

## Summary of Proposed GREEN Communities Act of 2009

The **GREEN Communities Act** is intended to align public infrastructure and local land use requirements with the State's goals to meet the challenges of environment, economics and infrastructure in a sustainable way.

### **Brief Overview**

This proposed Act will enable implementation of local strategies that stimulate low-impact, energy-efficient development and redevelopment of both public infrastructure and private resources, create "green economy" jobs, and reduce greenhouse gas emissions. More specifically, it will:

- Authorize cities to create neighborhood-sized **climate benefit districts (CBDs)** so they can concentrate local resources to carry out a **neighborhood sustainability plan (NSP)** that sets **climate benefit targets** in four areas: (1) utility infrastructure and service, (2) vehicle miles travelled (VMT) reduction strategy, (3) land use, green building and energy efficiency, and (4) neighborhood social sustainability (including affordable housing).
- Provide coordination, administration, oversight and accountability for all CBDs within the city, through a single, city-designated **community sustainability agency (CSA)**. The CSA will become the repository for the expertise needed to develop and administer the CBDs. CTED will be asked to develop guidelines and provide some technical assistance, particularly in start-up phase.
- Provide a menu of local option revenue tools that may be used only to provide funding for the CBDs and the CSA and to carry out neighborhood sustainability plans and citywide sustainability plans. Each local option financing tool is an extension of existing authority to impose a tax, fee or charge, and provides for exemptions or offsets to avoid double taxation. Exemptions are also provided for electric vehicles and fuel cells, where applicable.

#### **CBD only revenue tools (for CBD and NSP only)**

- Climate benefit services charge (CBSC)
- Parking tax
- Vehicle license fee (VLF)
- Local improvement district (LID) assessments (after following LID formation procedures)
- Voter approved excess property tax for bonds
- Any other revenue source available to a transportation benefit district (TBD), after following requirements for approval in TBD statutes

#### **City revenue tools (for CSA, CBDs and CSP only\*)**

- Utility taxes and license fees (offset against CBSC)
- Parking tax (offset against CBD parking tax)
- Motor vehicle surcharge (offset against CBD VLF)
- Additional local sales and use tax increment, including tax on motor vehicle sales (other than electric vehicles)
- Employer excise tax (exemption for jobs in CBDs)

\* *1% of revenues from these sources must be dedicated to programs that preserve rural lands.*

- Provide one State-level financial incentive: a **State B&O Tax Credit** (similar to Oregon's BETC). A portion of the cost of certain energy efficiency improvements, solar or other renewable energy installations, infrastructure of recharging electric vehicles, or other CBD projects, will be allowed as a direct credit against State B&O tax liability to be taken by the taxpayer over five to ten years. If the installation is owned by the CBD or another municipal corporation, the tax credit may be sold to an entity with a B&O tax liability, in order to generate funds for the climate benefit project. The tax credit must be spread over several years, so that the fiscal impact to the state will not be felt in any single year.

## **Climate Benefit Districts (CBDs)**

- What?** A CBD is an independent taxing district and a quasi-municipal corporation. It will have its own taxing authority and its own debt capacity independent of the city.
- Where?** A CBD must be located within an urban growth area and should approximate “neighborhood” scale, or roughly a square mile. It may include unincorporated territory that is within the city’s urban growth boundary, but only if the unincorporated territory is less than 50% of the total area and only after the city and county enter into an interlocal agreement. Multi-city CBDs may be created pursuant to interlocal agreement.
- How?** To create a CBD, a city must follow these four simple steps:
1. Designate a **community sustainability agency (CSA)** that will be responsible for providing coordination, administration, accountability, oversight to all CBDs created by that city. A CSA may be an existing or new city department, public development authority or community renewal agency, a regional planning or regulatory agency, or a regional entity created pursuant to the interlocal cooperation act.
  2. Consider a CBD proposal submitted by resolution or petition, and refer to the CSA, who will develop a **neighborhood sustainability plan (NSP)** based on the proposal. The CSA must conduct neighborhood outreach to CBD residents and property owners.
  3. Hold a public hearing on the NSP, after notice to residents and property owners in CBD.
  4. Adopt an ordinance creating the CBD, appoint a governing board, and concurrently adopt such amendments to land use regulations and zoning codes as are necessary to implement the NSP (if any). A referendum period is provided within the proposed CBD.
- Finance?** Each CBD must annually prepare a Finance Plan and will have local option revenue tools available to it to carry out the NSP, including:
- Climate benefit services charges (similar to fire benefit charges, based on measurable benefits from CBD projects and services)
  - A parking tax on commercial parking facilities
  - A vehicle license fee
  - The local option revenues available to transportation benefit districts
  - Special assessments for the financing of local improvement district (LID) improvements.
  - Voter approved excess property taxes for the repayment of bonds issued to finance climate benefit projects.
- A CBD will have its own capacity to issue general obligation bonds, revenue bonds, or special assessment (LID) bonds. It will be eligible to create tax credit partnerships to take advantage of federal tax credit incentives such as: low-income housing tax credits, renewable energy tax credits, new markets tax credits, historic preservation tax credits and other federal tax credits that may be created. A CBD may also administer federal grant funds, is eligible to receive priority consideration for state grant and loan programs, and is eligible to create energy efficiency loan programs under Article 8, §10 of the State Constitution.
- Oversight?** Each CBD must contract with the CSA for administration and is required to work with the CSA to develop periodic updates of the NSP and Finance Plan. It is accountable to the CSA for achieving the climate benefit targets set in the NSP. The CSA will coordinate among all of the CBDs created by its city.

## **The CSA and Sustainability Plans**

The CSA is responsible for developing a **neighborhood sustainability plan** (NSP) for each CBD and may develop a **citywide sustainability plan** (CSP) for the city as a whole.

- Each sustainability plan must include climate benefit targets for each of the following elements:
  - utility infrastructure and service;
  - VMT reduction strategy;
  - land use, green building and energy efficiency; and
  - neighborhood social sustainability programs and services.
- A **neighborhood sustainability plan (NSP)** must also include:
  - An inventory of the existing public infrastructure and the climate benefit projects proposed over the succeeding six years.
  - A finance plan identifying revenue sources available to carry out climate benefit projects and services.
  - Provisions for the governance and administration of a CBD.

## **Incentives for Residents and for Green Development in CBDs:**

Developers report a demand to site sustainably-built projects in neighborhoods that have efficient and sustainably-built supporting public infrastructure. To maximize these market-driven incentives, proposals to develop, redevelop or renovate within a CBD, cities will be required to grant to green building proposals within a CBD: **priority permit processing, permit fee reductions, and streamlined environmental review.**

In addition:

- Each CBD will be eligible for designation as a “targeted residential area” through a streamlined process, making properties eligible for the existing multifamily and affordable housing property tax exemption available under current law.
- Utilities are required to designate customers within a CBD as a separate rate class for utility billing purposes, and a proportion of the future cost avoided due to climate benefit projects (e.g., energy efficiency improvements, drainage improvements, waste reduction programs) must be allocated to that CBD-specific class of customers, resulting in lower utility rates within the CBD. This customer class would also share in any payment received under a net metering agreement for electricity generated through distributed generation facilities (e.g., solar, micro-wind) owned or operated by the CBD. A portion of this savings will be recaptured through the climate benefit services charge and reinvested in the public infrastructure within a CBD.

## **Other:**

**State B&O Tax Credit** – To encourage private sector participation and an additional incentive for green development within CBDs, the Act provides for a direct tax credit against the State B&O tax (similar to Oregon’s BETC). The amount of the credit is equal to a percentage of the eligible costs of energy efficiency improvements to public or private buildings, the purchase and installation of renewable energy generation equipment (e.g., solar panels), facilities for electric vehicle fuel cell recharging or exchange, or CBD climate benefit projects. If the project is a publicly owned, the credit may be transferred to a private entity that participates in funding the project. The tax credit must be spread over several years, so that the fiscal impact to the state will not be felt in a single year.

**Efficiency First / Limited CBD** – A city or county may form a limited climate benefit district to undertake energy efficiency improvements. This limited CBD will have more limited powers and revenue sources and may not access the development incentives available within a full CBD.

**Table of Contents**

**PART I – CLIMATE BENEFIT DISTRICTS (New chapter in Title 35 RCW)**

§1. Intent..... 1  
§2. Definitions ..... 2  
§3. Community sustainability agency – Accountability, administration and oversight of climate benefit districts. .... 3  
§4. Climate benefit districts – Creation – Powers. .... 4  
§5. Formation initiated by petition or resolution – Proposal contents – Establishing boundaries. .... 5  
§6. CBD formation – Process for development of neighborhood sustainability plan – Neighborhood outreach. .... 6  
§7. Sustainability plan requirements. .... 7  
§8. Climate benefit district creation — Ordinance requirements. .... 9  
§9. CBD governance – Administration. .... 10  
§10. Community sustainability agency – City local option funding. .... 10  
§11. Climate benefit district local option funding – Finance Plan. .... 11  
§12. Climate benefit services charges. .... 12  
§13. Voted property tax. .... 14  
§14. District may issue general obligation bonds, revenue bonds. .... 14  
§15. Local improvement districts authorized — Special assessments — Bonds. .... 15  
§16. State and local government assistance and coordination with a climate benefit district – Cooperation with owners of public infrastructure and utility infrastructure. .... 15  
§17. Modification or dissolution of a climate benefit district. .... 16  
§18. Efficiency First climate benefit districts. .... 16

**PART II – INCENTIVES (Codified throughout RCWs)**

§19. Climate benefit districts – Streamlined environmental review. .... 18  
§20. [Extension of Sales Tax Exemption]. .... 18  
§21. [Extension of Use Tax Exemption]. .... 19  
§22. Utility rate classifications within climate benefit districts – Aggregation of electric customers participating in distributed generation project. .... 20  
§23. Business and occupations tax credits for investments in sustainability improvements. .... 20  
§24. [Designation for purposes of Multifamily and Affordable Housing Tax Exemption]. .... 22

**PART III – LOCAL OPTION REVENUE TOOLS (Codified throughout RCWs)**

§25. Funding for local sustainability efforts – Local option sales and use taxes. .... 23  
§26. Funding for local sustainability efforts – Local option employer tax. .... 24  
§27. Funding for local sustainability efforts – Local option motor vehicle surcharge ..... 25  
§28. RCW 82.80.030 and Laws of 2005, ch. 336, §24 are each amended to read as follows: ..... 25  
§29. RCW 43.155.070 and Laws of 2008, ch. 299 §25 are each amended to read as follows: ..... 27  
§30. RCW 70.146.120 and laws of 2008, ch. 299, §31 shall be amended to read as follows: ..... 29  
§31. RCW 90.50A.080 and laws of 2007, ch. 341, §40 shall be amended to read as follows: ..... 29  
§32. RCW 35.43.040 and Laws of 1997, ch. 452, §16 are each is amended to read as follows: ..... 30

**PART IV – MISCELLANEOUS AND TECHNICAL AMENDMENTS (Codified throughout RCWs)**

§33. RCW 36.70A.130 and Laws of 2006 c 285. §2 are each amended to read as follows: ..... 32  
§34. RCW 36.70A.070 and Laws of 2005 c 360. §2 are each amended to read as follows: ..... 35  
§35. RCW 39.36.020 and Laws of 2000, ch. 156, §1 are each amended to read as follows: ..... 40  
§36. RCW 35.21.735 and Laws of 2007, ch. 230, §2 are each amended to read as follows: ..... 41  
§37. RCW 80.60.020 and laws of 2007, ch. 323, §2 are each amended to read as follows: ..... 43  
§38. RCW 80.60.030 and laws of 2007, ch. 323, §3 are each amended to read as follows: ..... 44  
§39. RCW 36.73.040 and Laws of 2008 ch. 122 §17 are each amended to read as follows: ..... 45  
§40. RCW 19.285.030 and Laws of 2007 ch. 1 §3 are each amended to read as follows: ..... 46  
§41. Air pollution control authority authorized to act as community sustainability agency ..... 48  
§42. School facilities located in climate benefit districts. .... 48  
§43. Liberal construction. .... 48  
§44. Codification. .... 48  
§45. Severability. .... 49  
§46. Short Name. .... 49  
§47. Effective date. .... 49