

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SUBSTITUTE SENATE BILL 5253**

Chapter 318, Laws of 2011

62nd Legislature  
2011 Regular Session

TAX INCREMENT FINANCING--LOCAL INFRASTRUCTURE PROJECT AREAS

EFFECTIVE DATE: 07/22/11

Passed by the Senate April 15, 2011  
YEAS 29 NAYS 19

BRAD OWEN

\_\_\_\_\_  
**President of the Senate**

Passed by the House April 9, 2011  
YEAS 62 NAYS 35

FRANK CHOPP

\_\_\_\_\_  
**Speaker of the House of Representatives**

Approved May 12, 2011, 8:53 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 **ENGROSSED SUBSTITUTE SENATE BILL 5253** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

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**Secretary**

FILED

May 13, 2011

**Secretary of State  
State of Washington**

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ENGROSSED SUBSTITUTE SENATE BILL 5253

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AS AMENDED BY THE HOUSE

Passed Legislature - 2011 Regular Session

State of Washington

62nd Legislature

2011 Regular Session

By Senate Government Operations, Tribal Relations & Elections  
(originally sponsored by Senators White, Swecker, Nelson, Litzow, and  
Harper)

READ FIRST TIME 02/17/11.

1 AN ACT Relating to tax increment financing for landscape  
2 conservation and local infrastructure; amending RCW 36.70A.080; adding  
3 a new chapter to Title 39 RCW; and creating a new section.

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

5 PART I

6 FINDINGS

7 NEW SECTION. **Sec. 101.** FINDINGS. (1) Recognizing that  
8 uncoordinated and poorly planned growth poses a threat to the  
9 environment, sustainable economic development, and the health, safety,  
10 and high quality of life enjoyed by residents of this state, the  
11 legislature passed the growth management act, chapter 36.70A RCW. The  
12 planning goals adopted through the growth management act encourage  
13 development in urban areas where public facilities and services exist  
14 or can be provided efficiently, conservation of productive forest and  
15 agricultural lands, and a reduction of sprawl.

16 (2) Under RCW 36.70A.090 and 43.362.005 the legislature has  
17 encouraged:

1 (a) The use of innovative land use management techniques, including  
2 the transfer of development rights, to meet growth management goals;  
3 and

4 (b) The creation of a regional transfer of development rights  
5 marketplace in the central Puget Sound to assist in conserving  
6 agricultural and forest land, as well as other lands of state or  
7 regional priority.

8 (3) The legislature finds that:

9 (a) Local governments are in need of additional resources to  
10 provide public infrastructure to meet the needs of a growing  
11 population, and that public infrastructure is fundamental to community  
12 health, safety, and economic vitality. Investment in public  
13 infrastructure in growing urban areas supports growth management goals,  
14 encourages the redevelopment of underutilized or blighted urban areas,  
15 stimulates business activity and helps create jobs, lowers the cost of  
16 housing, promotes efficient land use, and improves residents' quality  
17 of life;

18 (b) Transferring development rights from agricultural and forest  
19 lands to urban areas where public facilities and services exist or can  
20 be provided efficiently and cost-effectively will ensure vibrant,  
21 economically viable communities. Directing growth to communities where  
22 people can live close to where they work or have access to  
23 transportation choices will also advance state goals regarding climate  
24 change by reducing vehicle miles traveled and by reducing fuel  
25 consumption and emissions that contribute to climate change. Directing  
26 growth to these communities will further help avoid the impacts of  
27 storm water runoff to Puget Sound by avoiding impervious surfaces  
28 associated with development in watershed uplands;

29 (c) A transfer of development rights marketplace is particularly  
30 appropriate for conserving agricultural and forest land of long-term  
31 commercial significance. Transferring the development rights from  
32 these lands of statewide importance to cities will help achieve a  
33 specific goal of the growth management act by keeping them in farming  
34 and forestry, thereby helping ensure these remain viable industries in  
35 counties experiencing population growth. Transferring growth from  
36 agricultural and forest land of long-term commercial significance will  
37 also reduce costs to the counties that otherwise would be responsible

1 for the provision of infrastructure and services for development on  
2 these lands, which are generally further from existing infrastructure  
3 and services; and

4 (d) The state and its residents benefit from investment in public  
5 infrastructure that is associated with urban growth facilitated by the  
6 transfer of development from agricultural and forest lands of long-term  
7 commercial significance. These activities advance multiple state  
8 growth management goals and benefit the state and local economies. It  
9 is in the public interest to enable local governments to finance such  
10 infrastructure investments and to incentivize development right  
11 transfers in the central Puget Sound through this chapter.

12 **PART II**  
13 **DEFINITIONS**

14 NEW SECTION. **Sec. 201.** DEFINITIONS. The definitions in this  
15 section apply throughout this chapter unless the context clearly  
16 requires otherwise.

17 (1) "Assessed value" means the valuation of taxable real property  
18 as placed on the last completed assessment roll.

19 (2) "Eligible county" means any county that borders Puget Sound,  
20 that has a population of six hundred thousand or more, and that has an  
21 established program for transfer of development rights.

22 (3) "Employment" means total employment in a county or city, as  
23 applicable, estimated by the office of financial management.

24 (4) "Exchange rate" means an increment of development beyond what  
25 base zoning allows that is assigned to a development right by a  
26 sponsoring city for use in a receiving area.

27 (5) "Local infrastructure project area" means the geographic area  
28 identified by a sponsoring city under section 601 of this act.

29 (6) "Local infrastructure project financing" means the use of local  
30 property tax allocation revenue distributed to the sponsoring city to  
31 pay or finance public improvement costs within the local infrastructure  
32 project area in accordance with section 701 of this act.

33 (7) "Local property tax allocation revenue" means those tax  
34 revenues derived from the receipt of regular property taxes levied on  
35 the property tax allocation revenue value and used for local  
36 infrastructure project financing.

1 (8) "Participating taxing district" means a taxing district that:

2 (a) Has a local infrastructure project area wholly or partially  
3 within the taxing district's geographic boundaries; and

4 (b) Levies, or has levied on behalf of the taxing district, regular  
5 property taxes as defined in this section.

6 (9) "Population" means the population of a city or county, as  
7 applicable, estimated by the office of financial management.

8 (10) "Property tax allocation revenue base value" means the  
9 assessed value of real property located within a local infrastructure  
10 project area, less the property tax allocation revenue value.

11 (11)(a)(i) "Property tax allocation revenue value" means an amount  
12 equal to the sponsoring city ratio multiplied by seventy-five percent  
13 of any increase in the assessed value of real property in a local  
14 infrastructure project area resulting from:

15 (A) The placement of new construction, improvements to property, or  
16 both, on the assessment roll, where the new construction and  
17 improvements are initiated after the local infrastructure project area  
18 is created by the sponsoring city;

19 (B) The cost of new housing construction, conversion, and  
20 rehabilitation improvements, when the cost is treated as new  
21 construction for purposes of chapter 84.55 RCW as provided in RCW  
22 84.14.020, and the new housing construction, conversion, and  
23 rehabilitation improvements are initiated after the local  
24 infrastructure project area is created by the sponsoring city;

25 (C) The cost of rehabilitation of historic property, when the cost  
26 is treated as new construction for purposes of chapter 84.55 RCW as  
27 provided in RCW 84.26.070, and the rehabilitation is initiated after  
28 the local infrastructure project area is created by the sponsoring  
29 city.

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

36 (b) "Property tax allocation revenue value" includes an amount  
37 equal to the sponsoring city ratio multiplied by seventy-five percent

1 of any increase in the assessed value of new construction consisting of  
2 an entire building in the years following the initial year, unless the  
3 building becomes exempt from property taxation.

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

7 (d) There is no property tax allocation revenue value if the  
8 assessed value of real property in a local infrastructure project area  
9 has not increased as a result of any of the reasons specified in  
10 (a)(i)(A) through (C) of this subsection.

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

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

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

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

24 (12)(a) "Public improvements" means:

25 (i) Infrastructure improvements within the local infrastructure  
26 project area that include:

27 (A) Street, road, bridge, and rail construction and maintenance;

28 (B) Water and sewer system construction and improvements;

29 (C) Sidewalks, streetlights, landscaping, and streetscaping;

30 (D) Parking, terminal, and dock facilities;

31 (E) Park and ride facilities of a transit authority and other  
32 facilities that support transportation efficient development;

33 (F) Park facilities, recreational areas, bicycle paths, and  
34 environmental remediation;

35 (G) Storm water and drainage management systems;

36 (H) Electric, gas, fiber, and other utility infrastructures; and

37 (ii) Expenditures for facilities and improvements that support  
38 affordable housing;

1 (iii) Providing maintenance and security for common or public areas  
2 in the local infrastructure project area; or

3 (iv) Historic preservation activities authorized under RCW  
4 35.21.395.

5 (b) Public improvements do not include the acquisition by a  
6 sponsoring city of transferable development rights.

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

10 (14)(a) "Regular property taxes" means regular property taxes as  
11 defined in RCW 84.04.140, except: (i) Regular property taxes levied by  
12 port districts or public utility districts specifically for the purpose  
13 of making required payments of principal and interest on general  
14 indebtedness; (ii) regular property taxes levied by the state for the  
15 support of common schools under RCW 84.52.065; and (iii) regular  
16 property taxes authorized by RCW 84.55.050 that are limited to a  
17 specific purpose.

18 (b) "Regular property taxes" do not include:

19 (i) Excess property tax levies that are exempt from the aggregate  
20 limits for junior and senior taxing districts as provided in RCW  
21 84.52.043; and

22 (ii) Property taxes that are specifically excluded through an  
23 interlocal agreement between the sponsoring local government and a  
24 participating taxing district as set forth in RCW 39.104.060(3).

25 (15) "Receiving areas," for purposes of this chapter, are those  
26 designated lands within local infrastructure project areas in which  
27 transferable development rights from sending areas may be used.

28 (16) "Receiving city" means any incorporated city with population  
29 plus employment equal to twenty-two thousand five hundred or greater  
30 within an eligible county.

31 (17) "Receiving city allocated share" means the total number of  
32 transferable development rights from agricultural and forest land of  
33 long-term commercial significance and rural zoned lands designated  
34 under section 303 of this act within the eligible counties allocated to  
35 a receiving city under section 305 (1) and (2) of this act.

36 (18) "Sending areas" means those lands within an eligible county  
37 that meet conservation criteria as described in sections 301 and 303 of  
38 this act.

1 (19) "Sponsoring city" means a receiving city that accepts all or  
2 a portion of its receiving city allocated share, adopts a plan for  
3 development of infrastructure within one or more proposed local  
4 infrastructure project areas in accordance with section 401 of this  
5 act, and creates one or more local infrastructure project areas, as  
6 specified in section 305(4) of this act.

7 (20) "Sponsoring city allocated share" means the total number of  
8 transferable development rights a sponsoring city agrees to accept,  
9 under section 305(4) of this act, from agricultural and forest land of  
10 long-term commercial significance and rural zoned lands designated  
11 under section 303 of this act within the eligible counties, plus the  
12 total number of transferable development rights transferred to the  
13 sponsoring city from another receiving city under section 305(5) of  
14 this act.

15 (21) "Sponsoring city ratio" means the ratio of the sponsoring city  
16 specified portion to the sponsoring city allocated share.

17 (22) "Sponsoring city specified portion" means the portion of a  
18 sponsoring city allocated share which may be used within one or more  
19 local infrastructure project areas, as set forth in the sponsoring  
20 city's plan for development of infrastructure under section 401 of this  
21 act.

22 (23) "Taxing district" means a city or county that levies or has  
23 levied on behalf of the taxing district, regular property taxes upon  
24 real property located within a local infrastructure project area.

25 (24) "Transfer of development rights" includes methods for  
26 protecting land from development by voluntarily removing the  
27 development rights from a sending area and transferring them to one or  
28 more receiving areas for the purpose of increasing development density  
29 or intensity.

30 (25) "Transferable development rights" means a right to develop one  
31 or more residential units in a sending area that can be sold and  
32 transferred.

33 **PART III**  
34 **SENDING AREAS**

35 NEW SECTION. **Sec. 301.** DESIGNATION OF SENDING AREAS--INCLUSION OF  
36 AGRICULTURAL AND FOREST LAND OF LONG-TERM COMMERCIAL SIGNIFICANCE. An



1 eligible county must designate all agricultural and forest land of  
2 long-term commercial significance within its jurisdiction as sending  
3 areas for conservation under the eligible county's program for transfer  
4 of development rights. The development rights from all such  
5 agricultural and forest land of long-term commercial significance  
6 within the eligible counties must be available for transfer to  
7 receiving cities under this chapter.

8 NEW SECTION. **Sec. 302.** DEVELOPMENT RIGHTS FROM AGRICULTURAL AND  
9 FOREST LAND OF LONG-TERM COMMERCIAL SIGNIFICANCE. (1) An eligible  
10 county must calculate the number of development rights from  
11 agricultural and forest land of long-term commercial significance that  
12 are eligible for transfer to receiving areas. An eligible county must  
13 determine transferable development rights for allocation purposes in  
14 this program by:

15 (a) Base zoning in effect as of January 1, 2011; or

16 (b) An allocation other than base zoning as reflected by an  
17 eligible county's transfer of development rights program or an  
18 interlocal agreement with a receiving city in effect as of January 1,  
19 2011.

20 (2) The number of transferable development rights includes the  
21 development rights from agricultural and forest lands of long-term  
22 commercial significance that have been previously issued under the  
23 eligible county's program for transfer of development rights, but that  
24 have not as yet been utilized to increase density or intensity in a  
25 development as of January 1, 2011.

26 (3) The number of transferable development rights does not include  
27 development rights from agricultural and forest lands of long-term  
28 commercial significance that have previously been removed or  
29 extinguished, such as through an existing conservation easement or  
30 mitigation or habitat restoration plan, except when consistent with  
31 subsection (2) of this section.

32 NEW SECTION. **Sec. 303.** DESIGNATION OF SENDING AREAS--INCLUSION OF  
33 RURAL ZONED LANDS UNDER CERTAIN CIRCUMSTANCES. (1) Subject to the  
34 requirements of this section, an eligible county may designate a  
35 portion of its rural zoned lands as sending areas for conservation

1 under the eligible county's program for transfer of development rights  
2 available for transfer to receiving cities under this chapter.

3 (2) An eligible county may designate rural zoned lands as available  
4 for transfer to receiving cities under this chapter only if, and at  
5 such time as, fifty percent or more of the total acreage of land  
6 classified as agricultural and forest land of long-term commercial  
7 significance in the county, as of January 1, 2011, has been protected  
8 through either a permanent conservation easement, ownership in fee by  
9 the county for land protection or conservation purposes, or ownership  
10 in fee by a nongovernmental land conservation organization.

11 (3) To be designated as available for transfer to receiving cities  
12 under this chapter, rural zoned lands must either:

13 (a) Be identified by the county as top conservation priorities  
14 because they:

15 (i) Provide ecological effectiveness in achieving water resource  
16 inventory area goals;

17 (ii) Provide contiguous habitat protection, are adjacent to already  
18 protected habitat areas, or improve ecological function;

19 (iii) Are of sufficient size and location in the landscape to yield  
20 strategic growth management benefits;

21 (iv) Provide improved access for regional recreational opportunity;

22 (v) Prevent forest fragmentation or are appropriate for forest  
23 management;

24 (vi) Provide flood protection or reduce flood risk; or

25 (vii) Have other attributes that meet natural resource preservation  
26 program priorities; or

27 (b) Be identified by the state or in regional conservation plans as  
28 highly important to the water quality of Puget Sound.

29 (4) The portion of rural zoned lands in an eligible county  
30 designated as sending areas for conservation under the eligible  
31 county's program for transfer of development rights available for  
32 transfer to receiving cities under this chapter must not exceed one  
33 thousand five hundred development rights.

34 NEW SECTION. **Sec. 304.** DETERMINATION OF TOTAL NUMBER OF  
35 TRANSFERABLE DEVELOPMENT RIGHTS FOR AGRICULTURAL AND FOREST LAND OF  
36 LONG-TERM COMMERCIAL SIGNIFICANCE AND DESIGNATED RURAL ZONED LANDS. On  
37 or before September 1, 2011, each eligible county must report to the

1 Puget Sound regional council the total number of transferable  
2 development rights from agricultural and forest land of long-term  
3 commercial significance and designated rural zoned lands within the  
4 eligible county that may be available for allocation to receiving  
5 cities under this chapter, as determined under sections 302 and 303 of  
6 this act.

7 NEW SECTION. **Sec. 305.** ALLOCATION AMONG LOCAL GOVERNMENTS OF  
8 TRANSFERABLE DEVELOPMENT RIGHTS FROM AGRICULTURAL AND FOREST LAND OF  
9 LONG-TERM COMMERCIAL SIGNIFICANCE AND DESIGNATED RURAL ZONED LANDS.

10 (1) The Puget Sound regional council must allocate among receiving  
11 cities the total number of development rights reported by eligible  
12 counties under section 304 of this act. Each receiving city allocated  
13 share must be determined by the Puget Sound regional council, in  
14 consultation with eligible counties and receiving cities, based on  
15 growth targets, determined by established growth management processes,  
16 and other relevant factors as determined by the Puget Sound regional  
17 council in conjunction with the counties and receiving cities.

18 (2) The Puget Sound regional council must report to each receiving  
19 city its receiving city allocated share on or before March 1, 2012.

20 (3) The Puget Sound regional council must report each receiving  
21 city allocated share to the department of commerce on or before March  
22 1, 2012.

23 (4) A receiving city may become a sponsoring city by accepting all  
24 or a portion of its receiving city allocated share, adopting a plan in  
25 accordance with section 401 of this act, and creating one or more local  
26 infrastructure project areas to pay or finance costs of public  
27 improvements.

28 (5) A receiving city may, by interlocal agreement, transfer all or  
29 a portion of its receiving city allocated share to another sponsoring  
30 city. The transferred portion of the receiving city allocated share  
31 must be included in the other sponsoring city allocated share.

32 **PART IV**  
33 **RECEIVING AREAS**

34 NEW SECTION. **Sec. 401.** DEVELOPMENT PLAN FOR INFRASTRUCTURE. (1)  
35 Before adopting an ordinance or resolution creating one or more local

1 infrastructure project areas, a sponsoring city must adopt a plan for  
2 development of public infrastructure within one or more proposed local  
3 infrastructure project areas sufficient to utilize, on an aggregate  
4 basis, a sponsoring city specified portion that is equal to or greater  
5 than twenty percent of the sponsoring city allocated share.

6 (2) The plan must be developed in consultation with the department  
7 of transportation and the county where the local infrastructure project  
8 area to be created is located, be consistent with any transfer of  
9 development rights policies or development regulations adopted by the  
10 sponsoring city under section 402 of this act, specify the public  
11 improvements to be financed using local infrastructure project  
12 financing under section 601 of this act, estimate the number of any  
13 transferable development rights that will be used within the local  
14 infrastructure project area or areas and estimate the cost of the  
15 public improvements.

16 (3) A plan adopted under this section may be revised from time to  
17 time by the sponsoring city, in consultation with the county where the  
18 local infrastructure project area or areas are located, to increase the  
19 sponsoring city specified portion.

20 NEW SECTION. **Sec. 402.** PROGRAM FOR TRANSFER OF DEVELOPMENT RIGHTS  
21 INTO RECEIVING AREAS--REQUIREMENTS. (1) Before adopting an ordinance  
22 or resolution creating one or more local infrastructure project areas,  
23 a sponsoring city must:

24 (a) Adopt transfer of development rights policies or implement  
25 development regulations as required by subsection (2) of this section;  
26 or

27 (b) Make a finding that the sponsoring city will:

28 (i) Receive its sponsoring city specified portion within one or  
29 more local infrastructure project areas; or

30 (ii) Purchase its sponsoring city specified portion should the  
31 sponsoring city not be able to receive its sponsoring city specified  
32 portion within one or more local infrastructure project areas such that  
33 purchased development rights can be held in reserve by the sponsoring  
34 city and used in future development.

35 (2) Any adoption of transfer of development rights policies or  
36 implementation of development regulations must:

37 (a) Comply with chapter 36.70A RCW;

1 (b) Designate a receiving area or areas;

2 (c) Adopt incentives consistent with subsection (4) of this section  
3 for developers purchasing transferable development rights;

4 (d) Establish an exchange rate consistent with subsection (5) of  
5 this section; and

6 (e) Require that the sale of a transferable development right from  
7 agricultural or forest land of long-term commercial significance or  
8 designated rural zoned lands under section 303 of this act be evidenced  
9 by its permanent removal from the sending site, such as through a  
10 conservation easement on the sending site.

11 (3) Any adoption of transfer of development rights policies or  
12 implementation of development regulations must not be based upon a  
13 downzone within one or more receiving areas solely to create a market  
14 for the transferable development rights.

15 (4) Developer incentives should be designed to:

16 (a) Achieve the densities or intensities reasonably likely to  
17 result from absorption of the sponsoring city specified portion  
18 identified in the plan under section 401 of this act;

19 (b) Include streamlined permitting strategies such as by-right  
20 permitting; and

21 (c) Include streamlined environmental review strategies such as  
22 development and substantial environmental review of a subarea plan for  
23 a receiving area that benefits projects that use transferable  
24 development rights, with adoption as appropriate under RCW 43.21C.420  
25 of optional elements of their comprehensive plan and optional  
26 development regulations that apply within the receiving area, adoption  
27 as appropriate of a categorical exemption for infill under RCW  
28 43.21C.229 for a receiving area, and adoption as appropriate of a  
29 planned action under RCW 43.21C.031 for the receiving area.

30 (5) Each sponsoring city may determine, at its option, what  
31 developer incentives to adopt within its jurisdiction.

32 (6) Exchange rates should be designed to:

33 (a) Create a marketplace in which transferable development rights  
34 are priced at a level at which sending site landowners are willing to  
35 sell and developers are willing to buy transferable development rights;

36 (b) Achieve the densities or intensities anticipated by the plan  
37 adopted under section 401 of this act;

1 (c) Provide for translation to commodities in addition to  
2 residential density, such as building height, commercial floor area,  
3 parking ratio, impervious surface, parkland and open space, setbacks,  
4 and floor area ratio; and

5 (d) Allow for appropriate exemptions from other land use or  
6 building requirements.

7 (7) A sponsoring city must designate all agricultural and forest  
8 land of long-term commercial significance and designated rural zoned  
9 lands under section 303 of this act within the eligible counties as  
10 available sending areas.

11 (8) A sponsoring city, in accordance with its existing  
12 comprehensive planning and development regulation authority under  
13 chapter 36.70A RCW, and in accordance with RCW 36.70A.080, may elect to  
14 adopt an optional comprehensive plan element and optional development  
15 regulations that apply within one or more local infrastructure project  
16 areas under this chapter.

17 NEW SECTION. **Sec. 403.** DEVELOPMENT RIGHTS AVAILABLE FOR TRANSFER  
18 TO RECEIVING CITIES. Only development rights from agricultural and  
19 forest land of long-term commercial significance within the eligible  
20 counties as determined under section 302 of this act, and rural-zoned  
21 lands with the eligible counties designated under section 303 of this  
22 act, may be available for transfer to receiving cities in accordance  
23 with this chapter.

24 **PART V**

25 **QUANTITATIVE AND QUALITATIVE PERFORMANCE MEASURES**

26 NEW SECTION. **Sec. 501.** QUANTITATIVE AND QUALITATIVE PERFORMANCE  
27 MEASURES--REPORTING. The eligible counties, in collaboration with  
28 sponsoring cities, must provide a report to the department of commerce  
29 by March 1st of every other year. The report must contain the  
30 following information:

31 (1) The number of sponsoring cities that have adopted transfer of  
32 development rights policies and regulations incorporating transfer of  
33 development rights under this chapter, and have an interlocal agreement  
34 or have adopted the department of commerce transfer of development  
35 rights interlocal terms and conditions rule;

- 1           (2) The number of transfer of development rights transactions under  
2 this chapter using different types of transfer of development rights  
3 mechanisms;
- 4           (3) The number of acres under conservation easement under this  
5 chapter, broken out by agricultural land, forest land, and rural lands;
- 6           (4) The number of transferable development rights transferred from  
7 sending areas under this chapter;
- 8           (5) The number of transferable development rights transferred from  
9 a county into a sponsoring city under this chapter;
- 10          (6) Sponsoring city development under this chapter using  
11 transferable development rights, including:
- 12           (a) The number of total new residential units;
- 13           (b) The number of residential units created in receiving areas  
14 using transferable development rights transferred from sending areas;
- 15           (c) The amount of additional commercial floor area;
- 16           (d) The amount of additional building height;
- 17           (e) The number of required structured parking spaces reduced, if  
18 transferable development rights are specifically converted into reduced  
19 structured parking space requirements;
- 20           (f) The number of additional parking spaces allowed, if  
21 transferable development rights are specifically converted into  
22 additional receiving area parking spaces; and
- 23           (g) The amount of additional impervious surface allowed, if  
24 transferable development rights are specifically converted into  
25 receiving area impervious surfaces;
- 26          (7) The amount of the local property tax allocation revenues, if  
27 any, received in the preceding calendar year by the sponsoring city;
- 28          (8) A list of public improvements paid or financed with local  
29 infrastructure project financing;
- 30          (9) The names of any businesses locating within local  
31 infrastructure project areas as a result of the public improvements  
32 undertaken by the sponsoring local government and paid or financed in  
33 whole or in part with local infrastructure project financing;
- 34          (10) The total number of permanent jobs created in the local  
35 infrastructure project area as a result of the public improvements  
36 undertaken by the sponsoring local government and paid or financed in  
37 whole or in part with local infrastructure project financing;

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

6 (12) The date when any indebtedness issued for local infrastructure  
7 project financing is expected to be retired.

8 **PART VI**

9 **ESTABLISHMENT OF LOCAL INFRASTRUCTURE PROJECT AREAS**

10 NEW SECTION. **Sec. 601.** CREATING A LOCAL INFRASTRUCTURE PROJECT  
11 AREA. (1) Before adopting an ordinance or resolution creating one or  
12 more local infrastructure project areas, a sponsoring city must:

13 (a) Provide notice to the county assessor, county treasurer, and  
14 county within the proposed local infrastructure project area of the  
15 sponsoring city's intent to create one or more local infrastructure  
16 project areas. This notice must be provided at least one hundred  
17 eighty days in advance of the public hearing as required by (b) of this  
18 subsection;

19 (b) Hold a public hearing on the proposed formation of the local  
20 infrastructure project area.

21 (2) A sponsoring city may create one or more local infrastructure  
22 project areas by ordinance or resolution that:

23 (a) Describes the proposed public improvements, identified in the  
24 plan under section 401 of this act, to be financed in each local  
25 infrastructure project area;

26 (b) Describes the boundaries of each local infrastructure project  
27 area, subject to the limitations in section 602 of this act; and

28 (c) Provides the date when the use of local property tax allocation  
29 revenues will commence and a list of the participating taxing  
30 districts.

31 (3) The sponsoring city must deliver a certified copy of the  
32 adopted ordinance or resolution to the county assessor, county  
33 treasurer, and each other participating taxing district within which  
34 the local infrastructure project area is located.



1 NEW \_\_ SECTION. **Sec. 602.** LIMITATIONS ON LOCAL INFRASTRUCTURE  
2 PROJECT AREAS. The designation of any local infrastructure project  
3 area is subject to the following limitations:

4 (1) A local infrastructure project area is limited to contiguous  
5 tracts, lots, pieces, or parcels of land without the creation of  
6 islands of territory not included in the local infrastructure project  
7 area;

8 (2) The public improvements to be financed with local  
9 infrastructure project financing must be located in the local  
10 infrastructure project area and must, in the determination of the  
11 sponsoring city, further the intent of this chapter;

12 (3) Local infrastructure project areas created by a sponsoring city  
13 may not comprise an area containing more than twenty-five percent of  
14 the total assessed value of taxable property within the sponsoring city  
15 at the time the local infrastructure project areas are created;

16 (4) The boundaries of each local infrastructure project area may  
17 not overlap and may not be changed during the time period that local  
18 infrastructure project financing is used within the local  
19 infrastructure project area, as provided under this chapter; and

20 (5) All local infrastructure project areas created by the  
21 sponsoring city must comprise, in the aggregate, an area that the  
22 sponsoring city determines (a) is sufficient to use the sponsoring city  
23 specified portion, unless the sponsoring city satisfies its sponsoring  
24 city allocated share under section 402(1)(b)(ii) of this act, and (b)  
25 is no larger than reasonably necessary to use the sponsoring city  
26 specified portion in projected future developments.

27 NEW \_\_ SECTION. **Sec. 603.** PARTICIPATING TAXING DISTRICTS.  
28 Participating taxing districts must allow the use of all of their local  
29 property tax allocation revenues for local infrastructure project  
30 financing.

31 **PART VII**  
32 **LOCAL INFRASTRUCTURE PROJECT FINANCING**  
33 **USE OF PROPERTY TAX REVENUES TO PAY OR FINANCE**  
34 **COSTS OF PUBLIC IMPROVEMENTS**

1        NEW SECTION.    **Sec. 701.**    ALLOCATION OF PROPERTY TAX REVENUES.    (1)

2    Commencing in the second calendar year following the creation of a  
3    local infrastructure project area by a sponsoring city, the county  
4    treasurer must distribute receipts from regular taxes imposed on real  
5    property located in the local infrastructure project area as follows:

6        (a) Each participating taxing district and the sponsoring city must  
7    receive that portion of its regular property taxes produced by the rate  
8    of tax levied by or for the taxing district on the property tax  
9    allocation revenue base value for that local infrastructure project  
10   area in the taxing district; and

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

31       (2) The county assessor must determine the property tax allocation  
32   revenue value and property tax allocation revenue base value. This  
33   section does not authorize revaluations of real property by the  
34   assessor for property taxation that are not made in accordance with the  
35   assessor's revaluation plan under chapter 84.41 RCW or under other  
36   authorized revaluation procedures.

37       (3)(a) The distribution of local property tax allocation revenue to  
38   the sponsoring city must cease on the date that is the earlier of:

1 (i) The date when local property tax allocation revenues are no  
2 longer used or obligated to pay the costs of the public improvements;  
3 or

4 (ii) The final termination date as determined under (b) of this  
5 subsection.

6 (b) The final termination date is determined as follows:

7 (i) Except as provided otherwise in this subsection (3)(b), if the  
8 sponsoring city certifies to the county treasurer that the local  
9 property tax threshold level 1 is met, the final termination date is  
10 ten years after the date of the first distribution of local property  
11 tax allocation revenues under subsection (1) of this section;

12 (ii) If the sponsoring city certifies to the county treasurer that  
13 the local property tax threshold level 2 is met at least six months  
14 prior to the final termination date under (b)(i) of this subsection  
15 (3), the final termination date is fifteen years after the date of the  
16 first distribution of local property tax allocation revenues under  
17 subsection (1) of this section;

18 (iii) If the sponsoring city certifies to the county treasurer that  
19 the local property tax threshold level 3 is met at least six months  
20 prior to the final termination date under (b)(ii) of this subsection  
21 (3), the final termination date is twenty years after the date of the  
22 first distribution of local property tax allocation revenues under  
23 subsection (1) of this section;

24 (iv) If the sponsoring city certifies to the county treasurer that  
25 the local property tax threshold level 4 is met at least six months  
26 prior to the final termination date under (b)(iii) of this subsection  
27 (3), the final termination date is twenty-five years after the date of  
28 the first distribution of local property tax allocation revenues under  
29 subsection (1) of this section.

30 (4) For purposes of this section:

31 (a) The "local property tax threshold level 1" is met when the  
32 sponsoring city has either:

33 (i) Issued building permits for development within the local  
34 infrastructure project area that, on an aggregate basis, uses at least  
35 twenty-five percent of the sponsoring city specified portion; or

36 (ii) Acquired transferable development rights equal to at least  
37 twenty-five percent of the sponsoring city specified portion for use in  
38 the local infrastructure project area or for extinguishment.

1 (b) The "local property tax threshold level 2" is met when the  
2 sponsoring city has either:

3 (i) Issued building permits for development within the local  
4 infrastructure project area that, on an aggregate basis, uses at least  
5 fifty percent of the sponsoring city specified portion; or

6 (ii) Acquired transferable development rights equal to at least  
7 fifty percent of the sponsoring city specified portion for use in the  
8 local infrastructure project area or for extinguishment.

9 (c) The "local property tax threshold level 3" is met when the  
10 sponsoring city has either:

11 (i) Issued building permits for development within the local  
12 infrastructure project area that, on an aggregate basis, uses at least  
13 seventy-five percent of the sponsoring city specified portion; or

14 (ii) Acquired transferable development rights equal to at least  
15 seventy-five percent of the sponsoring city specified portion for use  
16 in the local infrastructure project area or for extinguishment.

17 (d) The "local property tax threshold level 4" is met when the  
18 sponsoring city has either:

19 (i) Issued building permits for development within the local  
20 infrastructure project area that, on an aggregate basis, uses at least  
21 one hundred percent of the sponsoring city specified portion; or

22 (ii) Acquired transferable development rights equal to at least one  
23 hundred percent of the sponsoring city specified portion for use in the  
24 local infrastructure project area or for extinguishment.

25 (5) Any excess local property tax allocation revenues, and earnings  
26 on the revenues, remaining at the time the distribution of local  
27 property tax allocation revenue terminates must be returned to the  
28 county treasurer and distributed to the participating taxing districts  
29 that imposed regular property taxes, or had regular property taxes  
30 imposed for it, in the local infrastructure project area for collection  
31 that year, in proportion to the rates of their regular property tax  
32 levies for collection that year.

33 (6) The allocation to local infrastructure project financing of  
34 that portion of the sponsoring city's and each participating taxing  
35 district's regular property taxes levied upon the property tax  
36 allocation revenue value within that local infrastructure project area  
37 is declared to be a public purpose of and benefit to the sponsoring  
38 city and each participating taxing district.

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

7 **PART VIII**  
8 **GROWTH MANAGEMENT ACT**  
9 **COMPREHENSIVE PLAN OPTIONAL ELEMENTS**

10 **Sec. 801.** RCW 36.70A.080 and 1990 1st ex.s. c 17 s 8 are each  
11 amended to read as follows:

12 (1) A comprehensive plan may include additional elements, items, or  
13 studies dealing with other subjects relating to the physical  
14 development within its jurisdiction, including, but not limited to:

- 15 (a) Conservation;
- 16 (b) Solar energy; and
- 17 (c) Recreation.

18 (2) A comprehensive plan may include, where appropriate, subarea  
19 plans, each of which is consistent with the comprehensive plan.

20 (3)(a) Cities that qualify as a receiving city may adopt a  
21 comprehensive plan element and associated development regulations that  
22 apply within receiving areas under chapter 39.--- RCW (the new chapter  
23 created in section 903 of this act).

24 (b) For purposes of this subsection, the terms "receiving city" and  
25 "receiving area" have the same meanings as provided in section 201 of  
26 this act.

27 **PART IX**  
28 **MISCELLANEOUS**

29 NEW SECTION. **Sec. 901.** ADMINISTRATION BY THE DEPARTMENT OF  
30 COMMERCE. The department of commerce may adopt any rules under chapter  
31 34.05 RCW it considers necessary for the administration of this  
32 chapter.

1        NEW\_SECTION.    **Sec. 902.** If any provision of this act or its  
2 application to any person or circumstance is held invalid, the  
3 remainder of the act or the application of the provision to other  
4 persons or circumstances is not affected.

5        NEW\_SECTION.    **Sec. 903.** Sections 101 through 701 of this act  
6 constitute a new chapter in Title 39 RCW.

      Passed by the Senate April 15, 2011.

      Passed by the House April 9, 2011.

      Approved by the Governor May 12, 2011.

      Filed in Office of Secretary of State May 13, 2011.