

2SSB 5045 - H COMM AMD

By Committee on Community & Economic Development & Trade

NOT CONSIDERED 04/16/2009

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

3 "PART I

4 LOCAL REVITALIZATION FINANCING--GENERAL PROVISIONS

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

15 NEW SECTION. **Sec. 102.** DEFINITIONS. The definitions in this
16 section apply throughout this chapter unless the context clearly
17 requires otherwise.

18 (1) "Annual state contribution limit" means two million five
19 hundred thousand dollars statewide per fiscal year.

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

22 (3) "Department" means the department of revenue.

23 (4) "Fiscal year" means the twelve-month period beginning July 1st
24 and ending the following June 30th.

25 (5) "Local government" means any city, town, county, and port
26 district.

27 (6) "Local property tax allocation revenue" means those tax

1 revenues derived from the receipt of regular property taxes levied on
2 the property tax allocation revenue value and used for local
3 revitalization financing.

4 (7) "Local revitalization financing" means the use of revenues from
5 local public sources, and revenues received from the local option sales
6 and use tax authorized in section 601 of this act, dedicated to pay the
7 principal and interest on bonds authorized under section 701 of this
8 act.

9 (8) "Local sales and use tax increment" means the estimated annual
10 increase in local sales and use taxes as determined and anticipated by
11 the local government in the calendar years following the approval of
12 the revitalization area by the department from taxable activity within
13 the revitalization area.

14 (9) "Local sales and use taxes" means local revenues derived from
15 the imposition of sales and use taxes authorized in RCW 82.14.030.

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

18 (11) "Participating local government" means a local government
19 having a revitalization area within its geographic boundaries that has
20 taken action as provided in section 107(1) of this act to allow the use
21 of all or some of its local sales and use tax increment or other
22 revenues from local public sources dedicated for local revitalization
23 financing.

24 (12) "Participating taxing district" means a local government
25 having a revitalization area within its geographic boundaries that has
26 not taken action as provided in section 106(2) of this act.

27 (13) "Property tax allocation revenue base value" means the
28 assessed value of real property located within a revitalization area,
29 less the property tax allocation revenue value.

30 (14)(a)(i) "Property tax allocation revenue value" means seventy-
31 five percent of any increase in the assessed value of real property in
32 a revitalization area resulting from:

33 (A) The placement of new construction, improvements to property, or
34 both, on the assessment roll, where the new construction and
35 improvements are initiated after the revitalization area is approved by
36 the department;

37 (B) The cost of new housing construction, conversion, and
38 rehabilitation improvements, when the cost is treated as new

1 construction for purposes of chapter 84.55 RCW as provided in RCW
2 84.14.020, and the new housing construction, conversion, and
3 rehabilitation improvements are initiated after the revitalization area
4 is approved by the department;

5 (C) The cost of rehabilitation of historic property, when the cost
6 is treated as new construction for purposes of chapter 84.55 RCW as
7 provided in RCW 84.26.070, and the rehabilitation is initiated after
8 the revitalization area is approved by the department.

9 (ii) Increases in the assessed value of real property in a
10 revitalization area resulting from (a)(i)(A) through (C) of this
11 subsection are included in the property tax allocation revenue value in
12 the initial year. These same amounts are also included in the property
13 tax allocation revenue value in subsequent years unless the property
14 becomes exempt from property taxation.

15 (b) "Property tax allocation revenue value" includes seventy-five
16 percent of any increase in the assessed value of new construction
17 consisting of an entire building in the years following the initial
18 year, unless the building becomes exempt from property taxation.

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

22 (d) There is no property tax allocation revenue value if the
23 assessed value of real property in a revitalization area has not
24 increased as a result of any of the reasons specified in (a)(i)(A)
25 through (C) of this subsection.

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

27 (i) For new construction and improvements to property added to the
28 assessment roll, the year during which the new construction and
29 improvements are initially placed on the assessment roll;

30 (ii) For the cost of new housing construction, conversion, and
31 rehabilitation improvements, when the cost is treated as new
32 construction for purposes of chapter 84.55 RCW, the year when the cost
33 is treated as new construction for purposes of levying taxes for
34 collection in the following year; and

35 (iii) For the cost of rehabilitation of historic property, when the
36 cost is treated as new construction for purposes of chapter 84.55 RCW,
37 the year when such cost is treated as new construction for purposes of
38 levying taxes for collection in the following year.

1 (15) "Public improvement costs" means the costs of:

2 (a) Design, planning, acquisition, including land acquisition, site
3 preparation including land clearing, construction, reconstruction,
4 rehabilitation, improvement, and installation of public improvements;

5 (b) Demolishing, relocating, maintaining, and operating property
6 pending construction of public improvements;

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

8 (d) Financing public improvements, including interest during
9 construction, legal and other professional services, taxes, insurance,
10 principal and interest costs on general indebtedness issued to finance
11 public improvements, and any necessary reserves for general
12 indebtedness; and

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

18 (16) "Public improvements" means:

19 (a) Infrastructure improvements within the revitalization area that
20 include:

21 (i) Street, road, bridge, and rail construction and maintenance;

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

23 (iii) Sidewalks, streetlights, landscaping, and streetscaping;

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

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

26 (vi) Park facilities, recreational areas, and environmental
27 remediation;

28 (vii) Storm water and drainage management systems;

29 (viii) Electric, gas, fiber, and other utility infrastructures; and

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

31 (i) Providing environmental analysis, professional management,
32 planning, and promotion within the revitalization area, including the
33 management and promotion of retail trade activities in the
34 revitalization area;

35 (ii) Providing maintenance and security for common or public areas
36 in the revitalization area; or

37 (iii) Historic preservation activities authorized under RCW
38 35.21.395.

1 (17) "Real property" has the same meaning as in RCW 84.04.090 and
2 also includes any privately owned improvements located on publicly
3 owned land that are subject to property taxation.

4 (18) "Regular property taxes" means regular property taxes as
5 defined in RCW 84.04.140, except: (a) Regular property taxes levied by
6 public utility districts specifically for the purpose of making
7 required payments of principal and interest on general indebtedness;
8 (b) regular property taxes levied by the state for the support of
9 common schools under RCW 84.52.065; and (c) regular property taxes
10 authorized by RCW 84.55.050 that are limited to a specific purpose.
11 "Regular property taxes" do not include excess property tax levies that
12 are exempt from the aggregate limits for junior and senior taxing
13 districts as provided in RCW 84.52.043.

14 (19)(a) "Revenues from local public sources" means:

15 (i) The local sales and use tax amounts received as a result of
16 interlocal agreement, local sales and use tax amounts from sponsoring
17 local governments based on its local sales and use tax increment, and
18 local property tax allocation revenues, which are dedicated by a
19 sponsoring local government, participating local governments, and
20 participating taxing districts, for payment of bonds under section 701
21 of this act; and

22 (ii) Any other local revenues, except as provided in (b) of this
23 subsection, including revenues derived from federal and private
24 sources, which are dedicated for the payment of bonds under section 701
25 of this act.

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

30 (20) "Revitalization area" means the geographic area adopted by a
31 sponsoring local government and approved by the department, from which
32 local sales and use tax increments are estimated and property tax
33 allocation revenues are derived for local revitalization financing.

34 (21) "Sponsoring local government" means a city, town, county, or
35 any combination thereof, that adopts a revitalization area and applies
36 to the department to use local revitalization financing.

37 (22) "State contribution" means the lesser of:

38 (a) Five hundred thousand dollars;

1 (b) The project award amount approved by the department as provided
2 in section 401 of this act; or

3 (c) The total amount of revenues from local public sources
4 dedicated in the preceding calendar year to the payment of principal
5 and interest on bonds issued under section 701 of this act.

6 (23) "State property tax increment" means the estimated amount of
7 annual tax revenues estimated to be received by the state from the
8 imposition of property taxes levied by the state for the support of
9 common schools under RCW 84.52.065 on the property tax allocation
10 revenue value, as determined by the sponsoring local government in an
11 application under section 401 of this act.

12 (24) "State sales and use tax increment" means the estimated amount
13 of annual increase in state sales and use taxes to be received by the
14 state from taxable activity within the revitalization area in the years
15 following the approval of the revitalization area by the department as
16 determined by the sponsoring local government in an application under
17 section 401 of this act.

18 (25) "State sales and use taxes" means state retail sales and use
19 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in RCW
20 82.08.020(1), less the amount of tax distributions from all local
21 retail sales and use taxes, other than the local sales and use taxes
22 authorized by section 601 of this act for the applicable revitalization
23 area, imposed on the same taxable events that are credited against the
24 state retail sales and use taxes under RCW 82.08.020(1) and 82.12.020.

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

28 NEW SECTION. **Sec. 103.** CONDITIONS. A local government may
29 finance public improvements using local revitalization financing
30 subject to the following conditions:

31 (1) The local government has adopted an ordinance designating a
32 revitalization area within its boundaries and specified the public
33 improvements proposed to be financed in whole or in part with the use
34 of local revitalization financing;

35 (2) The public improvements proposed to be financed in whole or in
36 part using local revitalization financing are expected to encourage

1 private development within the revitalization area and to increase the
2 fair market value of real property within the revitalization area;

3 (3) The local government has entered into a contract with a private
4 developer relating to the development of private improvements within
5 the revitalization area or has received a letter of intent from a
6 private developer relating to the developer's plans for the development
7 of private improvements within the revitalization area;

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

13 (5) The local government may not use local revitalization financing
14 to finance the costs associated with the financing, design,
15 acquisition, construction, equipping, operating, maintaining,
16 remodeling, repairing, and reequipping of public facilities funded with
17 taxes collected under RCW 82.14.048 or 82.14.390;

18 (6) The governing body of the local government must make a finding
19 that local revitalization financing:

20 (a) Will not be used for the purpose of relocating a business from
21 outside the revitalization area, but within this state, into the
22 revitalization area unless convincing evidence is provided that the
23 firm being relocated would otherwise leave the state;

24 (b) Will improve the viability of existing business entities within
25 the revitalization area; and

26 (c) Will be used exclusively in areas within the jurisdiction of
27 the local government deemed in need of either economic development or
28 redevelopment, or both, and absent the financing available under this
29 chapter and sections 601 and 602 of this act the proposed economic
30 development or redevelopment would more than likely not occur; and

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

34 (a) Increase private investment within the revitalization area;

35 (b) Increase employment within the revitalization area; and

36 (c) Generate, over the period of time that the local sales and use
37 tax will be imposed under section 601 of this act, increases in state

1 and local property, sales, and use tax revenues that are equal to or
2 greater than the respective state and local contributions made under
3 this chapter.

4 NEW SECTION. **Sec. 104.** CREATING A REVITALIZATION AREA. (1)

5 Before adopting an ordinance creating the revitalization area, a
6 sponsoring local government must:

7 (a) Provide notice to all taxing districts and local governments
8 with geographic boundaries within the proposed revitalization area of
9 the sponsoring local government's intent to create a revitalization
10 area. Notice must be provided in writing to the governing body of the
11 taxing districts and local governments at least thirty days in advance
12 of the public hearing as required by (b) of this subsection. The
13 notice must include at least the following information:

14 (i) The name of the proposed revitalization area;

15 (ii) The date for the public hearing as required by (b) of this
16 subsection;

17 (iii) The earliest anticipated date when the sponsoring local
18 government will take action to adopt the proposed revitalization area;
19 and

20 (iv) The name of a contact person with phone number of the
21 sponsoring local government and mailing address where a copy of an
22 ordinance adopted under sections 105 and 106 of this act may be sent;
23 and

24 (b) Hold a public hearing on the proposed financing of the public
25 improvements in whole or in part with local revitalization financing.
26 Notice of the public hearing must be published in a legal newspaper of
27 general circulation within the proposed revitalization area at least
28 ten days before the public hearing and posted in at least six
29 conspicuous public places located in the proposed revitalization area.
30 Notices must describe the contemplated public improvements, estimate
31 the costs of the public improvements, describe the portion of the costs
32 of the public improvements to be borne by local revitalization
33 financing, describe any other sources of revenue to finance the public
34 improvements, describe the boundaries of the proposed revitalization
35 area, and estimate the period during which local revitalization
36 financing is contemplated to be used. The public hearing may be held

1 by either the governing body of the sponsoring local government, or a
2 committee of the governing body that includes at least a majority of
3 the whole governing body.

4 (2) To create a revitalization area, a sponsoring local government
5 must adopt an ordinance establishing the revitalization area that:

6 (a) Describes the public improvements proposed to be made in the
7 revitalization area;

8 (b) Describes the boundaries of the revitalization area, subject to
9 the limitations in section 105 of this act;

10 (c) Estimates the cost of the proposed public improvements and the
11 portion of these costs to be financed by local revitalization
12 financing;

13 (d) Estimates the time during which local property tax allocation
14 revenues, and other revenues from local public sources, such as amounts
15 of local sales and use taxes from participating local governments, are
16 to be used for local revitalization financing;

17 (e) Provides the date when the use of local property tax allocation
18 revenues will commence and a list of the taxing districts that have not
19 adopted an ordinance as described in section 106 of this act to be
20 removed as a participating taxing district;

21 (f) Finds that all of the requirements in section 103 of this act
22 are met;

23 (g) Provides the anticipated rate of sales and use tax under
24 section 601 of this act that the local government will impose if
25 awarded a state contribution under section 401 of this act;

26 (h) Provides the anticipated date when the criteria for the sales
27 and use tax in section 601 of this act will be met and the anticipated
28 date when the sales and use tax in section 601 of this act will be
29 imposed.

30 (3) The sponsoring local government must deliver a certified copy
31 of the adopted ordinance to the county treasurer, the governing body of
32 each participating taxing authority and participating taxing district
33 within which the revitalization area is located, and the department.

34 NEW SECTION. **Sec. 105.** LIMITATIONS ON REVITALIZATION AREAS. The
35 designation of a revitalization area is subject to the following
36 limitations:

1 (1) No revitalization area may have within its geographic
2 boundaries any part of a hospital benefit zone under chapter 39.100
3 RCW, any part of a revenue development area created under chapter
4 39.102 RCW, any part of an increment area under chapter 39.89 RCW, or
5 any part of another revitalization area under this chapter;

6 (2) A revitalization area is limited to contiguous tracts, lots,
7 pieces, or parcels of land without the creation of islands of property
8 not included in the revitalization area;

9 (3) The boundaries may not be drawn to purposely exclude parcels
10 where economic growth is unlikely to occur;

11 (4) The public improvements financed through bonds issued under
12 section 701 of this act must be located in the revitalization area;

13 (5) A revitalization area cannot comprise an area containing more
14 than twenty-five percent of the total assessed value of the taxable
15 real property within the boundaries of the sponsoring local government
16 at the time the revitalization area is created;

17 (6) The boundaries of the revitalization area may not be changed
18 for the time period that local property tax allocation revenues, local
19 sales and use taxes of participating local governments, and the local
20 sales and use tax under section 601 of this act are used to pay bonds
21 issued under section 701 of this act; and

22 (7) A revitalization area must be geographically restricted to the
23 location of the public improvement and adjacent locations that the
24 sponsoring local government finds to have a high likelihood of
25 receiving direct positive business and economic impacts due to the
26 public improvement, such as a neighborhood or a block.

27 NEW SECTION. **Sec. 106.** OPTING OUT AS A PARTICIPATING TAXING
28 DISTRICT. (1) Participating taxing districts must allow the use of all
29 of their local property tax allocation revenues for local
30 revitalization financing.

31 (2)(a) If a taxing district does not want to allow the use of its
32 property tax revenues for the local revitalization financing of public
33 improvements in a revitalization area, its governing body must adopt an
34 ordinance to remove itself as a participating taxing district and must
35 notify the sponsoring local government.

36 (b) The taxing district must provide a copy of the adopted
37 ordinance and notice to the sponsoring local government creating the

1 revitalization area before the anticipated date that the sponsoring
2 local government proposes to adopt the ordinance creating the
3 revitalization area as provided in the notice required by section
4 104(1)(a) of this act.

5 NEW SECTION. **Sec. 107.** OPTING IN OR OUT AS A PARTICIPATING LOCAL
6 GOVERNMENT. (1) A participating local government must enter into an
7 interlocal agreement as provided in chapter 39.34 RCW to participate in
8 local revitalization financing with the sponsoring local government.

9 (2)(a) If a local government that imposes a sales and use tax under
10 RCW 82.14.030 does not want to participate in the local revitalization
11 financing of public improvements in a revitalization area, its
12 governing body must adopt an ordinance and notify the sponsoring local
13 government that the taxing authority will not be a participating local
14 government.

15 (b) The local government must provide a copy of the adopted
16 ordinance and the notice to the sponsoring local government creating
17 the revitalization area before the anticipated date that the sponsoring
18 local government proposes to adopt an ordinance creating the
19 revitalization area as provided in the notice required by section
20 104(1)(a) of this act.

21 **PART II**

22 **LOCAL REVITALIZATION FINANCING**

23 **USE OF LOCAL PROPERTY TAX ALLOCATION REVENUES TO PAY FOR**

24 **THE COST OF PUBLIC IMPROVEMENTS**

25 NEW SECTION. **Sec. 201.** LOCAL PROPERTY TAX ALLOCATION REVENUES.

26 (1) Commencing in the second calendar year following the creation of a
27 revitalization area by a sponsoring local government, the county
28 treasurer shall distribute receipts from regular taxes imposed on real
29 property located in the revitalization area as follows:

30 (a) Each participating taxing district and the sponsoring local
31 government must receive that portion of its regular property taxes
32 produced by the rate of tax levied by or for the taxing district on the
33 property tax allocation revenue base value for that local
34 revitalization financing project in the taxing district; and

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

22 (2) The county assessor shall determine the property tax allocation
23 revenue value and property tax allocation revenue base value. This
24 section does not authorize revaluations of real property by the
25 assessor for property taxation that are not made in accordance with the
26 assessor's revaluation plan under chapter 84.41 RCW or under other
27 authorized revaluation procedures.

28 (3) The distribution of local property tax allocation revenue to
29 the sponsoring local government must cease when local property tax
30 allocation revenues are no longer obligated to pay the costs of the
31 public improvements. Any excess local property tax allocation
32 revenues, and earnings on the revenues, remaining at the time the
33 distribution of local property tax allocation revenue terminates, must
34 be returned to the county treasurer and distributed to the
35 participating taxing districts that imposed regular property taxes, or
36 had regular property taxes imposed for it, in the revitalization area
37 for collection that year, in proportion to the rates of their regular
38 property tax levies for collection that year.

1 (4) The allocation to the revitalization area of that portion of
2 the sponsoring local government's and each participating taxing
3 district's regular property taxes levied upon the property tax
4 allocation revenue value within that revitalization area is declared to
5 be a public purpose of and benefit to the sponsoring local government
6 and each participating taxing district.

7 (5) The distribution of local property tax allocation revenues
8 under this section may not affect or be deemed to affect the rate of
9 taxes levied by or within any sponsoring local government and
10 participating taxing district or the consistency of any such levies
11 with the uniformity requirement of Article VII, section 1 of the state
12 Constitution.

13 **PART III**

14 **LOCAL REVITALIZATION FINANCING**

15 **USE OF LOCAL SALES AND USE TAX INCREMENTS TO PAY FOR**
16 **THE COST OF PUBLIC IMPROVEMENTS**

17 NEW SECTION. **Sec. 301.** LOCAL SALES AND USE TAX INCREMENTS. (1)
18 A sponsoring local government may use annually local sales and use tax
19 amounts equal to some or all of its local sales and use tax increments
20 to finance public improvements in the revitalization area. The amounts
21 of local sales and use tax dedicated by a participating local
22 government must begin and cease on the dates specified in an interlocal
23 agreement authorized in chapter 39.34 RCW. Sponsoring local
24 governments and participating local governments are authorized to
25 allocate some or all of their local sales and use tax increment to the
26 sponsoring local government as provided by section 107(1) of this act.

27 (2) The department must assist sponsoring local governments in
28 estimating sales and use tax revenues from estimated taxable activity
29 in the proposed or adopted revitalization area. The sponsoring local
30 government must provide the department with accurate information
31 describing the geographical boundaries of the revitalization area in an
32 electronic format or in a manner as otherwise prescribed by the
33 department.

34 **PART IV**

35 **LOCAL REVITALIZATION FINANCING--STATE CONTRIBUTION**

1 NEW SECTION. **Sec. 401.** APPLICATION PROCESS--DEPARTMENT OF REVENUE

2 APPROVAL. (1) Prior to applying to the department to receive a state
3 contribution, a sponsoring local government shall adopt a
4 revitalization area within the limitations in section 105 of this act
5 and in accordance with section 104 of this act.

6 (2) As a condition to imposing a sales and use tax under section
7 601 of this act, a sponsoring local government must apply to the
8 department and be approved for a project award amount. The application
9 must be in a form and manner prescribed by the department and include,
10 but not be limited to:

11 (a) Information establishing that over the period of time that the
12 local sales and use tax will be imposed under section 601 of this act,
13 increases in state and local property, sales, and use tax revenues as
14 a result of public improvements in the revitalization area will be
15 equal to or greater than the respective state and local contributions
16 made under this chapter;

17 (b) Information demonstrating that the sponsoring local government
18 will meet the requirements necessary to receive the full amount of
19 state contribution it is requesting on an annual basis;

20 (c) The amount of state contribution it is requesting;

21 (d) The anticipated effective date for imposing the tax under
22 section 601 of this act;

23 (e) The estimated number of years that the tax will be imposed;

24 (f) The anticipated rate of tax to be imposed under section 601 of
25 this act, subject to the rate-setting conditions in section 601(3) of
26 this act, should the sponsoring local government be approved for a
27 project award; and

28 (g) The anticipated date when bonds under section 701 of this act
29 will be issued.

30 The department shall make available electronic forms to be used for
31 this purpose. As part of the application, each applicant must provide
32 to the department a copy of the adopted ordinance creating the
33 revitalization area as required in section 104 of this act, copies of
34 any adopted interlocal agreements from participating local governments,
35 and any notices from taxing districts that elect not to be a
36 participating taxing district.

37 (3)(a) Project awards must be determined on:

1 (i) A first-come basis for applications completed in their entirety
2 and submitted electronically;

3 (ii) The availability of a state contribution;

4 (iii) Whether the sponsoring local government would be able to
5 generate enough tax revenue under section 601 of this act to generate
6 the amount of project award requested.

7 (b) The total of all project awards may not exceed the annual state
8 contribution limit.

9 (c) If the level of available state contribution is less than the
10 amount requested by the next available applicant, the applicant must be
11 given the first opportunity to accept the lesser amount of state
12 contribution but only if the applicant produces a new application
13 within sixty days of being notified by the department and the
14 application describes the impact on the proposed project as a result of
15 the lesser award in addition to new application information outlined in
16 subsection (2) of this section.

17 (d) Applications that are not approved for a project award due to
18 lack of available state contribution must be retained on file by the
19 department in order of the date of their receipt.

20 (e) Once total project awards reach the amount of annual state
21 contribution limit, no more applications will be accepted.

22 (f) If the annual contribution limit is increased, applications
23 will be accepted again beginning sixty days after the effective date of
24 the increase. However, in the time period before any new applications
25 are accepted, all sponsoring local governments with a complete
26 application already on file with the department must be provided an
27 opportunity to either withdraw their application or update the
28 information in the application. The updated application must be for a
29 project that is substantially the same as the project in the original
30 application. The department must consider these applications, in the
31 order originally submitted, for project awards prior to considering any
32 new applications.

33 (4) The department shall notify the sponsoring local government of
34 approval or denial of a project award within sixty days of the
35 department's receipt of the sponsoring local government's application.
36 Determination of a project award by the department is final.
37 Notification must include the earliest date when the tax authorized
38 under section 601 of this act may be imposed, subject to conditions in

1 chapter 82.14 RCW. The project award notification must specify the
2 rate requested in the application and any adjustments to the rate that
3 would need to be made based on the project award and rate restrictions
4 in section 601 of this act.

5 (5) The department must begin accepting applications on September
6 1, 2009.

7 **PART V**
8 **ACCOUNTABILITY REPORTS**

9 NEW SECTION. **Sec. 501.** A new section is added to chapter 82.32
10 RCW to read as follows:

11 **REPORTING REQUIREMENTS.** (1) A sponsoring local government
12 receiving a project award under section 401 of this act must provide a
13 report to the department by March 1st of each year beginning March 1st
14 after the project award has been approved. The report must contain the
15 following information:

16 (a) The amounts of local property tax allocation revenues received
17 in the preceding calendar year broken down by sponsoring local
18 government and participating taxing district;

19 (b) The amount of state property tax allocation revenues estimated
20 to have been received by the state in the preceding calendar year;

21 (c) The amount of local sales and use tax or other revenue from
22 local public sources dedicated by any participating local government
23 used for the payment of bonds under section 701 of this act in the
24 preceding calendar year;

25 (d) The amount of local sales and use tax dedicated by the
26 sponsoring local government, as it relates to the sponsoring local
27 government's local sales and use tax increment, used for the payment of
28 bonds under section 701 of this act;

29 (e) The amounts, other than those listed in (a) through (d) of this
30 subsection, from local public sources, broken down by type or source,
31 used for payment of bonds under section 701 of this act in the
32 preceding calendar year;

33 (f) The anticipated date when bonds under section 701 of this act
34 are expected to be retired;

35 (g) The names of any businesses locating within the revitalization

1 area as a result of the public improvements undertaken by the
2 sponsoring local government and financed in whole or in part with local
3 revitalization financing;

4 (h) An estimate of the cumulative number of permanent jobs created
5 in the revitalization area as a result of the public improvements
6 undertaken by the sponsoring local government and financed in whole or
7 in part with local revitalization financing;

8 (i) An estimate of the average wages and benefits received by all
9 employees of businesses locating within the revitalization area as a
10 result of the public improvements undertaken by the sponsoring local
11 government and financed in whole or in part with local revitalization
12 financing;

13 (j) A list of public improvements financed by bonds issued under
14 section 701 of this act and the date on which the bonds are anticipated
15 to be retired;

16 (k) That the sponsoring local government is in compliance with
17 section 103 of this act and the date on which the bonds are anticipated
18 to be retired;

19 (l) At least once every three years, updated estimates of the
20 amounts of state and local sales and use tax increments estimated to
21 have been received since the approval by the department of the project
22 award under section 401 of this act; and

23 (m) Any other information required by the department to enable the
24 department to fulfill its duties under this chapter and section 601 of
25 this act.

26 (2) The department shall make a report available to the public and
27 the legislature by June 1st of each year. The report shall include a
28 summary of the information provided to the department by sponsoring
29 local governments under subsection (1) of this section.

30 **PART VI**

31 **LOCAL SALES AND USE TAX CREDITED AGAINST THE**
32 **STATE SALES AND USE TAXES**

33 NEW SECTION. **Sec. 601.** LOCAL SALES AND USE TAX. (1) Any city or
34 county that has been approved for a project award under section 401 of
35 this act may impose a sales and use tax under the authority of this
36 section in accordance with the terms of this chapter. Except as

1 provided in this section, the tax is in addition to other taxes
2 authorized by law and must be collected from those persons who are
3 taxable by the state under chapters 82.08 and 82.12 RCW upon the
4 occurrence of any taxable event within the taxing jurisdiction of the
5 city or county.

6 (2) The tax authorized under subsection (1) of this section is
7 credited against the state taxes imposed under RCW 82.08.020(1) and
8 82.12.020 at the rate provided in RCW 82.08.020(1). The department
9 must perform the collection of such taxes on behalf of the city or
10 county at no cost to the city or county. The taxes must be distributed
11 to cities and counties as provided in RCW 82.14.060.

12 (3) The rate of tax imposed by a city or county may not exceed the
13 lesser of:

14 (a) The rate provided in RCW 82.08.020(1), less:

15 (i) The aggregate rates of all other local sales and use taxes
16 imposed by any taxing authority on the same taxable events;

17 (ii) The aggregate rates of all taxes under RCW 82.14.465 and
18 82.14.475 and this section that are authorized but have not yet been
19 imposed on the same taxable events by a city or county that has been
20 approved to receive a state contribution by the department or the
21 community economic revitalization board under chapter 39.-- RCW (the
22 new chapter created in section 905 of this act) or chapter 39.100 or
23 39.102 RCW; and

24 (iii) The percentage amount of distributions required under RCW
25 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
26 82.08.020(1); and

27 (b) The rate, as determined by the city or county in consultation
28 with the department, reasonably necessary to receive the project award
29 under section 401 of this act over ten months.

30 (4) The department, upon request, must assist a city or county in
31 establishing its tax rate in accordance with subsection (3) of this
32 section. Once the rate of tax is selected through the application
33 process and approved under section 401 of this act, it may not be
34 increased.

35 (5)(a) No tax may be imposed under the authority of this section
36 before:

37 (i) July 1, 2011;

1 (ii) July 1st of the second calendar year following the year in
2 which the department approved the application made under section 401 of
3 this act;

4 (iii) The state sales and use tax increment for the preceding
5 calendar year equals or exceeds the amount of the project award
6 approved by the department under section 401 of this act; and

7 (iv) Bonds have been issued according to section 701 of this act.

8 (b) The tax imposed under this section expires the earlier of the
9 date that the bonds issued under the authority of section 701 of this
10 act are retired or twenty-five years after the tax is first imposed.

11 (6) An ordinance or resolution adopted by the legislative authority
12 of the city or county imposing a tax under this section must provide
13 that:

14 (a) The tax will first be imposed on the first day of a fiscal
15 year;

16 (b) The cumulative amount of tax received by the city or county, in
17 any fiscal year, may not exceed the amount approved by the department
18 under subsection (10) of this section;

19 (c) The department must cease distributing the tax for the
20 remainder of any fiscal year in which either:

21 (i) The amount of tax received by the city or county equals the
22 amount of distributions approved by the department for the fiscal year
23 under subsection (10) of this section; or

24 (ii) The amount of revenue from taxes imposed under this section by
25 all cities and counties equals the annual state contribution limit;

26 (d) The tax will be distributed again, should it cease to be
27 distributed for any of the reasons provided in (c) of this subsection,
28 at the beginning of the next fiscal year, subject to the restrictions
29 in this section; and

30 (e) The state is entitled to any revenue generated by the tax in
31 excess of the amounts specified in (c) of this subsection.

32 (7) If a city or county receives approval for more than one
33 revitalization area within its jurisdiction, the city or county may
34 impose a sales and use tax under this section for each revitalization
35 area.

36 (8) The department must determine the amount of tax receipts
37 distributed to each city and county imposing a sales and use tax under
38 the authority of this section and must advise a city or county when tax

1 distributions for the fiscal year equal the amount determined by the
2 department in subsection (10) of this section. Determinations by the
3 department of the amount of tax distributions attributable to a city or
4 county are not appealable. The department must remit any tax receipts
5 in excess of the amounts specified in subsection (6)(c) of this section
6 to the state treasurer who must deposit the money in the general fund.

7 (9) If a city or county fails to comply with section 501 of this
8 act, no tax may be distributed in the subsequent fiscal year until such
9 time as the city or county complies and the department calculates the
10 state contribution amount according to subsection (10) of this section
11 for the fiscal year.

12 (10)(a) For each fiscal year that a city or county imposes the tax
13 under the authority of this section, the department must approve the
14 amount of taxes that may be distributed to the city or county. The
15 amount approved by the department under this subsection is the lesser
16 of:

17 (i) The state contribution;

18 (ii) The amount of project award granted by the department as
19 provided in section 401 of this act; or

20 (iii) The total amount of revenues from local public sources
21 dedicated in the preceding calendar year, as reported in the required
22 annual report under section 501 of this act.

23 (b) A city or county may not receive, in any fiscal year, more
24 revenues from taxes imposed under the authority of this section than
25 the amount approved annually by the department.

26 (11) The amount of tax distributions received from taxes imposed
27 under the authority of this section by all cities and counties is
28 limited annually to not more than the amount of annual state
29 contribution limit.

30 (12) The definitions in section 102 of this act apply to this
31 section subject to subsection (13) of this section and unless the
32 context clearly requires otherwise.

33 (13) For purposes of this section, the following definitions apply:

34 (a) "Local sales and use taxes" means sales and use taxes imposed
35 by cities, counties, public facilities districts, and other local
36 governments under the authority of this chapter, chapter 67.28 or 67.40
37 RCW, or any other chapter, and that are credited against the state
38 sales and use taxes.

1 (b) "State sales and use taxes" means the taxes imposed in RCW
2 82.08.020(1) and 82.12.020(1).

3 (c) "Initiation of construction" means the date that a building
4 permit is issued under the building code adopted under RCW 19.27.031.

5 NEW SECTION. **Sec. 602.** USE OF SALES AND USE TAX FUNDS. Money
6 collected from the taxes imposed under section 601 of this act may be
7 used only for the purpose of paying debt service on bonds issued under
8 the authority in section 701 of this act.

9 **PART VII**
10 **BOND AUTHORIZATION**

11 NEW SECTION. **Sec. 701.** ISSUANCE OF GENERAL OBLIGATION BONDS. (1)
12 A sponsoring local government creating a revitalization area and
13 authorizing the use of local revitalization financing may incur general
14 indebtedness, and issue general obligation bonds, to finance the public
15 improvements and retire the indebtedness in whole or in part from local
16 revitalization financing it receives, subject to the following
17 requirements:

18 (a) The ordinance adopted by the sponsoring local government
19 creating the revitalization area and authorizing the use of local
20 revitalization financing indicates an intent to incur this indebtedness
21 and the maximum amount of this indebtedness that is contemplated; and

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

24 (2) The general indebtedness incurred under subsection (1) of this
25 section may be payable from other tax revenues, the full faith and
26 credit of the sponsoring local government, and nontax income, revenues,
27 fees, and rents from the public improvements, as well as contributions,
28 grants, and nontax money available to the local government for payment
29 of costs of the public improvements or associated debt service on the
30 general indebtedness.

31 (3) In addition to the requirements in subsection (1) of this
32 section, a sponsoring local government creating a revitalization area
33 and authorizing the use of local revitalization financing may require
34 any nonpublic participants to provide adequate security to protect the

1 public investment in the public improvement within the revitalization
2 area.

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

14 (5) The sponsoring local government may annually pay into a fund to
15 be established for the benefit of bonds issued under this section a
16 fixed proportion or a fixed amount of any local property tax allocation
17 revenues derived from property or business activity within the
18 revitalization area containing the public improvements funded by the
19 bonds, the payment to continue until all bonds payable from the fund
20 are paid in full. The local government may also annually pay into the
21 fund established in this section a fixed proportion or a fixed amount
22 of any revenues derived from taxes imposed under section 601 of this
23 act, such payment to continue until all bonds payable from the fund are
24 paid in full. Revenues derived from taxes imposed under section 601 of
25 this act are subject to the use restriction in section 602 of this act.

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

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

1 (2) The tax authorized under subsection (1) of this section shall
2 be credited against the state taxes imposed under chapter 82.08 or
3 82.12 RCW. The department shall perform the collection of such taxes
4 on behalf of the sponsoring local government or cosponsoring local
5 government at no cost to the sponsoring local government or
6 cosponsoring local government and shall remit the taxes as provided in
7 RCW 82.14.060.

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

9 (i) Before July 1, 2008;

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

11 (iii) Before the sponsoring local government has received local
12 excise tax allocation revenues, local property tax allocation revenues,
13 or both, during the preceding calendar year.

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

17 (4) An ordinance adopted by the legislative authority of a
18 sponsoring local government or cosponsoring local government imposing
19 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 cumulative amount of tax received by the sponsoring local
23 government, and any cosponsoring local government, in any fiscal year
24 shall not exceed the amount of the state contribution;

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

27 (i) The amount of tax received by the sponsoring local government,
28 and any cosponsoring local government, equals the amount of the state
29 contribution;

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

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

36 (d) Neither the local excise tax allocation revenues nor the local
37 property tax allocation revenues may constitute more than eighty
38 percent of the total local funds as described in RCW 39.102.020(29)(c).

1 This requirement applies beginning January 1st of the fifth calendar
2 year after the calendar year in which the sponsoring local government
3 begins allocating local excise tax allocation revenues under RCW
4 39.102.110;

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

9 (f) Any revenue generated by the tax in excess of the amounts
10 specified in (c) of this subsection shall belong to the state of
11 Washington.

12 (5) If a county and city cosponsor a revenue development area, the
13 combined rates of the city and county tax shall not exceed the rate
14 provided in RCW 82.08.020(1), less the aggregate rates of any other
15 local sales and use taxes imposed on the same taxable events that are
16 credited against the state sales and use taxes imposed under chapters
17 82.08 and 82.12 RCW. The combined amount of distributions received by
18 both the city and county may not exceed the state contribution.

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

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

37 (8) Each year, the amount of taxes approved by the department for
38 distribution to a sponsoring or cosponsoring local government in the

1 next fiscal year shall be equal to the state contribution and shall be
2 no more than the total local funds as described in RCW
3 39.102.020(29)(c). The department shall consider information from
4 reports described in RCW 39.102.140 when determining the amount of
5 state contributions for each fiscal year. A sponsoring or cosponsoring
6 local government shall not receive, in any fiscal year, more revenues
7 from taxes imposed under the authority of this section than the amount
8 approved annually by the department. The department shall not approve
9 the receipt of more distributions of sales and use tax under this
10 section to a sponsoring or cosponsoring local government than is
11 authorized under subsection (4) of this section.

12 (9) The amount of tax distributions received from taxes imposed
13 under the authority of this section by all sponsoring and cosponsoring
14 local governments is limited annually to not more than (~~seven~~) ten
15 million (~~five hundred thousand~~) dollars.

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

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

22 (12) Subject to RCW 39.102.195, the tax imposed under the authority
23 of this section may be applied either to provide for the payment of
24 debt service on bonds issued under RCW 39.102.150 by the sponsoring
25 local government or to pay public improvement costs on a pay-as-you-go
26 basis, or both.

27 (13) The tax imposed under the authority of this section shall
28 cease to be imposed if the sponsoring local government or cosponsoring
29 local government fails to issue bonds under the authority of RCW
30 39.102.150 by June 30th of the fifth fiscal year in which the local tax
31 authorized under this section is imposed.

32 (14) This section expires June 30, 2044.

33 **Sec. 802.** RCW 39.102.020 and 2008 c 209 s 1 are each amended to
34 read as follows:

35 The definitions in this section apply throughout this chapter
36 unless the context clearly requires otherwise.

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

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

5 (3) "Base year" means the first calendar year following the
6 calendar year in which a sponsoring local government, and any
7 cosponsoring local government, receives approval by the board for a
8 project award, provided that the approval is granted before October
9 15th. If approval by the board is received on or after October 15th
10 but on or before December 31st, the "base year" is the second calendar
11 year following the calendar year in which a sponsoring local
12 government, and any cosponsoring local government, receives approval by
13 the board for a project award.

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

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

17 (a) Bellingham waterfront redevelopment project;

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

19 (c) Vancouver riverwest project.

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

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

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

31 (9) "Local excise tax allocation revenue" means the amount of local
32 excise taxes received by the local government during the measurement
33 year from taxable activity within the revenue development area over and
34 above the amount of local excise taxes received by the local government
35 during the base year from taxable activity within the revenue
36 development area, except that:

37 (a) If a sponsoring local government adopts a revenue development
38 area and reasonably determines that no activity subject to tax under

1 chapters 82.08 and 82.12 RCW occurred within the boundaries of the
2 revenue development area in the twelve months immediately preceding the
3 approval of the revenue development area by the board, "local excise
4 tax allocation revenue" means the entire amount of local excise taxes
5 received by the sponsoring local government during a calendar year
6 period beginning with the calendar year immediately following the
7 approval of the revenue development area by the board and continuing
8 with each measurement year thereafter;

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

22 (c) If the sponsoring local government of a revenue development
23 area related to a demonstration project reasonably determines that no
24 local excise tax distributions were received between August 1, 2008,
25 and December 31, 2008, from within the boundaries of the revenue
26 development area, "local excise tax allocation revenue" means the
27 entire amount of local excise taxes received by the sponsoring local
28 government during a calendar year period beginning with 2009 and
29 continuing with each measurement year thereafter.

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

32 (11) "Local infrastructure financing" means the use of revenues
33 received from local excise tax allocation revenues, local property tax
34 allocation revenues, other revenues from local public sources, and
35 revenues received from the local option sales and use tax authorized in
36 RCW 82.14.475, dedicated to pay either the principal and interest on
37 bonds authorized under RCW 39.102.150 or to pay public improvement
38 costs on a pay-as-you-go basis subject to RCW 39.102.195, or both.

1 (12) "Local property tax allocation revenue" means those tax
2 revenues derived from the receipt of regular property taxes levied on
3 the property tax allocation revenue value and used for local
4 infrastructure financing.

5 (13)(a) "Revenues from local public sources" means:

6 (i) Amounts of local excise tax allocation revenues and local
7 property tax allocation revenues, dedicated by sponsoring local
8 governments, participating local governments, and participating taxing
9 districts, for local infrastructure financing; and

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

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

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

24 (15) "Measurement year" means a calendar year, beginning with the
25 calendar year following the base year and each calendar year
26 thereafter, that is used annually to measure state and local excise tax
27 allocation revenues.

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

30 (17) "Participating local government" 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 all or some of its
34 local excise tax allocation revenues or other revenues from local
35 public sources dedicated for local infrastructure financing.

36 (18) "Participating taxing district" means a local government
37 having a revenue development area within its geographic boundaries that
38 has entered into a written agreement with a sponsoring local government

1 as provided in RCW 39.102.080 to allow the use of some or all of its
2 local property tax allocation revenues or other revenues from local
3 public sources dedicated for local infrastructure financing.

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

7 (A) The placement of new construction, improvements to property, or
8 both, on the assessment roll, where the new construction and
9 improvements are initiated after the revenue development area is
10 approved by the board;

11 (B) The cost of new housing construction, conversion, and
12 rehabilitation improvements, when such cost is treated as new
13 construction for purposes of chapter 84.55 RCW as provided in RCW
14 84.14.020, and the new housing construction, conversion, and
15 rehabilitation improvements are initiated after the revenue development
16 area is approved by the board;

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

21 (ii) Increases in the assessed value of real property in a revenue
22 development area resulting from (a)(i)(A) through (C) of this
23 subsection are included in the property tax allocation revenue value in
24 the initial year. These same amounts are also included in the property
25 tax allocation revenue value in subsequent years unless the property
26 becomes exempt from property taxation.

27 (b) "Property tax allocation revenue value" includes seventy-five
28 percent of any increase in the assessed value of new construction
29 consisting of an entire building in the years following the initial
30 year, unless the building becomes exempt from property taxation.

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

34 (d) There is no property tax allocation revenue value if the
35 assessed value of real property in a revenue development area has not
36 increased as a result of any of the reasons specified in (a)(i)(A)
37 through (C) of this subsection.

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

1 (i) For new construction and improvements to property added to the
2 assessment roll, the year during which the new construction and
3 improvements are initially placed on the assessment roll;

4 (ii) For the cost of new housing construction, conversion, and
5 rehabilitation improvements, when such cost is treated as new
6 construction for purposes of chapter 84.55 RCW, the year when such cost
7 is treated as new construction for purposes of levying taxes for
8 collection in the following year; and

9 (iii) For the cost of rehabilitation of historic property, when
10 such cost is treated as new construction for purposes of chapter 84.55
11 RCW, the year when such cost is treated as new construction for
12 purposes of levying taxes for collection in the following year.

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

16 (21) "Public improvements" means:

17 (a) Infrastructure improvements within the revenue development area
18 that include:

19 (i) Street, bridge, and road construction and maintenance,
20 including highway interchange construction;

21 (ii) Water and sewer system construction and improvements,
22 including wastewater reuse facilities;

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

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

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

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

27 (vii) Storm water and drainage management systems;

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

30 (22) "Public improvement costs" means the cost of: (a) Design,
31 planning, acquisition including land acquisition, site preparation
32 including land clearing, construction, reconstruction, rehabilitation,
33 improvement, and installation of public improvements; (b) demolishing,
34 relocating, maintaining, and operating property pending construction of
35 public improvements; (c) the local government's portion of relocating
36 utilities as a result of public improvements; (d) financing public
37 improvements, including interest during construction, legal and other
38 professional services, taxes, insurance, principal and interest costs

1 on general indebtedness issued to finance public improvements, and any
2 necessary reserves for general indebtedness; (e) assessments incurred
3 in revaluing real property for the purpose of determining the property
4 tax allocation revenue base value that are in excess of costs incurred
5 by the assessor in accordance with the revaluation plan under chapter
6 84.41 RCW, and the costs of apportioning the taxes and complying with
7 this chapter and other applicable law; (f) administrative expenses and
8 feasibility studies reasonably necessary and related to these costs;
9 and (g) any of the above-described costs that may have been incurred
10 before adoption of the ordinance authorizing the public improvements
11 and the use of local infrastructure financing to fund the costs of the
12 public improvements.

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

23 (24) "Property tax allocation revenue base value" means the
24 assessed value of real property located within a revenue development
25 area for taxes levied in the year in which the revenue development area
26 is adopted for collection in the following year, plus one hundred
27 percent of any increase in the assessed value of real property located
28 within a revenue development area that is placed on the assessment
29 rolls after the revenue development area is adopted, less the property
30 tax allocation revenue value.

31 (25) "Relocating a business" means the closing of a business and
32 the reopening of that business, or the opening of a new business that
33 engages in the same activities as the previous business, in a different
34 location within a one-year period, when an individual or entity has an
35 ownership interest in the business at the time of closure and at the
36 time of opening or reopening. "Relocating a business" does not include
37 the closing and reopening of a business in a new location where the

1 business has been acquired and is under entirely new ownership at the
2 new location, or the closing and reopening of a business in a new
3 location as a result of the exercise of the power of eminent domain.

4 (26) "Revenue development area" means the geographic area adopted
5 by a sponsoring local government and approved by the board, from which
6 local excise and property tax allocation revenues are derived for local
7 infrastructure financing.

8 (27) "Small business" has the same meaning as provided in RCW
9 19.85.020.

10 (28) "Sponsoring local government" means a city, town, or county,
11 and for the purpose of this chapter a federally recognized Indian tribe
12 or any combination thereof, that adopts a revenue development area and
13 applies to the board to use local infrastructure financing.

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

15 (a) One million dollars;

16 (b) The state excise tax allocation revenue and state property tax
17 allocation revenue received by the state during the preceding calendar
18 year;

19 (c) The total amount of local excise tax allocation revenues, local
20 property tax allocation revenues, and other revenues from local public
21 sources, that are dedicated by a sponsoring local government, any
22 participating local governments, and participating taxing districts, in
23 the preceding calendar year to the payment of principal and interest on
24 bonds issued under RCW 39.102.150 or to pay public improvement costs on
25 a pay-as-you-go basis subject to RCW 39.102.195, or both; or

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

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

34 (31) "State excise tax allocation revenue" means the amount of
35 state excise taxes received by the state during the measurement year
36 from taxable activity within the revenue development area over and
37 above the amount of state excise taxes received by the state during the

1 base year from taxable activity within the revenue development area,
2 except that:

3 (a) If a sponsoring local government adopts a revenue development
4 area and reasonably determines that no activity subject to tax under
5 chapters 82.08 and 82.12 RCW occurred within the boundaries of the
6 revenue development area in the twelve months immediately preceding the
7 approval of the revenue development area by the board, "state excise
8 tax allocation revenue" means the entire amount of state excise taxes
9 received by the state during a calendar year period beginning with the
10 calendar year immediately following the approval of the revenue
11 development area by the board and continuing with each measurement year
12 thereafter;

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

26 (c) If the sponsoring local government of a revenue development
27 area related to a demonstration project reasonably determines that no
28 local excise tax distributions were received between August 1, 2008,
29 and December 31, 2008, from within the boundaries of the revenue
30 development area, "state excise tax allocation revenue" means the
31 entire amount of state excise taxes received by the state during a
32 calendar year period beginning with 2009 and continuing with each
33 measurement year thereafter.

34 (32) "State property tax allocation revenue" means those tax
35 revenues derived from the imposition of property taxes levied by the
36 state for the support of common schools under RCW 84.52.065 on the
37 property tax allocation revenue value.

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

4 **Sec. 803.** RCW 39.102.040 and 2007 c 229 s 2 are each amended to
5 read as follows:

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

8 (a) Designate a revenue development area within the limitations in
9 RCW 39.102.060;

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

11 (c) Complete the process in RCW 39.102.080;

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

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

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

23 (3) As a condition to imposing a sales and use tax under RCW
24 82.14.475, a sponsoring local government, including any cosponsoring
25 local government seeking authority to impose a sales and use tax under
26 RCW 82.14.475, must apply to the board and be approved for a project
27 award amount. The application shall be in a form and manner prescribed
28 by the board and include but not be limited to information establishing
29 that the applicant is an eligible candidate to impose the local sales
30 and use tax under RCW 82.14.475, the anticipated effective date for
31 imposing the tax, the estimated number of years that the tax will be
32 imposed, and the estimated amount of tax revenue to be received in each
33 fiscal year that the tax will be imposed. The board shall make
34 available forms to be used for this purpose. As part of the
35 application, each applicant must provide to the board a copy of the
36 ordinance or ordinances creating the revenue development area as
37 required in RCW 39.102.090. A notice of approval to use local

1 infrastructure financing shall contain a project award that represents
2 the maximum amount of state contribution that the applicant, including
3 any cosponsoring local governments, can earn each year that local
4 infrastructure financing is used. The total of all project awards
5 shall not exceed the annual state contribution limit. The
6 determination of a project award shall be made based on information
7 contained in the application and the remaining amount of annual state
8 contribution limit to be awarded. Determination of a project award by
9 the board is final.

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

21 (b) Sponsoring local governments, and any cosponsoring local
22 governments, applying in calendar year 2008 for a competitive project
23 award, must submit completed applications to the board no later than
24 July 1, 2008. By September 18, 2008, in consultation with the
25 department of revenue and the department of community, trade, and
26 economic development, the board shall approve competitive project
27 awards from competitive applications submitted by the 2008 deadline.
28 For projects not approved by the board in 2008, sponsoring and
29 cosponsoring local governments may apply again to the board in 2009 for
30 approval of a project.

31 (c) Sponsoring local governments, and any cosponsoring local
32 governments, applying in calendar year 2009 for a competitive project
33 award, must submit completed applications to the board no later than
34 July 1, 2009. By September 30, 2009, in consultation with the
35 department of revenue and the department of community, trade, and
36 economic development, the board shall approve competitive project
37 awards from competitive applications submitted by the 2009 deadline.

1 (d) Except as provided in RCW 39.102.050(2), a total of no more
2 than ~~((five))~~ seven million five hundred thousand dollars in
3 competitive project awards shall be approved for local infrastructure
4 financing.

5 ~~((d))~~ (e) The project selection criteria and weighting developed
6 prior to July 22, 2007, for the application evaluation and approval
7 process shall apply to applications received prior to November 1, 2007.
8 In evaluating applications for a competitive project award after
9 November 1, 2007, the board shall, in consultation with the Washington
10 state economic development commission, develop the relative weight to
11 be assigned to the following criteria:

12 (i) The project's potential to enhance the sponsoring local
13 government's regional and/or international competitiveness;

14 (ii) The project's ability to encourage mixed use and transit-
15 oriented development and the redevelopment of a geographic area;

16 (iii) Achieving an overall distribution of projects statewide that
17 reflect geographic diversity;

18 (iv) The estimated wages and benefits for the project is greater
19 than the average labor market area;

20 (v) The estimated state and local net employment change over the
21 life of the project;

22 (vi) The current economic health and vitality of the proposed
23 revenue development area and the contiguous community and the estimated
24 impact of the proposed project on the proposed revenue development area
25 and contiguous community;

26 (vii) The estimated state and local net property tax change over
27 the life of the project;

28 (viii) The estimated state and local sales and use tax increase
29 over the life of the project;

30 (ix) An analysis that shows that, over the life of the project,
31 neither the local excise tax allocation revenues nor the local property
32 tax allocation revenues will constitute more than eighty percent of the
33 total local funds as described in RCW 39.102.020(29)(c); and

34 (x) If a project is located within an urban growth area, evidence
35 that the project utilizes existing urban infrastructure and that the
36 transportation needs of the project will be adequately met through the
37 use of local infrastructure financing or other sources.

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

4 ~~(ii) In a county in which the board has approved the use of local~~
5 ~~infrastructure financing, the use of such financing in additional~~
6 ~~revenue development areas may be approved, subject to the following~~
7 ~~conditions:~~

8 ~~(A) The sponsoring local government is located in more than one~~
9 ~~county; and~~

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

13 ~~(iii) In a county where the local infrastructure financing tool is~~
14 ~~authorized under RCW 39.102.050, the board may approve additional use~~
15 ~~of the local infrastructure financing tool.)~~

16 (f) At least one project awarded in 2009 must be for a downtown
17 redevelopment project in a city: (i) With less than one hundred
18 thousand population; (ii) fully planning under RCW 36.70A.040 of the
19 growth management act; and (iii) receiving funds from the streamlined
20 sales and use tax mitigation account created in RCW 82.14.495.

21 (g) No project may be awarded in 2009 for a project located in a
22 city with greater than three hundred thousand population.

23 (5) Once the board has approved the sponsoring local government,
24 and any cosponsoring local governments, to use local infrastructure
25 financing, notification must be sent by the board to the sponsoring
26 local government, and any cosponsoring local governments, authorizing
27 the sponsoring local government, and any cosponsoring local
28 governments, to impose the local sales and use tax authorized under RCW
29 82.14.475, subject to the conditions in RCW 82.14.475.

30 **Sec. 804.** RCW 43.160.030 and 2008 c 327 s 3 are each amended to
31 read as follows:

32 (1) The community economic revitalization board is hereby created
33 to exercise the powers granted under this chapter.

34 (2) The board shall consist of one member from each of the two
35 major caucuses of the house of representatives to be appointed by the
36 speaker of the house and one member from each of the two major caucuses
37 of the senate to be appointed by the president of the senate. The

1 board shall also consist of the following members appointed by the
2 governor: A recognized private or public sector economist; one port
3 district official; one county official; one city official; one urban
4 planner; one representative of a federally recognized Indian tribe; one
5 representative of the public; one person representing organized labor;
6 one representative of small businesses each from: (a) The area west of
7 Puget Sound, (b) the area east of Puget Sound and west of the Cascade
8 range, (c) the area east of the Cascade range and west of the Columbia
9 river, and (d) the area east of the Columbia river; one executive from
10 large businesses each from the area west of the Cascades and the area
11 east of the Cascades. The appointive members shall initially be
12 appointed to terms as follows: Three members for one-year terms, three
13 members for two-year terms, and three members for three-year terms
14 which shall include the chair. Thereafter each succeeding term shall
15 be for three years. The chair of the board shall be selected by the
16 governor. The members of the board shall elect one of their members to
17 serve as vice-chair. The director of community, trade, and economic
18 development, the director of revenue, the commissioner of employment
19 security, and the secretary of transportation shall serve as nonvoting
20 advisory members of the board.

21 (3) Management services, including fiscal and contract services,
22 shall be provided by the department to assist the board in implementing
23 this chapter.

24 (4) Members of the board shall be reimbursed for travel expenses as
25 provided in RCW 43.03.050 and 43.03.060.

26 (5) If a vacancy occurs by death, resignation, or otherwise of
27 appointive members of the board, the governor shall fill the same for
28 the unexpired term. Members of the board may be removed for
29 malfeasance or misfeasance in office, upon specific written charges by
30 the governor, under chapter 34.05 RCW.

31 (6) A member appointed by the governor may not be absent from more
32 than fifty percent of the regularly scheduled meetings in any one
33 calendar year. Any member who exceeds this absence limitation is
34 deemed to have withdrawn from the office and may be replaced by the
35 governor.

36 (7) A majority of members currently appointed constitutes a quorum.

1 support of the state government and its existing public institutions,
2 and takes effect immediately."

3 Correct the title.

EFFECT: Requires that local revitalization financing applications not approved for a project award due to lack of available state contribution be retained on file by the DOR in the order received. Requires that if the state contribution limit is increased, the DOR provide an opportunity for sponsoring local governments to withdraw or update these retained applications before considering new applications. An updated application must be for substantially the same project as contained in the original application.

Increases the state contribution for Local Infrastructure Financing Tool (LIFT) competitive projects by \$2.5 million per year for a total of \$10 million. Authorizes a LIFT competitive application process for calendar year 2009. Requires approval of at least one award in 2009 for a downtown redevelopment project in a city that meets certain population, planning, and funding criteria. Prohibits any award in 2009 for a project in a city exceeding 300,000 population. Removes the general restriction on approval of LIFT use in more than one revenue development area per county. Adds an urban planner and representative of organized labor to the Community Economic Revitalization Board.

--- END ---