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**SUBSTITUTE SENATE BILL 5564**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senate Financial Institutions, Economic Development & Trade  
(originally sponsored by Senators Brown, Wellman, Warnick, Takko,  
Hobbs, Walsh, Zeiger, Frockt, Wilson, L., Becker, and Padden)

1 AN ACT Relating to creating the building business ecosystems act;  
2 adding a new section to chapter 82.14 RCW; and adding a new chapter  
3 to Title 39 RCW.

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

5 NEW SECTION. **Sec. 1.** SHORT TITLE. This chapter may be known and  
6 cited as the building business ecosystems act.

7 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this  
8 section apply throughout this chapter unless the context clearly  
9 requires otherwise.

10 (1) "Bond" means a bond, a note, or other evidence of  
11 indebtedness including, but not limited to, a lease-purchase  
12 agreement or an executory conditional sales contract.

13 (2) "Business ecosystems area" means the geographic area adopted  
14 by a sponsoring local government and approved by the department, from  
15 which local sales and use tax increments are estimated for building  
16 business ecosystems financing.

17 (3) "Dedicated building business ecosystems financing" means the  
18 use of revenues from local public sources and revenues received from  
19 the local option sales and use tax authorized in section 15 of this  
20 act dedicated to pay the principal and interest on bonds authorized

1 under section 11 of this act and public improvement costs within the  
2 business ecosystems area on a pay-as-you-go basis.

3 (4) "Department" means the department of commerce.

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

6 (6) "Local government" means any city, town, county, or port.

7 (7) "Local property tax allocation revenue" means those tax  
8 revenues derived from the receipt of regular property taxes levied on  
9 the property tax allocation revenue value and used for building  
10 business ecosystems financing.

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

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

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

20 (11) "Participating local government" means a local government  
21 having a business ecosystems area within its geographic boundaries  
22 that has taken action as provided in section 6 or 7 of this act to  
23 allow the use of all or some of its local sales and use tax increment  
24 or other revenues from local public sources for dedicated building  
25 business ecosystems financing.

26 (12) "Participating taxing district" means a taxing district  
27 that:

28 (a) Has a business ecosystems area wholly or partially within its  
29 geographic boundaries;

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

32 (c) Has not taken action as provided in section 6 of this act.

33 (13) "Property tax allocation revenue base value" means the  
34 assessed value of real property located within a business ecosystems  
35 area, less the property tax allocation revenue value.

36 (14) (a) (i) "Property tax allocation revenue value" means seventy-  
37 five percent of any increase in the assessed value of real property  
38 in a business ecosystems area resulting from:

39 (A) The placement of new construction, improvements to property,  
40 or both, on the assessment roll, where the new construction and

1 improvements are initiated after the business ecosystems area is  
2 approved;

3 (B) The cost of new (I) housing construction, conversion, and  
4 rehabilitation improvements and (II) industrial, manufacturing, or  
5 research and development construction, when the cost is treated as  
6 new construction for purposes of chapter 84.55 RCW as provided in RCW  
7 84.14.020, and the new housing construction, conversion, and  
8 rehabilitation improvements or the industrial, manufacturing, or  
9 research and development construction is initiated after the business  
10 ecosystems area is approved; or

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 business ecosystems area is approved.

15 (ii) Increases in the assessed value of real property in a  
16 business ecosystems 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 business ecosystems 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 (14), "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 (A) housing construction, conversion,  
37 and rehabilitation improvements and (B) industrial, manufacturing, or  
38 research and development construction, when the cost is treated as  
39 new construction for purposes of chapter 84.55 RCW, the year when the

1 cost is treated as new construction for purposes of levying taxes for  
2 collection in the following year; and

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

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

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

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

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

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

20 (e) Administrative expenses and feasibility studies reasonably  
21 necessary and related to these costs, including related costs that  
22 may have been incurred before adoption of the ordinance authorizing  
23 the public improvements and the use of dedicated building business  
24 ecosystems financing to fund the costs of the public improvements.

25 (16) "Public improvements" means:

26 (a) Infrastructure improvements within the business ecosystems  
27 area that include:

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

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

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

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

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

33 (vi) Park facilities, recreational areas, and environmental  
34 remediation;

35 (vii) Port facilities;

36 (viii) Stormwater and drainage management systems;

37 (ix) Electric, gas, fiber, and other utility infrastructures; and

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

39 (i) Providing environmental analysis, professional management,  
40 planning, and promotion within the business ecosystems area,

1 including the management and promotion of retail trade activities in  
2 the business ecosystems area;

3 (ii) Providing maintenance and security for common or public  
4 areas in the business ecosystems area; or

5 (iii) Historic preservation activities authorized under RCW  
6 35.21.395.

7 (17) "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 (18)(a) "Regular property taxes" means regular property taxes as  
11 defined in RCW 84.04.140, except: (i) Regular property taxes levied  
12 by public utility districts specifically for the purpose of making  
13 required payments of principal and interest on general indebtedness;  
14 (ii) regular property taxes levied by the state for the support of  
15 common schools under RCW 84.52.065; and (iii) regular property taxes  
16 authorized by RCW 84.55.050 that are limited to a specific purpose.

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

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

21 (ii) Property taxes that are specifically excluded through an  
22 interlocal agreement between the sponsoring local government and a  
23 participating taxing district as set forth in section 7 of this act.

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

25 (i) The local sales and use tax amounts received as a result of  
26 an interlocal agreement and local sales and use tax amounts from  
27 sponsoring local governments based on its local sales and use tax  
28 increment, which are dedicated by a sponsoring local government and  
29 participating local governments, for payment of bonds issued under  
30 section 11 of this act or public improvement costs within the  
31 business ecosystems area on a pay-as-you-go basis; and

32 (ii) Any other local revenues, except as provided in (b) of this  
33 subsection, including revenues derived from federal and private  
34 sources, which are dedicated for the payment of bonds issued under  
35 section 11 of this act or public improvement costs within the  
36 business ecosystems area on a pay-as-you-go basis.

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

1 (20) "Sponsoring local government" means a city, town, county, or  
2 any combination thereof, that adopts a business ecosystems area.

3 (21) "State contribution" means the lesser of:

4 (a) Five hundred thousand dollars;

5 (b) The project award amount approved by the department as  
6 provided in section 10 of this act; or

7 (c) The total amount of revenues from local public sources  
8 dedicated in the preceding calendar year to the payment of principal  
9 and interest on bonds issued under section 11 of this act and public  
10 improvement costs within the business ecosystems area on a pay-as-  
11 you-go basis. Revenues from local public sources dedicated in the  
12 preceding calendar year that are in excess of the project award may  
13 be carried forward and used in later years for the purpose of this  
14 subsection (21) (c).

15 (22) "State property tax increment" means the estimated amount of  
16 annual tax revenues estimated to be received by the state from the  
17 imposition of property taxes levied by the state for the support of  
18 common schools under RCW 84.52.065 on the property tax allocation  
19 revenue value, as determined by the sponsoring local government in an  
20 application under section 10 of this act and updated periodically as  
21 required in section 14 of this act.

22 (23) "State sales and use tax increment" means the estimated  
23 amount of annual increase in state sales and use taxes to be received  
24 by the state from taxable activity within the business ecosystems  
25 area in the years following the approval of the business ecosystems  
26 area as determined by the sponsoring local government in an  
27 application under section 10 of this act and updated periodically as  
28 required in section 14 of this act.

29 (24) "State sales and use taxes" means state retail sales and use  
30 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in  
31 RCW 82.08.020(1), less the amount of tax distributions from all local  
32 retail sales and use taxes, other than the local sales and use taxes  
33 authorized by section 15 of this act for the applicable business  
34 ecosystems area, imposed on the same taxable events that are credited  
35 against the state retail sales and use taxes under RCW 82.08.020(1)  
36 and 82.12.020.

37 (25) "Taxing district" means a government entity that levies or  
38 has levied for it regular property taxes upon real property located  
39 within a proposed or approved business ecosystems area.

1        NEW SECTION.    **Sec. 3.**    CONDITIONS. A local government may finance  
2 public improvements using building business ecosystems area financing  
3 subject to the following conditions:

4        (1) The local government has adopted an ordinance designating a  
5 business ecosystems area within its boundaries and specified the  
6 public improvements proposed to be financed in whole or in part with  
7 the use of building business ecosystems financing.

8        (2) The public improvements proposed to be financed in whole or  
9 in part using building business ecosystems area financing are  
10 expected to encourage private development within the business  
11 ecosystems area and to increase the fair market value of real  
12 property within the business ecosystems area.

13        (3) The local government has entered into a contract with a  
14 private developer relating to the development of private improvements  
15 within the business ecosystems area or has received a letter of  
16 intent from a private developer relating to the developer's plans for  
17 the development of private improvements within the business  
18 ecosystems area.

19        (4) Private development that is anticipated to occur within the  
20 business ecosystems area, as a result of the public improvements,  
21 will be consistent with the countywide planning policy adopted by the  
22 county under RCW 36.70A.210 and the local government's comprehensive  
23 plan and development regulations adopted under chapter 36.70A RCW.

24        (5) The local government may not use dedicated building business  
25 ecosystems financing to finance the costs associated with the  
26 financing, design, acquisition, construction, equipping, operating,  
27 maintaining, remodeling, repairing, and reequipping of public  
28 facilities funded with taxes collected under RCW 82.14.048 or  
29 82.14.390.

30        (6) The governing body of the local government must make a  
31 finding that building business ecosystems financing:

32        (a) Will not be used for the purpose of relocating a business  
33 from outside the business ecosystems area, but within this state,  
34 into the business ecosystems area unless convincing evidence is  
35 provided that the firm being relocated would otherwise leave the  
36 state;

37        (b) Will improve the viability of existing business entities  
38 within the business ecosystems area; and

39        (c) Will be used exclusively in areas within the jurisdiction of  
40 the local government deemed in need of either economic development or

1 redevelopment, or both, and absent the financing available under this  
2 chapter and section 15 of this act the proposed economic development  
3 or redevelopment would more than likely not occur.

4 (7) The governing body of the local government finds that the  
5 public improvements proposed to be financed in whole or in part using  
6 business ecosystems area financing are reasonably likely to:

7 (a) Increase private investment within the business ecosystems  
8 area;

9 (b) Increase employment within the business ecosystems area; and

10 (c) Generate, over the period of time that the local sales and  
11 use tax will be imposed under section 15 of this act, increases in  
12 state and local property, sales, and use tax revenues that are equal  
13 to or greater than the respective state and local contributions made  
14 under this chapter.

15 NEW SECTION. **Sec. 4.** CREATION OF BUSINESS ECOSYSTEMS AREA. (1)

16 Before adopting an ordinance creating the business ecosystems area, a  
17 sponsoring local government must:

18 (a) Provide notice to all local governments with geographic  
19 boundaries within the proposed business ecosystems area of the  
20 sponsoring local government's intent to create a business ecosystems  
21 area. Notice must be provided in writing to the governing body of the  
22 local governments at least sixty days in advance of the public  
23 hearing as required by (b) of this subsection. The notice must  
24 include at least the following information:

25 (i) The name of the proposed business ecosystems area;

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

28 (iii) The earliest anticipated date when the sponsoring local  
29 government will take action to adopt the proposed business ecosystems  
30 area; and

31 (iv) The name of a contact person with the phone number of the  
32 sponsoring local government and mailing address where a copy of an  
33 ordinance adopted under this section may be sent; and

34 (b) Hold a public hearing on the proposed financing of the public  
35 improvements in whole or in part with building business ecosystems  
36 financing. Notice of the public hearing must be published in a legal  
37 newspaper of general circulation within the proposed business  
38 ecosystems area at least ten days before the public hearing and  
39 posted in at least six conspicuous public places located in the



1 proposed business ecosystems area. Notices must describe the  
2 contemplated public improvements, estimate the costs of the public  
3 improvements, describe the portion of the costs of the public  
4 improvements to be borne by building business ecosystems financing,  
5 describe any other sources of revenue to finance the public  
6 improvements, describe the boundaries of the proposed business  
7 ecosystems area, and estimate the period during which building  
8 business ecosystems financing is contemplated to be used. The public  
9 hearing may be held by either the governing body of the sponsoring  
10 local government, or a committee of the governing body that includes  
11 at least a majority of the whole governing body.

12 (2) To create a business ecosystems area, a sponsoring local  
13 government must adopt an ordinance establishing the business  
14 ecosystems area that:

15 (a) Describes the public improvements proposed to be made in the  
16 business ecosystems area;

17 (b) Describes the boundaries of the business ecosystems area,  
18 subject to the limitations in section 5 of this act;

19 (c) Estimates the cost of the proposed public improvements and  
20 the portion of these costs to be financed by building business  
21 ecosystems financing;

22 (d) Estimates the time during which revenues from local public  
23 sources, such as amounts of local sales and use taxes from  
24 participating local governments, are to be used for business  
25 ecosystems area financing;

26 (e) Provides the date when the use of local property tax  
27 allocation revenues will commence and a list of the participating  
28 taxing districts and the regular property taxes that must be used to  
29 calculate property tax allocation revenues;

30 (f) Finds that all of the requirements in section 3 of this act  
31 are met;

32 (g) Provides the anticipated rate of sales and use tax under  
33 section 15 of this act that the local government will impose if  
34 awarded a state contribution under section 10 of this act;

35 (h) Provides the anticipated date when the sales and use tax in  
36 section 15 of this act will be imposed.

37 (3) The sponsoring local government must deliver a certified copy  
38 of the adopted ordinance to the county treasurer, county assessor,  
39 governing body of each participating taxing authority and

1 participating taxing district within which the business ecosystems  
2 area is located, department of revenue, and department.

3 NEW SECTION. **Sec. 5.** LIMITATIONS ON BUSINESS ECOSYSTEMS AREAS.

4 A business ecosystems area is subject to the following limitations:

5 (1) (a) Except as provided in (b) of this subsection, no business  
6 ecosystems area may have within its geographic boundaries any part of  
7 a hospital benefit zone under chapter 39.100 RCW, any part of a  
8 revenue development area created under chapter 39.102 RCW, any part  
9 of a revitalization area under chapter 39.104 RCW, any part of an  
10 increment area under chapter 39.89 RCW, or any part of another  
11 business ecosystems area under this chapter.

12 (b) A business ecosystems area's boundaries may include all or a  
13 portion of an existing increment area if:

14 (i) The state of Washington has loaned money for environmental  
15 cleanup on such an area in order to stimulate redevelopment of  
16 brownfields;

17 (ii) The environmental cleanup, for which the state's loans were  
18 intended, has been completed; and

19 (iii) The sponsoring local government determines the creation of  
20 the business ecosystems area is necessary for redevelopment and  
21 protecting the state's investment by increasing property tax revenue.

22 (2) A business ecosystems area is limited to contiguous tracts,  
23 lots, pieces, or parcels of land without the creation of islands of  
24 property not included in the business ecosystems area.

25 (3) The boundaries may not be drawn to purposely exclude parcels  
26 where economic growth is unlikely to occur.

27 (4) The public improvements financed through bonds issued under  
28 section 11 of this act and public improvements made on a pay-as-you-  
29 go basis must be located in the business ecosystems area.

30 (5) A business ecosystems area cannot comprise an area containing  
31 more than twenty-five percent of the total assessed value of the  
32 taxable real property within the boundaries of the sponsoring local  
33 government at the time the business ecosystems area is created.

34 (6) The boundaries of the business ecosystems area may not be  
35 changed for the time period that local property tax allocation  
36 revenues, local sales and use taxes of participating local  
37 governments, and the local sales and use tax under section 15 of this  
38 act, are used to pay bonds issued under section 11 of this act and

1 public improvement costs within the business ecosystems area on a  
2 pay-as-you-go basis, as provided under this chapter.

3 (7) A business ecosystems area must be geographically restricted  
4 to the location of the public improvement and adjacent locations that  
5 the sponsoring local government finds to have a high likelihood of  
6 receiving direct positive business and economic impacts due to the  
7 public improvement, such as a neighborhood or a block.

8 NEW SECTION. **Sec. 6.** USE OF LOCAL PROPERTY TAX ALLOCATION  
9 REVENUES FOR BUILDING BUSINESS ECOSYSTEMS. (1) Participating taxing  
10 districts must allow the use of all of their local property tax  
11 allocation revenues for building business ecosystems financing.

12 (2) (a) If a taxing district does not want to allow the use of its  
13 property tax revenues for the building business ecosystems financing  
14 of public improvements in a business ecosystems area, its governing  
15 body must adopt an ordinance to remove itself as a participating  
16 taxing district and must notify the sponsoring local government.

17 (b) The taxing district must provide a copy of the adopted  
18 ordinance and notice to the sponsoring local government creating the  
19 business ecosystems area before the anticipated date that the  
20 sponsoring local government proposes to adopt the ordinance creating  
21 the business ecosystems area as provided in the notice required by  
22 section 4 of this act.

23 (3) If a taxing district wants to become a participating taxing  
24 district by allowing one or more but not all of its regular property  
25 tax levies to be used for the calculation of local property tax  
26 allocation revenues, it may do so through an interlocal agreement  
27 specifying the regular property taxes that will be used for  
28 calculating its local property tax allocation revenues. This  
29 subsection does not authorize a taxing district to allow the use of  
30 only part of one or more of its regular property tax levies by the  
31 sponsoring local government.

32 (4) If a taxing district wants to participate on a partial basis  
33 by providing a specified amount of money to a sponsoring local  
34 government to be used for building business ecosystems financing for  
35 a specified amount of time, it may do so through an interlocal  
36 agreement. However, the taxing district must adopt an ordinance as  
37 described in subsection (2) of this section to remove itself as a  
38 participating taxing district for purposes of calculating property

1 tax allocation revenues and instead partially participate through an  
2 interlocal agreement outlining the specifics of its participation.

3 NEW SECTION. **Sec. 7.** OPTING IN OR OUT AS A PARTICIPATING LOCAL  
4 GOVERNMENT. (1) A participating local government must enter into an  
5 interlocal agreement as provided in chapter 39.34 RCW to participate  
6 in building business ecosystems financing with the sponsoring local  
7 government.

8 (2) (a) If a local government that imposes a sales and use tax  
9 under RCW 82.14.030 does not want to participate in the building  
10 business ecosystems financing of public improvements in a business  
11 ecosystems area, its governing body must adopt an ordinance and  
12 notify the sponsoring local government that the taxing authority will  
13 not be a participating local government.

14 (b) The local government must provide a copy of the adopted  
15 ordinance and the notice to the sponsoring local government creating  
16 the business ecosystems area before the anticipated date that the  
17 sponsoring local government proposes to adopt an ordinance creating  
18 the business ecosystems area as provided in the notice required by  
19 section 4 of this act.

20 NEW SECTION. **Sec. 8.** LOCAL PROPERTY TAX ALLOCATION REVENUES—  
21 DISTRIBUTION—DETERMINATION—TERMINATION—EXCEPTION. (1) Commencing in  
22 the second calendar year following the creation of a business  
23 ecosystems area by a sponsoring local government, the county  
24 treasurer must distribute receipts from regular taxes imposed on real  
25 property located in the business ecosystems area as follows:

26 (a) Each participating taxing district and the sponsoring local  
27 government must receive that portion of its regular property taxes  
28 produced by the rate of tax levied by or for the taxing district on  
29 the property tax allocation revenue base value for that building  
30 business ecosystems financing project in the taxing district; and

31 (b) The sponsoring local government must receive an additional  
32 portion of the regular property taxes levied by it and by or for each  
33 participating taxing district upon the property tax allocation  
34 revenue value within the business ecosystems area. However, if there  
35 is no property tax allocation revenue value, the sponsoring local  
36 government may not receive any additional regular property taxes  
37 under this subsection (1)(b). The sponsoring local government may  
38 agree to receive less than the full amount of the additional portion

1 of regular property taxes under this subsection (1)(b) as long as  
2 bond debt service, reserve, and other bond covenant requirements are  
3 satisfied, in which case the balance of these tax receipts shall be  
4 allocated to the participating taxing districts that levied regular  
5 property taxes, or have regular property taxes levied for them, in  
6 the business ecosystems area for collection that year in proportion  
7 to their regular tax levy rates for collection that year. The  
8 sponsoring local government may request that the treasurer transfer  
9 this additional portion of the property taxes to its designated  
10 agent. The portion of the tax receipts distributed to the sponsoring  
11 local government or its agent under this subsection (1)(b) may only  
12 be expended to finance public improvement costs associated with the  
13 public improvements financed in whole or in part by building business  
14 ecosystems financing.

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

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

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

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

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

4 (6) This section does not apply to a business ecosystems area  
5 that has boundaries that include all or a portion of the boundaries  
6 of an increment area created under chapter 39.89 RCW.

7 NEW SECTION. **Sec. 9.** LOCAL SALES AND USE TAX INCREMENTS. (1) A  
8 sponsoring local government may use annually local sales and use tax  
9 amounts equal to some or all of its local sales and use tax  
10 increments to finance public improvements in the business ecosystems  
11 area. The amounts of local sales and use tax dedicated by a  
12 participating local government must begin and cease on the dates  
13 specified in an interlocal agreement authorized in chapter 39.34 RCW.  
14 Participating local governments are authorized to allocate some or  
15 all of their local sales and use tax increment to the sponsoring  
16 local government as provided by section 6 or 7 of this act.

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

25 NEW SECTION. **Sec. 10.** APPLICATION PROCESS. (1) Prior to  
26 applying to the department to receive a state contribution, a  
27 sponsoring local government must adopt a business ecosystems area  
28 within the limitations in section 5 of this act and in accordance  
29 with section 4 of this act.

30 (2)(a) As a condition to imposing a sales and use tax under  
31 section 15 of this act, a sponsoring local government must apply to  
32 the department and be approved for a project award amount. The  
33 application must be in a form and manner prescribed by the department  
34 and include, but not be limited to:

35 (i) Information establishing that over the period of time that  
36 the local sales and use tax will be imposed under section 15 of this  
37 act, increases in state and local property and sales and use tax  
38 revenues as a result of public improvements in the business

1 ecosystems area will be equal to or greater than the respective state  
2 and local contributions made under this chapter;

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

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

7 (iv) The anticipated effective date for imposing the tax under  
8 section 15 of this act;

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

10 (vi) The anticipated rate of tax to be imposed under section 15  
11 of this act, subject to the rate-setting conditions in section 15(3)  
12 of this act, should the sponsoring local government be approved for a  
13 project award;

14 (vii) The anticipated date when bonds issued under section 11 of  
15 this act will be issued;

16 (viii) The name of current businesses located within the business  
17 ecosystems area;

18 (ix) The estimated number of businesses that will locate within  
19 the business ecosystems area as a result of the public improvements  
20 undertaken by the sponsoring local government and financed in whole  
21 or in part with building business ecosystems financing;

22 (x) The current number of permanent jobs located in the business  
23 ecosystems area;

24 (xi) An estimate of the number of permanent jobs that will be  
25 created as a result of public improvements undertaken by the  
26 sponsoring local government and financed in whole or in part with  
27 building business ecosystems financing;

28 (xii) The current estimate of the average wages and benefits  
29 received by all employees of businesses located within the business  
30 ecosystems area; and

31 (xiii) Any other information required by the department to  
32 evaluate the merits of the application.

33 (b) As part of the application, each applicant must provide to  
34 the department a copy of the adopted ordinance creating the business  
35 ecosystems area as required in section 4 of this act, copies of any  
36 adopted interlocal agreements from participating local governments,  
37 and any notices from taxing districts that elect not to be a  
38 participating taxing district.

39 (3) (a) Project awards for three projects must be determined  
40 through a competitive process. In evaluating applications for a

1 project award, the department must develop the relative weight to be  
2 assigned to the following criteria:

3 (i) The project's potential to enhance the sponsoring local  
4 government's regional or international competitiveness;

5 (ii) The project's ability to encourage affordable housing, mixed  
6 use or transit-oriented developments and the redevelopment of a  
7 geographic area;

8 (iii) Achieving an overall distribution of projects statewide  
9 that reflect geographic diversity;

10 (iv) The estimated wages and benefits for the project are greater  
11 than the average labor market area;

12 (v) The estimated state and local net employment change over the  
13 life of the project;

14 (vi) The current economic health and vitality of the proposed  
15 business ecosystems area and the contiguous community and the  
16 estimated impact of the proposed project on the proposed business  
17 ecosystems area and contiguous community;

18 (vii) The estimated state and local net property tax change over  
19 the life of the project;

20 (viii) The estimated state and local sales and use tax increase  
21 over the life of the project;

22 (ix) If a project is located within an urban growth area,  
23 evidence that the project utilizes existing urban infrastructure and  
24 that the transportation needs of the project will be adequately met  
25 through the use of dedicated building business ecosystems financing  
26 or other sources.

27 (b) A project award for the three projects are as follows:

28 (i) One million dollars per year for a twenty-year period;

29 (ii) Eight hundred thousand dollars per year for a twenty-five  
30 year period; or

31 (iii) Six hundred sixty-five thousand dollars per year for a  
32 thirty-year period.

33 (c) The total of all project awards may not exceed the annual  
34 state contribution limit in section 15 of this act.

35 (d) (i) Two million five hundred thousand dollars of the total  
36 project award amount must be used annually only for projects in rural  
37 jurisdictions or designated opportunity zones. If as of December 31st  
38 of any year, less than two million five hundred thousand dollars is  
39 awarded to rural projects under this subsection in any year, the  
40 difference between the amount awarded under this subsection to rural



1 projects and two million five hundred thousand dollars may be made  
2 available to any otherwise qualifying project that has applied under  
3 this section in that year. To qualify for funding under this  
4 subsection, a rural project must start construction no later than  
5 December 31, 2025. If a rural project that is awarded funding under  
6 this section does not start construction by December 31, 2025, such  
7 award amount must be made available to any qualifying applicants  
8 under this section that apply in 2026 for such funding.

9 (ii) For the purposes of this subsection, "rural" means any  
10 location, whether or not planning under RCW 36.70A.040, that is not  
11 within:

12 (A) A city or town that has a population of greater than fifty  
13 thousand persons, as determined by the office of financial  
14 management; or

15 (B) An urbanized area contiguous and adjacent to a city or town  
16 described in (d)(i) of this subsection.

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

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

28 (g) Once total project awards reach the amount of annual state  
29 contribution limit in section 15 of this act, no more applications  
30 will be accepted.

31 (h) If the annual contribution limit is increased by making  
32 additional funds available for applicants that apply through a  
33 competitive process, applications will be accepted again beginning  
34 sixty days after the effective date of the increase. However, in the  
35 time period before any new applications are accepted, all sponsoring  
36 local governments with a complete application already on file with  
37 the department must be provided an opportunity to either withdraw  
38 their application or update the information in the application. The  
39 updated application must be for a project that is substantially the  
40 same as the project in the original application. The department must

1 consider these applications for project awards prior to considering  
2 any new applications.

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

13 (5) The department must begin accepting applications September 1,  
14 2019, and make awards by September 1, 2020. The department must  
15 notify the department of revenue of all approved project awards under  
16 this section. The department must also provide to the department of  
17 revenue any information necessary to implement the tax authorized  
18 under section 15 of this act.

19 (6) No funding may be awarded under this chapter after June 30,  
20 2051.

21 NEW SECTION. **Sec. 11.** ISSUANCE OF GENERAL OBLIGATION BONDS. (1)  
22 A sponsoring local government creating a business ecosystems area and  
23 authorizing the use of building business ecosystems financing may  
24 incur general indebtedness, including issuing general obligation  
25 bonds, to finance the public improvements and retire the indebtedness  
26 in whole or in part from building business ecosystems financing it  
27 receives, subject to the following requirements:

28 (a) (i) The ordinance adopted by the sponsoring local government  
29 creating the business ecosystems area and authorizing the use of  
30 building business ecosystems financing indicates an intent to incur  
31 this indebtedness and the maximum amount of this indebtedness that is  
32 contemplated; and

33 (ii) The sponsoring local government includes this statement of  
34 intent in all notices required by section 4 of this act; or

35 (b) The sponsoring local government adopts a resolution, after  
36 opportunity for public comment, that indicates an intent to incur  
37 this indebtedness and the maximum amount of this indebtedness that is  
38 contemplated.

1 (2) The general indebtedness incurred under subsection (1) of  
2 this section may be payable from other tax revenues, the full faith  
3 and credit of the sponsoring local government, and nontax income,  
4 revenues, fees, and rents from the public improvements, as well as  
5 contributions, grants, and nontax money available to the local  
6 government for payment of costs of the public improvements or  
7 associated debt service on the general indebtedness.

8 (3) In addition to the requirements in subsection (1) of this  
9 section, a sponsoring local government creating a business ecosystems  
10 area and authorizing the use of building business ecosystems  
11 financing may require any nonpublic participants to provide adequate  
12 security to protect the public investment in the public improvement  
13 within the business ecosystems area.

14 (4) Bonds issued under this section must be authorized by  
15 ordinance of the sponsoring local government and may be issued in one  
16 or more series and must bear a date or dates, be payable upon demand  
17 or mature at a time or times, bear interest at a rate or rates, be in  
18 a denomination or denominations, be in a form either coupon or  
19 registered as provided in RCW 39.46.030, carry conversion or  
20 registration privileges, have a rank or priority, be executed in a  
21 manner, be payable in a medium of payment, at a place or places, and  
22 be subject to terms of redemption with or without premium, be secured  
23 in a manner, and have other characteristics, as may be provided by an  
24 ordinance or trust indenture or mortgage issued pursuant thereto.

25 (5) The sponsoring local government may:

26 (a) Annually pay into a special fund to be established for the  
27 benefit of bonds issued under this section a fixed proportion or a  
28 fixed amount of any local property tax allocation revenues derived  
29 from property within the business ecosystems area containing the  
30 public improvements funded by the bonds, the payment to continue  
31 until all bonds payable from the fund are paid in full;

32 (b) Annually pay into the special fund established pursuant to  
33 this section a fixed proportion or a fixed amount of any revenues  
34 derived from taxes imposed under section 15 of this act, such payment  
35 to continue until all bonds payable from the fund are paid in full;  
36 and

37 (c) Issue revenue bonds payable from any or all revenues  
38 deposited in the special fund established pursuant to this section.

39 (6) In case any of the public officials of the sponsoring local  
40 government whose signatures appear on any bonds or any coupons issued

1 under this chapter cease to be the officials before the delivery of  
2 the bonds, the signatures must, nevertheless, be valid and sufficient  
3 for all purposes, the same as if the officials had remained in office  
4 until the delivery. Any provision of any law to the contrary  
5 notwithstanding, any bonds issued under this chapter are fully  
6 negotiable.

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

10 NEW SECTION. **Sec. 12.** USE OF TAX REVENUE FOR BOND REPAYMENT. A  
11 sponsoring local government that issues bonds issued under section 11  
12 of this act to finance public improvements may pledge for the payment  
13 of such bonds all or part of any local property tax allocation  
14 revenues derived from the public improvements. The sponsoring local  
15 government may also pledge all or part of any revenues derived from  
16 taxes imposed under section 15 of this act and held in connection  
17 with the public improvements.

18 NEW SECTION. **Sec. 13.** LIMITATION ON BONDS ISSUED. The bonds  
19 issued by a local government under section 11 of this act to finance  
20 public improvements do not constitute an obligation of the state of  
21 Washington, either general or special.

22 NEW SECTION. **Sec. 14.** REPORTING REQUIREMENTS. (1) A sponsoring  
23 local government receiving a project award under section 10 of this  
24 act must provide a report to the department by March 1st of each year  
25 beginning March 1st after the project award has been approved. The  
26 report must contain the following information:

27 (a) The amount of local sales and use tax and other revenue from  
28 local public sources dedicated by any participating local government  
29 used for the payment of bonds issued under section 11 of this act and  
30 public improvement costs within the business ecosystems area on a  
31 pay-as-you-go basis in the preceding calendar year;

32 (b) The amount of local sales and use tax dedicated by the  
33 sponsoring local government, as it relates to the sponsoring local  
34 government's local sales and use tax increment, used for the payment  
35 of bonds issued under section 11 of this act and public improvement  
36 costs within the business ecosystems area on a pay-as-you-go basis in  
37 the preceding calendar year;

1 (c) The amounts, other than those listed in (a) and (b) of this  
2 subsection, from local public sources, broken down by type or source,  
3 used for payment of bonds issued under section 11 of this act or  
4 public improvement costs within the business ecosystems area on a  
5 pay-as-you-go basis in the preceding calendar year;

6 (d) The anticipated date when bonds issued under section 11 of  
7 this act are expected to be retired;

8 (e) The names of any businesses locating within the business  
9 ecosystems area as a result of the public improvements undertaken by  
10 the sponsoring local government and financed in whole or in part with  
11 building business ecosystems financing;

12 (f) An estimate of the cumulative number of permanent jobs  
13 created in the business ecosystems area as a result of the public  
14 improvements undertaken by the sponsoring local government and  
15 financed in whole or in part with building business ecosystems  
16 financing;

17 (g) An estimate of the average wages and benefits received by all  
18 employees of businesses locating within the business ecosystems area  
19 as a result of the public improvements undertaken by the sponsoring  
20 local government and financed in whole or in part with building  
21 business ecosystems financing;

22 (h) A list of public improvements financed by bonds issued under  
23 section 11 of this act and public improvements made on a pay-as-you-  
24 go basis within the business ecosystems area;

25 (i) That the sponsoring local government is in compliance with  
26 section 3 of this act;

27 (j) At least once every three years, updated estimates of the  
28 amounts of state and local sales and use tax increments received  
29 since the approval by the department of the project award under  
30 section 10 of this act;

31 (k) The amount of revenues from local public sources that (i)  
32 were expended in prior years for the payment of bonds issued under  
33 section 11 of this act and public improvement costs within the  
34 business ecosystems area on a pay-as-you-go basis in prior calendar  
35 years that were in excess of the project award amount for that year  
36 and are carried forward for dedication in future years, (ii) are  
37 deemed dedicated to payment of bonds or public improvement costs in  
38 the calendar year for which the report is prepared, and (iii) remain  
39 available for dedication in future years; and

1 (1) Any other information required by the department to (i)  
2 enable the department to fulfill its duties under this chapter, and  
3 (ii) enable the department of revenue to fulfill its duties under  
4 section 15 of this act.

5 (2) The department must make a report available to the public and  
6 the legislature by June 1st of each year. The report must include a  
7 summary of the information provided to the department by sponsoring  
8 local governments under subsection (1) of this section.

9 NEW SECTION. **Sec. 15.** A new section is added to chapter 82.14  
10 RCW to read as follows:

11 (1) Any city or county that has been approved for a project award  
12 under section 10 of this act may impose a sales and use tax under the  
13 authority of this section in accordance with the terms of this  
14 chapter. Except as provided in this section, the tax is in addition  
15 to other taxes authorized by law and must be collected from those  
16 persons who are taxable by the state under chapters 82.08 and 82.12  
17 RCW upon the occurrence of any taxable event within the taxing  
18 jurisdiction of the city or county.

19 (2) The tax authorized under subsection (1) of this section is  
20 credited against the state taxes imposed under RCW 82.08.020(1) and  
21 82.12.020 at the rate provided in RCW 82.08.020(1). The department  
22 must perform the collection of such taxes on behalf of the city or  
23 county at no cost to the city or county. The taxes must be  
24 distributed to cities and counties as provided in RCW 82.14.060.

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

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

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

30 (ii) The aggregate rates of all taxes under RCW 82.14.465,  
31 82.14.475, 82.14.510, and this section that are authorized but have  
32 not yet been imposed on the same taxable events by a city or county  
33 that has been approved to receive a state contribution by the  
34 department, the department of commerce, or the community economic  
35 revitalization board under chapter 39.--- (the new chapter created in  
36 section 16 of this act), 39.100, 39.102, or 39.104 RCW; and

37 (iii) The percentage amount of distributions required under RCW  
38 82.08.020(5) multiplied by the rate of state taxes imposed under RCW  
39 82.08.020(1); and

1 (b) The rate, as determined by the city or county in consultation  
2 with the department, reasonably necessary to receive the project  
3 award under section 10 of this act over ten months.

4 (4) Upon request, the department of commerce, with assistance  
5 from the department, must assist a city or county in establishing its  
6 tax rate in accordance with subsection (3) of this section. Once the  
7 rate of tax is selected through the application process and approved  
8 under section 10 of this act, it may not be increased.

9 (5) (a) No tax may be imposed under the authority of this section  
10 before July 1st of the calendar year immediately following the year  
11 in which the department of commerce approved the application made  
12 under section 10 of this act;

13 (b) The tax imposed under this section expires the earlier of the  
14 date that the bonds issued under the authority of section 11 of this  
15 act are retired or thirty years after the tax is first imposed.

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

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

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

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

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

29 (ii) The amount of revenue distributed to all sponsoring and  
30 cosponsoring local governments from taxes imposed under this section  
31 equals the annual state contribution limit in subsection (11) of this  
32 section;

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

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

39 (7) If a city or county receives approval for more than one  
40 business ecosystems area within its jurisdiction, the city or county

1 may impose a sales and use tax under this section for each business  
2 ecosystems area.

3 (8) The department must determine the amount of tax receipts  
4 distributed to each city and county imposing a sales and use tax  
5 under the authority of this section and must advise a city or county  
6 when tax distributions for the fiscal year equal the amount  
7 determined by the department in subsection (10) of this section.  
8 Determinations by the department of the amount of tax distributions  
9 attributable to a city or county are not appealable. The department  
10 must remit any tax receipts in excess of the amounts specified in  
11 subsection (6)(c) of this section to the state treasurer who must  
12 deposit the money in the general fund.

13 (9) If a city or county fails to comply with section 14 of this  
14 act, no tax may be distributed in the subsequent fiscal year until  
15 such time as the city or county complies and the department  
16 calculates the state contribution amount according to subsection (10)  
17 of this section for the fiscal year.

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

23 (a) The state contribution;

24 (b) The amount of project award granted by the department of  
25 commerce as provided in section 10 of this act; or

26 (c) The total amount of revenues from local public sources  
27 dedicated or, in the case of carry forward revenues, deemed dedicated  
28 in the preceding calendar year, as reported in the required annual  
29 report under section 14 of this act.

30 (11) The amount of tax distributions received from taxes imposed  
31 under the authority of this section by all cities and counties is  
32 limited annually to not more than the amount of the annual state  
33 contribution limit, which is limited as follows:

34 (a) Except as provided in this subsection, no more than four  
35 million nine hundred sixty-five thousand dollars of credit against  
36 the state sales and use tax may be received by all cities, towns, and  
37 counties imposing a tax under this section; and

38 (b) During the fiscal years beginning July 1, 2022, through June  
39 30, 2025, and for each subsequent fiscal year, the total amount of  
40 credit against the state sales and use tax that may be received by



1 all cities, towns, and counties imposing a tax under this section  
2 must be increased as follows:

3 (i) In the fiscal year beginning July 1, 2022, the limit in (a)  
4 of this subsection must be increased by the same percentage as the  
5 percentage increase in the assessed value of all taxable property  
6 within this state from calendar year 2019 through calendar year 2020,  
7 as determined by the department;

8 (ii) In the fiscal year beginning July 1, 2023, the limit in (a)  
9 of this subsection must be increased by the same percentage as the  
10 percentage increase in the assessed value of all taxable property  
11 within this state from calendar year 2019 through calendar year 2021,  
12 as determined by the department; and

13 (iii) In the fiscal year beginning July 1, 2024, and for each  
14 subsequent fiscal year, the limit in (a) of this subsection must be  
15 increased by the same percentage increase in the assessed value of  
16 all taxable property within this state from calendar year 2019  
17 through calendar year 2022, as determined by the department.

18 (12) The definitions in section 2 of this act apply to this  
19 section subject to subsection (13) of this section and unless the  
20 context clearly requires otherwise.

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

23 (a) "Department" means the department of revenue.

24 (b) "Local sales and use taxes" means sales and use taxes imposed  
25 by cities, counties, public facilities districts, and other local  
26 governments under the authority of this chapter, chapter 67.28 RCW,  
27 or any other chapter, and that are credited against the state sales  
28 and use taxes.

29 (c) "State sales and use taxes" means the taxes imposed in RCW  
30 82.08.020(1) and 82.12.020.

31 NEW SECTION. **Sec. 16.** Sections 1 through 14 of this act  
32 constitute a new chapter in Title 39 RCW.

--- END ---