

# SENATE BILL REPORT

## SB 6272

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As of January 31, 2018

**Title:** An act relating to creating a military benefit zone program.

**Brief Description:** Creating a military benefit zone program.

**Sponsors:** Senators O'Ban, Conway, Sheldon, Becker, Angel and Honeyford.

**Brief History:**

**Committee Activity:** Economic Development & International Trade: 2/01/18.

**Brief Summary of Bill**

- Allows sponsoring communities within two miles of Joint Base Lewis-McChord (JBLM) to create Military Benefit Zones (MBZ), to allow for certain financing options for public improvements that meet certain requirements.
- Allows sponsoring communities with MBZs to apply for project awards, which are collected through an additional sales and use tax credited against the state sales and use tax.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & INTERNATIONAL TRADE

**Staff:** Alex Fairfortune (786-7416)

**Background:** JBLM is located in Pierce County and borders Thurston County, adjacent to such cities as DuPont, Lakewood, Parkland, and Spanaway. JBLM has more than 40,000 service members and about 15,000 civilian workers. In addition, JBLM supports 60,000 family members, living within JBLM and in the surrounding communities, and another 30,000 retirees living in the region.

**Summary of Bill:** Communities within two miles of the boundaries of JBLM may participate in the MBZ Program aimed at providing funding options to those communities to complete certain public improvement projects.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Creation of a MBZ. A sponsoring military community, defined as a city, town, county, or combination thereof, may create a MBZ through adoption of an ordinance. Before adopting such an ordinance, the sponsoring military community must provide notice to all taxing districts that impose a local sales tax within the boundaries of the proposed MBZ and hold a public hearing.

The MBZ may not share any geographic area with certain other benefit zones or development areas, and must be comprised of contiguous tracts of land wholly within two miles of JBLM. The MBZ may not contain more than 25 percent of the total assessed value of the taxable real property in the sponsoring military community.

Once an MBZ is created, the sponsoring military community may authorize the use of local military benefit financing, defined as revenues from local public sources or additional sales and use tax dedicated to pay for bonds, to finance public improvement projects within the MBZ.

Application for Project Award. Once a sponsoring military community has created an MBZ, it may apply to the Department of Commerce (Commerce) to determine a project award amount, which includes a state contribution of funds to the up-front financing of public improvement projects. Once project awards reach the annual state contribution limit of \$5 million, no more applications will be accepted.

Commerce must begin accepting applications on June 1, 2018. Commerce will approve pilot projects submitted by September 1, 2018 to determine the feasibility of military benefit financing, specifically including one pilot project in the city of Lakewood that must be approved for at least \$1 million.

Issuance of General Obligation Bonds. A sponsoring military community that establishes an MBZ may, through ordinance, incur general indebtedness, including issuing general obligation bonds, to finance the public improvements within the MBZ and retire the indebtedness from the local military benefit financing it receives, subject to certain requirements. The bonds may be payable from tax revenues, income, and other nontax money available to the local government.

Imposition of an Additional Sales and Use Tax. Any city or county that has been approved for a project award may, through ordinance, impose a sales and use tax in addition to other taxes authorized by law for the sole purpose of paying debt service on bonds issued for financing public improvements. The revenue from the additional sales and use tax is credited against the state sales and use tax to which the state would otherwise be entitled to receive. The additional sales and use tax rate cannot exceed the lesser of:

- the state sales tax rate less the aggregate rate of various other types of local sales and use tax imposed by any taxing authority on the same taxable event; or
- the rate as determined by the city or county, in consultation with the Department of Revenue (DOR), reasonably necessary to receive the project award amount over ten months.

DOR will collect the additional sales and use tax, and distribute the revenue to the applicable county or city. The additional sales and use tax expires on the date that the bonds are retired or 25 years after the tax is first imposed, whichever is earlier.

During the fiscal year, if (1) revenue from the additional sales and use tax reaches the amount of annual distributions approved by DOR for a particular city or county, or (2) the amount of revenue from all additional sales and use taxes distributed to all sponsoring local governments reaches the annual state contribution limit, DOR will stop distributing revenue to the applicable city or county until the beginning of the next fiscal year. The state is entitled to retain any excess revenue as part of the state's general fund.

Other Participating Local Governments. Other local governments, defined as any city, town, or county within two miles of JBLM, that have a MBZ within their geographic boundaries, may also participate in military benefit financing along with the sponsoring military community by entering into an interlocal agreement with such community.

If a local government with an MBZ within its geographic boundaries does not want to participate in military benefit financing, that local government must adopt an ordinance and notify the sponsoring military community that it will not be a participating local government.

Financing Public Improvements. A local government may finance public improvement projects within the MBZ using military benefit financing if:

- the public improvements are expected to encourage private development, increase the quality of life, and increase fair market value of real property and sales tax revenue within the zone;
- the local government has entered into contract with, or has received a letter of intent from, a private developer relating to the development of private improvements within the zone;
- the governing body of the sponsoring military community finds that military benefit financing: (1) will not be used to relocate a business from elsewhere in Washington into the zone unless there is convincing evidence the business will otherwise leave Washington, (2) will improve the viability of existing businesses in the zone, and (3) will be used exclusively in areas in need of economic development or redevelopment that would likely not otherwise occur without such financing; and
- the governing body of the local government finds that the proposed public improvements are likely to: (1) increase private investment within the zone, (2) increase employment within the zone, (3) generate increases in state and local sales and use tax revenues, and (4) support the needs of the military for housing, services, and quality of life.

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.