

CERTIFICATION OF ENROLLMENT
SECOND SUBSTITUTE SENATE BILL 5045

Chapter 270, Laws of 2009

61st Legislature
2009 Regular Session

COMMUNITY REVITALIZATION FINANCING

EFFECTIVE DATE: 07/26/09

Passed by the Senate April 20, 2009
YEAS 47 NAYS 0

BRAD OWEN

President of the Senate

Passed by the House April 16, 2009
YEAS 92 NAYS 5

FRANK CHOPP

Speaker of the House of Representatives

Approved April 29, 2009, 10:09 a.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE SENATE BILL 5045** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

Secretary

FILED

April 29, 2009

**Secretary of State
State of Washington**

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

4 (1) "Annual state contribution limit" means two million five
5 hundred thousand dollars statewide per fiscal year and the additional
6 amounts designated for demonstration projects in section 402 of this
7 act.

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

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

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

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

15 (6) "Local property tax allocation revenue" means those tax
16 revenues derived from the receipt of regular property taxes levied on
17 the property tax allocation revenue value and used for local
18 revitalization financing.

19 (7) "Local revitalization financing" means the use of revenues from
20 local public sources, dedicated to pay the principal and interest on
21 bonds authorized under section 701 of this act and public improvement
22 costs within the revitalization area on a pay-as-you-go basis, and
23 revenues received from the local option sales and use tax authorized in
24 section 601 of this act, dedicated to pay the principal and interest on
25 bonds authorized under section 701 of this act.

26 (8) "Local sales and use tax increment" means the estimated annual
27 increase in local sales and use taxes as determined by the local
28 government in the calendar years following the approval of the
29 revitalization area by the department from taxable activity within the
30 revitalization area.

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

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

35 (11) "Participating local government" means a local government
36 having a revitalization area within its geographic boundaries that has
37 taken action as provided in section 107(1) of this act to allow the use

1 of all or some of its local sales and use tax increment or other
2 revenues from local public sources dedicated for local revitalization
3 financing.

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

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

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

13 (A) The placement of new construction, improvements to property, or
14 both, on the assessment roll, where the new construction and
15 improvements are initiated after the revitalization area is approved by
16 the department;

17 (B) The cost of new housing construction, conversion, and
18 rehabilitation improvements, when the cost is treated as new
19 construction for purposes of chapter 84.55 RCW as provided in RCW
20 84.14.020, and the new housing construction, conversion, and
21 rehabilitation improvements are initiated after the revitalization area
22 is approved by the department;

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

27 (ii) Increases in the assessed value of real property in a
28 revitalization area resulting from (a)(i)(A) through (C) of this
29 subsection are included in the property tax allocation revenue value in
30 the initial year. These same amounts are also included in the property
31 tax allocation revenue value in subsequent years unless the property
32 becomes exempt from property taxation.

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

37 (c) Except as provided in (b) of this subsection, "property tax

1 allocation revenue value" does not include any increase in the assessed
2 value of real property after the initial year.

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

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

8 (i) For new construction and improvements to property added to the
9 assessment roll, the year during which the new construction and
10 improvements are initially placed on the assessment roll;

11 (ii) For the cost of new housing construction, conversion, and
12 rehabilitation improvements, when the cost is treated as new
13 construction for purposes of chapter 84.55 RCW, the year when the cost
14 is treated as new construction for purposes of levying taxes for
15 collection in the following year; and

16 (iii) For the cost of rehabilitation of historic property, when the
17 cost is treated as new construction for purposes of chapter 84.55 RCW,
18 the year when such cost is treated as new construction for purposes of
19 levying taxes for collection in the following year.

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

21 (a) Design, planning, acquisition, including land acquisition, site
22 preparation including land clearing, construction, reconstruction,
23 rehabilitation, improvement, and installation of public improvements;

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

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

27 (d) Financing public improvements, including interest during
28 construction, legal and other professional services, taxes, insurance,
29 principal and interest costs on general indebtedness issued to finance
30 public improvements, and any necessary reserves for general
31 indebtedness; and

32 (e) Administrative expenses and feasibility studies reasonably
33 necessary and related to these costs, including related costs that may
34 have been incurred before adoption of the ordinance authorizing the
35 public improvements and the use of local revitalization financing to
36 fund the costs of the public improvements.

37 (16) "Public improvements" means:

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

- 3 (i) Street, road, bridge, and rail construction and maintenance;
- 4 (ii) Water and sewer system construction and improvements;
- 5 (iii) Sidewalks, streetlights, landscaping, and streetscaping;
- 6 (iv) Parking, terminal, and dock facilities;
- 7 (v) Park and ride facilities of a transit authority;
- 8 (vi) Park facilities, recreational areas, and environmental
9 remediation;
- 10 (vii) Storm water and drainage management systems;
- 11 (viii) Electric, gas, fiber, and other utility infrastructures; and

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

- 13 (i) Providing environmental analysis, professional management,
14 planning, and promotion within the revitalization area, including the
15 management and promotion of retail trade activities in the
16 revitalization area;
- 17 (ii) Providing maintenance and security for common or public areas
18 in the revitalization area; or
- 19 (iii) Historic preservation activities authorized under RCW
20 35.21.395.

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

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

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

- 35 (i) The local sales and use tax amounts received as a result of
36 interlocal agreement, local sales and use tax amounts from sponsoring
37 local governments based on its local sales and use tax increment, and
38 local property tax allocation revenues, which are dedicated by a

1 sponsoring local government, participating local governments, and
2 participating taxing districts, for payment of bonds under section 701
3 of this act or public improvement costs within the revitalization area
4 on a pay-as-you-go basis; and

5 (ii) Any other local revenues, except as provided in (b) of this
6 subsection, including revenues derived from federal and private
7 sources, which are dedicated for the payment of bonds under section 701
8 of this act or public improvement costs within the revitalization area
9 on a pay-as-you-go basis.

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

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

18 (21) "Sponsoring local government" means a city, town, county, or
19 any combination thereof, that adopts a revitalization area.

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

21 (a) Five hundred thousand dollars;

22 (b) The project award amount approved by the department as provided
23 in section 401 or 402 of this act; or

24 (c) The total amount of revenues from local public sources
25 dedicated in the preceding calendar year to the payment of principal
26 and interest on bonds issued under section 701 of this act and public
27 improvement costs within the revitalization area on a pay-as-you-go
28 basis. Revenues from local public sources dedicated in the preceding
29 calendar year that are in excess of the project award may be carried
30 forward and used in later years for the purpose of this subsection
31 (22)(c).

32 (23) "State property tax increment" means the estimated amount of
33 annual tax revenues estimated to be received by the state from the
34 imposition of property taxes levied by the state for the support of
35 common schools under RCW 84.52.065 on the property tax allocation
36 revenue value, as determined by the sponsoring local government in an
37 application under section 401 of this act and updated periodically as
38 required in section 501 of this act.

1 (24) "State sales and use tax increment" means the estimated amount
2 of annual increase in state sales and use taxes to be received by the
3 state from taxable activity within the revitalization area in the years
4 following the approval of the revitalization area by the department as
5 determined by the sponsoring local government in an application under
6 section 401 of this act and updated periodically as required in section
7 501 of this act.

8 (25) "State sales and use taxes" means state retail sales and use
9 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in RCW
10 82.08.020(1), less the amount of tax distributions from all local
11 retail sales and use taxes, other than the local sales and use taxes
12 authorized by section 601 of this act for the applicable revitalization
13 area, imposed on the same taxable events that are credited against the
14 state retail sales and use taxes under RCW 82.08.020(1) and 82.12.020.

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

18 NEW SECTION. **Sec. 103.** CONDITIONS. A local government may
19 finance public improvements using local revitalization financing
20 subject to the following conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (c) Generate, over the period of time that the local sales and use
27 tax will be imposed under section 601 of this act, increases in state
28 and local property, sales, and use tax revenues that are equal to or
29 greater than the respective state and local contributions made under
30 this chapter.

31 NEW SECTION. **Sec. 104.** CREATING A REVITALIZATION AREA. (1)
32 Before adopting an ordinance creating the revitalization area, a
33 sponsoring local government must:

34 (a) Provide notice to all taxing districts and local governments
35 with geographic boundaries within the proposed revitalization area of
36 the sponsoring local government's intent to create a revitalization
37 area. Notice must be provided in writing to the governing body of the

1 taxing districts and local governments at least thirty days in advance
2 of the public hearing as required by (b) of this subsection. The
3 notice must include at least the following information:

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

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

7 (iii) The earliest anticipated date when the sponsoring local
8 government will take action to adopt the proposed revitalization area;
9 and

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

14 (b) Hold a public hearing on the proposed financing of the public
15 improvements in whole or in part with local revitalization financing.
16 Notice of the public hearing must be published in a legal newspaper of
17 general circulation within the proposed revitalization area at least
18 ten days before the public hearing and posted in at least six
19 conspicuous public places located in the proposed revitalization area.
20 Notices must describe the contemplated public improvements, estimate
21 the costs of the public improvements, describe the portion of the costs
22 of the public improvements to be borne by local revitalization
23 financing, describe any other sources of revenue to finance the public
24 improvements, describe the boundaries of the proposed revitalization
25 area, and estimate the period during which local revitalization
26 financing is contemplated to be used. The public hearing may be held
27 by either the governing body of the sponsoring local government, or a
28 committee of the governing body that includes at least a majority of
29 the whole governing body.

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

32 (a) Describes the public improvements proposed to be made in the
33 revitalization area;

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

36 (c) Estimates the cost of the proposed public improvements and the
37 portion of these costs to be financed by local revitalization
38 financing;

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

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

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

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

14 (h) Provides the anticipated date when the criteria for the sales
15 and use tax in section 601 of this act will be met and the anticipated
16 date when the sales and use tax in section 601 of this act will be
17 imposed.

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

22 NEW SECTION. **Sec. 105.** LIMITATIONS ON REVITALIZATION AREAS. The
23 designation of a revitalization area is subject to the following
24 limitations:

25 (1) No revitalization area may have within its geographic
26 boundaries any part of a hospital benefit zone under chapter 39.100
27 RCW, any part of a revenue development area created under chapter
28 39.102 RCW, any part of an increment area under chapter 39.89 RCW, or
29 any part of another revitalization area under this chapter;

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

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

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

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

5 (6) The boundaries of the revitalization area may not be changed
6 for the time period that local property tax allocation revenues, local
7 sales and use taxes of participating local governments, and the local
8 sales and use tax under section 601 of this act are used to pay bonds
9 issued under section 701 of this act and public improvement costs
10 within the revitalization area on a pay-as-you-go basis, as provided
11 under this chapter; and

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

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

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

26 (b) The taxing district must provide a copy of the adopted
27 ordinance and notice to the sponsoring local government creating the
28 revitalization area before the anticipated date that the sponsoring
29 local government proposes to adopt the ordinance creating the
30 revitalization area as provided in the notice required by section
31 104(1)(a) of this act.

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

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

7 (b) The local government must provide a copy of the adopted
8 ordinance and the notice to the sponsoring local government creating
9 the revitalization area before the anticipated date that the sponsoring
10 local government proposes to adopt an ordinance creating the
11 revitalization area as provided in the notice required by section
12 104(1)(a) of this act.

13 **PART II**
14 **LOCAL REVITALIZATION FINANCING**
15 **USE OF LOCAL PROPERTY TAX ALLOCATION REVENUES TO PAY FOR**
16 **THE COST OF PUBLIC IMPROVEMENTS**

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

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

22 (a) Each participating taxing district and the sponsoring local
23 government must receive that portion of its regular property taxes
24 produced by the rate of tax levied by or for the taxing district on the
25 property tax allocation revenue base value for that local
26 revitalization financing project in the taxing district; and

27 (b) The sponsoring local government must receive an additional
28 portion of the regular property taxes levied by it and by or for each
29 participating taxing district upon the property tax allocation revenue
30 value within the revitalization area. However, if there is no property
31 tax allocation revenue value, the sponsoring local government may not
32 receive any additional regular property taxes under this subsection
33 (1)(b). The sponsoring local government may agree to receive less than
34 the full amount of the additional portion of regular property taxes
35 under this subsection (1)(b) as long as bond debt service, reserve, and
36 other bond covenant requirements are satisfied, in which case the

1 balance of these tax receipts shall be allocated to the participating
2 taxing districts that levied regular property taxes, or have regular
3 property taxes levied for them, in the revitalization area for
4 collection that year in proportion to their regular tax levy rates for
5 collection that year. The sponsoring local government may request that
6 the treasurer transfer this additional portion of the property taxes to
7 its designated agent. The portion of the tax receipts distributed to
8 the sponsoring local government or its agent under this subsection
9 (1)(b) may only be expended to finance public improvement costs
10 associated with the public improvements financed in whole or in part by
11 local revitalization financing.

12 (2) The county assessor shall determine the property tax allocation
13 revenue value and property tax allocation revenue base value. This
14 section does not authorize revaluations of real property by the
15 assessor for property taxation that are not made in accordance with the
16 assessor's revaluation plan under chapter 84.41 RCW or under other
17 authorized revaluation procedures.

18 (3) The distribution of local property tax allocation revenue to
19 the sponsoring local government must cease when local property tax
20 allocation revenues are no longer obligated to pay the costs of the
21 public improvements. Any excess local property tax allocation
22 revenues, and earnings on the revenues, remaining at the time the
23 distribution of local property tax allocation revenue terminates, must
24 be returned to the county treasurer and distributed to the
25 participating taxing districts that imposed regular property taxes, or
26 had regular property taxes imposed for it, in the revitalization area
27 for collection that year, in proportion to the rates of their regular
28 property tax levies for collection that year.

29 (4) The allocation to the revitalization area of that portion of
30 the sponsoring local government's and each participating taxing
31 district's regular property taxes levied upon the property tax
32 allocation revenue value within that revitalization area is declared to
33 be a public purpose of and benefit to the sponsoring local government
34 and each participating taxing district.

35 (5) The distribution of local property tax allocation revenues
36 under this section may not affect or be deemed to affect the rate of
37 taxes levied by or within any sponsoring local government and

1 participating taxing district or the consistency of any such levies
2 with the uniformity requirement of Article VII, section 1 of the state
3 Constitution.

4 **PART III**

5 **LOCAL REVITALIZATION FINANCING**

6 **USE OF LOCAL SALES AND USE TAX INCREMENTS TO PAY FOR**
7 **THE COST OF PUBLIC IMPROVEMENTS**

8 NEW SECTION. **Sec. 301.** LOCAL SALES AND USE TAX INCREMENTS. (1)

9 A sponsoring local government may use annually local sales and use tax
10 amounts equal to some or all of its local sales and use tax increments
11 to finance public improvements in the revitalization area. The amounts
12 of local sales and use tax dedicated by a participating local
13 government must begin and cease on the dates specified in an interlocal
14 agreement authorized in chapter 39.34 RCW. Sponsoring local
15 governments and participating local governments are authorized to
16 allocate some or all of their local sales and use tax increment to the
17 sponsoring local government as provided by section 107(1) of this act.

18 (2) The department, upon request, must assist sponsoring local
19 governments in estimating sales and use tax revenues from estimated
20 taxable activity in the proposed or adopted revitalization area. The
21 sponsoring local government must provide the department with accurate
22 information describing the geographical boundaries of the
23 revitalization area in an electronic format or in a manner as otherwise
24 prescribed by the department.

25 **PART IV**

26 **LOCAL REVITALIZATION FINANCING--STATE CONTRIBUTION**

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

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

32 (2) As a condition to imposing a sales and use tax under section
33 601 of this act, a sponsoring local government must apply to the

1 department and be approved for a project award amount. The application
2 must be in a form and manner prescribed by the department and include,
3 but not be limited to:

4 (a) Information establishing that over the period of time that the
5 local sales and use tax will be imposed under section 601 of this act,
6 increases in state and local property, sales, and use tax revenues as
7 a result of public improvements in the revitalization area will be
8 equal to or greater than the respective state and local contributions
9 made under this chapter;

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

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

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

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

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

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

23 The department shall make available electronic forms to be used for
24 this purpose. As part of the application, each applicant must provide
25 to the department a copy of the adopted ordinance creating the
26 revitalization area as required in section 104 of this act, copies of
27 any adopted interlocal agreements from participating local governments,
28 and any notices from taxing districts that elect not to be a
29 participating taxing district.

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

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

33 (ii) The availability of a state contribution;

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

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

1 (c) If the level of available state contribution is less than the
2 amount requested by the next available applicant, the applicant must be
3 given the first opportunity to accept the lesser amount of state
4 contribution but only if the applicant produces a new application
5 within sixty days of being notified by the department and the
6 application describes the impact on the proposed project as a result of
7 the lesser award in addition to new application information outlined in
8 subsection (2) of this section.

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

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

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

25 (4) The department shall notify the sponsoring local government of
26 approval or denial of a project award within sixty days of the
27 department's receipt of the sponsoring local government's application.
28 Determination of a project award by the department is final.
29 Notification must include the earliest date when the tax authorized
30 under section 601 of this act may be imposed, subject to conditions in
31 chapter 82.14 RCW. The project award notification must specify the
32 rate requested in the application and any adjustments to the rate that
33 would need to be made based on the project award and rate restrictions
34 in section 601 of this act.

35 (5) The department must begin accepting applications on September
36 1, 2009.

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

3 REPORTING REQUIREMENTS. (1) A sponsoring local government
4 receiving a project award under section 401 of this act must provide a
5 report to the department by March 1st of each year beginning March 1st
6 after the project award has been approved. The report must contain the
7 following information:

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

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

13 (c) The amount of local sales and use tax and other revenue from
14 local public sources dedicated by any participating local government
15 used for the payment of bonds under section 701 of this act and public
16 improvement costs within the revitalization area on a pay-as-you-go
17 basis in the preceding calendar year;

18 (d) The amount of local sales and use tax dedicated by the
19 sponsoring local government, as it relates to the sponsoring local
20 government's local sales and use tax increment, used for the payment of
21 bonds under section 701 of this act and public improvement costs within
22 the revitalization area on a pay-as-you-go basis;

23 (e) The amounts, other than those listed in (a) through (d) of this
24 subsection, from local public sources, broken down by type or source,
25 used for payment of bonds under section 701 of this act or public
26 improvement costs within the revitalization area on a pay-as-you-go
27 basis in the preceding calendar year;

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

30 (g) The names of any businesses locating within the revitalization
31 area as a result of the public improvements undertaken by the
32 sponsoring local government and financed in whole or in part with local
33 revitalization financing;

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

1 (i) An estimate of the average wages and benefits received by all
2 employees of businesses locating within the revitalization area as a
3 result of the public improvements undertaken by the sponsoring local
4 government and financed in whole or in part with local revitalization
5 financing;

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

9 (k) That the sponsoring local government is in compliance with
10 section 103 of this act;

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

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

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

22 **PART VI**

23 **LOCAL SALES AND USE TAX CREDITED AGAINST THE**
24 **STATE SALES AND USE TAXES**

25 NEW SECTION. **Sec. 601.** LOCAL SALES AND USE TAX. (1) Any city or
26 county that has been approved for a project award under section 401 of
27 this act may impose a sales and use tax under the authority of this
28 section in accordance with the terms of this chapter. Except as
29 provided in this section, the tax is in addition to other taxes
30 authorized by law and must be collected from those persons who are
31 taxable by the state under chapters 82.08 and 82.12 RCW upon the
32 occurrence of any taxable event within the taxing jurisdiction of the
33 city or county.

34 (2) The tax authorized under subsection (1) of this section is
35 credited against the state taxes imposed under RCW 82.08.020(1) and
36 82.12.020 at the rate provided in RCW 82.08.020(1). The department

1 must perform the collection of such taxes on behalf of the city or
2 county at no cost to the city or county. The taxes must be distributed
3 to cities and counties as provided in RCW 82.14.060.

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

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

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

9 (ii) The aggregate rates of all taxes under RCW 82.14.465 and
10 82.14.475 and this section that are authorized but have not yet been
11 imposed on the same taxable events by a city or county that has been
12 approved to receive a state contribution by the department or the
13 community economic revitalization board under chapter 39.-- RCW (the
14 new chapter created in section 805 of this act) or chapter 39.100 or
15 39.102 RCW; and

16 (iii) The percentage amount of distributions required under RCW
17 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
18 82.08.020(1); and

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

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

27 (5)(a) Except as provided in (c) of this subsection, no tax may be
28 imposed under the authority of this section before:

29 (i) July 1, 2011;

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

33 (iii) The state sales and use tax increment and state property tax
34 increment for the preceding calendar year equal or exceed the amount of
35 the project award approved by the department under section 401 of this
36 act; and

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

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

4 (c) For a demonstration project described in section 402 of this
5 act, no tax may be imposed under the authority of this section before:

6 (i) July 1, 2010; and

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

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

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

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

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

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

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

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

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

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

33 (8) The department must determine the amount of tax receipts
34 distributed to each city and county imposing a sales and use tax under
35 the authority of this section and must advise a city or county when tax
36 distributions for the fiscal year equal the amount determined by the
37 department in subsection (10) of this section. Determinations by the
38 department of the amount of tax distributions attributable to a city or

1 county are not appealable. The department must remit any tax receipts
2 in excess of the amounts specified in subsection (6)(c) of this section
3 to the state treasurer who must deposit the money in the general fund.

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

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

14 (i) The state contribution;

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

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

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

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

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

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

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

36 (b) "State sales and use taxes" means the taxes imposed in RCW
37 82.08.020(1) and 82.12.020.

1 denomination or denominations, be in a form either coupon or registered
2 as provided in RCW 39.46.030, carry conversion or registration
3 privileges, have a rank or priority, be executed in a manner, be
4 payable in a medium of payment, at a place or places, and be subject to
5 terms of redemption with or without premium, be secured in a manner,
6 and have other characteristics, as may be provided by an ordinance or
7 trust indenture or mortgage issued pursuant thereto.

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

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

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

31 NEW SECTION. **Sec. 702.** USE OF TAX REVENUE FOR BOND REPAYMENT. A
32 sponsoring local government that issues bonds under section 701 of this
33 act to finance public improvements may pledge for the payment of such
34 bonds all or part of any local property tax allocation revenues derived
35 from the public improvements. The sponsoring local government may also
36 pledge all or part of any revenues derived from taxes imposed under

1 section 601 of this act and held in connection with the public
2 improvements. All of such tax revenues are subject to the use
3 restriction in section 602 of this act.

4 NEW SECTION. **Sec. 703.** LIMITATION ON BONDS ISSUED. The bonds
5 issued by a local government under section 701 of this act to finance
6 public improvements do not constitute an obligation of the state of
7 Washington, either general or special.

8 **PART VIII**
9 **MISCELLANEOUS**

10 NEW SECTION. **Sec. 801.** SEVERABILITY. If any provision of this
11 act or its application to any person or circumstance is held invalid,
12 the remainder of the act or the application of the provision to other
13 persons or circumstances is not affected.

14 NEW SECTION. **Sec. 802.** CAPTIONS AND PART HEADINGS NOT LAW.
15 Captions and part headings used in this act do not constitute any part
16 of the law.

17 NEW SECTION. **Sec. 803.** AUTHORITY. Nothing in this act may be
18 construed to give port districts the authority to impose a sales or use
19 tax under chapter 82.14 RCW.

20 NEW SECTION. **Sec. 804.** ADMINISTRATION BY THE DEPARTMENT. The
21 department of revenue may adopt any rules under chapter 34.05 RCW it
22 considers necessary for the administration of this chapter.

23 NEW SECTION. **Sec. 805.** Sections 101 through 401 and 701 through
24 804 of this act constitute a new chapter in Title 39 RCW.

25 NEW SECTION. **Sec. 806.** Sections 601 and 602 of this act are each
26 added to chapter 82.14 RCW.

Passed by the Senate April 20, 2009.
Passed by the House April 16, 2009.
Approved by the Governor April 29, 2009.
Filed in Office of Secretary of State April 29, 2009.