
SUBSTITUTE SENATE BILL 5571

State of Washington

66th Legislature

2019 Regular Session

By Senate Financial Institutions, Economic Development & Trade
(originally sponsored by Senators Randall, O'Ban, Conway, and Holy)

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 military benefit zone 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 section 17 of this act.

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, any part of a military benefit zone under this chapter,
6 or any other current or future zone or area used for tax increment
7 financing;

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

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

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

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

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

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

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

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

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

1 manner supportive to Joint Base Lewis-McChord, Naval Base Kitsap,
2 Naval Station Everett, Fairchild Air Force Base, and Naval Air
3 Station Whidbey Island.

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

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

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

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

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

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

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

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

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

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

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

37 (5) The distribution of local property tax allocation revenues
38 under this section may not affect or be deemed to affect the rate of
39 taxes levied by or within any sponsoring local government and
40 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 (10) 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 (10) 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 (10)
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) If a sponsoring military community fails to comply with
39 section 17 of this act, no tax may be distributed in the subsequent
40 fiscal year until such time as the sponsoring military community

1 complies and the department calculates the state contribution amount
2 according to subsection (10) of this section for the fiscal year.

3 (10) (a) For each fiscal year that a sponsoring military community
4 imposes the tax under the authority of this section, the department
5 must approve the amount of taxes that may be distributed to the
6 sponsoring military community. The amount approved by the department
7 under this subsection is the lesser of:

8 (i) The state contribution;

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

11 (iii) The total amount of revenues from local public sources
12 dedicated or, in the case of carry forward revenues, deemed dedicated
13 in the preceding calendar year, as reported in the required annual
14 report under section 17 of this act.

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

18 (11) The amount of tax distributions received from taxes imposed
19 under the authority of this section by all sponsoring military
20 communities is limited annually to not more than the amount of annual
21 state contribution limit.

22 (12) The definitions in section 2 of this act apply to this
23 section subject to subsection (13) of this section and unless the
24 context clearly requires otherwise.

25 (13) The definitions in this subsection apply throughout this
26 section unless the context clearly requires otherwise.

27 (a) "Local sales and use taxes" means sales and use taxes imposed
28 by cities, counties, public facilities districts, and other local
29 governments under the authority of this chapter, chapters 67.28 and
30 39.--- RCW (the new chapter created in section 19 of this act), or
31 any other chapter, and that are credited against the state sales and
32 use taxes.

33 (b) "State sales and use taxes" means the taxes imposed in RCW
34 82.08.020(1) and 82.12.020.

35 NEW SECTION. **Sec. 17.** REPORTING REQUIREMENTS. (1) A sponsoring
36 local government receiving a project award under sections 9 and 14 of
37 this act must provide a report to the department by March 1st of each
38 year for the first five years beginning March 1st after the project

1 award has been approved. The report must contain the following
2 information:

3 (a) The amounts of local property tax allocation revenues
4 received in the preceding calendar year broken down by sponsoring
5 local government and participating taxing district;

6 (b) The amount of state property tax allocation revenues
7 estimated to have been received by the state in the preceding
8 calendar year;

9 (c) The amount of local sales and use tax and other revenue from
10 local public sources dedicated by any participating local government
11 used for the payment of bonds under section 10 of this act and public
12 improvement costs within the military benefit zone area on a pay-as-
13 you-go basis in the preceding calendar year;

14 (d) The amount of local sales and use tax dedicated by the
15 sponsoring local government, as it relates to the sponsoring local
16 government's local sales and use tax increment, used for the payment
17 of bonds under section 10 of this act and public improvement costs
18 within the military benefit zone area on a pay-as-you-go basis;

19 (e) The amounts, other than those listed in (a) through (d) of
20 this subsection, from local public sources, broken down by type or
21 source, used for payment of bonds under section 10 of this act or
22 public improvement costs within the military benefit zone area on a
23 pay-as-you-go basis in the preceding calendar year;

24 (f) The anticipated date when bonds under section 10 of this act
25 are expected to be retired;

26 (g) The names of any businesses locating within the military
27 benefit zone as a result of the public improvements undertaken by the
28 sponsoring local government and financed in whole or in part with
29 military benefit zone financing;

30 (h) An estimate of the cumulative number of permanent jobs
31 created, including jobs providing employment to veterans, in the
32 military benefit zone area as a result of the public improvements
33 undertaken by the sponsoring local government and financed in whole
34 or in part with military benefit zone financing;

35 (i) An estimate of the average wages and benefits received by all
36 employees of businesses locating within the military benefit zone
37 area as a result of the public improvements undertaken by the
38 sponsoring local government and financed in whole or in part with
39 military benefit zone financing;

1 (j) A list of public improvements financed by bonds issued under
2 section 10 of this act and the date on which the bonds are
3 anticipated to be retired;

4 (k) That the sponsoring local government is in compliance with
5 section 3 of this act;

6 (l) At least once within the first three years, updated estimates
7 of the amounts of state and local sales and use tax increments
8 estimated to have been received since the approval of the project
9 award under section 9 of this act;

10 (m) The amount of revenues from local public sources that:

11 (i) Were expended in prior years for the payment of bonds under
12 section 10 of this act and public improvement costs within the
13 military benefit zone on a pay-as-you-go basis in prior calendar
14 years that were in excess of the project award amount for that year
15 and are carried forward for dedication in future years;

16 (ii) Are deemed dedicated to payment of bonds or public
17 improvement costs in the calendar year for which the report is
18 prepared; and

19 (iii) Remain available for dedication in future years; and

20 (n) The amount of housing units, both single-family units and
21 multifamily developments, available within the zone for the prior
22 calendar year;

23 (o) Any other information required by the department, including
24 input from the joint legislative audit and review committee, to
25 enable the department to measure the overall economic impact of
26 military benefit zone financing and fulfill its duties under this
27 act.

28 (2) In compliance with RCW 43.01.036, the department must make a
29 report available to the public and the legislature by June 1st of
30 each year. The report must include a summary of the information
31 provided to the department by sponsoring local governments under
32 subsection (1) of this section.

33 NEW SECTION. **Sec. 18.** (1) The joint legislative audit and
34 review committee, at the end of the five-year reporting period
35 required in section 17 of this act, must provide a final report, in
36 compliance with RCW 43.01.036, to the appropriate committees of the
37 legislature by September 1st of that year. The joint legislative
38 audit and review committee must conduct an impact analysis on
39 military benefit zone financing and in doing so, must consult with

1 the relevant agencies including the department of commerce. The
2 impact analysis must include:

- 3 (1) Employment changes in the military benefit zone area;
- 4 (2) Property tax changes in the military benefit zone area;
- 5 (3) Sales and use tax changes in the military benefit zone area;
- 6 (4) Property value changes in the military benefit zone area; and
- 7 (5) Changes in housing and existing commercial activities based
8 on the impact analysis.

9 NEW SECTION. **Sec. 19.** Sections 1 through 15, 17, and 18 of this
10 act constitute a new chapter in Title 39 RCW.

--- END ---