted in this state (~~by~~  
9 ~~July 1, 2006,~~) during the 2007 legislative session that adopts the  
10 sourcing provisions of the streamlined sales and use tax agreement,  
11 "local excise tax allocation revenue" means the amount of local excise  
12 taxes received by the sponsoring local government during the  
13 measurement year from taxable activity within the revenue development  
14 area over and above an amount of local excise taxes received by the  
15 sponsoring local government during the 2007 or 2008 base year, as the  
16 case may be, adjusted by the department for any estimated impacts from  
17 retail sales and use tax sourcing changes effective (~~(July 1, 2007)~~) in  
18 2008. The amount of base year adjustment determined by the department  
19 is final.

20 (10) "Local government" means any city, town, county, port  
21 district, and any federally recognized Indian tribe.

22 (11) "Local infrastructure financing" means the use of revenues  
23 received from local excise tax allocation revenues, local property tax  
24 allocation revenues, (~~dedicated~~) other revenues from local public  
25 sources, and revenues received from the local option sales and use tax  
26 authorized in RCW 82.14.475, dedicated to pay the principal and  
27 interest on bonds authorized under RCW 39.102.150.

28 (12) "Local property tax allocation revenue" means those tax  
29 revenues derived from the receipt of regular property taxes levied on  
30 the property tax allocation revenue value and used for local  
31 infrastructure financing.

32 (13)(a) "Revenues from local public sources" means (~~federal and~~  
33 ~~private monetary contributions, amounts of local excise tax allocation~~  
34 ~~revenues, and amounts of local property tax allocation revenues~~  
35 ~~dedicated by participating taxing districts and participating local~~  
36 ~~governments for local infrastructure financing)):~~

37 (i) Amounts of local excise tax allocation revenues and local

1 property tax allocation revenues, dedicated by sponsoring local  
2 governments, participating local governments, and participating taxing  
3 districts, for local infrastructure financing; and

4 (ii) Any other local revenues, except as provided in (b) of this  
5 subsection, including revenues derived from federal and private  
6 sources.

7 (b) Revenues from local public sources do not include any local  
8 funds derived from state grants, state loans, or any other state moneys  
9 including any local sales and use taxes credited against the state  
10 sales and use taxes imposed under chapter 82.08 or 82.12 RCW.

11 (14) "Low-income housing" means residential housing for low-income  
12 persons or families who lack the means which is necessary to enable  
13 them, without financial assistance, to live in decent, safe, and  
14 sanitary dwellings, without overcrowding. For the purposes of this  
15 subsection, "low income" means income that does not exceed eighty  
16 percent of the median family income for the standard metropolitan  
17 statistical area in which the revenue development area is located.

18 (15) "Measurement year" means a calendar year, beginning with the  
19 calendar year following the base year and each calendar year  
20 thereafter, that is used annually to measure state and local excise tax  
21 allocation revenues.

22 (16) "Ordinance" means any appropriate method of taking legislative  
23 action by a local government.

24 (17) "Participating local government" means a local government  
25 having a revenue development area within its geographic boundaries that  
26 has entered into a written agreement with a sponsoring local government  
27 as provided in RCW 39.102.080 to allow the use of all or some of its  
28 local excise tax allocation revenues or other revenues from local  
29 public sources dedicated for local infrastructure financing.

30 (18) "Participating taxing district" means a local government  
31 having a revenue development area within its geographic boundaries that  
32 has entered into a written agreement with a sponsoring local government  
33 as provided in RCW 39.102.080 to allow the use of some or all of its  
34 local property tax allocation revenues or other revenues from local  
35 public sources dedicated for local infrastructure financing.

36 (19)(a)(i) "Property tax allocation revenue value" means  
37 seventy-five percent of any increase in the assessed value of real  
38 property in a revenue development area resulting from:

1       ~~(A) The placement of new construction((τ)) or improvements((τ or~~  
2 ~~both)) to property, or both, on the assessment roll((s after the~~  
3 ~~revenue development area is created))~~, where the new construction  
4 ~~((or)) and improvements ((occur entirely after the revenue development~~  
5 ~~area is created)) are initiated after the revenue development area is~~  
6 approved by the board;

7       (B) The cost of new housing construction, conversion, and  
8 rehabilitation improvements, when such cost is treated as new  
9 construction for purposes of chapter 84.55 RCW as provided in RCW  
10 84.14.020, and the new housing construction, conversion, and  
11 rehabilitation improvements are initiated after the revenue development  
12 area is approved by the board;

13       (C) The cost of rehabilitation of historic property, when such cost  
14 is treated as new construction for purposes of chapter 84.55 RCW as  
15 provided in RCW 84.26.070, and the rehabilitation is initiated after  
16 the revenue development area is approved by the board.

17       (ii) Increases in the assessed value of real property in a revenue  
18 development area resulting from (a)(i)(A) through (C) of this  
19 subsection are included in the property tax allocation revenue value in  
20 the initial year. These same amounts are also included in the property  
21 tax allocation revenue value in subsequent years until such time as  
22 either the property becomes exempt from property taxation or the  
23 sponsoring local government is no longer authorized to use local  
24 property tax allocation revenues to pay the principal and interest on  
25 bonds authorized under RCW 39.102.150.

26       ~~(b) ((If any new construction added to the assessment rolls~~  
27 ~~consists of entire buildings, "property tax allocation revenue value"~~  
28 ~~includes seventy five percent of any increase in the assessed value of~~  
29 ~~the buildings in the years following their initial placement on the~~  
30 ~~assessment rolls.~~

31       ~~(c) "Property tax allocation revenue value" does not include any~~  
32 ~~increase in the assessed value of improvements to property or new~~  
33 ~~construction that do not consist of an entire building, occurring after~~  
34 ~~their initial placement on the assessment rolls))~~ "Property tax  
35 allocation revenue value" includes seventy-five percent of any increase  
36 in the assessed value of new construction consisting of an entire  
37 building in the years following the initial year, until such time as  
38 either the building becomes exempt from property taxation or the

1 sponsoring local government is no longer authorized to use local  
2 property tax allocation revenues to pay the principal and interest on  
3 bonds authorized under RCW 39.102.150.

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

7 (d) There is no property tax allocation revenue value if the  
8 assessed value of real property in a revenue development area has not  
9 increased (~~due to new construction or improvements to property~~  
10 ~~occurring after the revenue development area is created~~) as a result  
11 of any of the reasons specified in (a)(i)(A) through (C) of this  
12 subsection.

13 (e) For purposes of this subsection, "initial year" means:

14 (i) For new construction and improvements to property added to the  
15 assessment roll, the year during which the new construction and  
16 improvements are initially placed on the assessment roll;

17 (ii) For the cost of new housing construction, conversion, and  
18 rehabilitation improvements, when such cost is treated as new  
19 construction for purposes of chapter 84.55 RCW, the year when such cost  
20 is treated as new construction for purposes of levying taxes for  
21 collection in the following year; and

22 (iii) For the cost of rehabilitation of historic property, when  
23 such cost is treated as new construction for purposes of chapter 84.55  
24 RCW, the year when such cost is treated as new construction for  
25 purposes of levying taxes for collection in the following year.

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

29 (21) "Public improvements" means:

30 (a) Infrastructure improvements within the revenue development area  
31 that include:

32 (i) Street, bridge, and road construction and maintenance,  
33 including highway interchange construction;

34 (ii) Water and sewer system construction and improvements,  
35 including wastewater reuse facilities;

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

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

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

1 (vi) Park facilities and recreational areas, including trails; and

2 (vii) Storm water and drainage management systems;

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

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

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

36 (24) "Property tax allocation revenue base value" means the  
37 assessed value of real property located within a revenue development  
38 area for taxes levied in the year in which the revenue development area

1 is (~~created~~) adopted for collection in the following year, plus one  
2 hundred percent of any increase in the assessed value of real property  
3 located within a revenue development area that is placed on the  
4 assessment rolls after the revenue development area is (~~created~~)  
5 adopted, less the property tax allocation revenue value.

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

16 (26) "Revenue development area" means the geographic area  
17 (~~created~~) adopted by a sponsoring local government and approved by  
18 the board, from which local excise and property tax allocation revenues  
19 are derived for local infrastructure financing.

20 (27) "Small business" has the same meaning as provided in RCW  
21 19.85.020.

22 (28) "Sponsoring local government" means a city, town, or county,  
23 and for the purpose of this chapter a federally recognized Indian tribe  
24 or any combination thereof, that (~~creates~~) adopts a revenue  
25 development area and applies to the board to use local infrastructure  
26 financing.

27 (29) "State contribution" means the lesser of:

- 28 (a) One million dollars;
- 29 (b) The state excise tax allocation revenue and state property tax  
30 allocation revenue received by the state during the preceding calendar  
31 year;

32 (c) The total amount of local excise tax allocation revenues, local  
33 property tax allocation revenues, and other revenues from local public  
34 sources, that are dedicated by a sponsoring local government, any  
35 participating local governments, and participating taxing districts, in  
36 the preceding calendar year to the payment of principal and interest on  
37 bonds issued under RCW 39.102.150; or



1 (d) The amount of project award granted by the board in the notice  
2 of approval to use local infrastructure financing under RCW 39.102.040.

3 (30) "State excise taxes" means revenues derived from state retail  
4 sales and use taxes under chapters 82.08 and 82.12 RCW, less the amount  
5 of tax distributions from all local retail sales and use taxes, other  
6 than the local sales and use taxes authorized by RCW 82.14.475, imposed  
7 on the same taxable events and that are credited against the state  
8 retail sales and use taxes under chapters 82.08 and 82.12 RCW.

9 (31) "State excise tax allocation revenue" means the amount of  
10 state excise taxes received by the state during the measurement year  
11 from taxable activity within the revenue development area over and  
12 above the amount of state excise taxes received by the state during the  
13 base year from taxable activity within the revenue development area,  
14 except that:

15 (a) If a sponsoring local government (~~((creates))~~) adopts a revenue  
16 development area and reasonably determines that no activity subject to  
17 tax under chapters 82.08 and 82.12 RCW occurred within the boundaries  
18 of the revenue development area in the twelve months immediately  
19 preceding the (~~((creation))~~) approval of the revenue development area  
20 (~~((within the boundaries of the area that became the revenue development~~  
21 ~~area))~~) by the board, "state excise tax allocation revenue" means the  
22 entire amount of state excise taxes received by the state during a  
23 calendar year period beginning with the calendar year immediately  
24 following the (~~((creation))~~) approval of the revenue development area by  
25 the board and continuing with each measurement year thereafter; and

26 (b) For revenue development areas (~~((created))~~) approved by the board  
27 in calendar years 2006 and 2007 that do not meet the requirements in  
28 (a) of this subsection and if legislation is enacted in this state (~~((by~~  
29 ~~July 1, 2006,))~~) during the 2007 legislative session that adopts the  
30 sourcing provisions of the streamlined sales and use tax agreement,  
31 "state excise tax allocation revenue" means the amount of state excise  
32 taxes received by the state during the measurement year from taxable  
33 activity within the revenue development area over and above an amount  
34 of state excise taxes received by the state during the 2007 or 2008  
35 base year, as the case may be, adjusted by the department for any  
36 estimated impacts from retail sales and use tax sourcing changes  
37 effective (~~((July 1, 2007))~~) in 2008. The amount of base year adjustment  
38 determined by the department is final.

1 (32) "State property tax allocation revenue" means those tax  
2 revenues derived from the imposition of property taxes levied by the  
3 state for the support of common schools under RCW 84.52.065 on the  
4 property tax allocation revenue value.

5 (33) "Real property" has the same meaning as in RCW 84.04.090 and  
6 also includes any privately owned improvements located on publicly  
7 owned land that are subject to property taxation.

8 **Sec. 2.** RCW 39.102.040 and 2006 c 181 s 202 are each amended to  
9 read as follows:

10 (1) Prior to applying to the board to use local infrastructure  
11 financing, a sponsoring local government shall:

12 (a) Designate a revenue development area within the limitations in  
13 RCW 39.102.060;

14 (b) Certify that the conditions in RCW 39.102.070 are met;

15 (c) Complete the process in RCW 39.102.080;

16 (d) Provide public notice as required in RCW 39.102.100; and

17 (e) Pass an ordinance adopting the revenue development area as  
18 required in RCW 39.102.090.

19 (2) Any local government that has created an increment area under  
20 chapter 39.89 RCW (~~that~~) and has not issued bonds to finance any  
21 public improvement (~~shall be~~) may apply to the board and have its  
22 increment area considered for approval as a revenue development area  
23 under this chapter without (~~creating~~) adopting a new (~~increment~~)  
24 revenue development area under RCW 39.102.090 and 39.102.100 if it  
25 amends its ordinance to comply with RCW 39.102.090(1) and otherwise  
26 meets the conditions and limitations under this chapter.

27 (3) As a condition to imposing a sales and use tax under RCW  
28 82.14.475, a sponsoring local government, including any cosponsoring  
29 local government seeking authority to impose a sales and use tax under  
30 RCW 82.14.475, must apply to the board and be approved for a project  
31 award amount. The application shall be in a form and manner prescribed  
32 by the board and include but not be limited to information establishing  
33 that the applicant is an eligible candidate to impose the local sales  
34 and use tax under RCW 82.14.475, the anticipated effective date for  
35 imposing the tax, the estimated number of years that the tax will be  
36 imposed, and the estimated amount of tax revenue to be received in each  
37 fiscal year that the tax will be imposed. The board shall make

1 available forms to be used for this purpose. As part of the  
2 application, each applicant must provide to the board a copy of the  
3 ordinance or ordinances creating the revenue development area as  
4 required in RCW 39.102.090. A notice of approval to use local  
5 infrastructure financing shall contain a project award that represents  
6 the maximum amount of state contribution that the applicant, including  
7 any cosponsoring local governments, can earn each year that local  
8 infrastructure financing is used. The total of all project awards  
9 shall not exceed the annual state contribution limit. The  
10 determination of a project award shall be made based on information  
11 contained in the application and the remaining amount of annual state  
12 contribution limit to be awarded. Determination of a project award by  
13 the board is final.

14 (4)(a) Sponsoring local governments, and any cosponsoring local  
15 governments, applying in calendar year 2007 for a competitive project  
16 award, must submit completed applications to the board no later than  
17 July 1, 2007. By September 15, 2007, in consultation with the  
18 department of revenue and the department of community, trade, and  
19 economic development, the board shall approve (~~qualified~~) competitive  
20 project(~~s, up to the annual state contribution limit~~) awards from  
21 competitive applications submitted by the 2007 deadline. No more than  
22 two million five hundred thousand dollars in competitive project awards  
23 shall be approved in 2007. For projects not approved by the board in  
24 2007, sponsoring and cosponsoring local governments may apply again to  
25 the board in 2008 for approval of a project.

26 (b) Sponsoring local governments, and any cosponsoring local  
27 governments, applying in calendar year 2008 for a competitive project  
28 award, must submit completed applications to the board no later than  
29 July 1, 2008. By September 18, 2008, in consultation with the  
30 department of revenue and the department of community, trade, and  
31 economic development, the board shall approve competitive project  
32 awards from competitive applications submitted by the 2008 deadline.

33 (c) Except as provided in RCW 39.102.050(2), a total of no more  
34 than five million dollars in competitive project awards shall be  
35 approved for local infrastructure financing. (~~Except as provided in~~  
36 RCW 39.102.050,))

37 (d) Approvals of competitive awards shall be based on the following  
38 criteria:

1       ~~((a))~~ (i) The project potential to enhance the sponsoring local  
2 government's regional and/or international competitiveness;

3       ~~((b))~~ (ii) The project's ability to encourage mixed use or  
4 transit-oriented development and the redevelopment of a geographic  
5 area;

6       ~~((c))~~ (iii) Achieving an overall distribution of projects  
7 statewide that reflect geographic diversity;

8       ~~((d))~~ (iv) The estimated wages and benefits for the project is  
9 greater than the average labor market area;

10       ~~((e))~~ (v) The estimated state and local net employment change  
11 over the life of the project;

12       ~~((f))~~ (vi) The current economic health and vitality of the  
13 proposed revenue development area and contiguous community and the  
14 estimated economic impact of the proposed project on the proposed  
15 revenue development area and contiguous community;

16       (vii) The estimated state and local net property tax change over  
17 the life of the project; ~~((and~~

18       ~~((g))~~ (viii) The estimated state and local sales and use tax  
19 increase over the life of the project;

20       (ix) An analysis that shows that, over the life of the project,  
21 neither the local excise tax allocation revenues nor the local property  
22 tax allocation revenues will constitute more than eighty percent of the  
23 total local funds as described in RCW 39.102.020(29)(c).

24       (e)(i) Except as provided in this subsection (4)(e), the board may  
25 not approve the use of local infrastructure financing within more than  
26 one revenue development area per county.

27       (ii) In a county in which the board has approved the use of local  
28 infrastructure financing, the use of such financing in additional  
29 revenue development areas may be approved, subject to the following  
30 conditions:

31       (A) The sponsoring local government is located in more than one  
32 county; and

33       (B) The sponsoring local government designates a revenue  
34 development area that comprises portions of a county within which the  
35 use of local infrastructure financing has not yet been approved.

36       (iii) If the board approves the use of local infrastructure  
37 financing within a designated revenue development area under (e)(ii) of  
38 this subsection, the board may not approve the use of local

1 infrastructure financing within any additional revenue development  
2 areas in any of the counties in which the sponsoring local government  
3 is located.

4 ~~(5) ((A revenue development area is considered created when the~~  
5 ~~sponsoring local government, including any cosponsoring local~~  
6 ~~government, has adopted an ordinance creating the revenue development~~  
7 ~~area and the board has approved the sponsoring local government to use~~  
8 ~~local infrastructure financing. If a sponsoring local government~~  
9 ~~receives approval from the board after the fifteenth day of October to~~  
10 ~~use local infrastructure financing, the revenue development area is~~  
11 ~~considered created in the calendar year following the approval.))~~ Once  
12 the board has approved the sponsoring local government, and any  
13 cosponsoring local governments, to use local infrastructure financing,  
14 notification ~~((shall))~~ must be sent by the board to the sponsoring  
15 local government, and any cosponsoring local governments, authorizing  
16 the sponsoring local government, and any cosponsoring local  
17 governments, to impose the local sales and use tax authorized under RCW  
18 82.14.475, subject to the conditions in RCW 82.14.475.

19 **Sec. 3.** RCW 39.102.050 and 2006 c 181 s 203 are each amended to  
20 read as follows:

21 (1) In addition to a competitive process, demonstration projects  
22 are provided to determine the feasibility of the local infrastructure  
23 financing tool. Notwithstanding RCW 39.102.040, the board shall  
24 approve each demonstration project ((before approving any other  
25 application)). Demonstration project applications must be received by  
26 the board no later than July 1, 2008. The Bellingham waterfront  
27 redevelopment project award shall not exceed one million dollars per  
28 year, the Spokane river district project award shall not exceed one  
29 million dollars per year, and the Vancouver riverwest project award  
30 shall not exceed five hundred thousand dollars per year. The board  
31 shall approve by September 15, 2007, demonstration project applications  
32 submitted no later than July 1, 2007. The board shall approve by  
33 September 18, 2008, demonstration project applications submitted by  
34 July 1, 2008.

35 (2) If before board approval of the final competitive project award  
36 in 2008, a demonstration project has not received approval by the  
37 board, the state dollars set aside for the demonstration project in

1 subsection (1) of this section shall be available for the competitive  
2 application process. If a demonstration project has received a partial  
3 award before the approval of the final competitive project award, the  
4 remaining state dollars set aside for the demonstration project in  
5 subsection (1) of this section shall be available for the competitive  
6 process.

7 **Sec. 4.** RCW 39.102.060 and 2006 c 181 s 204 are each amended to  
8 read as follows:

9 The designation of a revenue development area is subject to the  
10 following limitations:

11 (1) The taxable real property within the revenue development area  
12 boundaries may not exceed one billion dollars in assessed value at the  
13 time the revenue development area is designated;

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

17 (3) ~~((No more than one revenue development area may be created in~~  
18 ~~a county)) No revenue development area shall have within its geographic  
19 boundaries any part of a hospital benefit zone under chapter 39.100 RCW  
20 or any part of another revenue development area created under this  
21 chapter;~~

22 (4) A revenue development area is limited to contiguous tracts,  
23 lots, pieces, or parcels of land without the creation of islands of  
24 property not included in the revenue development area;

25 (5) The boundaries may not be drawn to purposely exclude parcels  
26 where economic growth is unlikely to occur;

27 (6) The public improvements financed through local infrastructure  
28 financing must be located in the revenue development area;

29 (7) A revenue development area cannot comprise an area containing  
30 more than twenty-five percent of the total assessed value of the  
31 taxable real property within the boundaries of the sponsoring local  
32 government, including any cosponsoring local government, at the time  
33 the revenue development area is designated;

34 (8) The boundaries of the revenue development area shall not be  
35 changed for the time period that local infrastructure financing is  
36 used; and

1 (9) A revenue development area cannot include any part of an  
2 increment area created under chapter 39.89 RCW, except those increment  
3 areas created prior to January 1, 2006.

4 **Sec. 5.** RCW 39.102.090 and 2006 c 181 s 207 are each amended to  
5 read as follows:

6 (1) To (~~create~~) adopt a revenue development area, a sponsoring  
7 local government, and any cosponsoring local government, must adopt an  
8 ordinance establishing the revenue development area that:

9 (a) Describes the public improvements proposed to be made in the  
10 revenue development area;

11 (b) Describes the boundaries of the revenue development area,  
12 subject to the limitations in RCW 39.102.060;

13 (c) Estimates the cost of the proposed public improvements and the  
14 portion of these costs to be financed by local infrastructure  
15 financing;

16 (d) Estimates the time during which local excise tax allocation  
17 revenues, local property tax allocation revenues, and other revenues  
18 from local public sources are to be used for local infrastructure  
19 financing;

20 (e) Provides the date when the use of local excise tax allocation  
21 revenues and local property tax allocation revenues will commence; and

22 (f) Finds that the conditions in RCW 39.102.070 are met and the  
23 findings in RCW 39.102.080 are complete.

24 (2) The sponsoring local government, and any cosponsoring local  
25 government, must hold a public hearing on the proposed financing of the  
26 public improvements in whole or in part with local infrastructure  
27 financing (~~at least thirty days~~) before passage of the ordinance  
28 establishing the revenue development area. The public hearing may be  
29 held by either the governing body of the sponsoring local government  
30 and the governing body of any cosponsoring local government, or by a  
31 committee of those governing bodies that includes at least a majority  
32 of the whole governing body or bodies. The public hearing is subject  
33 to the notice requirements in RCW 39.102.100.

34 (3) The sponsoring local government, and any cosponsoring local  
35 government, shall deliver a certified copy of the adopted ordinance to  
36 the county treasurer, the governing body of each participating local

1 government and participating taxing district within which the revenue  
2 development area is located, the board, and the department.

3 **Sec. 6.** RCW 39.102.120 and 2006 c 181 s 302 are each amended to  
4 read as follows:

5 (1) Commencing in the second calendar year following (~~the passage~~  
6 ~~of the ordinance creating a revenue development area and authorizing~~  
7 ~~the use of local infrastructure financing~~) board approval of a revenue  
8 development area, the county treasurer shall distribute receipts from  
9 regular taxes imposed on real property located in the revenue  
10 development area as follows:

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

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



1 public improvement costs associated with the public improvements  
2 financed in whole or in part by local infrastructure financing.

3 (2) The county assessor shall allocate any increase in the assessed  
4 value of real property occurring in the revenue development area to the  
5 property tax allocation revenue value and property tax allocation  
6 revenue base value as appropriate. This section does not authorize  
7 revaluations of real property by the assessor for property taxation  
8 that are not made in accordance with the assessor's revaluation plan  
9 under chapter 84.41 RCW or under other authorized revaluation  
10 procedures.

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

25 (4) The allocation to the revenue development area of portions of  
26 the local regular property taxes levied by or for each taxing district  
27 upon the property tax allocation revenue value within that revenue  
28 development area is declared to be a public purpose of and benefit to  
29 each such taxing district.

30 (5) The allocation of local property tax allocation revenues  
31 pursuant to this section shall not affect or be deemed to affect the  
32 rate of taxes levied by or within any taxing district or the  
33 consistency of any such levies with the uniformity requirement of  
34 Article VII, section 1 of the state Constitution.

35 (6) This section does not apply to those revenue development areas  
36 that include any part of an increment area created under chapter 39.89  
37 RCW.

1       **Sec. 7.** RCW 82.14.475 and 2006 c 181 s 401 are each amended to  
2 read as follows:

3       (1) A sponsoring local government, and any cosponsoring local  
4 government, that has been approved by the board to use local  
5 infrastructure financing may impose a sales and use tax in accordance  
6 with the terms of this chapter and subject to the criteria set forth in  
7 this section. Except as provided in this section, the tax is in  
8 addition to other taxes authorized by law and shall be collected from  
9 those persons who are taxable by the state under chapters 82.08 and  
10 82.12 RCW upon the occurrence of any taxable event within the taxing  
11 jurisdiction of the sponsoring local government or cosponsoring local  
12 government. The rate of tax shall not exceed the rate provided in RCW  
13 82.08.020(1), less the aggregate rates of any other local sales and use  
14 taxes imposed on the same taxable events that are credited against the  
15 state sales and use taxes imposed under chapters 82.08 and 82.12 RCW.  
16 The rate of tax may be changed only on the first day of a fiscal year  
17 as needed. Notice of rate changes must be provided to the department  
18 on the first day of March to be effective on July 1st of the next  
19 fiscal year.

20       (2) The tax authorized under subsection (1) of this section shall  
21 be credited against the state taxes imposed under chapter 82.08 or  
22 82.12 RCW. The department shall perform the collection of such taxes  
23 on behalf of the sponsoring local government or cosponsoring local  
24 government at no cost to the sponsoring local government or  
25 cosponsoring local government and shall remit the taxes as provided in  
26 RCW 82.14.060.

27       (3)(a) No tax may be imposed under the authority of this section:

28       (i) Before July 1, 2008;

29       (ii) Before approval by the board under RCW 39.102.040; and

30       (iii) ~~((Except as provided in (b) of this subsection, unless))~~  
31 Before the sponsoring local government has received and dedicated to  
32 the payment of bonds authorized in RCW 39.102.150, in whole or in part,  
33 ~~((both))~~ local excise tax allocation revenues ~~((and))~~, local property  
34 tax allocation revenues, or both, during the preceding calendar year.

35       ~~(b) ((The requirement to receive local property tax allocation~~  
36 ~~revenues under (a) of this subsection is waived if the revenue~~  
37 ~~development area coincides with or is contained entirely within the~~

1 ~~boundaries of an increment area adopted by a local government under the~~  
2 ~~authority of chapter 39.89 RCW for the purposes of utilizing community~~  
3 ~~revitalization financing.~~

4 (e)) The tax imposed under this section shall expire when the  
5 bonds issued under the authority of RCW 39.102.150 are retired, but not  
6 more than twenty-five years after the tax is first imposed.

7 (4) An ordinance adopted by the legislative authority of a  
8 sponsoring local government or cosponsoring local government imposing  
9 a tax under this section shall provide that:

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

12 (b) The cumulative amount of tax received by the sponsoring local  
13 government, and any cosponsoring local government, in any fiscal year  
14 shall not exceed the amount of the state contribution;

15 (c) The tax shall cease to be distributed for the remainder of any  
16 fiscal year in which either:

17 (i) The amount of tax received by the sponsoring local government,  
18 and any cosponsoring local government, equals the amount of the state  
19 contribution;

20 (ii) The amount of revenue from taxes imposed under this section by  
21 all sponsoring and cosponsoring local governments equals the annual  
22 state contribution limit; or

23 (iii) The amount of tax received by the sponsoring local government  
24 equals the amount of project award granted in the approval notice  
25 described in RCW 39.102.040;

26 (d) (~~Except when the requirement to receive local property tax~~  
27 ~~allocation revenues is waived as provided in subsection (3)(b) of this~~  
28 ~~section,~~) Neither the local excise tax allocation revenues nor the  
29 local property tax allocation revenues ((can be)) may constitute more  
30 than eighty percent of the total local funds as described in RCW  
31 39.102.020(29)(c). This requirement applies beginning January 1st of  
32 the fifth calendar year after the calendar year in which the sponsoring  
33 local government begins allocating local excise tax allocation revenues  
34 under RCW 39.102.110;

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

1 (f) 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 a county and city cosponsor a revenue development area, the  
5 combined rates of the city and county tax shall not exceed the rate  
6 provided in RCW 82.08.020(1), less the aggregate rates of any other  
7 local sales and use taxes imposed on the same taxable events that are  
8 credited against the state sales and use taxes imposed under chapters  
9 82.08 and 82.12 RCW. The combined amount of distributions received by  
10 both the city and county may not exceed the state contribution.

11 (6) The department shall determine the amount of tax receipts  
12 distributed to each sponsoring local government, and any cosponsoring  
13 local government, imposing sales and use tax under this section and  
14 shall advise a sponsoring or cosponsoring local government when tax  
15 distributions for the fiscal year equal the amount of state  
16 contribution for that fiscal year as provided in subsection (8) of this  
17 section. Determinations by the department of the amount of tax  
18 distributions attributable to each sponsoring or cosponsoring local  
19 government are final and shall not be used to challenge the validity of  
20 any tax imposed under this section. The department shall remit any tax  
21 receipts in excess of the amounts specified in subsection (4)(c) of  
22 this section to the state treasurer who shall deposit the money in the  
23 general fund.

24 (7) If a sponsoring or cosponsoring local government fails to  
25 comply with RCW 39.102.140, no tax may be distributed in the subsequent  
26 fiscal year until such time as the sponsoring or cosponsoring local  
27 government complies and the department calculates the state  
28 contribution amount for such fiscal year.

29 (8) Each year, the amount of taxes approved by the department for  
30 distribution to a sponsoring or cosponsoring local government in the  
31 next fiscal year shall be equal to the state contribution and shall be  
32 no more than the total local funds as described in RCW  
33 39.102.020(29)(c). The department shall consider information from  
34 reports described in RCW 39.102.140 when determining the amount of  
35 state contributions for each fiscal year. A sponsoring or cosponsoring  
36 local government shall not receive, in any fiscal year, more revenues  
37 from taxes imposed under the authority of this section than the amount  
38 approved annually by the department. The department shall not approve

1 the receipt of more distributions of sales and use tax under this  
2 section to a sponsoring or cosponsoring local government than is  
3 authorized under subsection (4) of this section.

4 (9) The amount of tax distributions received from taxes imposed  
5 under the authority of this section by all sponsoring and cosponsoring  
6 local governments is limited annually to not more than ~~((five))~~ seven  
7 million five hundred thousand dollars. ~~((The tax distributions shall  
8 be available to the sponsoring local government, and any cosponsoring  
9 local government, imposing a tax under this section only as long as the  
10 sponsoring local government has outstanding indebtedness under RCW  
11 39.102.150.))~~

12 (10) The definitions in RCW 39.102.020 apply to this section unless  
13 the context clearly requires otherwise.

14 (11) If a sponsoring local government is a federally recognized  
15 Indian tribe, the distribution of the sales and use tax authorized  
16 under this section shall be authorized through an interlocal agreement  
17 pursuant to chapter 39.34 RCW.

18 (12) The tax imposed under the authority of this section shall  
19 cease to be imposed, and all tax distributed under the authority of  
20 this section to a sponsoring local government and any cosponsoring  
21 local government shall be returned to the state treasurer for deposit  
22 in the general fund, if the sponsoring local government fails to issue  
23 bonds under the authority of RCW 39.102.150 on or before June 30th of  
24 the fifth fiscal year in which the local tax authorized under this  
25 section is imposed.

26 **Sec. 8.** RCW 39.102.140 and 2006 c 181 s 403 are each amended to  
27 read as follows:

28 (1) A sponsoring local government shall provide a report to the  
29 board and the department by March 1st of each year. The report shall  
30 contain the following information:

31 (a) The amount of local excise tax allocation revenues, ~~((and))~~  
32 local property tax allocation revenues, other revenues from local  
33 public sources, and taxes under RCW 82.14.475~~((, and revenues from~~  
34 ~~local public sources))~~ received by the sponsoring local government  
35 during the preceding calendar year that were dedicated to pay the  
36 public improvements financed in whole or in part with local

1 infrastructure financing, and a summary of how these revenues were  
2 expended;

3 (b) The names of any businesses locating within the revenue  
4 development area as a result of the public improvements undertaken by  
5 the sponsoring local government and financed in whole or in part with  
6 local infrastructure financing;

7 (c) The total number of permanent jobs created in the revenue  
8 development area as a result of the public improvements undertaken by  
9 the sponsoring local government and financed in whole or in part with  
10 local infrastructure financing;

11 (d) The average wages and benefits received by all employees of  
12 businesses locating within the revenue development area as a result of  
13 the public improvements undertaken by the sponsoring local government  
14 and financed in whole or in part with local infrastructure financing;  
15 and

16 (e) That the sponsoring local government is in compliance with RCW  
17 39.102.070.

18 (2) The board shall make a report available to the public and the  
19 legislature by June 1st of each year. The report shall include a list  
20 of public improvements undertaken by sponsoring local governments and  
21 financed in whole or in part with local infrastructure financing and it  
22 shall also include a summary of the information provided to the  
23 department by sponsoring local governments under subsection (1) of this  
24 section.

25 **Sec. 9.** RCW 39.102.150 and 2006 c 181 s 501 are each amended to  
26 read as follows:

27 (1) A sponsoring local government that has designated a revenue  
28 development area and been authorized the use of local infrastructure  
29 financing may incur general indebtedness, and issue general obligation  
30 bonds, to finance the public improvements and retire the indebtedness  
31 in whole or in part from local excise tax allocation revenues, local  
32 property tax allocation revenues, and sales and use taxes imposed under  
33 the authority of RCW 82.14.475 that it receives, subject to the  
34 following requirements:

35 (a) The ordinance adopted by the sponsoring local government and  
36 authorizing the use of local infrastructure financing indicates an

1 intent to incur this indebtedness and the maximum amount of this  
2 indebtedness that is contemplated; and

3 (b) The sponsoring local government includes this statement of the  
4 intent in all notices required by RCW (~~(39.102.090)~~) 39.102.100.

5 (2)(a) Except as provided in (b) of this subsection, the general  
6 indebtedness incurred under subsection (1) of this section may be  
7 payable from other tax revenues, the full faith and credit of the local  
8 government, and nontax income, revenues, fees, and rents from the  
9 public improvements, as well as contributions, grants, and nontax money  
10 available to the local government for payment of costs of the public  
11 improvements or associated debt service on the general indebtedness.

12 (b) A sponsoring local government that issues bonds under this  
13 section shall not pledge any money received from the state of  
14 Washington for the payment of such bonds, other than the local sales  
15 and use taxes imposed under the authority of RCW 82.14.475 and  
16 collected by the department.

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

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

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

1 property or business activity within the revenue development area  
2 containing the public improvements funded by the bonds, such payment to  
3 continue until all bonds payable from the fund are paid in full. The  
4 local government may also annually pay into the fund established in  
5 this section a fixed proportion or a fixed amount of any revenues  
6 derived from taxes imposed under RCW 82.14.475, such payment to  
7 continue until all bonds payable from the fund are paid in full.  
8 Revenues derived from taxes imposed under RCW 82.14.475 are subject to  
9 the use restriction in RCW 39.102.130.

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

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

21 NEW SECTION. **Sec. 10.** A new section is added to chapter 39.102  
22 RCW to read as follows:

23 The department of revenue and the community economic revitalization  
24 board may adopt any rules under chapter 34.05 RCW they consider  
25 necessary for the administration of this chapter.

26 NEW SECTION. **Sec. 11.** RCW 39.102.180 (General indebtedness,  
27 general obligation bonds--Authority--Security) and 2006 c 181 s 504 are  
28 each repealed.

29 NEW SECTION. **Sec. 12.** This act applies retroactively as well as  
30 prospectively.

31 NEW SECTION. **Sec. 13.** If any provision of this act or its  
32 application to any person or circumstance is held invalid, the  
33 remainder of the act or the application of the provision to other



1 persons or circumstances is not affected.

2 NEW SECTION. **Sec. 14.** This act expires June 30, 2039.

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