

**E2SHB 2354** - S COMM AMD  
By Committee on Ways & Means

**ADOPTED AS AMENDED 03/01/2024**

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

3 **"Sec. 1.** RCW 39.114.010 and 2023 c 354 s 1 are each amended to  
4 read as follows:

5 The definitions in this section apply throughout this chapter  
6 unless the context clearly requires otherwise.

7 (1) "Assessed value of real property" means the valuation of  
8 taxable real property as placed on the last completed assessment roll  
9 prepared pursuant to Title 84 RCW.

10 (2) "Increment area" means the geographic area within which  
11 regular property tax revenues are to be apportioned to pay public  
12 improvement costs, as authorized under this chapter.

13 (3) "Increment value" means 100 percent of any increase in the  
14 true and fair value of real property in an increment area that is  
15 placed on the tax rolls after the increment area takes effect. The  
16 increment value shall not be less than zero.

17 (4) "Local government" means any city, town, county, port  
18 district, or any combination thereof.

19 (5) "Ordinance" means any appropriate method of taking  
20 legislative action by a local government, including a resolution  
21 adopted by a port district organized under Title 53 RCW.

22 (6) "Public improvement costs" means the costs of:

23 (a) Design, planning, acquisition, required permitting, required  
24 environmental studies and mitigation, seismic studies or surveys,  
25 archaeological studies or surveys, land surveying, site acquisition,  
26 including appurtenant rights and site preparation, construction,  
27 reconstruction, rehabilitation, improvement, expansion, and  
28 installation of public improvements, and other directly related  
29 costs;

30 (b) Relocating, maintaining, and operating property pending  
31 construction of public improvements;

- 1 (c) Relocating utilities as a result of public improvements;
- 2 (d) Financing public improvements, including capitalized interest  
3 for up to six months following completion of construction, legal and  
4 other professional services, taxes, insurance, principal and interest  
5 costs on general indebtedness issued to finance public improvements,  
6 and any necessary debt service reserves;
- 7 (e) Expenses incurred in revaluing real property for the purpose  
8 of determining the tax allocation base value by a county assessor  
9 under chapter 84.41 RCW and expenses incurred by a county treasurer  
10 under chapter 84.56 RCW in apportioning the taxes and complying with  
11 this chapter and other applicable law. For purposes of this  
12 subsection (6)(e), "expenses incurred" means actual staff and  
13 software costs directly related to the implementation and ongoing  
14 administration of increment areas under this chapter; (~~and~~)
- 15 (f) Administrative expenses and feasibility studies reasonably  
16 necessary and related to these costs, including related costs that  
17 may have been incurred before adoption of the ordinance authorizing  
18 the public improvements and the use of tax increment financing to  
19 fund the costs of the public improvements; and
- 20 (g) Funding for mitigation to impacted taxing districts as  
21 allowed in RCW 39.114.020.
- 22 (7) "Public improvements" means:
- 23 (a) Infrastructure improvements owned by a state or local  
24 government within or outside of and serving the increment area and  
25 real property owned or acquired by a local government within the  
26 increment area including:
- 27 (i) Street and road construction;
- 28 (ii) Water and sewer system construction, expansion, and  
29 improvements;
- 30 (iii) Sidewalks and other nonmotorized transportation  
31 improvements and streetlights;
- 32 (iv) Parking, terminal, and dock facilities;
- 33 (v) Park and ride facilities or other transit facilities;
- 34 (vi) Park and community facilities and recreational areas;
- 35 (vii) Stormwater and drainage management systems;
- 36 (viii) Electric, broadband, or rail service;
- 37 (ix) Mitigation of brownfields; or
- 38 (b) Expenditures for any of the following purposes:

1 (i) Purchasing, rehabilitating, retrofitting for energy  
2 efficiency, and constructing housing for the purpose of creating or  
3 preserving long-term affordable housing;

4 (ii) Purchasing, rehabilitating, retrofitting for energy  
5 efficiency, and constructing child care facilities serving children  
6 and youth that are low-income, homeless, or in foster care;

7 (iii) Providing maintenance and security for the public  
8 improvements;

9 (iv) Historic preservation activities authorized under RCW  
10 35.21.395; or

11 (v) Relocation and construction of a government-owned facility,  
12 with written permission from the agency owning the facility and the  
13 office of financial management.

14 (8) "Real property" means:

15 (a) Real property as defined in RCW 84.04.090; and

16 (b) Privately owned or used improvements located on publicly  
17 owned land that are subject to property taxation or leasehold excise  
18 tax.

19 (9) "Regular property taxes" means regular property taxes as  
20 defined in RCW 84.04.140, except: (a) Regular property taxes levied  
21 by port districts or public utility districts to the extent necessary  
22 for the payments of principal and interest on general obligation  
23 debt; and (b) regular property taxes levied by the state for the  
24 support of the common schools under RCW 84.52.065. Regular property  
25 taxes do not include excess property tax levies that are exempt from  
26 the aggregate limits for junior and senior taxing districts as  
27 provided in RCW 84.52.043. "Regular property taxes" does not include  
28 excess property taxes levied by local school districts.

29 (10) "Tax allocation base value" means the assessed value of real  
30 property located within an increment area for taxes imposed in the  
31 year in which the increment area takes effect.

32 (11) "Tax allocation revenues" means those revenues derived from  
33 the imposition of regular property taxes on the increment value.

34 (12) "Taxing district" means a governmental entity that levies or  
35 has levied for it regular property taxes upon real property located  
36 within a proposed or approved increment area.

37 **Sec. 2.** RCW 39.114.020 and 2023 c 354 s 2 are each amended to  
38 read as follows:

1 (1) A local government may designate an increment area under this  
2 chapter and use the tax allocation revenues to pay public improvement  
3 costs, subject to the following conditions:

4 (a) The local government must adopt an ordinance designating an  
5 increment area within its boundaries and describing the public  
6 improvements proposed to be paid for, or financed with, tax  
7 allocation revenues;

8 (b) The local government may not designate increment area  
9 boundaries such that the entirety of its territory falls within an  
10 increment area;

11 (c) The increment area may not have an assessed valuation of more  
12 than \$200,000,000 or more than 20 percent of the sponsoring  
13 jurisdiction's total assessed valuation, whichever is less, when the  
14 ordinance is passed. If a sponsoring jurisdiction creates two  
15 increment areas, the total combined assessed valuation in both of the  
16 two increment areas may not equal more than \$200,000,000 or more than  
17 20 percent of the sponsoring jurisdiction's total assessed valuation,  
18 whichever is less, when the ordinances are passed creating the  
19 increment areas;

20 (d) A local government can create no more than two active  
21 increment areas at any given time and they may not physically overlap  
22 by including the same land in more than one increment area at any  
23 time;

24 (e) The ordinance must set a sunset date for the increment area,  
25 which may be no more than 25 years after the first year in which tax  
26 allocation revenues are collected from the increment area;

27 (f) The ordinance must identify the public improvements to be  
28 financed and indicate whether the local government intends to issue  
29 bonds or other obligations, payable in whole or in part, from tax  
30 allocation revenues to finance the public improvement costs, and must  
31 estimate the maximum amount of obligations contemplated;

32 (g) The ordinance must provide that the increment area takes  
33 effect on June 1st following the adoption of the ordinance in (a) of  
34 this subsection;

35 (h) The sponsoring jurisdiction may not add additional public  
36 improvements to the project after adoption of the ordinance creating  
37 the increment area or change the boundaries of the increment area.  
38 The sponsoring jurisdiction may expand, alter, or add to the original  
39 public improvements when doing so is necessary to assure the  
40 originally approved improvements can be constructed or operated;

1 (i) The ordinance must impose a deadline by which commencement of  
2 construction of the public improvements shall begin, which deadline  
3 must be at least five years into the future and for which extensions  
4 shall be made available for good cause; and

5 (j) The local government must make a finding that:

6 (i) The public improvements proposed to be paid or financed with  
7 tax allocation revenues are expected to encourage private development  
8 within the increment area and to increase the assessed value of real  
9 property within the increment area;

10 (ii) Private development that is anticipated to occur within the  
11 increment area as a result of the proposed public improvements will  
12 be permitted consistent with the permitting jurisdiction's applicable  
13 zoning and development standards;

14 (iii) The private development would not reasonably be expected to  
15 occur solely through private investment within the reasonably  
16 foreseeable future without the proposed public improvements; and

17 (iv) The increased assessed value within the increment area that  
18 could reasonably be expected to occur without the proposed public  
19 improvements would be less than the increase in the assessed value  
20 estimated to result from the proposed development with the proposed  
21 public improvements.

22 (2) In considering whether to designate an increment area, the  
23 legislative body of the local government must prepare a project  
24 analysis that shall include, but need not be limited to, the  
25 following:

26 (a) A statement of objectives of the local government for the  
27 designated increment area;

28 (b) A statement as to the property within the increment area, if  
29 any, that the local government may intend to acquire;

30 (c) The duration of the increment area;

31 (d) Identification of all parcels to be included in the area;

32 (e) A description of the expected private development within the  
33 increment area, including a comparison of scenarios with the proposed  
34 public improvements and without the proposed public improvements;

35 (f) A description of the public improvements, estimated public  
36 improvement costs, and the estimated amount of bonds or other  
37 obligations expected to be issued to finance the public improvement  
38 costs and repaid with tax allocation revenues;

39 (g) The assessed value of real property listed on the tax roll as  
40 certified by the county assessor under RCW 84.52.080 from within the

1 increment area and an estimate of the increment value and tax  
2 allocation revenues expected to be generated;

3 (h) An estimate of the job creation reasonably expected to result  
4 from the public improvements and the private development expected to  
5 occur in the increment area; and

6 (i) An assessment of any impacts and any necessary mitigation to  
7 address the impacts identified on the following:

8 (i) Affordable and low-income housing;

9 (ii) The local business community;

10 (iii) The local school districts; and

11 (iv) The local fire service, public hospital service, emergency  
12 medical services, and any other junior taxing district.

13 (3) The local government may charge a private developer, who  
14 agrees to participate in creating the increment area, a fee  
15 sufficient to cover the cost of the project analysis and establishing  
16 the increment area, including staff time, professionals and  
17 consultants, and other administrative costs related to establishing  
18 the increment area.

19 (4) Nothing in this section prohibits a local government from  
20 entering into an agreement under chapter 39.34 RCW with another local  
21 government for the administration or other activities related to tax  
22 increment financing authorized under this section.

23 (5) (a) If the project analysis indicates that an increment area  
24 will impact at least 20 percent of the assessed value in a public  
25 hospital district, fire protection district, or regional fire  
26 protection service authority, or if the public hospital district's or  
27 the fire service agency's annual report, or other governing board-  
28 adopted capital facilities plan, demonstrates an increase in the  
29 level of service directly related to the increased development in the  
30 increment area, the local government must ((negotiate)) enter into  
31 negotiations for a mitigation plan with the impacted public hospital  
32 district, fire protection district, or regional fire protection  
33 service authority to address level of service issues in the increment  
34 area.

35 (b) If the parties cannot agree pursuant to (a) of this  
36 subsection (5), the parties must proceed to arbitration to determine  
37 the appropriate mitigation plan. The board of arbitrators must  
38 consist of three persons: One appointed by the local government  
39 seeking to designate the increment area and one appointed by the  
40 junior taxing district, both of whom must be appointed within 60 days

1 of the date when arbitration is requested, and a third arbitrator who  
2 must be appointed by agreement of the other two arbitrators within 90  
3 days of the date when arbitration is requested. If the two are unable  
4 to agree on the appointment of the third arbitrator within this 90-  
5 day period, then the third arbitrator must be appointed by a judge in  
6 the superior court of the county within which the largest portion of  
7 the increment area is located. The determination by the board of  
8 arbitrators is binding on both the local government seeking to impose  
9 the increment area and the junior taxing district.

10 (6) The local government may reimburse the assessor and treasurer  
11 for their costs as provided in RCW 39.114.010(6)(e).

12 (7) Prior to the adoption of an ordinance authorizing creation of  
13 an increment area, the local government must:

14 (a) Hold at least two public briefings for the community solely  
15 on the tax increment project that include the description of the  
16 increment area, the public improvements proposed to be financed with  
17 the tax allocation revenues, and a detailed estimate of tax revenues  
18 for the participating local governments and taxing districts,  
19 including the amounts allocated to the increment public improvements.  
20 The briefings must be announced at least two weeks prior to the date  
21 being held, including publishing in a legal newspaper of general  
22 circulation and posting information on the local government website  
23 and all local government social media sites, and must occur no  
24 earlier than 90 days after submitting the project analysis to the  
25 office of the treasurer and all local governments and taxing  
26 districts impacted by the increment area; ((and))

27 (b) Submit the project analysis to all local governments and  
28 taxing districts impacted by the increment area no less than 90 days  
29 prior to the adoption of the ordinance; and

30 (c) Submit the project analysis to the office of the treasurer  
31 for review and consider any comments that the treasurer may provide  
32 upon completion of their review of the project analysis as provided  
33 under this subsection. The treasurer must complete the review within  
34 90 days of receipt of the project analysis and may consult with other  
35 agencies and outside experts as necessary. Upon completing their  
36 review, the treasurer must promptly provide to the local government  
37 any comments regarding suggested revisions or enhancements to the  
38 project analysis that the treasurer deems appropriate based on the  
39 requirements in subsection (2) of this section.

1       **Sec. 3.** RCW 39.114.040 and 2023 c 354 s 3 are each amended to  
2 read as follows:

3       The local government designating the increment area must:

4       (1) Provide written notice to the governing body of each taxing  
5 district within which the increment area is located a minimum of 90  
6 days before submitting the project analysis to the office of the  
7 treasurer as required in RCW 39.114.020(7)(c).

8       (2) Publish notice in a legal newspaper of general circulation  
9 within the jurisdiction of the local government at least two weeks  
10 before the date on which the ordinance authorizing creation of an  
11 increment area is adopted that describes the public improvements,  
12 describes the boundaries of the increment area, and identifies the  
13 location and times where the ordinance and other public information  
14 concerning the public improvement may be inspected; and

15       (~~(2)~~) (3) Deliver a certified copy of the adopted ordinance to  
16 the county treasurer, the county assessor, and the governing body of  
17 each taxing district within which the increment area is located at  
18 the respective addresses specified pursuant to RCW 42.56.040 within  
19 10 days of the date on which the ordinance was adopted."

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20       On page 1, line 5 of the title, after "paid;" strike the  
21 remainder of the title and insert "and amending RCW 39.114.010,  
22 39.114.020, and 39.114.040."

EFFECT: Makes the project analysis and notice requirements apply  
to all junior taxing districts, rather than only the fire service  
districts, public hospital districts, and emergency medical services.

--- END ---