



News Alerts

Tax Increment Financing...Take Three?

The Local Revitalization Financing (LRF) Program

June 16, 2009 - Two pieces of legislation came out of the 2009 session to expand the availability of tax increment financing (TIF) for use in Washington state. First, a new Local Revitalization Financing (LRF) was created by [Laws of 2009, Chapter 270](#) (Second Substitute Senate Bill 5045). Second, the Local Improvement Financing Tool (LIFT) was amended by [Laws of 2009, Chapter 267](#) (Engrossed Substitute Senate Bill 5901) to improve viability and ease of administration.

As a result, there are currently multiple forms of TIF authorized in Washington:

Type	Statute	Source of Funds	Application?
Community Revitalization Financing (CRF)	Ch. 39.89 RCW	<ul style="list-style-type: none"> Local property tax only 	N/A
Local Infrastructure Financing Tool (LIFT)	Ch. 39.102 RCW	<ul style="list-style-type: none"> Local property tax State sales tax contribution 	Closed
Local Revitalization Financing (LRF)	Laws of 2009, c.270	<ul style="list-style-type: none"> Local property tax State sales tax contribution 	9/1/2009 ¹
Hospital Benefit Zone (HBZ)	Ch. 39.100 RCW	<ul style="list-style-type: none"> State sales tax contribution only 	Closed

We have prepared a more detailed comparison chart comparing LIFT, LRF, CRF and HBZ, available [here](#).

Local Revitalization Financing

LRF, the most recent addition to the state's TIF laws, captures a local property tax increment based on new construction value within a designated revitalization area, and makes a state contribution available to approved jurisdictions in the form of a local option sales tax credited against the state sales tax. To use LRF, a city or county must create a revitalization area within its boundaries and identify *public improvements*² that will be undertaken. Local Revitalization Financing may be used to repay general obligation bonds or to pay certain *public improvement costs* on a "pay-as-you-go" basis. The state contribution of sales tax revenues may only be used to repay bonds, and the state contribution will not be received until after those bonds have been issued. The maximum state contribution available under this legislation is \$500,000 per revitalization area per year, with an aggregate statewide limitation of \$2.5 million (excluding the amounts allocated in the legislation to demonstration projects).

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Application Process for State Contribution.

Beginning on September 1, 2009, the Department of Revenue (DOR) will accept applications for the state contribution under LRF from cities, towns and counties. Electronic submission is required. (Demonstration projects identified in the legislation must apply before September 1, 2009.) The application process is not competitive, instead each application that meets the statutory requirements will receive an award, on a first-come, first-served (FCFS) basis until the aggregate limit of \$2.5 million is reached. Applicants in the pool at the time the limit is reached will retain their place in line if future funding becomes available. The applications for demonstration projects will be available at the end of June, and for the FCFS round in mid-August.

Before submitting an application, the applicant must have adopted an ordinance creating a revitalization area, including requirements for notice and a public hearing, and must have compiled certain data necessary to complete the application. The local government must also have entered into a contract with, or received letter of intent from, a private developer for the development of private improvements within the designated revitalization area. So, given the notice periods required under statute, any jurisdiction hoping to submit an application should start compiling information for that application now.

Note that it may be possible to access the local property tax revenues available under the LRF legislation without applying for a state contribution. An application to DOR for approval may be necessary, and information about that process is expected to be forthcoming.

Coordination with Overlapping Taxing Districts

One major difference between LRF and LIFT is that overlapping taxing districts are automatically included as "participating" unless they "opt out" of the revitalization area. Every overlapping taxing district is entitled to receive notice at least 30 days before the sponsoring local government's public hearing. If the overlapping taxing district desires to opt out, it must adopt an ordinance or resolution doing so before the sponsoring local government adopts its ordinance designating the revitalization area.

Additional Questions?

There are many details and procedures involved in using any of the TIF tools described above, including notice provisions, tax estimation requirements, and limitations. For further information about any of these programs, please contact [Hugh Spitzer](#) (206.447.8965), [Alice Ostdiek](#) (206.447.4663), or [Mike Schechter](#) (206.447.4669) in our Seattle office, or [Jeff Nave](#) (509.777.1601) in our Spokane office.

¹ Demonstration projects must apply before September 1, 2009; competitive pool applicants may apply after September 1, 2009. In addition, jurisdictions may take advantage of a local property tax only version by complying with the formation and ordinance requirements, and seeking "approval" of their revitalization area by Department of Revenue. DOR has not yet determined what this application and approval process might look like and the statute does not provide any related deadlines.

² Eligible public improvements include: street, road, bridge, and rail construction and maintenance; water and sewer system construction and improvements; sidewalks, streellights, landscaping, and streetscaping; parking, terminal, and dock facilities; park & ride facilities of a transit authority; park facilities, recreational areas, and environmental remediation; storm water and drainage

management systems; electric, gas, fiber, and other utility infrastructures; environmental analysis, professional management, planning, promotion, maintenance, security or historic preservation activities in the revitalization area.

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Comparison of Tax Increment Financing Statutes in Washington

	Community Revitalization Financing (CRF) Chapter 39.89 RCW	Local Infrastructure Financing Tool (LIFT) Chapter 39.102 RCW ¹	Local Revitalization Financing (LRF) Laws of 2009, chapter 270	Hospital Benefit Zone (HBZ) Financing Chapter 39.100 RCW
Who may use?	Cities, towns, counties and port districts	City, town, county, port district or tribe	Cities, towns, counties and port districts ²	Cities, towns, counties
What type of revenues?	Property tax only	Property tax and sales tax	Property tax and sales tax	Sales tax only
State Approval Required?	<ul style="list-style-type: none"> No. State approval is <u>not</u> required to use CRF. 	<ul style="list-style-type: none"> Yes, through Community Economic Revitalization Board (CERB). Currently closed to applications. 	<ul style="list-style-type: none"> Yes. DOR approval is necessary to receive state contribution (Sept. 1, 2009 deadline³) DOR approval of RA also appears to be required for the property tax portion.⁴ 	<ul style="list-style-type: none"> Yes. State approval is required to receive state contribution. Currently no allocation of state contributions available.
Maximum state contribution?	N/A (State approval not required.)	<ul style="list-style-type: none"> Up to \$1 million of state-shared revenues per year per applicant Aggregate state contribution cap \$7.5 million per fiscal year 	<ul style="list-style-type: none"> Up to \$500,000 per year per applicant Aggregate limit (\$2.25 million for demonstration projects; \$2.5 million for other applicants) 	<ul style="list-style-type: none"> Application round currently closed. Award amount up to \$2 million of state-shared revenues per applicant; Aggregate cap of state share \$2 million.
Geographic boundaries:	Must be within boundaries of the taxing district(s) creating the increment area (IA).	<ul style="list-style-type: none"> Must be within boundaries of the taxing district(s) creating the revenue development area (RDA) “deemed in need of economic development or redevelopment” May not overlap with an HBZ, another RDA, or an IA (except IAs created before 2006) Must include the public improvements Must be limited to contiguous tracts and may not “purposely exclude” parcels where economic growth is unlikely to occur At the time the RDA is created, total AV within RDA may not exceed \$1B; average AV per sf may not exceed \$70; total AV may not exceed >25% of sponsoring local government’s total AV Boundaries may not be changed while LIFT in use 	<ul style="list-style-type: none"> Must be within boundaries of the taxing district(s) creating the revitalization area (RA) May not overlap with an HBZ, RDA, IA or another LRF revitalization area. Must include the public improvements and “adjacent locations” likely to see economic benefit due to the public improvements, “such as a neighborhood or a block” Must be limited to contiguous tracts and may not “purposely exclude” parcels where economic growth is unlikely to occur At the time the RA is created, it may not contain >25% of the total AV of the sponsoring local government Boundaries may not be changed while LRF in use 	<ul style="list-style-type: none"> Must be within boundaries of the taxing district(s) creating the benefit zone (BZ) and may not overlap another HBZ or RDA. Must support development of a hospital with a Certificate of Need (CN) issued by the State.

¹ As amended by ESSB 5901 (Laws of 2009, ch. 267).

² Port districts are may not impose the local option sales and use tax, and therefore may only use the property tax portion of the LRF statute or must act in cooperation with a city or county.

³ For demonstration projects listed in the legislation, applications must be submitted no later than September 1, 2009. For other applications, DOR will begin accepting them on September 1, 2009 and will stop accepting them when the statewide aggregate limit is fully allocated.

⁴ DOR has indicated that the intent was to permit local taxing districts to utilize a property tax only version without requiring State approval through the formal process required for . However, the key term “revitalization area” is defined to include the concept of DOR approval of a revitalization area, though it does not specify how this “approval” may be obtained. DOR has indicated that it will likely provide some alternative approval letter for these types of projects, but has not yet determined how that will work. There is no limit on the number that may be approved and it should not be a competitive process.

	Community Revitalization Financing (CRF) Chapter 39.89 RCW	Local Infrastructure Financing Tool (LIFT) Chapter 39.102 RCW ¹	Local Revitalization Financing (LRF) Laws of 2009, chapter 270	Hospital Benefit Zone (HBZ) Financing Chapter 39.100 RCW
<p>What public improvements may be financed?</p>	<ul style="list-style-type: none"> • Street and road construction and maintenance • Water and sewer system construction and improvements • Sidewalks and streetlights • Parking, terminal, and dock facilities • Park and ride facilities of a transit authority • Park facilities and recreational areas • Storm water and drainage management systems • Expenditures for: <ul style="list-style-type: none"> ○ Providing environmental analysis, professional management, planning, and promotion within the IA, including the management and promotion of retail trade activities ○ Providing maintenance and security for common or public areas in the IA ○ Historic preservation activities authorized under RCW 35.21.395. 	<ul style="list-style-type: none"> • Street, bridge, and road construction and maintenance, including highway interchange construction • Water and sewer system construction and improvements, including wastewater reuse facilities • Sidewalks, traffic controls, and streetlights • Parking, terminal, and dock facilities • Park and ride facilities of a transit authority • Park facilities and recreational areas, including trails • Storm water and drainage management systems • Expenditures for facilities and improvements that support affordable housing • All public improvements must be identified in the capital facilities, utilities, housing, or transportation element of a comprehensive plan or used for public improvements that are historical preservation activities as defined in RCW 39.89.020. • May <u>not</u> be used to finance costs of public facilities funded with the sales tax for PFDs or regional centers. 	<ul style="list-style-type: none"> • Streets, roads, bridges, and rail construction and maintenance • Water and sewer system construction and improvement • Sidewalks, streetlights, landscaping, streetscaping • Parking, terminal dock facilities • Park and ride facilities of a transit authority • Park facilities, recreational areas, and environmental remediation • Storm water and drainage management systems • Electric, gas, fiber, and other utility infrastructure • Expenditures for: <ul style="list-style-type: none"> ○ Providing environmental analysis, professional management, planning, and promotion within the RA, including the management and promotion of retail trade activities ○ Providing maintenance and security for common or public areas in the RA ○ Historic preservation activities authorized under RCW 35.21.395. • May <u>not</u> be used to finance costs of public facilities funded with the sales tax for PFDs or regional centers. 	<ul style="list-style-type: none"> • Street and road construction and maintenance • Water and sewer system construction and improvements • Sidewalks and streetlights • Parking, terminal, and dock facilities • Park and ride facilities of a transit authority • Park facilities and recreational areas • Storm water and drainage management systems

	Community Revitalization Financing (CRF) Chapter 39.89 RCW	Local Infrastructure Financing Tool (LIFT) Chapter 39.102 RCW¹	Local Revitalization Financing (LRF) Laws of 2009, chapter 270	Hospital Benefit Zone (HBZ) Financing Chapter 39.100 RCW
What costs may be paid on a pay-as-you-go (PAYGO) basis?	<p><i>Public improvement costs:</i></p> <ul style="list-style-type: none"> • Design, planning, acquisition, site preparation, construction, reconstruction, rehabilitation, improvement, and installation of public improvements • Relocating, maintaining, and operating property pending construction of public improvements • Relocating utilities as a result of public improvements • Financing public improvements, including interest during construction, legal and other professional services, taxes, insurance, principal and interest costs on general indebtedness issued to finance public improvements, and any necessary reserves for general indebtedness • Assessments incurred in revaluing real property for the purpose of determining the tax allocation base value that are in excess of costs incurred by the assessor in accordance with the revaluation plan under chapter 84.41 RCW, and the costs of apportioning the taxes and complying with this chapter and other applicable law • Administrative expenses and feasibility studies reasonably necessary and related to these costs, including related costs that may have been incurred before adoption of the ordinance authorizing the public improvements and the use of CRF to fund the costs of the public improvements. 	<p><i>Public improvement costs:</i></p> <ul style="list-style-type: none"> • Design, planning, acquisition including land acquisition, site preparation including land clearing, construction, reconstruction, rehabilitation, improvement, and installation of public improvements • Demolishing, relocating, maintaining, and operating property pending construction of public improvements • The local government's portion of relocating utilities as a result of public improvements • Financing public improvements, including interest during construction, legal and other professional services, taxes, insurance, principal and interest costs on general indebtedness issued to finance public improvements, and any necessary reserves for general indebtedness • Assessments incurred in revaluing real property for the purpose of determining the property tax allocation revenue base value that are in excess of costs incurred by the assessor in accordance with the revaluation plan under chapter 84.41 RCW, and the costs of apportioning the taxes and complying with this chapter and other applicable law • Administrative expenses and feasibility studies reasonably necessary and related to these costs • Any of the above-described costs that may have been incurred before adoption of the ordinance authorizing the public improvements and the use of local infrastructure financing to fund the costs of the public improvements. 	<p><i>Public improvement costs:</i></p> <ul style="list-style-type: none"> • Design, planning, acquisition, including land acquisition, site preparation including land clearing, construction, reconstruction, rehabilitation, improvement, and installation of public improvements • Demolishing, relocating, maintaining, and operating property pending construction of public improvements • Relocating utilities as a result of public improvements • Financing public improvements, including interest during construction, legal and other professional services, taxes, insurance, principal and interest costs on general indebtedness issued to finance public improvements, and any necessary reserves for general indebtedness • Administrative expenses and feasibility studies reasonably necessary and related to these costs, including related costs that may have been incurred before adoption of the ordinance authorizing the public improvements and the use of LRF to fund the costs of the public improvements. 	<p><i>Public improvement costs:</i></p> <ul style="list-style-type: none"> • Design, planning, acquisition including land acquisition, site preparation including land clearing, construction, reconstruction, rehabilitation, improvement, and installation of public improvements; • Demolishing, relocating, maintaining, and operating property pending construction of public improvements; • Relocating utilities as a result of public improvements • Financing public improvements, including interest during construction, legal and other professional services, taxes, insurance, principal and interest costs on indebtedness issued to finance public improvements, and any necessary reserves for indebtedness; and • Administrative expenses and feasibility studies reasonably necessary and related to these costs, including related costs that may have been incurred before adoption of the ordinance authorizing the public improvements and the use of HBZ financing to fund the costs of the public improvements

	Community Revitalization Financing (CRF) Chapter 39.89 RCW	Local Infrastructure Financing Tool (LIFT) Chapter 39.102 RCW¹	Local Revitalization Financing (LRF) Laws of 2009, chapter 270	Hospital Benefit Zone (HBZ) Financing Chapter 39.100 RCW
How are local property tax increment revenues measured?	<p><i>Tax allocation revenues equal:</i></p> <ul style="list-style-type: none"> Property tax revenue from levy of regular property tax on the <i>increment value</i>: <ul style="list-style-type: none"> <i>Increment value</i> includes 75% of new construction assessed value (AV), plus 75% of any other increase in assessed value 	<p><i>Local property tax allocation revenue equals</i></p> <ul style="list-style-type: none"> Property tax revenue from levy of regular property tax rate on the <i>property tax allocation revenue value</i>: <ul style="list-style-type: none"> 75% of the new construction AV (new construction must be initiated after RDA approved) and the value of conversion or rehabilitation that is treated as “new construction” under ch, 84.55 RCW.⁵ New construction value accumulates, but does not include any increase in AV after the new construction or improvements are initially placed on the tax rolls, except in the case of “entire buildings”. 	<p><i>Local property tax allocation revenue equals</i></p> <ul style="list-style-type: none"> Property tax revenue from levy of regular property tax rate on the <i>property tax allocation revenue value</i>: <ul style="list-style-type: none"> 75% of the new construction AV (new construction must be initiated after RA approved) and the value of conversion or rehabilitation that is treated as “new construction” under ch, 84.55 RCW.⁶ New construction value accumulates, but does not include any increase in AV after the new construction or improvements are initially placed on the tax rolls, except in the case of “entire buildings”. 	Not Applicable
How is the annual state contribution of sales tax revenues measured?	N/A	<p>Annual <i>state contribution</i> is the <u>least</u> of:</p> <ul style="list-style-type: none"> \$1,000,000 Project award amount The total \$ amount from <i>local excise tax allocation revenues, local property tax allocation revenues, and other revenues from local public sources</i>, dedicated in the preceding calendar year to repay LIFT bonds or to pay <i>public improvement costs</i> 	<p>Annual <i>state contribution</i> is the <u>least</u> of:</p> <ul style="list-style-type: none"> \$500,000 Project award amount The total amount of revenues from <i>local public sources</i> dedicated in the preceding calendar year to repay LRF bonds or pay <i>public improvement costs</i>. Revenues from <i>local public sources</i> dedicated in the preceding calendar year that are in excess of the project award may be carried forward and used in later years 	<p>Annual <i>state contribution</i> is the <u>lesser</u> of:</p> <ul style="list-style-type: none"> \$2 million Amount of <i>excess state excise taxes</i> received by state during preceding calendar year

⁵ Improvements or increases in value that are treated as “new construction” under chapter 84.55 result in property tax revenues that are outside of the 101% levy lid that caps regular property tax levies. This captures value that is placed on the rolls at the expiration of a multifamily housing tax exemption under RCW 84.14.020 and rehabilitated historic property under RCW 84.26.070. Note that these values are added to the rolls at the expiration of the applicable exemptions, so they would be added to the revenue value at that future date.

⁶ Improvements or increases in value that are treated as “new construction” under chapter 84.55 result in property tax revenues that are outside of the 101% levy lid that caps regular property tax levies. This captures value that is placed on the rolls at the expiration of a multifamily housing tax exemption under RCW 84.14.020 and rehabilitated historic property under RCW 84.26.070. Note that these values are added to the rolls at the expiration of the applicable exemptions, so they would be added to the revenue value at that future date.

	Community Revitalization Financing (CRF) Chapter 39.89 RCW	Local Infrastructure Financing Tool (LIFT) Chapter 39.102 RCW ¹	Local Revitalization Financing (LRF) Laws of 2009, chapter 270	Hospital Benefit Zone (HBZ) Financing Chapter 39.100 RCW
Conditions (Prerequisites)	<ul style="list-style-type: none"> • Must adopt ordinance designating IA and specifying the proposed public improvements. • The proposed public improvements must be expected to encourage private development in IA and increase the fair market value of real property within the IA. • Anticipated private development must be consistent with the countywide planning policies, comprehensive plan and development regulations. • Must obtain approval of taxing districts that in the aggregate levy at least 75% of the regular property taxes within the IA <u>and</u> participation from overlapping fire protection district (if any). 	<ul style="list-style-type: none"> • Must adopt ordinance designating RDA and specifying the proposed public improvements. • The proposed public improvements must be expected to encourage private development within the RDA and to increase the fair market value of real property in the RDA. • Anticipated private development must be consistent with the countywide planning policies, comprehensive plan and development regulations. • A “sponsoring local government, participating local government, or participating taxing district” must have entered or expect to enter into a contract with a private developer)or received a “letter of intent”) for the development of private improvements within the RDA. 	<ul style="list-style-type: none"> • Must adopt ordinance designating RA and specifying the proposed public improvements. • The proposed public improvements must be expected to encourage private development in RA and increase the fair market value of real property within the RA. • Anticipated private development must be consistent with the countywide planning policies, comprehensive plan and development regulations. • Must have entered into a contract (or received a letter of intent) from a private contractor relating to the development of private improvements within the RA. 	<ul style="list-style-type: none"> • Must adopt ordinance designating BZ and specifying proposed public improvements). • The proposed public improvements must be expected to encourage private development within the BZ and support development of hospital with a CN. • Anticipated private development must be consistent with the countywide planning policies, comprehensive plan and development regulations.
Overlapping Taxing Districts	<ul style="list-style-type: none"> • May contribute pursuant to an interlocal agreement to share property tax increment 	<ul style="list-style-type: none"> • May contribute property tax or local excise tax revenues pursuant to an interlocal agreement 	<ul style="list-style-type: none"> • <u>Property Tax</u> – Overlapping districts <u>must affirmatively opt out</u> before the sponsoring local government forms the RA, or their <u>entire</u> property tax allocation revenues are committed and will be automatically diverted to the sponsoring local government for use in the RA • <u>Sales & Use Tax</u> – Overlapping districts must affirmatively opt out (as above) to avoid having sales/use taxes diverted, but interlocal agreement must set out proportion of revenues to be devoted to the RA <p><i>As practical matter, interlocal agreements will likely be needed if these revenues are to be pledged to any borrowing.</i></p>	

	Community Revitalization Financing (CRF) Chapter 39.89 RCW	Local Infrastructure Financing Tool (LIFT) Chapter 39.102 RCW ¹	Local Revitalization Financing (LRF) Laws of 2009, chapter 270	Hospital Benefit Zone (HBZ) Financing Chapter 39.100 RCW
Findings Required	<i>Must find that the conditions (above) have been met.</i>	<p>Must find that:</p> <ul style="list-style-type: none"> The proposed public improvements are reasonably likely to: <ul style="list-style-type: none"> Increase private residential and commercial investment within the RDA; Increase employment in the RDA; Improve the viability of existing communities that are based on mixed-use development within the RDA; and Generate <i>state excise tax allocation revenues</i> and <i>state property tax allocation revenues</i> derived from the RDA equal to or greater than the respective state contributions LIFT will <u>not</u> be used to relocate a business from elsewhere in the state, into the RDA LIFT will improve viability of existing businesses in RDA 	<p>Must find that:</p> <ul style="list-style-type: none"> The proposed public improvements are reasonable likely to: <ul style="list-style-type: none"> Increase private investment within the RA Increase employment within the RA Generate increases in state and local property, sales and use tax revenues equal to or greater than the respective state and local contributions. LRF will <u>not</u> be used to relocate a business from elsewhere in the state, into the RA⁷ LRF will improve viability of existing businesses in RA RA is in need of economic development or redevelopment and, absent LRF, the proposed economic development or redevelopment would more than likely not occur 	<p>Must find that:</p> <ul style="list-style-type: none"> The proposed public improvements are reasonable likely to: <ul style="list-style-type: none"> Increase private investment within the BZ Increase employment within the BZ Generate excess state excise taxes equal to or greater than the state contribution.
Misc. Procedures	<ul style="list-style-type: none"> Hold Public Hearing <ul style="list-style-type: none"> 10 Days Notice – publish and post notice in 6 conspicuous public places in the IA See RCW 39.89.050 for contents of notice. (Note that maximum amount of debt to be incurred must be included in all notices.) Obtain written agreements from overlapping districts levying 75% of the regular property tax within IA Adopt ordinance creating IA <ul style="list-style-type: none"> See RCW 39.89.050 for contents and publication requirements. 	<ul style="list-style-type: none"> Hold Public Hearing <ul style="list-style-type: none"> 10 Days Notice – publish and post notice at in 6 conspicuous public places in the RDA; must also be sent to the property owners, all identifiable community-based organizations, and the businesses in the proposed RDA at least 30 days prior See RCW 39.102.100 for contents of notice. (Note that maximum amount of debt to be incurred must be included in all notices.) Adopt ordinance creating RDA See RCW 39.102.080 and .090 for contents and publication requirements. 	<ul style="list-style-type: none"> Hold Public Hearing <ul style="list-style-type: none"> 10 Days Notice – publish and post notice at in 6 conspicuous public places in the RA See §104(1) for contents of notice. (Note that maximum amount of debt to be incurred must be included in all notices.) Provide written notice to all overlapping local governments at least 30 days in advance of the public hearing. Adopt ordinance creating RA <ul style="list-style-type: none"> See §104 and §701 for contents and publication requirements. 	<ul style="list-style-type: none"> Hold Public Hearing <ul style="list-style-type: none"> 10 Days Notice – publish and post notice in 6 conspicuous public places in the BZ See RCW 39.100.030 for contents of notice. (Note that maximum amount of debt to be incurred must be included in all notices.) Obtain written agreements from overlapping taxing districts that impose sales tax and wish to participate Provide DOR with boundaries of the BZ within 75 days before the effective date of the ordinance creating the BZ Adopt ordinance creating BZ <ul style="list-style-type: none"> See RCW 39.100.030 for contents and publication requirements.

⁷ Legislation alternatively allows a showing of “convincing evidence is provided that the firm being relocated would otherwise leave the state.”

	Community Revitalization Financing (CRF) Chapter 39.89 RCW	Local Infrastructure Financing Tool (LIFT) Chapter 39.102 RCW ¹	Local Revitalization Financing (LRF) Laws of 2009, chapter 270	Hospital Benefit Zone (HBZ) Financing Chapter 39.100 RCW
Sales & Use Tax – State Contribution	N/A	<p>To impose sales & use tax and receive state contribution, sponsoring local government must apply to CERB.</p> <ul style="list-style-type: none"> • Application requirements and selection criteria set forth in RCW 39.102.040. • No new applications to be considered in 2009. • NOTE: Sponsoring local governments approved before October 1, 2008 must select the tax rate no later than September 1, 2009. <p><u>Aggregate Limit:</u></p> <ul style="list-style-type: none"> • \$75 million per fiscal year (plus amounts available under RCW 39.102.050(2)). <p><u>Per Project</u>, per fiscal year, the least of:</p> <ul style="list-style-type: none"> • \$1 million, or • The amount of the project award, or • The amount of local excise tax allocation revenues, local property tax allocation revenues and other revenues from local public sources "dedicated" to the public improvements in the preceding calendar year. 	<p>To impose sales & use tax and receive <i>state contribution, sponsoring local government</i>⁸ must apply to DOR.*</p> <ul style="list-style-type: none"> • Application (on form prescribed by DOR)⁹ must also include: <ul style="list-style-type: none"> ○ A copy of adopted ordinance creating RA ○ Copies of any adopted interlocal agreements from <i>participating local governments</i>,¹⁰ ○ Notices from taxing districts that elect not to be a <i>participating taxing district</i>.¹¹ • Projects are awarded on a first-come basis for applications completed in their entirety and submitted electronically on or after September 1, 2009. <p><u>Aggregate Limit:</u></p> <ul style="list-style-type: none"> • \$2.5 million per fiscal year. (Excludes demonstration projects.) <p><u>Per Project</u>, per fiscal year, the least of:</p> <ul style="list-style-type: none"> • \$500,000, • The approved award amount; • The amount of funds from <i>local public sources</i> "dedicated" to <i>public improvements</i> in the preceding calendar year.¹³ <p>* NOTE: The State contribution may only be used to pay principal and interest on general obligation bonds issued to finance the public improvements.</p>	<p>To impose sales & use tax and receive <i>state contribution</i>, local government must apply to the department at least 75 days before the effective date of any such tax.</p> <ul style="list-style-type: none"> • Application (on form prescribed by DOR) must also include: <ul style="list-style-type: none"> ○ Copy of ordinance creating BZ ○ Information establishing that the applicant is eligible to impose sales & use tax • No new applications considered after September 30, 2009.¹² • DOR to make a determination within 60 days of receipt. <p><u>Aggregate Limit:</u></p> <ul style="list-style-type: none"> • \$2 million per fiscal year. <p><u>Per Project</u>, per fiscal year, the lesser of:</p> <ul style="list-style-type: none"> • \$2 million, or • The amount of local matching funds expended by the local government, or • the amount of the incremental increase in state sales tax revenue collected in the previous year within the zone.

⁸ This term includes only city, town, county or any combination thereof that adopts a revitalization area.

⁹ DOR expects the applications for the competitive pool to be available sometime in mid-August. A local government may begin taking steps, including creating a revitalization area, before the application is available. It is likely to be similar to the application for the demonstration projects, which should be available at the end of June.

¹⁰ Note that this term refers to local governments that may impose sales and use taxes

¹¹ This refers to overlapping property tax districts

¹² The entire \$2 million has been allocated to the Gig Harbor HBZ, which was created in 2006. Department of Revenue has no additional allocations available at this time.

¹³ Under LRF, amounts "dedicated" in early years may be carried forward to count toward this match requirement in later years.

	Community Revitalization Financing (CRF) Chapter 39.89 RCW	Local Infrastructure Financing Tool (LIFT) Chapter 39.102 RCW¹	Local Revitalization Financing (LRF) Laws of 2009, chapter 270	Hospital Benefit Zone (HBZ) Financing Chapter 39.100 RCW
Timing of Distribution of Revenues	<u>Property Taxes</u> <ul style="list-style-type: none"> • Distribution starts with the calendar year after the increment area is created. • Ceases when no longer obligated to pay costs of the public improvements. 	<u>Property Taxes</u> <ul style="list-style-type: none"> • Distribution starts in the second calendar year following the approval by CERB. • Ceases when no longer obligated to pay costs of the public improvements. 	<u>Property Taxes</u> <ul style="list-style-type: none"> • Distribution starts in the second calendar year following the creation of a RA by a sponsoring local government. • Ceases when no longer obligated to pay costs of the public improvements. 	<i>(Property Taxes – Not Applicable)</i>
	<i>(Sales & Use Taxes – Not Applicable)</i>	<u>Sales & Use Tax</u> <ul style="list-style-type: none"> • May not be imposed before: <ul style="list-style-type: none"> ○ July 1, 2008; ○ July 1st of the second calendar year following the year in which application is approved; <u>and</u> ○ The state excise tax allocation revenues and state property tax allocation revenues for the preceding calendar year equal or exceed the amount of the project award. • Expires the earlier of: <ul style="list-style-type: none"> ○ The date that the contractual obligations relating to the financing of public improvements are satisfied, or ○ 25 years after the tax was first imposed. 	<u>Sales & Use Tax</u> <ul style="list-style-type: none"> • May not be imposed before: <ul style="list-style-type: none"> ○ July 1, 2011; ○ July 1st of the second calendar year following the year in which application is approved; ○ The state sales and use tax increment and state property tax increment for the preceding calendar year equal or exceed the amount of the project award; <u>and</u> ○ Bonds have been issued payable from the state contribution amount. • Expires the earlier of: <ul style="list-style-type: none"> ○ The date that the bonds issued are retired, or ○ 25 years after the tax was first imposed. 	<u>Sales & Use Tax</u> <ul style="list-style-type: none"> • The earliest that a sales & use tax may be imposed is July 1 in the second calendar year following approval by DOR. (For example, assuming an application is approved in 2009, the earliest date that a tax could be collected would be July 1, 2011.) • Expires earliest of: <ul style="list-style-type: none"> ○ 30 years after first imposed, ○ no longer needed for public improvements, or ○ the bonds are paid off.