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**HOUSE BILL 1386**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Representatives Kilduff, Young, Kirby, Volz, Reeves, Leavitt, and Ortiz-Self

Read first time 01/21/19. Referred to Committee on Housing, Community Development & Veterans.

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 project 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 8 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 11 of this act dedicated to pay the principal and  
14 interest on bonds authorized under section 8 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 from which local sales and use tax increments are estimated and  
18 property tax allocation revenues are derived for military benefit  
19 zone financing.

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

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

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

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

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

37 (A) The placement of new construction, improvements to property,  
38 or both, on the assessment roll, where the new construction and  
39 improvements are initiated after the military benefit zone is  
40 approved by the approving agency;

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

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

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

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

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

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

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

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

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

37 (iii) For the cost of rehabilitation of historic property, when  
38 the cost is treated as new construction for purposes of chapter 84.55  
39 RCW, the year when such cost is treated as new construction for  
40 purposes of levying taxes for collection in the following year.

1 (17) "Public improvements" means:  
2 (a) Infrastructure improvements within the benefit zone that  
3 include:  
4 (i) Street, road, bridge, and rail construction and maintenance;  
5 (ii) Water and sewer system construction and improvements;  
6 (iii) Sidewalks, streetlights, landscaping, and streetscaping;  
7 (iv) Parking, terminal, and dock facilities;  
8 (v) Park and ride facilities of a transit authority;  
9 (vi) Park facilities, recreational areas, and environmental  
10 remediation;  
11 (vii) Stormwater and drainage management systems;  
12 (viii) Electric, gas, fiber, and other utility infrastructures;  
13 and  
14 (b) Expenditures for any of the following purposes:  
15 (i) Providing environmental analysis, professional management,  
16 planning, and promotion within the benefit zone, including the  
17 management and promotion of retail trade activities in the benefit  
18 zone;  
19 (ii) Providing maintenance and security for common or public  
20 areas in the benefit zone; or  
21 (iii) Historic preservation activities authorized under RCW  
22 35.21.395.  
23 (18) "Public improvements costs" means the cost of:  
24 (a) Design, planning, acquisition, including land acquisition,  
25 site preparation including land clearing, construction,  
26 reconstruction, rehabilitation, improvement, and installation of  
27 public improvements;  
28 (b) Demolishing, relocating, maintaining, and operating property  
29 pending construction of public improvements;  
30 (c) Relocating utilities as a result of public improvements;  
31 (d) Financing public improvements, including interest during  
32 construction, legal and other professional services, taxes,  
33 insurance, principal and interest costs on general indebtedness  
34 issued to finance public improvements, and any necessary reserves for  
35 general indebtedness; and  
36 (e) Administrative expenses and feasibility studies reasonably  
37 necessary and related to these costs, including related costs that  
38 may have been incurred before adoption of the ordinance authorizing  
39 the public improvements and the use of military benefit financing to  
40 fund the costs of the public improvements.

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

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

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

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

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

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

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

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

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

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

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

37 (a) Five hundred thousand dollars;

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

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

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

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

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

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

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

36 (1) The sponsoring military community has adopted an ordinance  
37 designating a military benefit zone within its boundaries and  
38 specified the public improvements proposed to be financed in whole or  
39 in part with the use of military benefit financing;

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

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

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

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

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

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

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

30 (c) Will be used exclusively in areas within the jurisdiction of  
31 the local government deemed in need of either economic development or  
32 redevelopment, or both, and absent the financing available under this  
33 chapter and sections 15 and 16 of this act the proposed economic  
34 development or redevelopment would more than likely not occur; and

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

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

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



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

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

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

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

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

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

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

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

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

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

1 by either the governing body of the sponsoring military community, or  
2 a committee of the governing body that includes at least a majority  
3 of the whole governing body.

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

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

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

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

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

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

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

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

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

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

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

38 (1) No military benefit zone may have within its geographic  
39 boundaries any part of a hospital benefit zone under chapter 39.100

1 RCW, any part of a revenue development area created under chapter  
2 39.102 RCW, any part of an increment area under chapter 39.89 RCW, or  
3 any part of a military benefit zone under chapter 39.104 RCW;

4 (2) No military benefit zone may overlap boundaries with another  
5 military benefit zone;

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

10 (4) A military benefit zone may not include areas within Joint  
11 Base Lewis-McChord, Naval Base Kitsap, Naval Station Everett,  
12 Fairchild Air Force Base, and Naval Air Station Whidbey Island;

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

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

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

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

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

31 (10) A military benefit zone must be geographically restricted to  
32 the location of the public improvement and adjacent locations that  
33 the sponsoring military community funds to benefit neighborhoods  
34 nearest the state's military bases, and infrastructure consistent  
35 with the highest public health, safety, and welfare standards in a  
36 manner supportive to Joint Base Lewis-McChord, Naval Base Kitsap,  
37 Naval Station Everett, Fairchild Air Force Base, and Naval Air  
38 Station Whidbey Island.

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

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

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

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

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

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

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

1 the military benefit zone for collection that year in proportion to  
2 their regular tax levy rates for collection that year. The sponsoring  
3 local government may request that the treasurer transfer this  
4 additional portion of the property taxes to its designated agent. The  
5 portion of the tax receipts distributed to the sponsoring local  
6 government or its agent under this subsection (1)(b) may only be  
7 expended to finance public improvement costs associated with the  
8 public improvements financed in whole or in part by military benefit  
9 zone financing.

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

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

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

33 (5) The distribution of local property tax allocation revenues  
34 under this section may not affect or be deemed to affect the rate of  
35 taxes levied by or within any sponsoring local government and  
36 participating taxing district or the consistency of any such levies  
37 with the uniformity requirement of Article VII, section 1 of the  
38 state Constitution.

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

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

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

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

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

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

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

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

35        (vi) The anticipated rate of tax to be imposed under section 16  
36 of this act, subject to the rate-setting conditions in section 16(3)  
37 of this act, should the sponsoring military community be approved for  
38 a project award; and

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

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

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

11 (i) The availability of a state contribution;

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

15 (iii) The number of jobs created;

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

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

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

20 and

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

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

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

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

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

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

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

13 (5) The department of commerce must begin accepting applications  
14 and approving project awards under this section on and after August  
15 1, 2019. The department of commerce must notify the department of all  
16 approved project awards under this section. The department of  
17 commerce must also provide to the department any information  
18 necessary to implement the tax authorized under section 16 of this  
19 act.

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

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

32 (ii) The sponsoring military community includes this statement of  
33 intent in all notices required by RCW 39.104.040; or

34 (b) The sponsoring military community adopts a resolution, after  
35 opportunity for public comment, that indicates an intent to incur  
36 this indebtedness and the maximum amount of this indebtedness that is  
37 contemplated.

38 (2) The general indebtedness incurred under subsection (1) of  
39 this section may be payable from other tax revenues, the full faith



1 and credit of the sponsoring military community, and nontax income,  
2 revenues, fees, and rents from the public improvements, as well as  
3 contributions, grants, and nontax money available to the local  
4 government for payment of costs of the public improvements or  
5 associated debt service on the general indebtedness.

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

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

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

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

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

20 (d) Be in a denomination or denominations;

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

23 (f) Carry conversation or registration privileges;

24 (g) Have a rank or priority;

25 (h) Be executed in a manner;

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

28 (j) Be secured in a manner; and

29 (k) Have any other characteristics.

30 (5) The sponsoring military community may:

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

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

39 (6) In case any of the public officials of the sponsoring  
40 military community whose signatures appear on any bonds or any

1 coupons issued under this chapter cease to be the officials before  
2 the delivery of the bonds, the signatures must, nevertheless, be  
3 valid and sufficient for all purposes, the same as if the officials  
4 had remained in office until the delivery. Any provision of any law  
5 to the contrary notwithstanding, any bonds issued under this chapter  
6 are fully negotiable.

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

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

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

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

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

30 (2) Notwithstanding section 9 of this act, the approving agency  
31 must approve each demonstration project that meets the applicable  
32 conditions, limitations, and requirements provided in this chapter as  
33 follows:

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

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

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

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

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

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

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

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

30 (2) The tax authorized under subsection (1) of this section is  
31 credited against the state taxes imposed under RCW 82.08.020(1) and  
32 82.12.020 at the rate provided in RCW 82.08.020(1). The department  
33 must perform the collection of such taxes on behalf of the sponsoring  
34 military community at no cost to the sponsoring military community.  
35 The taxes must be distributed to sponsoring military communities as  
36 provided in RCW 82.14.060.

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

1 (a) The rate provided in RCW 82.08.020(1), less:  
2 (i) The aggregate rates of all other local sales and use taxes  
3 imposed by any taxing authority on the same taxable events;  
4 (ii) The aggregate rates of all taxes under RCW 82.14.465 and  
5 82.14.475 and this section that are authorized but have not yet been  
6 imposed on the same taxable events by a sponsoring military community  
7 that has been approved to receive a state contribution by the  
8 department, the department of commerce, or the community economic  
9 revitalization board under chapter 39.104, 39.100, or 39.102 RCW; and  
10 (iii) The percentage amount of distributions required under RCW  
11 82.08.020(5) multiplied by the rate of state taxes imposed under RCW  
12 82.08.020(1); and  
13 (b) The rate, as determined by the sponsoring military community  
14 in consultation with the department, reasonably necessary to receive  
15 the project award under section 9 of this act over ten months.  
16 (4) The department, upon request, must assist a sponsoring  
17 military community in establishing its tax rate in accordance with  
18 subsection (3) of this section. Once the rate of tax is selected  
19 through the application process and approved under section 9 of this  
20 act, it may not be increased.  
21 (5)(a) Except as provided in (c) and (d) of this subsection, no  
22 tax may be imposed under the authority of this section before:  
23 (i) July 1, 2020;  
24 (ii) July 1st of the second calendar year following the year in  
25 which the application was approved under section 9 of this act;  
26 (iii) The state sales and use tax increment and state property  
27 tax increment for the preceding calendar year equals or exceeds the  
28 amount of the project award approved under section 9 of this act; and  
29 (iv) Bonds have been issued according to section 10 of this act.  
30 (b) The tax imposed under this section expires the earlier of the  
31 date that the bonds issued under the authority of section 10 of this  
32 act are retired or twenty-five years after the tax is first imposed.  
33 (6) An ordinance or resolution adopted by the legislative  
34 authority of the sponsoring military community imposing a tax under  
35 this section must provide that:  
36 (a) The tax will first be imposed on the first day of a fiscal  
37 year;  
38 (b) The cumulative amount of tax received by the sponsoring  
39 military community, in any fiscal year, may not exceed the amount  
40 approved by the department under subsection (10) of this section;

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

3 (i) The amount of tax received by the sponsoring military  
4 community equals the amount of distributions approved by the  
5 department for the fiscal year under subsection (10) of this section;  
6 or

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

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

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

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

20 (8) The department must determine the amount of tax receipts  
21 distributed to each sponsoring military community imposing a sales  
22 and use tax under the authority of this section and must advise a  
23 sponsoring military community when tax distributions for the fiscal  
24 year equal the amount determined by the department in subsection (10)  
25 of this section. Determinations by the department of the amount of  
26 tax distributions attributable to a sponsoring military community are  
27 not appealable. The department must remit any tax receipts in excess  
28 of the amounts specified in subsection (6)(c) of this section to the  
29 state treasurer who must deposit the money in the general fund.

30 (9) If a sponsoring military community fails to comply with RCW  
31 82.32.765, no tax may be distributed in the subsequent fiscal year  
32 until such time as the sponsoring military community complies and the  
33 department calculates the state contribution amount according to  
34 subsection (10) of this section for the fiscal year.

35 (10)(a) For each fiscal year that a sponsoring military community  
36 imposes the tax under the authority of this section, the department  
37 must approve the amount of taxes that may be distributed to the  
38 sponsoring military community. The amount approved by the department  
39 under this subsection is the lesser of:

40 (i) The state contribution;

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

3 (iii) The total amount of revenues from local public sources  
4 dedicated or, in the case of carry forward revenues, deemed dedicated  
5 in the preceding calendar year, as reported in the required annual  
6 report under RCW 82.32.765.

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

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

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

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

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

25 (b) "State sales and use taxes" means the taxes imposed in RCW  
26 82.08.020(1) and 82.12.020.

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

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