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**SUBSTITUTE HOUSE BILL 1386**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** House Housing, Community Development & Veterans (originally sponsored by Representatives Kilduff, Young, Kirby, Volz, Reeves, Leavitt, and Ortiz-Self)

READ FIRST TIME 02/08/19.

1 AN ACT Relating to creating a military benefit zone program;  
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.** INTENT. (1) Washington state has the sixth  
6 highest regional concentration of military presence in the United  
7 States. Military installations have significant importance to the  
8 local and state economy.

9 (2) Joint Base Lewis-McChord is the defense department's premiere  
10 military installation on the west coast, the second largest  
11 installation in the nation, and the largest in the state. Joint Base  
12 Lewis-McChord provides world-class installation support to more than  
13 forty thousand active, guard, and reserve service members and about  
14 fifteen thousand civilian workers. The base supports sixty thousand  
15 family members who live on and outside the base, and nearly thirty  
16 thousand military retirees living within fifty miles. Active duty  
17 personnel have spouses and children, and together they have over an  
18 eight billion dollar impact on the regional economy. Joint Base  
19 Lewis-McChord is just one of several military installations in the  
20 state.

1 (3) It is the intent of this state to provide the necessary means  
2 to assist communities with significant military installations in  
3 supporting and sustaining those installations. It is further the  
4 intent to encourage communities to initiate a coordinated program of  
5 response and plan of action in advance of future actions of the  
6 federal government relating to base realignments and closures. It is  
7 critical that communities develop and implement strategies to  
8 preserve and protect military installations, which often includes  
9 planning for and constructing additional infrastructure.

10 (4) Declining resources for new infrastructure have increased  
11 pressure on cities and counties, and as urban areas have grown near  
12 Washington's military installations, a pattern has developed that has  
13 not supported the needs of the military for housing, services, and  
14 quality of life. Therefore, to support and sustain military  
15 installations, local governments located within the vicinity of these  
16 facilities need additional funding options to improve infrastructure.  
17 To that end, the legislature intends to establish a military benefit  
18 zone program.

19 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this  
20 section apply throughout this chapter unless the context clearly  
21 requires otherwise.

22 (1) "Annual state contribution limit" means five million dollars  
23 statewide per fiscal year, plus the additional amounts approved for  
24 the demonstration projects in section 14 of this act.

25 (2) "Approving agency" means the department of commerce.

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

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

30 (5) "Fiscal year" means the twelve-month period beginning July  
31 1st and ending the following June 30th.

32 (6) "Local government" means any city, town, or county within two  
33 miles of the boundary of Joint Base Lewis-McChord, Naval Base Kitsap,  
34 Naval Station Everett, Fairchild Air Force Base, and Naval Air  
35 Station Whidbey Island.

36 (7) "Local property tax allocation revenue" means those tax  
37 revenues derived from the receipt of regular property taxes levied on  
38 the property tax allocation revenue value and used for military  
39 benefit zone financing.

1 (8) "Local sales and use tax increment" means the estimated  
2 annual increase in local sales and use taxes as determined by the  
3 local government in the calendar years following the approval of the  
4 military benefit zone by the approving agency from taxable activity  
5 within the military benefit zone.

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

8 (10) "Military benefit financing" means the use of revenues from  
9 local public sources, dedicated to pay the principal and interest on  
10 bonds authorized in section 10 of this act and public improvement  
11 costs within the military benefit zone on a pay-as-you-go basis, and  
12 revenues received from the local option sales and use tax authorized  
13 under section 16 of this act dedicated to pay the principal and  
14 interest on bonds authorized under section 10 of this act.

15 (11) "Military benefit zone" means the geographic area adopted by  
16 a sponsoring military community and approved by the approving agency,  
17 excluding Camp Murray and any other state-owned military department  
18 property, from which local sales and use tax increments are estimated  
19 and property tax allocation revenues are derived for military benefit  
20 zone financing.

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

23 (13) "Participating local government" means a local government  
24 having a military benefit zone within its geographic boundaries that  
25 has taken action as provided in section 6 of this act to allow the  
26 use of all or some of its local sales and use tax increments or other  
27 revenues from local public sources dedicated for military benefit  
28 financing.

29 (14) "Participating taxing district" means a local government  
30 having a military benefit zone within its geographic boundaries that  
31 has not taken action as provided in section 6(2) of this act.

32 (15) "Property tax allocation revenue base value" means the  
33 assessed value of real property located within a military benefit  
34 zone, less the property tax allocation revenue value.

35 (16) (a) (i) "Property tax allocation revenue value" means seventy-  
36 five percent of any increase in the assessed value of real property  
37 in a military benefit zone resulting from:

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

1 improvements are initiated after the military benefit zone is  
2 approved by the approving agency;

3 (B) The cost of new housing construction, conversion, and  
4 rehabilitation improvements, when the cost is treated as new  
5 construction for purposes of chapter 84.55 RCW as provided in RCW  
6 84.14.020, and the new housing construction, conversion, and  
7 rehabilitation improvements are initiated after the military benefit  
8 zone is approved by the approving agency;

9 (C) The cost of rehabilitation of historic property, when the  
10 cost is treated as new construction for purposes of chapter 84.55 RCW  
11 as provided in RCW 84.26.070, and the rehabilitation is initiated  
12 after the military benefit zone is approved by the approving agency.

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

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

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

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

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

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

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

39 (iii) For the cost of rehabilitation of historic property, when  
40 the cost is treated as new construction for purposes of chapter 84.55

1 RCW, the year when such cost is treated as new construction for  
2 purposes of levying taxes for collection in the following year.

3 (17) "Public improvements" means:

4 (a) Infrastructure improvements within the benefit zone that  
5 include:

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

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

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

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

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

11 (vi) Park facilities, recreational areas, and environmental  
12 remediation;

13 (vii) Stormwater and drainage management systems;

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

15 and

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

17 (i) Providing environmental analysis, professional management,  
18 planning, and promotion within the benefit zone, including the  
19 management and promotion of retail trade activities in the benefit  
20 zone;

21 (ii) Providing maintenance and security for common or public  
22 areas in the benefit zone; or

23 (iii) Historic preservation activities authorized under RCW  
24 35.21.395.

25 (18) "Public improvements costs" means the cost of:

26 (a) Design, planning, acquisition, including land acquisition,  
27 site preparation including land clearing, construction,  
28 reconstruction, rehabilitation, improvement, and installation of  
29 public improvements;

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

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

33 (d) Financing public improvements, including interest during  
34 construction, legal and other professional services, taxes,  
35 insurance, principal and interest costs on general indebtedness  
36 issued to finance public improvements, and any necessary reserves for  
37 general indebtedness; and

38 (e) Administrative expenses and feasibility studies reasonably  
39 necessary and related to these costs, including related costs that  
40 may have been incurred before adoption of the ordinance authorizing

1 the public improvements and the use of military benefit financing to  
2 fund the costs of the public improvements.

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

6 (20) "Regular property taxes" means regular property taxes as  
7 defined in RCW 84.04.140, except:

8 (a) Regular property taxes levied by public utility districts  
9 specifically for the purpose of making required payments of principal  
10 and interest on general indebtedness; and

11 (b) Regular property taxes levied by the state for the support of  
12 common schools under RCW 84.52.065; and

13 (c) Regular property taxes authorized by RCW 84.55.050 that are  
14 limited to a specific purpose. "Regular property taxes" do not  
15 include excess property tax levies that are exempt from the aggregate  
16 limits for junior and senior taxing districts as provided in RCW  
17 84.52.043.

18 (21)(a) "Revenues from local public sources" means:

19 (i) The local sales and use tax amounts received as a result of  
20 interlocal agreement, local sales and use tax amounts from sponsoring  
21 local governments based on its local sales and use tax increment, and  
22 local property tax allocation revenues, which are dedicated by a  
23 sponsoring local government, participating local governments, and  
24 participating taxing districts, for payment of bonds under section 10  
25 of this act or public improvement costs within the military benefit  
26 zone on a pay-as-you-go basis; and

27 (ii) Any other local revenues, except as provided in (b) of this  
28 subsection, including revenues derived from federal and private  
29 sources, which are dedicated for the payment of bonds under section  
30 10 of this act or public improvement costs within the military  
31 benefit zone on a pay-as-you-go basis.

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

36 (22) "Sponsoring military community" means a city, town, county,  
37 or any combination thereof, that adopts a military benefit zone.

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

39 (a) Five hundred thousand dollars;

1 (b) The project award amount approved by the approving agency as  
2 provided in section 14 of this act;

3 (c) The total amount of revenues from local public sources  
4 dedicated in the preceding calendar year to the payment of principal  
5 and interest on bonds issued under section 10 of this act and public  
6 improvement costs within the military benefit zone on a pay-as-you-go  
7 basis. Revenues from local public sources dedicated in the preceding  
8 calendar year that are in excess of the project award may be carried  
9 forward and used in later years for the purpose of this subsection  
10 (23) (c).

11 (24) "State property tax increment" means the estimated amount of  
12 annual tax revenues estimated to be received by the state from the  
13 imposition of property taxes levied by the state for the support of  
14 common schools under RCW 84.52.065 on the property tax allocation  
15 revenue value, as determined by the sponsoring local government in an  
16 application under section 9 of this act.

17 (25) "State sales and use tax increment" means the estimated  
18 amount of the annual increase in state sales and use taxes to be  
19 received by the state from taxable activity within the military  
20 benefit zone in the years following the approval of the military  
21 benefit zone as determined by the sponsoring military community in an  
22 application under section 9 of this act and updated periodically as  
23 required in RCW 82.32.765.

24 (26) "State sales and use taxes" means state retail sales and use  
25 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in  
26 RCW 82.08.020(1), less the amount of tax distributions from all local  
27 retail sales and use taxes, other than the local sales and use taxes  
28 authorized by section 16 of this act for the applicable military  
29 benefit zone, imposed on the same taxable events that are credited  
30 against the state retail sales and use taxes under RCW 82.08.020(1)  
31 and 82.12.020.

32 (27) "Taxing district" means a government entity that levies or  
33 has levied for it regular property taxes upon real property located  
34 within a proposed or approved military benefit zone.

35 NEW SECTION. **Sec. 3.** LOCAL GOVERNMENT FINANCING. A local  
36 government may finance public improvements using military benefit  
37 financing subject to all of the following conditions:

38 (1) The sponsoring military community has adopted an ordinance  
39 designating a military benefit zone within its boundaries and

1 specified the public improvements proposed to be financed in whole or  
2 in part with the use of military benefit financing;

3 (2) The public improvements proposed to be financed in whole or  
4 in part using military benefit zone financing are expected to  
5 encourage private development and increase the quality of life within  
6 the military benefit zone and to increase the fair market value of  
7 real property and sales tax revenue within the military benefit zone;

8 (3) The local government has entered into a contract with a  
9 private developer relating to the development of private improvements  
10 within the military benefit zone or has received a letter of intent  
11 from a private developer relating to the developer's plans for the  
12 development of private improvements within the military benefit zone;

13 (4) Private development that is anticipated to occur within the  
14 military benefit zone, as a result of the public improvements, will  
15 be consistent with the countywide planning policy adopted by the  
16 county under RCW 36.70A.210 and the local government's comprehensive  
17 plan and development regulations adopted under chapter 36.70A RCW;

18 (5) The sponsoring military community may not use military  
19 benefit zone financing to finance the costs associated with the  
20 financing, design, acquisition, construction, equipping, operating,  
21 maintaining, remodeling, repairing, and reequipping of public  
22 facilities funded with taxes collected under RCW 82.14.048 or  
23 82.14.390;

24 (6) The governing body of the sponsoring military community must  
25 make a finding that military benefit financing:

26 (a) Will not be used for the purpose of relocating a business  
27 from outside the military benefit zone, but within this state, into  
28 the military benefit zone unless convincing evidence is provided that  
29 the firm being relocated would otherwise leave the state;

30 (b) Will improve the viability of existing business entities  
31 within the military benefit zone; and

32 (c) Will be used exclusively in areas within the jurisdiction of  
33 the local government deemed in need of either economic development or  
34 redevelopment, or both, and absent the financing available under this  
35 chapter and section 16 of this act the proposed economic development  
36 or redevelopment would more than likely not occur; and

37 (7) The governing body of the local government finds that the  
38 public improvements proposed to be financed in whole or in part using  
39 military benefit financing are reasonably likely to:

40 (a) Increase private investment within the military benefit zone;



1 (b) Increase employment within the military benefit zone;

2 (c) Generate, over the period of time that the local sales and  
3 use tax will be imposed under section 16 of this act, increases in  
4 state and local sales and use tax revenues that are equal to or  
5 greater than the respective state and local contributions made under  
6 this chapter; and

7 (d) Support the needs of the military for housing, services, and  
8 quality of life.

9 NEW SECTION. **Sec. 4.** CREATION OF MILITARY BENEFIT ZONE. (1)

10 Before adopting an ordinance creating the military benefit zone, a  
11 sponsoring military community must:

12 (a) Provide notice to all taxing districts that levy a sales and  
13 use tax with geographic boundaries within the proposed military  
14 benefit zone of the sponsoring military community's intent to create  
15 a military benefit zone. Notice must be provided in writing to the  
16 governing body of the taxing districts and local governments at least  
17 sixty days in advance of the public hearing as required by (b) of  
18 this subsection. The notice must include the following information:

19 (i) The name of the military benefit zone;

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

22 (iii) The earliest anticipated date when the sponsoring local  
23 government will take action to adopt the proposed military benefit  
24 zone; and

25 (iv) The name of the contact person with the phone number of the  
26 sponsoring local government and mailing address where a copy of an  
27 ordinance adopted under section 4 of this act may be sent.

28 (b) Hold a public hearing on the proposed financing of the public  
29 improvements in whole or in part with military benefit financing.  
30 Notice of the public hearing must be published in a legal newspaper  
31 of general circulation within the proposed military benefit zone at  
32 least ten days before the public hearing and posted in at least six  
33 conspicuous public places located in the proposed military benefit  
34 zone. Notices must describe the contemplated public improvements,  
35 estimate the costs of the public improvements, describe the portion  
36 of the costs of the public improvements to be borne by military  
37 benefit financing, describe any other sources of revenue to finance  
38 the public improvements, describe the boundaries of the proposed  
39 military benefit zone, and estimate the period during which benefit

1 financing is contemplated to be used. The public hearing may be held  
2 by either the governing body of the sponsoring military community, or  
3 a committee of the governing body that includes at least a majority  
4 of the whole governing body.

5 (2) To create a military benefit zone, a sponsoring military  
6 community must adopt an ordinance establishing the military benefit  
7 zone that:

8 (a) Describes the public improvements to be made in the military  
9 benefit zone;

10 (b) Describes the boundaries of the military benefit zone,  
11 subject to the limitations in section 5 of this act;

12 (c) Estimates the cost of the proposed public improvements and  
13 the portion of these costs to be financed by military benefit  
14 financing;

15 (d) Estimates the time during which local property tax allocation  
16 revenues, and other revenues from local public sources, such as  
17 amounts of local sales and use taxes from participating local  
18 governments, are to be used for military benefit zone financing;

19 (e) Provides the date when the use of local property tax  
20 allocation revenues will commence and a list of the participating  
21 taxing districts and the regular property taxes that must be used to  
22 calculate property tax allocation revenues;

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

25 (g) Provides the anticipated rate of sales and use tax under  
26 section 16 of this act that the local government will impose if  
27 awarded a state contribution under section 9 or 14 of this act; and

28 (h) Provides the anticipated date when the criteria for the sales  
29 and use tax in section 16 of this act will be met and the anticipated  
30 date when the sales and use tax in section 16 of this act will be  
31 imposed.

32 (3) Upon creation of a military benefit zone, the sponsoring  
33 military community must deliver a certified copy of the adopted  
34 ordinance to the department and the governing body of each  
35 participating local government.

36 NEW SECTION. **Sec. 5.** LIMITATIONS ON MILITARY BENEFIT ZONES. The  
37 designation of a military benefit zone is subject to the following  
38 limitations:

1 (1) No military benefit zone may have within its geographic  
2 boundaries any part of a hospital benefit zone under chapter 39.100  
3 RCW, any part of a revenue development area created under chapter  
4 39.102 RCW, any part of an increment area under chapter 39.89 or  
5 39.104 RCW, or any part of a military benefit zone under this  
6 chapter;

7 (2) No military benefit zone may overlap boundaries with another  
8 military benefit zone;

9 (3) A military benefit zone must be wholly within two miles of  
10 the boundary of Joint Base Lewis-McChord, Naval Base Kitsap, Naval  
11 Station Everett, Fairchild Air Force Base, and Naval Air Station  
12 Whidbey Island;

13 (4) A military benefit zone may not include areas within Joint  
14 Base Lewis-McChord, Naval Base Kitsap, Naval Station Everett,  
15 Fairchild Air Force Base, Naval Air Station Whidbey Island, Camp  
16 Murray, and any other state-owned military department property;

17 (5) A military benefit zone is limited to contiguous tracts,  
18 lots, pieces, or parcels of land without the creation of islands of  
19 property not included in the military benefit zone;

20 (6) The boundaries may not be drawn to purposely exclude parcels  
21 of land where economic growth is unlikely to occur;

22 (7) The public improvements financed through bonds issued under  
23 section 10 of this act must be located in the military benefit zone;

24 (8) A military benefit zone cannot contain more than twenty-five  
25 percent of the total assessed value of the taxable real property  
26 within the boundaries of the sponsoring military community at the  
27 time the military benefit zone is created;

28 (9) The boundaries of the military benefit zone may not be  
29 changed for the time period that local sales and use taxes of  
30 participating local governments, and the local sales and use tax  
31 under section 16 of this act are used to pay bonds issued under  
32 section 10 of this act and public improvement costs within the  
33 military benefit zone on a pay-as-you-go basis, as provided under  
34 this chapter; and

35 (10) A military benefit zone must be geographically restricted to  
36 the location of the public improvement and adjacent locations that  
37 the sponsoring military community funds to benefit neighborhoods  
38 nearest the state's military bases, and infrastructure consistent  
39 with the highest public health, safety, and welfare standards in a  
40 manner supportive to Joint Base Lewis-McChord, Naval Base Kitsap,

1 Naval Station Everett, Fairchild Air Force Base, and Naval Air  
2 Station Whidbey Island.

3 NEW SECTION. **Sec. 6.** INTERLOCAL AGREEMENTS. (1) A participating  
4 local government must enter into an interlocal agreement as provided  
5 in chapter 39.34 RCW to participate in military benefit financing  
6 with the sponsoring military community.

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

13 (b) The local government must provide a copy of the adopted  
14 ordinance and the notice to the sponsoring military community  
15 creating the military benefit zone before the anticipated date that  
16 the sponsoring military community proposes to adopt an ordinance  
17 creating the military benefit zone as provided in the notice required  
18 by section 4(1)(a) of this act.

19 NEW SECTION. **Sec. 7.** LOCAL PROPERTY TAX ALLOCATION REVENUES.

20 (1) Commencing in the second calendar year following the creation of  
21 a military benefit zone by a sponsoring local government, the county  
22 treasurer must distribute receipts from regular taxes imposed on real  
23 property located in the military benefit zone as follows:

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

29 (b) The sponsoring local government must receive an additional  
30 portion of the regular property taxes levied by it and by or for each  
31 participating taxing district upon the property tax allocation  
32 revenue value within the military benefit zone. However, if there is  
33 no property tax allocation revenue value, the sponsoring local  
34 government may not receive any additional regular property taxes  
35 under this subsection (1)(b). The sponsoring local government may  
36 agree to receive less than the full amount of the additional portion  
37 of regular property taxes under this subsection (1)(b) as long as  
38 bond debt service, reserve, and other bond covenant requirements are

1 satisfied, in which case the balance of these tax receipts must be  
2 allocated to the participating taxing districts that levied regular  
3 property taxes, or have regular property taxes levied for them, in  
4 the military benefit zone for collection that year in proportion to  
5 their regular tax levy rates for collection that year. The sponsoring  
6 local government may request that the treasurer transfer this  
7 additional portion of the property taxes to its designated agent. The  
8 portion of the tax receipts distributed to the sponsoring local  
9 government or its agent under this subsection (1)(b) may only be  
10 expended to finance public improvement costs associated with the  
11 public improvements financed in whole or in part by military benefit  
12 zone financing.

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

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

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

36 (5) The distribution of local property tax allocation revenues  
37 under this section may not affect or be deemed to affect the rate of  
38 taxes levied by or within any sponsoring local government and  
39 participating taxing district or the consistency of any such levies

1 with the uniformity requirement of Article VII, section 1 of the  
2 state Constitution.

3 NEW SECTION. **Sec. 8.** PUBLIC IMPROVEMENT FINANCING. A sponsoring  
4 military community may use annually local sales and use tax amounts  
5 equal to some or all of its local sales and use tax increments to  
6 finance public improvements in the military benefit zone. The amounts  
7 of local sales and use tax dedicated by a participating local  
8 government must begin and cease on the dates specified in an  
9 interlocal agreement authorized in chapter 39.34 RCW. Sponsoring  
10 military communities and participating local governments are  
11 authorized to allocate some or all of their local sales and use tax  
12 increments to the sponsoring military community as provided by  
13 section 6 of this act.

14 NEW SECTION. **Sec. 9.** APPLICATION PROCESS—APPROVAL OF PROJECT  
15 AWARDS BY THE APPROVING AGENCY. (1) Prior to applying to receive a  
16 state contribution, a sponsoring military community must adopt a  
17 military benefit zone within the limitations in section 5 of this act  
18 and in accordance with section 4 of this act.

19 (2)(a) As a condition to imposing a sales and use tax under  
20 section 16 of this act, a sponsoring military community must apply  
21 and be approved for a project award amount. The application must be  
22 in a form and manner prescribed by the approving agency and include,  
23 but not be limited to:

24 (i) Information establishing that over the period of time that  
25 the local sales and use tax will be imposed under section 16 of this  
26 act, increases in state sales and use tax revenues as a result of  
27 public improvements in the military benefit zone will be equal to or  
28 greater than the respective state and local contributions made under  
29 this chapter;

30 (ii) Information demonstrating that the sponsoring military  
31 community will meet the requirements necessary to receive the full  
32 amount of state contribution it is requesting on an annual basis;

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

34 (iv) The anticipated effective date for imposing the tax under  
35 section 16 of this act;

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

37 (vi) The anticipated rate of tax to be imposed under section 16  
38 of this act, subject to the rate-setting conditions in section 16(3)

1 of this act, should the sponsoring military community be approved for  
2 a project award; and

3 (vii) The anticipated date when bonds under section 10 of this  
4 act will be issued.

5 (b) The approving agency must make available electronic forms to  
6 be used for this purpose. As part of the application, each applicant  
7 must provide to the department a copy of the adopted ordinance  
8 creating the military benefit zone as required in section 4 of this  
9 act, copies of any adopted interlocal agreements from participating  
10 local governments, and any notices from taxing districts that elect  
11 not to participate.

12 (3) (a) Project awards must be determined based on:

13 (i) The availability of a state contribution;

14 (ii) Whether the sponsoring military community would be able to  
15 generate enough tax revenue under section 16 of this act to generate  
16 the amount of project award requested;

17 (iii) The number of jobs created;

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

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

21 (vi) The extent to which the project leverages nonstate funds;

22 and

23 (vii) The benefit of the project to the quality of life for  
24 military personnel and families.

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

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

35 (d) Applicants that are not approved for a project award due to  
36 lack of available state contribution must be retained on file by the  
37 approving agency.

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

1 (f) If the annual contribution limit is increased by additional  
2 funds available for applicants, applications will be accepted again  
3 as described in subsection (5) of this section.

4 (4) The approving agency must notify the sponsoring military  
5 community of approval or denial of a project award within sixty days  
6 of the approving agency's receipt of the sponsoring military  
7 community's application. Determination of a project award by the  
8 approving agency is final. Notification must include the earliest  
9 date when the tax authorized under section 16 of this act may be  
10 imposed, subject to conditions in chapter 82.14 RCW. The project  
11 award notification must specify the rate requested in the application  
12 and any adjustments to the rate that would need to be made based on  
13 the project award and rate restrictions in section 16 of this act.  
14 The department of commerce must consult with the department in  
15 determining the amount of a project award.

16 (5) The department of commerce must begin accepting applications  
17 and approving project awards under this section on and after August  
18 1, 2019. The department of commerce must notify the department of all  
19 approved project awards under this section. The department of  
20 commerce must also provide to the department any information  
21 necessary to implement the tax authorized under section 16 of this  
22 act.

23 NEW SECTION. **Sec. 10.** ISSUANCE OF GENERAL OBLIGATION BONDS. (1)  
24 A sponsoring military community creating a military benefit zone and  
25 authorizing the use of local military benefit financing may incur  
26 general indebtedness, including issuing general obligation bonds, to  
27 finance the public improvements and retire the indebtedness in whole  
28 or in part from local military benefit financing it receives, subject  
29 to the following requirements:

30 (a)(i) The ordinance adopted by the sponsoring military community  
31 creating the military benefit zone and authorizing the use of local  
32 military benefit financing indicates an intent to incur this  
33 indebtedness and the maximum amount of this indebtedness that is  
34 contemplated; and

35 (ii) The sponsoring military community includes this statement of  
36 intent in all notices required by section 4 of this act; or

37 (b) The sponsoring military community adopts a resolution, after  
38 opportunity for public comment, that indicates an intent to incur



1 this indebtedness and the maximum amount of this indebtedness that is  
2 contemplated.

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

10 (3) In addition to the requirements in subsection (1) of this  
11 section, a sponsoring military community creating a military benefit  
12 zone and authorizing the use of local military benefit financing may  
13 require any nonpublic participants to provide adequate security to  
14 protect the public investment in the public improvement within the  
15 military benefit zone.

16 (4) As may be provided by a trust indenture or mortgage issued  
17 pursuant thereto or by an ordinance, bonds issued under this section  
18 must:

19 (a) Be authorized by ordinance of the sponsoring military  
20 community and may be issued in one or more series and must bear a  
21 date or dates;

22 (b) Be payable upon demand or mature at a time or times;

23 (c) Bear interest at a rate or rates;

24 (d) Be in a denomination or denominations;

25 (e) Be in the form of either coupon or registered as provided in  
26 section 3 of this act;

27 (f) Carry conversation or registration privileges;

28 (g) Have a rank or priority;

29 (h) Be executed in a manner;

30 (i) Be payable in a medium of payment, at a place or places, and  
31 be subject to terms of redemption with or without premium;

32 (j) Be secured in a manner; and

33 (k) Have any other characteristics.

34 (5) The sponsoring military community may:

35 (a) Annually pay into the special fund established pursuant to  
36 this section a fixed proportion or a fixed amount of any revenues  
37 derived from taxes imposed under section 16 of this act, such payment  
38 to continue until all bonds payable from the fund are paid in full.  
39 Revenues derived from taxes imposed under section 16 of this act are  
40 subject to the use restriction in section 15 of this act; and

1 (b) Issue revenue bonds payable from any or all revenues  
2 deposited in the special fund established pursuant to this section.

3 (6) In case any of the public officials of the sponsoring  
4 military community whose signatures appear on any bonds or any  
5 coupons issued under this chapter cease to be the officials before  
6 the delivery of the bonds, the signatures must, nevertheless, be  
7 valid and sufficient for all purposes, the same as if the officials  
8 had remained in office until the delivery. Any provision of any law  
9 to the contrary notwithstanding, any bonds issued under this chapter  
10 are fully negotiable.

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

14 NEW SECTION. **Sec. 11.** USE OF TAX REVENUE FOR BOND REPAYMENT. A  
15 sponsoring local government that issues bonds under section 10 of  
16 this act to finance public improvements may pledge for the payment of  
17 such bonds all or part of any revenues derived from taxes imposed  
18 under section 16 of this act and held in connection with the public  
19 improvements. All of such tax revenues are subject to the use  
20 restriction in section 15 of this act.

21 NEW SECTION. **Sec. 12.** LIMITATION ON BONDS ISSUED. The bonds  
22 issued by a local government under section 10 of this act to finance  
23 public improvements do not constitute an obligation of the state of  
24 Washington, either general or special.

25 NEW SECTION. **Sec. 13.** ADMINISTRATION BY THE DEPARTMENT OF  
26 REVENUE AND THE DEPARTMENT OF COMMERCE—ADOPTION OF RULES. The  
27 department and the department of commerce may adopt any rules under  
28 chapter 34.05 RCW that the departments consider necessary for the  
29 administration of this chapter.

30 NEW SECTION. **Sec. 14.** MILITARY BENEFIT FINANCING DEMONSTRATION  
31 PROJECTS. (1) In addition to a competitive process, demonstration  
32 projects are designated to determine the feasibility of the military  
33 benefit zone financing tool.

34 (2) Notwithstanding section 9 of this act, the approving agency  
35 must approve each demonstration project that meets the applicable

1 conditions, limitations, and requirements provided in this chapter as  
2 follows:

3 (a) The city of Lakewood redevelopment project must be approved  
4 for at least one million dollars; and

5 (b) Any other demonstration project application submitted under  
6 this section by a local government.

7 (3) Local government sponsors of demonstration projects under  
8 this section must submit to the approving agency by no later than  
9 September 1, 2019, documentation that substantiates that the project  
10 has met the applicable conditions, limitations, and requirements  
11 provided in this chapter.

12 (4) Within ninety days of submitting the documentation required  
13 under subsection (3) of this section, the approving agency must  
14 approve a demonstration project that has met the conditions,  
15 limitations, and requirements under this chapter.

16 (5) Local government sponsors of demonstration projects may elect  
17 to decline the project awards as designated in this section, and may  
18 elect instead to submit applications according to the process  
19 described in section 9 of this act.

20 NEW SECTION. **Sec. 15.** Moneys collected from the taxes imposed  
21 under section 16 of this act may be used only for the purpose of  
22 paying debt service on bonds issued under the authority in section 10  
23 of this act.

24 NEW SECTION. **Sec. 16.** A new section is added to chapter 82.14  
25 RCW to read as follows:

26 (1) Any sponsoring military community that has been approved for  
27 a project award under section 9 or 14 of this act may impose a sales  
28 and use tax under the authority of this section in accordance with  
29 the terms of this chapter. Except as provided in this section, the  
30 tax is in addition to other taxes authorized by law and must be  
31 collected from those persons who are taxable by the state under  
32 chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event  
33 within the taxing jurisdiction of the sponsoring military community.

34 (2) The tax authorized under subsection (1) of this section is  
35 credited against the state taxes imposed under RCW 82.08.020(1) and  
36 82.12.020 at the rate provided in RCW 82.08.020(1). The department  
37 must perform the collection of such taxes on behalf of the sponsoring  
38 military community at no cost to the sponsoring military community.

1 The taxes must be distributed to sponsoring military communities as  
2 provided in RCW 82.14.060.

3 (3) The rate of tax imposed by a sponsoring military community  
4 may not exceed the lesser of:

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

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

8 (ii) The aggregate rates of all taxes under RCW 82.14.465,  
9 82.14.475, 82.14.510, and this section that are authorized but have  
10 not yet been imposed on the same taxable events by a sponsoring  
11 military community that has been approved to receive a state  
12 contribution by the department, the department of commerce, or the  
13 community economic revitalization board under chapter 39.104, 39.100,  
14 or 39.102 RCW; and

15 (iii) The percentage amount of distributions required under RCW  
16 82.08.020(5) multiplied by the rate of state taxes imposed under RCW  
17 82.08.020(1); and

18 (b) The rate, as determined by the sponsoring military community  
19 in consultation with the department, reasonably necessary to receive  
20 the project award under section 9 or 14 of this act over ten months.

21 (4) The department, upon request, must assist a sponsoring  
22 military community in establishing its tax rate in accordance with  
23 subsection (3) of this section. Once the rate of tax is selected  
24 through the application process and approved under section 9 or 14 of  
25 this act, it may not be increased.

26 (5) (a) No tax may be imposed under the authority of this section  
27 before:

28 (i) July 1, 2020;

29 (ii) July 1st of the second calendar year following the year in  
30 which the application was approved under section 9 or 14 of this act;

31 (iii) The state sales and use tax increment and state property  
32 tax increment for the preceding calendar year equals or exceeds the  
33 amount of the project award approved under section 9 or 14 of this  
34 act; and

35 (iv) Bonds have been issued according to section 10 of this act.

36 (b) The tax imposed under this section expires the earlier of the  
37 date that the bonds issued under the authority of section 10 of this  
38 act are retired or twenty-five years after the tax is first imposed.

1 (6) An ordinance or resolution adopted by the legislative  
2 authority of the sponsoring military community imposing a tax under  
3 this section must provide that:

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

6 (b) The cumulative amount of tax received by the sponsoring  
7 military community, in any fiscal year, may not exceed the amount  
8 approved by the department under subsection (9) of this section;

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

11 (i) The amount of tax received by the sponsoring military  
12 community equals the amount of distributions approved by the  
13 department for the fiscal year under subsection (9) of this section;

14 or

15 (ii) The amount of revenue distributed to all sponsoring and  
16 cosponsoring local governments from taxes imposed under this section  
17 equals the annual state contribution limit;

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

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

24 (7) If a sponsoring military community receives approval for more  
25 than one military benefit zone within its jurisdiction, the  
26 sponsoring military community may impose a sales and use tax under  
27 this section for each military benefit zone.

28 (8) The department must determine the amount of tax receipts  
29 distributed to each sponsoring military community imposing a sales  
30 and use tax under the authority of this section and must advise a  
31 sponsoring military community when tax distributions for the fiscal  
32 year equal the amount determined by the department in subsection (9)  
33 of this section. Determinations by the department of the amount of  
34 tax distributions attributable to a sponsoring military community are  
35 not appealable. The department must remit any tax receipts in excess  
36 of the amounts specified in subsection (6)(c) of this section to the  
37 state treasurer who must deposit the money in the general fund.

38 (9)(a) For each fiscal year that a sponsoring military community  
39 imposes the tax under the authority of this section, the department  
40 must approve the amount of taxes that may be distributed to the

1 sponsoring military community. The amount approved by the department  
2 under this subsection is the lesser of:

3 (i) The state contribution;

4 (ii) The amount of project award granted as provided in section 9  
5 or 14 of this act; or

6 (iii) The total amount of revenues from local public sources  
7 dedicated or, in the case of carry forward revenues, deemed dedicated  
8 in the preceding calendar year.

9 (b) A sponsoring military community may not receive, in any  
10 fiscal year, more revenues from taxes imposed under the authority of  
11 this section than the amount approved annually by the department.

12 (10) The amount of tax distributions received from taxes imposed  
13 under the authority of this section by all sponsoring military  
14 communities is limited annually to not more than the amount of annual  
15 state contribution limit.

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

19 (12) The definitions in this subsection apply throughout this  
20 section unless the context clearly requires otherwise.

21 (a) "Local sales and use taxes" means sales and use taxes imposed  
22 by cities, counties, public facilities districts, and other local  
23 governments under the authority of this chapter, chapters 67.28 and  
24 39.--- RCW (the new chapter created in section 17 of this act), or  
25 any other chapter, and that are credited against the state sales and  
26 use taxes.

27 (b) "State sales and use taxes" means the taxes imposed in RCW  
28 82.08.020(1) and 82.12.020.

29 NEW SECTION. **Sec. 17.** Sections 1 through 15 of this act  
30 constitute a new chapter in Title 39 RCW.

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