
**Community & Economic
Development & Trade Committee**

HB 3163

Brief Description: Creating a military improvement zone program.

Sponsors: Representatives Kelley, McCune, Green, Williams, Morrell and Conway.

Brief Summary of Bill

- Directs the Department of Community, Trade and Economic Development (Department) to conduct a pilot Military Improvement Zone Program.
- Creates the Military Improvement Zone Program in the Department effective January 1, 2013.
- Creates a Military Improvement Zone Account in the State Treasury into which sales and use tax revenues from affordable housing construction are deposited and distributed to pay for public infrastructure related to the housing development.
- Requires the Department to examine and recommend tools for encouraging affordable and high quality housing and infrastructure.

Hearing Date: 1/30/08

Staff: Meg Van Schoorl (786-7105).

Background:

"Impacts of the Military Bases in Washington," a 2005 report by the Office of Financial Management, identified more than 100 military installations in the state. The major installations include Ft. Lewis, McChord Air Force Base, Naval Base Kitsap, Keyport Undersea Warfare Center, NW Regional Maintenance Center, Naval Station Everett, Naval Air Station Whidbey, Fairchild Air Force Base and Yakima Training Center. The report listed some of the direct impacts of the military presence including payroll of uniformed/civilian personnel (\$3.4 billion) and military retiree pensions (\$1.15 billion). Contracts let by major bases in 2003 included \$1.14 billion in in-state purchases, \$530 million in sales by Washington companies to bases, and \$2.9 billion in contracts with the U.S. Department of Defense. Over half of our counties experience an

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impact from base purchasing practices. In 2003, the military wage and salary disbursements made up more than 88 percent of the county total disbursements in Island County, 52 percent in Kitsap County, and 29 percent in Pierce County.

Summary of Bill:

Findings

The Legislature finds that communities surrounding military bases should, but often do not, reflect appreciation of the value of military personnel stationed in our state. Insufficient resources for new infrastructure and patterns of urban development have not supported the military's housing and services needs.

Military Improvement Zone Program

The Military Improvement Zone Program is created in the Department of Community, Trade, and Economic Development (Department) effective January 1, 2013. Its purpose is to authorize and promote local government financing tools that encourage high quality development and housing near federal military bases. Counties and cities may apply for a military improvement zone designation. An eligible area must: Be a defined geographic area consisting of a neighborhood or contiguous neighborhoods; demonstrate a need for infrastructure improvements resulting from population growth, limited property tax base, low-income population, lack of affordable housing, or, have the majority of census tracts designated as qualified by the US Housing and Urban Development.

Military Improvement Zone Account, Eligibility and Authorized Use of Distributions

The Military Improvement Zone Account (Account) is created in the State Treasury. Estimated sales and use taxes on tangible personal property, labor and services used in the construction of military improvement zone affordable housing projects must be deposited in the Account. Distributions of proceeds from the Account must be made annually and may be used by a county or city only for public infrastructure projects required for the affordable housing development to occur. Authorized uses include construction of: streets and roads necessary to serve the military improvement zone, water and sewer systems, storm water and drainage management systems. Affordable housing means residential housing for rental occupancy which requires payment of monthly housing costs, including utilities other than telephone, of no more than 30 percent of the family's income.

To be eligible for the distribution, a city or county must submit an application prior to the initiation of the construction of the affordable housing project. The local government must verify the project's location in a designated military improvement zone; that the project's completion date is consistent with Department requirements; that the proceeds will be used for the infrastructure required for the development to occur; that at least 15 percent of the housing units qualify as affordable housing; and that the developer and local government have made a development agreement containing prescribed elements. The Department must rule on the application within 45 days of its receipt. The local government must submit an expenditure plan specifying the intended use of the proceeds within 120 days of submitting the application. The Department must notify the local government of expenditure plan deficiencies within 90 days of submittal.

Military Improvement Zone Pilot Program

The Department must conduct a Military Improvement Zone Pilot Program. Counties or cities may submit applications to designate qualifying areas. To be eligible, an area must meet the

criteria of the Military Zone Improvement Program and also be within ten miles of two military bases with more than 30,000 personnel combined that are wholly contained within census tract 720. The Department must develop pilot program guidelines and criteria and provide technical assistance to local governments participating in the pilot program. Depending on appropriations available, the Department must provide grants to counties and cities participating in the pilot program and must use sales and use tax receipts in the Account only for the public infrastructure projects related to the affordable housing projects. The Department must submit a comprehensive pilot program status report by September 30, 2010, followed by a pilot program findings and recommendations report by September 30, 2012 to the Governor and appropriate legislative committees. The pilot program terminates on December 31, 2012.

Examination of Land Use Tools

The Department is directed to examine land use tools and funding options that encourage high quality development of neighborhoods around military bases, affordable housing for military personnel, and infrastructure consistent with the highest health, safety and welfare standards. The Department must report findings and recommendations to the Governor and appropriate legislative committees by January 30, 2009.

Appropriation: None.

Fiscal Note: Requested on January 23, 2008.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed, except for section 2, relating to the creation of a Military Improvement Zone Program in the Department, which takes effect January 1, 2013.