
SECOND SUBSTITUTE HOUSE BILL 3163

State of Washington 60th Legislature 2008 Regular Session

By House Finance (originally sponsored by Representatives Kelley, McCune, Green, Williams, Morrell, and Conway)

READ FIRST TIME 02/12/08.

1 AN ACT Relating to military improvement zones; adding new sections
2 to chapter 43.330 RCW; adding a new section to chapter 82.32 RCW;
3 creating new sections; and providing an expiration date.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that communities
6 surrounding Washington's military bases should reflect our state's
7 appreciation of the armed forces and the value of the sacrifice of
8 military personnel stationed in our region. Declining resources for
9 new infrastructure has increased pressure on cities and counties and,
10 as urban areas have grown near Washington's military bases, these areas
11 have often developed in a pattern that has not supported the needs of
12 the military for housing and services.

13 The legislature finds that local governments can implement funding
14 options to encourage high-quality redevelopment of the neighborhoods
15 nearest the state's military bases, and infrastructure consistent with
16 the highest public health, safety, and welfare standards in a manner
17 supportive to the military's esprit de corps.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.330 RCW
2 to read as follows:

3 (1) The department must conduct a military improvement zone pilot
4 program. The principal purpose of the pilot program is to authorize
5 and promote financing tools that encourage the development of high-
6 quality infrastructure and affordable housing in the areas nearest to
7 federal military bases. The pilot program must also determine the
8 effectiveness of the program in increasing the development of high-
9 quality infrastructure and additional affordable housing in improvement
10 zones. The pilot program must be administered by the department with
11 the advice of the department of revenue.

12 (2) Applications to designate qualifying areas as improvement zones
13 may be submitted by counties or cities. To be eligible for designation
14 as an improvement zone in the pilot program, an area must:

15 (a) Be a defined geographic area consisting of a neighborhood or
16 contiguous neighborhoods;

17 (b) Be within two miles of not more than two federal military
18 bases, which base or bases have over thirty thousand personnel
19 combined, that are wholly contained within either tract 720 or 806 as
20 designated by the United States census bureau; and

21 (c) Demonstrate a need for infrastructure improvements that result
22 from population growth, a limited property tax base, a low-income
23 population, a lack of affordable housing, or a designation of a
24 majority of the area as qualified census tracts by the United States
25 department of housing and urban development.

26 (3) The department must: (a) Develop operational guidelines and
27 criteria for the pilot program; and (b) provide technical assistance to
28 counties and cities participating in the pilot program.

29 (4) Subject to the availability of amounts appropriated for this
30 specific purpose, the department must provide grants to counties and
31 cities participating in the pilot program authorized under this
32 section. The department must also use receipts collected under section
33 3(1) of this act for counties and cities participating in the pilot
34 program authorized under this section. The grants and collected
35 receipts must only be for public infrastructure projects related to
36 affordable housing projects for the improvement zone. Authorized uses
37 include, but are not limited to: (a) Street and road construction

1 necessary to serve the improvement zone; (b) water and sewer system
2 construction; and (c) construction of storm water and drainage
3 management systems.

4 (5)(a) The department must provide a comprehensive pilot program
5 status report to the governor and appropriate committees of the house
6 of representatives and the senate by September 30, 2010.

7 (b) The department must report its pilot program findings and
8 recommendations to the governor and appropriate committees of the house
9 of representatives and the senate by September 30, 2012.

10 (6) As used in this section, "affordable housing" has the same
11 meaning as in RCW 43.185A.010.

12 (7) This section expires June 30, 2013.

13 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.32 RCW
14 to read as follows:

15 (1) Subject to the requirements of this section, the estimated
16 taxes collected under chapters 82.08 and 82.12 RCW on the sale or use
17 of tangible personal property and labor and services used in the
18 construction of affordable housing projects in military improvement
19 zones, less any credits allowed for local governments, and multiplied
20 by the number of affordable housing units as a percentage of the total
21 number of housing units to be developed, must be deposited in the
22 account established in section 4 of this act.

23 (2) To be eligible for distributions under section 4 of this act,
24 the county or city must:

25 (a) Submit an application to the department prior to the initiation
26 of construction of the affordable housing project. The application
27 must be in a form and manner required by the department and must
28 include provisions verifying that:

29 (i) The project is in a military improvement zone designated by the
30 department under section 2 of this act;

31 (ii) The expected completion date of the construction of the
32 affordable housing project is consistent with the requirements of the
33 department;

34 (iii) The proceeds distributed under section 4 of this act will be
35 used for infrastructure that is required for the development to occur;

36 (iv) At least twenty-five percent of the housing units in the
37 project qualify as affordable housing; and

1 (v) A development agreement has been made between the developer and
2 the applicable county or city providing for: (A) The number of
3 affordable housing units to be developed; (B) site and building design
4 specifications; and (C) the infrastructure necessary for the project to
5 be constructed. The department must rule on the application within
6 forty-five days of its receipt;

7 (b) Submit an expenditure plan to the department within one hundred
8 twenty days of the date the application is submitted under (a) of this
9 subsection (2). The plan must specify the intended use of proceeds
10 distributed under section 4 of this act. The department must notify
11 the county or city of any deficiencies in the expenditure plan within
12 ninety days of its submittal.

13 (3) Proceeds distributed under section 4 of this act may only be
14 used for public infrastructure projects related to a qualifying
15 affordable housing project. Authorized uses include, but are not
16 limited to: (a) Street and road construction necessary to serve the
17 improvement zone; (b) water and sewer system construction; and (c)
18 construction of storm water and drainage management systems.

19 (4) As used in this section, "affordable housing" has the same
20 meaning as in RCW 43.185A.010.

21 (5) As used in this section, "department" means the department of
22 community, trade, and economic development.

23 (6) The department may not transfer money to the account
24 established in section 4 of this act after July 1, 2013.

25 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.330 RCW
26 to read as follows:

27 (1) The military improvement zone account is created in the custody
28 of the state treasurer. All receipts from section 3(1) of this act
29 must be deposited into the account. Expenditures from the account may
30 be used by a county or city only for public infrastructure projects
31 authorized under sections 3(3) and 2(4) of this act. Only the director
32 or the director's designee may authorize expenditures from the account.
33 The account is subject to allotment procedures under chapter 43.88 RCW,
34 but an appropriation is not required for expenditures.

35 (2) The department of revenue must distribute proceeds under this
36 section annually at no cost to the receiving county or city. Proceeds

1 must be distributed to a city or county by July 1st of each year,
2 beginning in the state fiscal year following the fiscal year in which
3 initiation of construction of the affordable housing project begins.

4 (3) The department of revenue may not distribute proceeds under
5 this section for construction occurring after the date of completion
6 specified in section 3(2)(a)(ii) of this act. However, the department
7 of revenue, in consultation with the department, may extend the date of
8 completion for good cause shown.

9 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.330 RCW
10 to read as follows:

11 (1) The department must conduct an examination of land use tools
12 and funding options that local governments can implement to encourage:
13 (a) High-quality development of the neighborhoods nearest the state's
14 military bases; (b) affordable housing for military personnel; and (c)
15 infrastructure for this housing that is consistent with the highest
16 public health, safety, and welfare standards.

17 (2) As used in this section, "affordable housing" has the same
18 meaning as in RCW 43.185A.010.

19 (3) The department must report its findings and recommendations to
20 the governor and the appropriate committees of the house of
21 representatives and the senate by January 30, 2009.

22 NEW SECTION. **Sec. 6.** The joint legislative audit and review
23 committee shall review the effectiveness of the sales and use tax
24 transfer in section 3 of this act at encouraging high-quality
25 redevelopment of neighborhoods near our state's military bases through
26 the construction of affordable housing and related public
27 infrastructure projects. The committee may review any other factors it
28 deems necessary to properly evaluate whether this act has achieved its
29 intent. The committee shall report its findings and recommendations to
30 the appropriate committees of the legislature by December 1, 2012.

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