

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 2670**

59th Legislature  
2006 Regular Session

Passed by the House February 11, 2006  
Yeas 94 Nays 1

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**Speaker of the House of Representatives**

Passed by the Senate March 2, 2006  
Yeas 46 Nays 2

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2670** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 2670**

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Passed Legislature - 2006 Regular Session

**State of Washington                      59th Legislature                      2006 Regular Session**

**By** House Committee on Finance (originally sponsored by Representatives Kilmer, Lantz, Priest, Talcott, Green, Conway, Darneille, Cody, Hinkle, Linville, Flannigan, Miloscia and Moeller)

READ FIRST TIME 01/30/06.

1            AN ACT Relating to financing for hospital benefit zones; adding new  
2 sections to chapter 82.14 RCW; adding a new section to chapter 82.32  
3 RCW; adding a new chapter to Title 39 RCW; and providing an effective  
4 date.

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

6            NEW SECTION.    **Sec. 1.** The definitions in this section apply  
7 throughout this chapter unless the context clearly requires otherwise.

8            (1) "Benefit zone" means the geographic zone from which taxes are  
9 to be appropriated to finance public improvements authorized under this  
10 chapter and in which a hospital that has received a certificate of need  
11 is to be constructed.

12            (2) "Department" means the department of revenue.

13            (3) "Local government" means any city, town, county, or any  
14 combination thereof.

15            (4) "Ordinance" means any appropriate method of taking legislative  
16 action by a local government.

17            (5) "Participating taxing authority" means a taxing authority that  
18 has entered into a written agreement with a local government for the  
19 use of hospital benefit zone financing to the extent of allocating

1 excess excise taxes to the local government for the purpose of  
2 financing all or a portion of the costs of designated public  
3 improvements.

4 (6) "Public improvements" means infrastructure improvements within  
5 the benefit zone that include:

- 6 (a) Street and road construction and maintenance;
- 7 (b) Water and sewer system construction and improvements;
- 8 (c) Sidewalks and streetlights;
- 9 (d) Parking, terminal, and dock facilities;
- 10 (e) Park and ride facilities of a transit authority;
- 11 (f) Park facilities and recreational areas; and
- 12 (g) Storm water and drainage management systems.

13 (7) "Public improvement costs" means the costs of: (a) Design,  
14 planning, acquisition including land acquisition, site preparation  
15 including land clearing, construction, reconstruction, rehabilitation,  
16 improvement, and installation of public improvements; (b) demolishing,  
17 relocating, maintaining, and operating property pending construction of  
18 public improvements; (c) relocating utilities as a result of public  
19 improvements; and (d) financing public improvements, including interest  
20 during construction, legal and other professional services, taxes,  
21 insurance, principal and interest costs on indebtedness issued to  
22 finance public improvements, and any necessary reserves for  
23 indebtedness; and administrative expenses and feasibility studies  
24 reasonably necessary and related to these costs, including related  
25 costs that may have been incurred before adoption of the ordinance  
26 authorizing the public improvements and the use of hospital benefit  
27 zone financing to fund the costs of the public improvements.

28 (8) "Tax allocation revenues" means those tax revenues derived from  
29 the receipt of excess excise taxes under section 5 of this act and  
30 distributed to finance public improvements.

31 (9) "Taxing authority" means a governmental entity that imposes a  
32 sales or use tax under chapter 82.14 RCW upon the occurrence of any  
33 taxable event within a proposed or approved benefit zone.

34 NEW SECTION. **Sec. 2.** A local government may finance public  
35 improvements using hospital benefit zone financing subject to the  
36 following conditions:

1 (1) The local government adopts an ordinance designating a benefit  
2 zone within its boundaries and specifying the public improvements  
3 proposed to be financed in whole or in part with the use of hospital  
4 benefit zone financing;

5 (2) The public improvements proposed to be financed in whole or in  
6 part using hospital benefit zone financing are expected both to  
7 encourage private development within the benefit zone and to support  
8 the development of a hospital that has received a certificate of need;

9 (3) Private development that is anticipated to occur within the  
10 benefit zone, as a result of the public improvements, will be  
11 consistent with the county-wide planning policy adopted by the county  
12 under RCW 36.70A.210 and the local government's comprehensive plan and  
13 development regulations adopted under chapter 36.70A RCW; and

14 (4) The governing body of the local government finds that the  
15 public improvements proposed to be financed in whole or in part using  
16 hospital benefit zone financing are reasonably likely to:

17 (a) Increase private investment within the benefit zone;

18 (b) Increase employment within the benefit zone; and

19 (c) Generate, over the period of time that the local sales and use  
20 tax will be imposed under section 7 of this act, state and local sales  
21 and use tax revenues that are equal to or greater than the respective  
22 state and local contributions made under this chapter.

23 NEW SECTION. **Sec. 3.** (1) Before adopting an ordinance creating  
24 the benefit zone, a local government must:

25 (a) Obtain written agreement for the use of hospital benefit zone  
26 financing to finance all or a portion of the costs of the designated  
27 public improvements from any taxing authority that imposes a sales or  
28 use tax under chapter 82.14 RCW within the benefit zone if the taxing  
29 authority chooses to participate in the public improvements to the  
30 extent of providing limited funding under hospital benefit zone  
31 financing authorized under this chapter. The agreement must be  
32 authorized by the governing body of such participating taxing  
33 authorities; and

34 (b) Hold a public hearing on the proposed financing of the public  
35 improvement in whole or in part with hospital benefit zone financing.

36 (i) Notice of the public hearing must be published in a legal

1 newspaper of general circulation within the proposed benefit zone at  
2 least ten days before the public hearing and posted in at least six  
3 conspicuous public places located in the proposed benefit zone.

4 (ii) Notices must describe the contemplated public improvements,  
5 estimate the costs of the public improvements, describe the portion of  
6 the costs of the public improvements to be borne by hospital benefit  
7 zone financing, describe any other sources of revenue to finance the  
8 public improvements, describe the boundaries of the proposed benefit  
9 zone, and estimate the period during which hospital benefit zone  
10 financing is contemplated to be used. The public hearing may be held  
11 by either the governing body of the local government, or a committee of  
12 the governing body that includes at least a majority of the whole  
13 governing body.

14 (2) In order to create a benefit zone, a local government must  
15 adopt an ordinance establishing the benefit zone that:

16 (a) Describes the public improvements;

17 (b) Describes the boundaries of the benefit zone;

18 (c) Estimates the cost of the public improvements and the portion  
19 of these costs to be financed by hospital benefit zone financing;

20 (d) Estimates the time during which excess excise taxes are to be  
21 used to finance public improvement costs associated with the public  
22 improvements financed in whole or in part by hospital benefit zone  
23 financing;

24 (e) Estimates the average amount of tax revenue to be received in  
25 all fiscal years through the imposition of a sales and use tax under  
26 section 7 of this act;

27 (f) Provides the date when the use of excess excise taxes will  
28 commence; and

29 (g) Finds that the conditions of section 2 of this act are met.

30 (3) For purposes of this section, "fiscal year" means the year  
31 beginning July 1st and ending the following June 30th.

32 NEW SECTION. **Sec. 4.** A local government that adopts an ordinance  
33 creating a benefit zone under this chapter shall, within ninety days of  
34 adopting the ordinance:

35 (1) Publish notice in a legal newspaper of general circulation  
36 within the benefit zone that describes the public improvement,

1 describes the boundaries of the benefit zone, and identifies the  
2 location and times where the ordinance and other public information  
3 concerning the public improvement may be inspected; and

4 (2) Deliver a certified copy of the ordinance to the county  
5 treasurer, the county assessor, the department of revenue, and the  
6 governing body of each participating taxing authority within which the  
7 benefit zone is located.

8 NEW SECTION. **Sec. 5.** (1) A local government that creates a  
9 benefit zone and has received approval from the department under  
10 section 9 of this act to impose the local option sales and use tax  
11 authorized in section 7 of this act may use annually any excess excise  
12 taxes received by it from taxable activity within the benefit zone to  
13 finance public improvement costs associated with the public  
14 improvements financed in whole or in part by hospital benefit zone  
15 financing. The use of excess excise taxes must cease when tax  
16 allocation revenues are no longer necessary or obligated to pay the  
17 costs of the public improvements. Any participating taxing authority  
18 is authorized to allocate excess excise taxes to the local government  
19 as long as the local government has received approval from the  
20 department under section 9 of this act to impose the local option sales  
21 and use tax authorized in section 7 of this act. The legislature  
22 declares that it is a proper purpose of a local government or  
23 participating taxing authority to allocate excess excise taxes for  
24 purposes of financing public improvements under this chapter.

25 (2) A local government shall provide the department accurate  
26 information describing the geographical boundaries of the benefit zone  
27 at least seventy-five days before the effective date of the ordinance  
28 creating the benefit zone. The local government shall ensure that the  
29 boundary information provided to the department is kept current.

30 (3) The department shall provide the necessary information to  
31 calculate excess excise taxes to each local government that has  
32 provided boundary information to the department as provided in this  
33 section and that has received approval from the department under  
34 section 9 of this act to impose the local option sales and use tax  
35 authorized in section 7 of this act.

36 (4) The definitions in this subsection apply throughout this  
37 section unless the context clearly requires otherwise.

1 (a) "Base year" means the calendar year immediately following the  
2 creation of a benefit zone.

3 (b) "Excess excise taxes" means the amount of excise taxes received  
4 by the local government during the measurement year from taxable  
5 activity within the benefit zone over and above the amount of excise  
6 taxes received by the local government during the base year from  
7 taxable activity within the benefit zone. However, if a local  
8 government creates the benefit zone and reasonably determines that no  
9 activity subject to tax under chapters 82.08 and 82.12 RCW occurred in  
10 the twelve months immediately preceding the creation of the benefit  
11 zone within the boundaries of the area that became the benefit zone,  
12 "excess excise taxes" means the entire amount of excise taxes received  
13 by the local government during a calendar year period beginning with  
14 the calendar year immediately following the creation of the benefit  
15 zone and continuing with each measurement year thereafter.

16 (c) "Excise taxes" means local retail sales and use taxes  
17 authorized in RCW 82.14.030.

18 (d) "Measurement year" means a calendar year, beginning with the  
19 calendar year following the base year and each calendar year  
20 thereafter, that is used annually to measure the amount of excess  
21 excise taxes required to be used to finance public improvement costs  
22 associated with public improvements financed in whole or in part by  
23 hospital benefit zone financing.

24 NEW SECTION. **Sec. 6.** (1) A local government may issue revenue  
25 bonds to fund public improvements, or portions of public improvements,  
26 that are located within a benefit zone and that it is authorized to  
27 provide or operate. Whenever revenue bonds are to be issued, the  
28 legislative authority of the local government shall create or have  
29 created a special fund or funds from which, along with any reserves  
30 created pursuant to RCW 39.44.140, the principal and interest on these  
31 revenue bonds shall exclusively be payable. The legislative authority  
32 of the local government may obligate the local government to set aside  
33 and pay into the special fund or funds a fixed proportion or a fixed  
34 amount of the revenues obtained from within the benefit zone of the  
35 development, construction, operation, and maintenance of businesses  
36 supported by the public improvements that are funded by the revenue  
37 bonds. This amount or proportion is a lien and charge against these

1 revenues, subject only to operating and maintenance expenses. The  
2 local government shall have due regard for the cost of operation and  
3 maintenance of the public improvements that are funded by the revenue  
4 bonds, and shall not set aside into the special fund or funds a greater  
5 amount or proportion of the revenues that in its judgment will be  
6 available over and above the cost of maintenance and operation and the  
7 amount or proportion, if any, of the revenue previously pledged. The  
8 local government may also provide that revenue bonds payable out of the  
9 same source or sources of revenue may later be issued on a parity with  
10 any revenue bonds being issued and sold.

11 (2) Revenue bonds issued pursuant to this section are not an  
12 indebtedness of the local government issuing the bonds, and the  
13 interest and principal on the bonds shall only be payable from the  
14 revenues lawfully pledged to meet the principal and interest  
15 requirements and any reserves created pursuant to RCW 39.44.140. The  
16 owner or bearer of a revenue bond or any interest coupon issued  
17 pursuant to this section shall not have any claim against the local  
18 government arising from the bond or coupon except for payment from the  
19 revenues lawfully pledged to meet the principal and interest  
20 requirements and any reserves created pursuant to RCW 39.44.140. The  
21 substance of the limitations included in this subsection shall be  
22 plainly printed, written, or engraved on each bond issued pursuant to  
23 this section.

24 (3) Revenue bonds with a maturity in excess of thirty years shall  
25 not be issued. The legislative authority of the local government shall  
26 by resolution determine for each revenue bond issue the amount, date,  
27 form, terms, conditions, denominations, maximum fixed or variable  
28 interest rate or rates, maturity or maturities, redemption rights,  
29 registration privileges, manner of execution, manner of sale, callable  
30 provisions, if any, and covenants including the refunding of existing  
31 revenue bonds. Facsimile signatures may be used on the bonds and any  
32 coupons. Refunding revenue bonds may be issued in the same manner as  
33 revenue bonds are issued.

34 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.14 RCW  
35 to read as follows:

36 (1) A city, town, or county that creates a benefit zone and  
37 finances public improvements pursuant to chapter 39.-- RCW (sections 1



1 through 6 of this act) may impose a sales and use tax in accordance  
2 with the terms of this chapter and subject to the criteria set forth in  
3 this section. Except as provided in this section, the tax is in  
4 addition to other taxes authorized by law and shall be collected from  
5 those persons who are taxable by the state under chapters 82.08 and  
6 82.12 RCW upon the occurrence of any taxable event within the taxing  
7 jurisdiction of the city, town, or county. The rate of tax shall not  
8 exceed the rate provided in RCW 82.08.020(1) in the case of a sales tax  
9 or the rate provided in RCW 82.12.020(5) in the case of a use tax, less  
10 the aggregate rates of any other taxes imposed on the same events that  
11 are credited against the state taxes imposed under chapters 82.08 and  
12 82.12 RCW.

13 (2) The tax imposed under subsection (1) of this section shall be  
14 deducted from the amount of tax otherwise required to be collected or  
15 paid over to the department under chapter 82.08 or 82.12 RCW. The  
16 department shall perform the collection of such taxes on behalf of the  
17 city, town, or county at no cost to the city, town, or county.

18 (3) No tax may be imposed under this section before July 1, 2007.  
19 Before imposing a tax under this section, the city, town, or county  
20 shall first have received tax allocation revenues derived from excess  
21 excise taxes during the preceding calendar year. The tax imposed under  
22 this section shall expire when the bonds issued under the authority of  
23 chapter 39.-- RCW (sections 1 through 6 of this act) are retired, but  
24 not more than thirty years after the tax is first imposed.

25 (4) An ordinance adopted by the legislative authority of a city,  
26 town, or county imposing a tax under this section shall provide that:

27 (a) The tax shall first be imposed on the first day of a fiscal  
28 year;

29 (b) The amount of tax received by the local government in any  
30 fiscal year shall not exceed the amount of the state contribution;

31 (c) The tax shall cease to be imposed for the remainder of any  
32 fiscal year in which either:

33 (i) The amount of tax receipts totals the amount of the state  
34 contribution;

35 (ii) The amount of tax receipts totals the amount of "local public  
36 sources," as that term is used in section 8 of this act, dedicated in  
37 the previous calendar year to finance public improvements authorized  
38 under chapter 39.-- RCW (sections 1 through 6 of this act); or

1 (iii) The amount of revenue from taxes imposed under this section  
2 by all cities, towns, and counties totals the annual state credit limit  
3 as provided in section 9(3) of this act;

4 (d) The tax shall be reimposed, should it cease to be imposed for  
5 any of the reasons provided in (c) of this subsection, at the beginning  
6 of the next fiscal year, subject to the restrictions in this section;  
7 and

8 (e) Any revenue generated by the tax in excess of the amounts  
9 specified in (a), (b), and (c) of this subsection shall belong to the  
10 state of Washington.

11 (5) If both a county and a city or town impose a tax under this  
12 section, the tax imposed by the city, town, or county shall be credited  
13 as follows:

14 (a) If the county has created a benefit zone before the city or  
15 town, the tax imposed by the county shall be credited against the tax  
16 imposed by the city or town, the purpose of such credit is to give  
17 priority to the county tax; and

18 (b) If the city or town has created a benefit zone before the  
19 county, the tax imposed by the city or town shall be credited against  
20 the tax imposed by the county, the purpose of such credit is to give  
21 priority to the city or town tax.

22 (6) The department shall determine the amount of tax receipts  
23 attributable to each city, town, and county imposing a sales and use  
24 tax under this section and shall advise a city, town, or county when it  
25 must cease imposing the tax for the remainder of the fiscal year as  
26 provided in subsection (4)(c) of this section. Determinations by the  
27 department of the amount of taxes attributable to a city, town, or  
28 county are final and shall not be used to challenge the validity of any  
29 tax imposed under this section. The department shall remit any tax  
30 receipts in excess of the amounts specified in subsection (4)(a), (b),  
31 and (c) of this section to the state treasurer who shall deposit the  
32 moneys in the general fund.

33 (7) The definitions in this subsection apply throughout this  
34 section unless the context clearly requires otherwise.

35 (a) "Base year" means the calendar year immediately following the  
36 creation of a benefit zone.

37 (b) "Benefit zone" has the same meaning as provided in section 1 of  
38 this act.

1 (c) "Excess excise taxes" has the same meaning as provided in  
2 section 5 of this act.

3 (d) "Excess state excise taxes" means the amount of excise taxes  
4 received by the state during the measurement year from taxable activity  
5 within the benefit zone over and above the amount of excise taxes  
6 received by the state during the base year from taxable activity within  
7 the benefit zone. However, if a local government creates the benefit  
8 zone and reasonably determines that no activity subject to tax under  
9 chapters 82.08 and 82.12 RCW occurred in the twelve months immediately  
10 preceding the creation of the benefit zone within the boundaries of the  
11 area that became the benefit zone, "excess state excise taxes" means  
12 the entire amount of excise taxes received by the state during a  
13 calendar year period beginning with the calendar year immediately  
14 following the creation of the benefit zone and continuing with each  
15 measurement year thereafter.

16 (e) "Excise taxes" means the state retail sales and use taxes  
17 imposed under chapters 82.08 and 82.12 RCW.

18 (f) "Fiscal year" has the same meaning as provided in section 3 of  
19 this act.

20 (g) "Measurement year" means a calendar year, beginning with the  
21 calendar year following the base year and each calendar year  
22 thereafter, that is used annually to measure the amount of excess  
23 excise taxes required to be used to finance public improvement costs  
24 associated with public improvements financed in whole or in part by  
25 hospital benefit zone financing.

26 (h) "State contribution" means the lesser of two million dollars or  
27 an amount equal to excess state excise taxes received by the state  
28 during the preceding calendar year.

29 (i) "Tax allocation revenues" has the same meaning as provided in  
30 section 1 of this act.

31 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.14 RCW  
32 to read as follows:

33 (1) Moneys collected from the taxes imposed under section 7 of this  
34 act shall be used only for the purpose of principal and interest  
35 payments on bonds issued under the authority of section 6 of this act  
36 and must be matched with an amount from local public sources dedicated  
37 through December 31st of the previous calendar year to finance public

1 improvements authorized under chapter 39.-- RCW (sections 1 through 6  
2 of this act). Such local public sources include but are not limited to  
3 private monetary contributions and tax allocation revenues. Local  
4 public sources are dedicated to finance public improvements if they are  
5 actually expended to pay public improvement costs or are required by  
6 law or an agreement to be used exclusively to pay public improvement  
7 costs.

8 (2) A local government shall inform the department by the first day  
9 of March of the amount of local public sources dedicated in the  
10 preceding calendar year to finance public improvements authorized under  
11 chapter 39.-- RCW (sections 1 through 6 of this act).

12 (3) If a local government fails to comply with subsection (2) of  
13 this section, no tax may be imposed under section 7 of this act in the  
14 subsequent fiscal year.

15 (4) A local government shall provide a report to the department by  
16 March 1st of each year. The report shall contain the following  
17 information:

18 (a) The amount of tax allocation revenues, taxes under section 7 of  
19 this act, and local public sources received by the local government  
20 during the preceding calendar year, and a summary of how these revenues  
21 were expended;

22 (b) The names of any businesses locating within the benefit zone as  
23 a result of the public improvements undertaken by the local government  
24 and financed in whole or in part with hospital benefit zone financing;

25 (c) The total number of permanent jobs created as a result of the  
26 public improvements undertaken by the local government and financed in  
27 whole or in part with hospital benefit zone financing; and

28 (d) The average wages and benefits received by all employees of  
29 businesses locating within the benefit zone as a result of the public  
30 improvements undertaken by the local government and financed in whole  
31 or in part with hospital benefit zone financing.

32 (5) The department shall make a report available to the public and  
33 the legislature by June 1st of each year. The report shall include a  
34 list of public improvements undertaken by local governments and  
35 financed in whole or in part with hospital benefit zone financing, and  
36 it shall also include a summary of the information provided to the  
37 department by local governments under subsection (4) of this section.

1 (6) The definitions in this subsection apply throughout this  
2 section unless the context clearly requires otherwise.

3 (a) "Public improvement costs" has the same meaning as in section  
4 1 of this act.

5 (b) "Tax allocation revenues" has the same meaning as provided in  
6 section 1 of this act.

7 NEW SECTION. **Sec. 9.** A new section is added to chapter 82.32 RCW  
8 to read as follows:

9 (1) As a condition to imposing a sales and use tax under section 7  
10 of this act, a city, town, or county must apply to the department at  
11 least seventy-five days before the effective date of any such tax. The  
12 application shall be in a form and manner prescribed by the department  
13 and shall include but is not limited to information establishing that  
14 the applicant is eligible to impose such a tax, the anticipated  
15 effective date for imposing the tax, the estimated number of years that  
16 the tax will be imposed, and the estimated amount of tax revenue to be  
17 received in each fiscal year that the tax will be imposed. For  
18 purposes of this section, "fiscal year" means the year beginning July  
19 1st and ending the following June 30th. The department shall make  
20 available forms to be used for this purpose. As part of the  
21 application, a city, town, or county must provide to the department a  
22 copy of the ordinance creating the benefit zone as required in section  
23 4 of this act. The department shall rule on completed applications  
24 within sixty days of receipt. The department may begin accepting and  
25 approving applications August 1, 2006. No new applications shall be  
26 considered by the department after the thirtieth day of September of  
27 the third year following the year in which the first application was  
28 received by the department.

29 (2) The authority to impose the local option sales and use taxes  
30 under section 7 of this act is on a first-come basis. Priority for  
31 collecting the taxes authorized under section 7 of this act among  
32 approved applicants shall be based on the date that the approved  
33 application was received by the department. As a part of the approval  
34 of applications under this section, the department shall approve the  
35 amount of tax under section 7 of this act that an applicant may impose.  
36 The amount of tax approved by the department shall not exceed the  
37 lesser of two million dollars or the average amount of tax revenue that

1 the applicant estimates that it will receive in all fiscal years  
2 through the imposition of a sales and use tax under section 7 of this  
3 act. A city, town, or county shall not receive, in any fiscal year,  
4 more revenues from taxes imposed under section 7 of this act than the  
5 amount approved by the department. The department shall not approve  
6 the receipt of more credit against the state sales and use tax than is  
7 authorized under subsection (3) of this section.

8 (3) No more than two million dollars of credit against the state  
9 sales and use tax may be received by all cities, towns, and counties  
10 imposing a tax under section 7 of this act.

11 (4) The credit against the state sales and use tax shall be  
12 available to any city, town, or county imposing a tax under section 7  
13 of this act only as long as the city, town, or county has outstanding  
14 indebtedness under section 7 of this act.

15 (5) The department may adopt any rules under chapter 34.05 RCW it  
16 considers necessary for the administration of chapter 39.-- RCW  
17 (sections 1 through 6 of this act).

18 NEW SECTION. **Sec. 10.** Sections 1 through 6 of this act constitute  
19 a new chapter in Title 39 RCW.

20 NEW SECTION. **Sec. 11.** This act takes effect July 1, 2006.

--- END ---