

**SB 5823** - H COMM AMD  
By Committee on Finance

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

3 **"Sec. 1.** RCW 39.108.120 and 2011 c 318 s 601 are each amended to  
4 read as follows:

5 (1) Before adopting an ordinance or resolution creating one or  
6 more local infrastructure project areas, a sponsoring city must:

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

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

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

17 (a) Describes the proposed public improvements, identified in the  
18 plan under RCW 39.108.080, to be financed in each local  
19 infrastructure project area;

20 (b) Describes the boundaries of each local infrastructure project  
21 area, subject to the limitations in RCW 39.108.130; and

22 (c) Provides the date when the use of local property tax  
23 allocation revenues will commence and a list of the participating  
24 taxing districts.

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

29 (4) The sponsoring city must adopt the department of commerce  
30 transfer of development rights interlocal terms and conditions in WAC  
31 365-198-040 and 365-198-060, or its successors, and, if required by  
32 an eligible county, enter into a superseding interlocal agreement

1 prior to the date when the use of local property tax allocation  
2 revenues will commence for any local infrastructure project area  
3 formed after the effective date of this section. An interlocal  
4 agreement under this subsection shall define the roles and  
5 responsibilities of the parties with respect to the transfer of  
6 development rights as determined by the parties.

7 **Sec. 2.** RCW 84.55.010 and 2021 c 207 s 10 are each amended to  
8 read as follows:

9 (1) Except as provided in this chapter, the levy for a taxing  
10 district in any year must be set so that the regular property taxes  
11 payable in the following year do not exceed the limit factor  
12 multiplied by the amount of regular property taxes lawfully levied  
13 for such district in the highest of the three most recent years in  
14 which such taxes were levied for such district, excluding any  
15 increase due to (e) and (f) of this subsection, unless the highest  
16 levy was the statutory maximum rate amount, plus an additional dollar  
17 amount calculated by multiplying the regular property tax levy rate  
18 of that district for the preceding year by the increase in assessed  
19 value in that district resulting from:

20 (a) New construction;

21 (b) Increases in assessed value due to construction of wind  
22 turbine, solar, biomass, and geothermal facilities, if such  
23 facilities generate electricity and the property is not included  
24 elsewhere under this section for purposes of providing an additional  
25 dollar amount. The property may be classified as real or personal  
26 property;

27 (c) Improvements to property;

28 (d) Any increase in the assessed value of state-assessed  
29 property; (~~and~~)

30 (e) Any increase in the assessed value of real property, as that  
31 term is defined in RCW 39.114.010, within an increment area as  
32 designated by any local government in RCW 39.114.020 provided that  
33 such increase is not included elsewhere under this section. This  
34 subsection (1)(e) does not apply to levies by the state or by port  
35 districts and public utility districts for the purpose of making  
36 required payments of principal and interest on general indebtedness;  
37 and

38 (f) For taxing districts defined in RCW 39.108.010(23) in any  
39 year in which distributions may be made under RCW 39.108.150, any

1 increase in the assessed value within any local infrastructure  
2 project area, as defined in RCW 39.108.010(5), to the extent that  
3 such increase in assessed value is not included under (a) through (e)  
4 of this subsection.

5 (2) The requirements of this section do not apply to:

6 (a) State property taxes levied under RCW 84.52.065(1) for  
7 collection in calendar years 2019 through 2021; and

8 (b) State property taxes levied under RCW 84.52.065(2) for  
9 collection in calendar years 2018 through 2021.

10 **Sec. 3.** RCW 84.55.015 and 2014 c 4 s 2 are each amended to read  
11 as follows:

12 If a taxing district has not levied since 1985 and elects to  
13 restore a regular property tax levy subject to applicable statutory  
14 limitations then such first restored levy must be set so that the  
15 regular property tax payable does not exceed the amount which was  
16 last levied, plus an additional dollar amount calculated by  
17 multiplying the property tax rate which is proposed to be restored,  
18 or the maximum amount which could be lawfully levied in the year such  
19 a restored levy is proposed, by the increase in assessed value in the  
20 district since the last levy resulting from:

21 (1) New construction;

22 (2) Increases in assessed value due to construction of wind  
23 turbine, solar, biomass, and geothermal facilities, if such  
24 facilities generate electricity and the property is not included  
25 elsewhere under this section for purposes of providing an additional  
26 dollar amount. The property may be classified as real or personal  
27 property;

28 (3) Improvements to property; ~~((and))~~

29 (4) Any increase in the assessed value of state-assessed  
30 property; and

31 (5) For taxing districts defined in RCW 39.108.010(23) in any  
32 year in which distributions may be made under RCW 39.108.150, any  
33 increase in the assessed value within any local infrastructure  
34 project area, as defined in RCW 39.108.010(5), to the extent that  
35 such increase in assessed value is not included under subsections (1)  
36 through (4) of this section.

37 **Sec. 4.** RCW 84.55.020 and 2014 c 4 s 3 are each amended to read  
38 as follows:

1 Notwithstanding the limitation set forth in RCW 84.55.010, the  
2 first levy for a taxing district created from consolidation of  
3 similar taxing districts must be set so that the regular property  
4 taxes payable in the following year do not exceed the limit factor  
5 multiplied by the sum of the amount of regular property taxes  
6 lawfully levied for each component taxing district in the highest of  
7 the three most recent years in which such taxes were levied for such  
8 district plus the additional dollar amount calculated by multiplying  
9 the regular property tax rate of each component district for the  
10 preceding year by the increase in assessed value in each component  
11 district resulting from:

12 (1) New construction;

13 (2) Increases in assessed value due to construction of wind  
14 turbine, solar, biomass, and geothermal facilities, if such  
15 facilities generate electricity and the property is not included  
16 elsewhere under this section for purposes of providing an additional  
17 dollar amount. The property may be classified as real or personal  
18 property;

19 (3) Improvements to property; ~~((and))~~

20 (4) Any increase in the assessed value of state-assessed  
21 property; and

22 (5) For taxing districts defined in RCW 39.108.010(23) in any  
23 year in which distributions may be made under RCW 39.108.150, any  
24 increase in the assessed value within any local infrastructure  
25 project area, as defined in RCW 39.108.010(5), to the extent that  
26 such increase in assessed value is not included under subsections (1)  
27 through (4) of this section.

28 **Sec. 5.** RCW 84.55.030 and 2014 c 4 s 4 are each amended to read  
29 as follows:

30 For the first levy for a taxing district following annexation of  
31 additional property, the limitation set forth in RCW 84.55.010 must  
32 be increased by an amount equal to the aggregate assessed valuation  
33 of the newly annexed property as shown by the current completed and  
34 balanced tax rolls of the county or counties within which such  
35 property lies, multiplied by the dollar rate that would have been  
36 used by the annexing unit in the absence of such annexation, plus the  
37 additional dollar amount calculated by multiplying the regular  
38 property tax levy rate of that annexing taxing district for the

1 preceding year by the increase in assessed value in the annexing  
2 district resulting from:

3 (1) New construction;

4 (2) Increases in assessed value due to construction of wind  
5 turbine, solar, biomass, and geothermal facilities, if such  
6 facilities generate electricity and the property is not included  
7 elsewhere under this section for purposes of providing an additional  
8 dollar amount. The property may be classified as real or personal  
9 property;

10 (3) Improvements to property; (~~and~~)

11 (4) Any increase in the assessed value of state-assessed  
12 property; and

13 (5) For taxing districts defined in RCW 39.108.010(23) in any  
14 year in which distributions may be made under RCW 39.108.150, any  
15 increase in the assessed value within any local infrastructure  
16 project area, as defined in RCW 39.108.010(5), to the extent that  
17 such increase in assessed value is not included under subsections (1)  
18 through (4) of this section.

19 **Sec. 6.** RCW 84.55.120 and 2021 c 207 s 11 are each amended to  
20 read as follows:

21 (1) A taxing district, other than the state, that collects  
22 regular levies must hold a public hearing on revenue sources for the  
23 district's following year's current expense budget. The hearing must  
24 include consideration of possible increases in property tax revenues  
25 and must be held prior to the time the taxing district levies the  
26 taxes or makes the request to have the taxes levied. The county  
27 legislative authority, or the taxing district's governing body if the  
28 district is a city, town, or other type of district, must hold the  
29 hearing. For purposes of this section, "current expense budget" means  
30 that budget which is primarily funded by taxes and charges and  
31 reflects the provision of ongoing services. It does not mean the  
32 capital, enterprise, or special assessment budgets of cities, towns,  
33 counties, or special purpose districts.

34 (2) If the taxing district is otherwise required to hold a public  
35 hearing on its proposed regular tax levy, a single public hearing may  
36 be held on this matter.

37 (3)(a) Except as provided in (b) of this subsection (3), no  
38 increase in property tax revenue may be authorized by a taxing  
39 district, other than the state, except by adoption of a separate

1 ordinance or resolution, pursuant to notice, specifically authorizing  
2 the increase in terms of both dollars and percentage. The ordinance  
3 or resolution may cover a period of up to two years, but the  
4 ordinance must specifically state for each year the dollar increase  
5 and percentage change in the levy from the previous year.

6 (b) Exempt from the requirements of (a) of this subsection are  
7 increases in revenue resulting from the addition of:

8 (i) New construction;

9 (ii) Increases in assessed value due to construction of wind  
10 turbine, solar, biomass, and geothermal facilities, if such  
11 facilities generate electricity and the property is not included  
12 elsewhere under this section for purposes of providing an additional  
13 dollar amount. The property may be classified as real or personal  
14 property;

15 (iii) Improvements to property;

16 (iv) Any increase in the value of state-assessed property;  
17 ((and))

18 (v) Any increase in the assessed value of real property, as that  
19 term is defined in RCW 39.114.010, within an increment area as  
20 designated by any local government in RCW 39.114.020 provided that  
21 such increase is not included elsewhere under this section. This  
22 subsection (3)(b)(v) does not apply to levies by the state or by port  
23 districts and public utility districts for the purpose of making  
24 required payments of principal and interest on general indebtedness;  
25 and

26 (vi) For taxing districts defined in RCW 39.108.010(23) in any  
27 year in which distributions may be made under RCW 39.108.150, any  
28 increase in the assessed value within any local infrastructure  
29 project area, as defined in RCW 39.108.010(5), to the extent that  
30 such increase in assessed value is not included under (b)(i) through  
31 (v) of this subsection.

32 **Sec. 7.** RCW 39.108.010 and 2011 c 318 s 201 are each amended to  
33 read as follows:

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

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

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

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

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

9 (5) "Local infrastructure project area" means the geographic area  
10 identified by a sponsoring city under RCW 39.108.120.

11 (6) "Local infrastructure project financing" means the use of  
12 local property tax allocation revenue distributed to the sponsoring  
13 city to pay or finance public improvement costs within the local  
14 infrastructure project area in accordance with RCW 39.108.150.

15 (7) "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 infrastructure project financing.

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

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

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

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

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

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

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

37 (B) The cost of new housing construction, conversion, and  
38 rehabilitation improvements, when the cost is treated as new  
39 construction for purposes of chapter 84.55 RCW as provided in RCW  
40 84.14.020, and the new housing construction, conversion, and

1 rehabilitation improvements are initiated after the local  
2 infrastructure project area is created by the sponsoring city;

3 (C) The cost of rehabilitation of historic property, when the  
4 cost is treated as new construction for purposes of chapter 84.55 RCW  
5 as provided in RCW 84.26.070, and the rehabilitation is initiated  
6 after the local infrastructure project area is created by the  
7 sponsoring city.

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

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

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

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

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

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

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

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

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



1 (i) Infrastructure improvements within the local infrastructure  
2 project area that include:

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

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

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

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

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

9 (F) Park facilities, recreational areas, bicycle paths, and  
10 environmental remediation;

11 (G) Stormwater and drainage management systems;

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

13 ((and))

14 (I) Affordable housing as defined in RCW 36.70A.030(2), either  
15 provided directly by the sponsoring city, or funded in part or in  
16 full by the sponsoring city through municipal governments or  
17 nonprofit organizations that fund or provide housing;

18 (ii) Expenditures for facilities and improvements that support  
19 affordable housing;

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

22 (iv) Historic preservation activities authorized under RCW  
23 35.21.395.

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

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

29 (14)(a) "Regular property taxes" means regular property taxes as  
30 defined in RCW 84.04.140, except: (i) Regular property taxes levied  
31 by port districts or public utility districts specifically for the  
32 purpose of making required payments of principal and interest on  
33 general indebtedness; (ii) regular property taxes levied by the state  
34 for the support of common schools under RCW 84.52.065; ((and)) (iii)  
35 regular property taxes authorized by RCW 84.55.050 that are limited  
36 to a specific purpose; and (iv) any regular property tax levy made  
37 for any specific statutory purpose other than use in the county  
38 current expense fund.

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

1 (i) Excess property tax levies that are exempt from the aggregate  
2 limits for junior and senior taxing districts as provided in RCW  
3 84.52.043; and

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

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

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

13 (17) "Receiving city allocated share" means the total number of  
14 transferable development rights from agricultural and forestland of  
15 long-term commercial significance and rural zoned lands designated  
16 under RCW 39.108.050 within the eligible counties allocated to a  
17 receiving city under RCW 39.108.070 (1) and (2).

18 (18) "Sending areas" means those lands within an eligible county  
19 that meet conservation criteria as described in RCW 39.108.030 and  
20 39.108.050.

21 (19) "Sponsoring city" means a receiving city that accepts all or  
22 a portion of its receiving city allocated share, adopts a plan for  
23 development of infrastructure within one or more proposed local  
24 infrastructure project areas in accordance with RCW 39.108.080, and  
25 creates one or more local infrastructure project areas, as specified  
26 in RCW 39.108.070(4).

27 (20) "Sponsoring city allocated share" means the total number of  
28 transferable development rights a sponsoring city agrees to accept,  
29 under RCW 39.108.070(4), from agricultural and forestland of  
30 long-term commercial significance and rural zoned lands designated  
31 under RCW 39.108.050 within the eligible counties, plus the total  
32 number of transferable development rights transferred to the  
33 sponsoring city from another receiving city under RCW 39.108.070(5).

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

36 (22) "Sponsoring city specified portion" means the portion of a  
37 sponsoring city allocated share which may be used within one or more  
38 local infrastructure project areas, as set forth in the sponsoring  
39 city's plan for development of infrastructure under RCW 39.108.080.

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

4           (24) "Transfer of development rights" includes methods for  
5 protecting land from development by voluntarily removing the  
6 development rights from a sending area and transferring them to one  
7 or more receiving areas for the purpose of increasing development  
8 density or intensity.

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

12           Correct the title.

EFFECT: For purposes of the revenue growth add-on, provides that  
increases in assessed value within a LIPA are limited to recent  
annual increases, rather than cumulative increases over time.

--- END ---