
SENATE BILL 5109

State of Washington

64th Legislature

2015 Regular Session

By Senator Brown

Read first time 01/14/15. Referred to Committee on Trade & Economic Development.

1 AN ACT Relating to infrastructure financing for local
2 governments; and amending RCW 39.104.020 and 39.104.100.

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

4 **Sec. 1.** RCW 39.104.020 and 2010 c 164 s 1 are each amended to
5 read as follows:

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

8 (1) "Annual state contribution limit" means (~~two~~) seven million
9 five hundred thousand dollars statewide per fiscal year, plus the
10 additional amounts approved for demonstration projects in RCW
11 82.14.505.

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

14 (3) "Bond" means a bond, a note or other evidence of
15 indebtedness, including but not limited to a lease-purchase agreement
16 or an executory conditional sales contract.

17 (4) "Department" means the department of revenue.

18 (5) "Fiscal year" means the twelve-month period beginning July
19 1st and ending the following June 30th.

20 (6) "Local government" means any city, town, county, and port
21 district.

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

5 (8) "Local revitalization financing" means the use of revenues
6 from local public sources, dedicated to pay the principal and
7 interest on bonds authorized under RCW 39.104.110 and public
8 improvement costs within the revitalization area on a pay-as-you-go
9 basis, and revenues received from the local option sales and use tax
10 authorized in RCW 82.14.510, dedicated to pay the principal and
11 interest on bonds authorized under RCW 39.104.110.

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

17 (10) "Local sales and use taxes" means local revenues derived
18 from the imposition of sales and use taxes authorized in RCW
19 82.14.030.

20 (11) "Ordinance" means any appropriate method of taking
21 legislative action by a local government.

22 (12) "Participating local government" means a local government
23 having a revitalization area within its geographic boundaries that
24 has taken action as provided in RCW 39.104.070(1) to allow the use of
25 all or some of its local sales and use tax increment or other
26 revenues from local public sources dedicated for local revitalization
27 financing.

28 (13) "Participating taxing district" means a taxing district
29 that:

30 (a) Has a revitalization area wholly or partially within its
31 geographic boundaries;

32 (b) Levies or has levied for it regular property taxes as defined
33 in this section; and

34 (c) Has not taken action as provided in RCW 39.104.060(2).

35 (14) "Property tax allocation revenue base value" means the
36 assessed value of real property located within a revitalization area,
37 less the property tax allocation revenue value.

38 (15)(a)(i) "Property tax allocation revenue value" means seventy-
39 five percent of any increase in the assessed value of real property
40 in a revitalization area resulting from:

1 (A) The placement of new construction, improvements to property,
2 or both, on the assessment roll, where the new construction and
3 improvements are initiated after the revitalization area is approved
4 by the department;

5 (B) The cost of new housing construction, conversion, and
6 rehabilitation improvements, when the cost is treated as new
7 construction for purposes of chapter 84.55 RCW as provided in RCW
8 84.14.020, and the new housing construction, conversion, and
9 rehabilitation improvements are initiated after the revitalization
10 area is approved by the department;

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

15 (ii) Increases in the assessed value of real property in a
16 revitalization area resulting from (a)(i)(A) through (C) of this
17 subsection are included in the property tax allocation revenue value
18 in the initial year. These same amounts are also included in the
19 property tax allocation revenue value in subsequent years unless the
20 property becomes exempt from property taxation.

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

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

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

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

33 (i) For new construction and improvements to property added to
34 the assessment roll, the year during which the new construction and
35 improvements are initially placed on the assessment roll;

36 (ii) For the cost of new housing construction, conversion, and
37 rehabilitation improvements, when the cost is treated as new
38 construction for purposes of chapter 84.55 RCW, the year when the
39 cost is treated as new construction for purposes of levying taxes for
40 collection in the following year; and

1 (iii) For the cost of rehabilitation of historic property, when
2 the cost is treated as new construction for purposes of chapter 84.55
3 RCW, the year when such cost is treated as new construction for
4 purposes of levying taxes for collection in the following year.

5 (16) "Public improvement costs" means the costs of:

6 (a) Design, planning, acquisition, including land acquisition,
7 site preparation including land clearing, construction,
8 reconstruction, rehabilitation, improvement, and installation of
9 public improvements;

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

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

13 (d) Financing public improvements, including interest during
14 construction, legal and other professional services, taxes,
15 insurance, principal and interest costs on general indebtedness
16 issued to finance public improvements, and any necessary reserves for
17 general indebtedness; and

18 (e) Administrative expenses and feasibility studies reasonably
19 necessary and related to these costs, including related costs that
20 may have been incurred before adoption of the ordinance authorizing
21 the public improvements and the use of local revitalization financing
22 to fund the costs of the public improvements.

23 (17) "Public improvements" means:

24 (a) Infrastructure improvements within the revitalization area
25 that include:

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

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

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

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

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

31 (vi) Park facilities, recreational areas, and environmental
32 remediation;

33 (vii) Storm water and drainage management systems;

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

35 and

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

37 (i) Providing environmental analysis, professional management,
38 planning, and promotion within the revitalization area, including the
39 management and promotion of retail trade activities in the
40 revitalization area;

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

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

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

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

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

16 (i) Excess property tax levies that are exempt from the aggregate
17 limits for junior and senior taxing districts as provided in RCW
18 84.52.043; and

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

22 (20)(a) "Revenues from local public sources" means:

23 (i) The local sales and use tax amounts received as a result of
24 interlocal agreement, local sales and use tax amounts from sponsoring
25 local governments based on its local sales and use tax increment, and
26 local property tax allocation revenues, which are dedicated by a
27 sponsoring local government, participating local governments, and
28 participating taxing districts, for payment of bonds under RCW
29 39.104.110 or public improvement costs within the revitalization area
30 on a pay-as-you-go basis; and

31 (ii) Any other local revenues, except as provided in (b) of this
32 subsection, including revenues derived from federal and private
33 sources and amounts received by taxing districts as set forth by an
34 interlocal agreement as described in RCW 39.104.060(4), which are
35 dedicated for the payment of bonds under RCW 39.104.110 or public
36 improvement costs within the revitalization area on a pay-as-you-go
37 basis.

38 (b) Revenues from local public sources do not include any local
39 funds derived from state grants, state loans, or any other state

1 moneys including any local sales and use taxes credited against the
2 state sales and use taxes imposed under chapter 82.08 or 82.12 RCW.

3 (21) "Revitalization area" means the geographic area adopted by a
4 sponsoring local government and approved by the department, from
5 which local sales and use tax increments are estimated and property
6 tax allocation revenues are derived for local revitalization
7 financing.

8 (22) "Sponsoring local government" means a city, town, county, or
9 any combination thereof, that adopts a revitalization area.

10 (23) "State contribution" means the lesser of:

11 (a) Five hundred thousand dollars;

12 (b) The project award amount approved by the department as
13 provided in RCW 39.104.100 or 82.14.505; or

14 (c) The total amount of revenues from local public sources
15 dedicated in the preceding calendar year to the payment of principal
16 and interest on bonds issued under RCW 39.104.110 and public
17 improvement costs within the revitalization area on a pay-as-you-go
18 basis. Revenues from local public sources dedicated in the preceding
19 calendar year that are in excess of the project award may be carried
20 forward and used in later years for the purpose of this subsection

21 (23)(c).

22 (24) "State property tax increment" means the estimated amount of
23 annual tax revenues estimated to be received by the state from the
24 imposition of property taxes levied by the state for the support of
25 common schools under RCW 84.52.065 on the property tax allocation
26 revenue value, as determined by the sponsoring local government in an
27 application under RCW 39.104.100 and updated periodically as required
28 in RCW 82.32.765.

29 (25) "State sales and use tax increment" means the estimated
30 amount of annual increase in state sales and use taxes to be received
31 by the state from taxable activity within the revitalization area in
32 the years following the approval of the revitalization area by the
33 department as determined by the sponsoring local government in an
34 application under RCW 39.104.100 and updated periodically as required
35 in RCW 82.32.765.

36 (26) "State sales and use taxes" means state retail sales and use
37 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in
38 RCW 82.08.020(1), less the amount of tax distributions from all local
39 retail sales and use taxes, other than the local sales and use taxes
40 authorized by RCW 82.14.510 for the applicable revitalization area,

1 imposed on the same taxable events that are credited against the
2 state retail sales and use taxes under RCW 82.08.020(1) and
3 82.12.020.

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

7 **Sec. 2.** RCW 39.104.100 and 2010 c 164 s 6 are each amended to
8 read as follows:

9 (1) Prior to applying to the department to receive a state
10 contribution, a sponsoring local government (~~shall~~) must adopt a
11 revitalization area within the limitations in RCW 39.104.050 and in
12 accordance with RCW 39.104.040.

13 (2)(a) As a condition to imposing a sales and use tax under RCW
14 82.14.510, a sponsoring local government must apply to the department
15 and be approved for a project award amount. The application must be
16 in a form and manner prescribed by the department and include, but
17 not be limited to:

18 (i) Information establishing that over the period of time that
19 the local sales and use tax will be imposed under RCW 82.14.510,
20 increases in state and local property, sales, and use tax revenues as
21 a result of public improvements in the revitalization area will be
22 equal to or greater than the respective state and local contributions
23 made under this chapter;

24 (ii) Information demonstrating that the sponsoring local
25 government will meet the requirements necessary to receive the full
26 amount of state contribution it is requesting on an annual basis;

27 (iii) The amount of state contribution it is requesting;

28 (iv) The anticipated effective date for imposing the tax under
29 RCW 82.14.510;

30 (v) The estimated number of years that the tax will be imposed;

31 (vi) The anticipated rate of tax to be imposed under RCW
32 82.14.510, subject to the rate-setting conditions in RCW
33 82.14.510(3), should the sponsoring local government be approved for
34 a project award; and

35 (vii) The anticipated date when bonds under RCW 39.104.110 will
36 be issued.

37 (b) The department must make available electronic forms to be
38 used for this purpose. As part of the application, each applicant
39 must provide to the department a copy of the adopted ordinance

1 creating the revitalization area as required in RCW 39.104.040,
2 copies of any adopted interlocal agreements from participating local
3 governments, and any notices from taxing districts that elect not to
4 be a participating taxing district.

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

6 (i) ~~((A first come basis for applications completed in their
7 entirety and submitted electronically;~~

8 ~~(ii))~~ The availability of a state contribution;

9 ~~((iii))~~ (ii) Whether the sponsoring local government would be
10 able to generate enough tax revenue under RCW 82.14.510 to generate
11 the amount of project award requested;

12 (iii) The number of jobs created;

13 (iv) The fit of the expected business creation or expansion
14 within the region's preferred economic growth strategy;

15 (v) The speed with which the project can begin construction;

16 (vi) The extent to which the project leverages nonstate funds;
17 and

18 (vii) Geographic location with at least fifty percent of the
19 additional funding approved in RCW 39.104.020 awarded to projects
20 east of the crest of the Cascade mountains.

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

23 (c) If the level of available state contribution is less than the
24 amount requested by the next available applicant, the applicant must
25 be given the first opportunity to accept the lesser amount of state
26 contribution but only if the applicant produces a new application
27 within sixty days of being notified by the department and the
28 application describes the impact on the proposed project as a result
29 of the lesser award in addition to new application information
30 outlined in subsection (2) of this section.

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

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

36 (f) If the annual contribution limit is increased by making
37 additional funds available for applicants that apply on a first-come
38 basis, applications will be accepted again beginning sixty days after
39 the effective date of the increase. However, in the time period
40 before any new applications are accepted, all sponsoring local

1 governments with a complete application already on file with the
2 department must be provided an opportunity to either withdraw their
3 application or update the information in the application. The updated
4 application must be for a project that is substantially the same as
5 the project in the original application. (~~The department must
6 consider these applications, in the order originally submitted, for
7 project awards prior to considering any new applications.~~)

8 (4) The department must notify the sponsoring local government of
9 approval or denial of a project award within sixty days of the
10 department's receipt of the sponsoring local government's
11 application. Determination of a project award by the department is
12 final. Notification must include the earliest date when the tax
13 authorized under RCW 82.14.510 may be imposed, subject to conditions
14 in chapter 82.14 RCW. The project award notification must specify the
15 rate requested in the application and any adjustments to the rate
16 that would need to be made based on the project award and rate
17 restrictions in RCW 82.14.510.

18 (5) The department must begin accepting applications on September
19 1, 2009.

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