
SUBSTITUTE HOUSE BILL 2635

State of Washington 65th Legislature 2018 Regular Session

By House Community Development, Housing & Tribal Affairs (originally sponsored by Representatives Kilduff, Muri, Sawyer, Kirby, and Young)

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, and in particular, Joint Base Lewis-
8 McChord have significant importance to the local and state economy.

9 (2) Joint Base Lewis-McChord is the defense department's premiere
10 military installation on the west coast. Joint Base Lewis-McChord
11 provides world-class installation support to more than forty thousand
12 active, guard, and reserve service members and about fifteen thousand
13 civilian workers. The base supports sixty thousand family members who
14 live on and outside the base, and nearly thirty thousand military
15 retirees living within fifty miles. Active duty personnel have
16 spouses and children, and together they stimulate about fifty million
17 dollars in incremental economic activity.

18 (3) It is the intent of this state to provide the necessary means
19 to assist communities with significant military installations in
20 supporting and sustaining those installations. It is further the
21 intent to encourage communities to initiate a coordinated program of

1 response and plan of action in advance of future actions of the
2 federal government relating to base realignments and closures. It is
3 critical that communities develop and implement strategies to
4 preserve and protect military installations, which often includes
5 planning for and constructing additional infrastructure.

6 (4) Declining resources for new infrastructure has increased
7 pressure on cities and counties, and as urban areas have grown near
8 Washington's military installations, there has often developed a
9 pattern that has not supported the needs of the military for housing,
10 services, and quality of life. Therefore, to support and sustain
11 military installations, local governments located within the vicinity
12 of these facilities need additional funding options to improve
13 infrastructure. To that end, the legislature intends to establish a
14 military benefit zone program.

15 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this
16 section apply throughout this chapter unless the context clearly
17 requires otherwise.

18 (1) "Annual state contribution limit" means five million dollars
19 statewide per fiscal year, plus the additional amounts approved for
20 the pilot project in section 13 of this act.

21 (2) "Approving agency" means the department of commerce.

22 (3) "Bond" means a bond, note, or other evidence of indebtedness
23 including, but not limited to, a lease-purchase agreement or an
24 executory conditional sales contract.

25 (4) "Department" means the department of revenue.

26 (5) "Fiscal year" means the twelve-month period beginning July
27 1st and ending the following June 30th.

28 (6) "Local government" means any city, town, or county within two
29 miles of the boundary of Joint Base Lewis-McChord.

30 (7) "Local sales and use tax increment" means the estimated
31 annual increase in local sales and use taxes as determined by the
32 local government in the calendar years following the approval of the
33 military benefit zone by the approving agency from taxable activity
34 within the benefit zone.

35 (8) "Local sales and use taxes" means local revenues derived from
36 the imposition of sales and use taxes authorized in section 14 of
37 this act.

38 (9) "Military benefit financing" means the use of revenues from
39 local public sources, dedicated to pay the principal and interest on

1 bonds authorized in section 9 of this act and public improvement
2 costs within the benefit zone on a pay-as-you-go basis, and revenues
3 received from the local option sales and use tax authorized under
4 section 14 of this act dedicated to pay the principal and interest on
5 bonds authorized under section 9 of this act.

6 (10) "Military benefit zone" means the geographic area adopted by
7 a sponsoring military community and approved by the approving agency,
8 from which local sales and use tax increments are estimated.

9 (11) "Ordinance" means any appropriate method of taking
10 legislative action by a local government.

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

17 (13) "Public improvements" means:

18 (a) Infrastructure improvements within the benefit zone that
19 include:

- 20 (i) Street, road, bridge, and rail construction and maintenance;
- 21 (ii) Water and sewer system construction and improvements;
- 22 (iii) Sidewalks, streetlights, landscaping, and streetscaping;
- 23 (iv) Parking, terminal, and dock facilities;
- 24 (v) Park and ride facilities of a transit authority;
- 25 (vi) Park facilities, recreational areas, and environmental
26 remediation;
- 27 (vii) Stormwater and drainage management systems;
- 28 (viii) Electric, gas, fiber, and other utility infrastructures;

29 and

30 (b) Expenditures for any of the following purposes:

31 (i) Providing environmental analysis, professional management,
32 planning, and promotion within the benefit zone. Including the
33 management and promotion of retail trade activities in the benefit
34 zone;

35 (ii) Providing maintenance and security for common or public
36 areas in the benefit zone; or

37 (iii) Historic preservation activities authorized under RCW
38 35.21.395.

39 (14) "Public improvements costs" means the cost of:

1 (a) Design, planning, acquisition, including land acquisition,
2 site preparation including land clearing, construction,
3 reconstruction, rehabilitation, improvement, and installation of
4 public improvements;

5 (b) Demolishing, relocating, maintaining, and operating property
6 pending construction of public improvements;

7 (c) Relocating utilities as a result of public improvements;

8 (d) Financing public improvements, including interest during
9 construction, legal and other professional services, taxes,
10 insurance, principal and interest costs on general indebtedness
11 issued to finance public improvements, and any necessary reserves for
12 general indebtedness; and

13 (e) Administrative expenses and feasibility studies reasonably
14 necessary and related to these costs, including related costs that
15 may have been incurred before adoption of the ordinance authorizing
16 the public improvements and the use of military benefit financing to
17 fund the costs of the public improvements.

18 (15)(a) "Revenues from local public sources" means:

19 (i) The local sales and use tax amounts received as a result of
20 interlocal agreements, local sales and use tax amounts from a
21 sponsoring military community based on its local sales for payment of
22 bonds under section 9 of this act, or public improvement costs within
23 the benefit zone on a pay-as-you-go basis; and

24 (ii) Any other local revenues, except as provided in (b) of this
25 subsection, including revenues derived from federal and private
26 sources, which are dedicated for the payment of bonds under section 9
27 of this act or public improvement costs within the benefit zone on a
28 pay-as-you-go basis.

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

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

35 (17) "State contribution" means the lesser of:

36 (a) Five hundred thousand dollars;

37 (b) The project award amount approved by the approving agency as
38 provided in section 13 of this act;

39 (c) The total amount of revenues from local public sources
40 dedicated in the preceding calendar year to the payment of principal

1 and interest on bonds issued under section 9 of this act and public
2 improvement costs within the military benefit zone on a pay-as-you-go
3 basis. Revenues from local public sources dedicated in the preceding
4 calendar year that are in excess of the project award may be carried
5 forward and used in later years for the purpose of this subsection
6 (17)(c).

7 (18) "State sales and use taxes" means state retail sales and use
8 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in
9 RCW 82.08.020(1), less the amount of tax distributions from all local
10 retail sales and use taxes, other than the local sales and use taxes
11 authorized by section 14 of this act for the applicable military
12 benefit zone, imposed on the same taxable events that are credited
13 against the state retail sales and use taxes under RCW 82.08.020(1)
14 and 82.12.020.

15 (19) "State sales and use tax increment" means the estimated
16 amount of annual increase in state sales and use taxes to be received
17 by the state from taxable activity within the benefit zone in the
18 years following the approval of the benefit zone as determined by the
19 sponsoring military community in an application under section 8 of
20 this act and updated periodically as required in RCW 82.32.765.

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

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

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

33 (3) The local government has entered into a contract with a
34 private developer relating to the development of private improvements
35 within the benefit zone or has received a letter of intent from a
36 private developer relating to the developer's plans for the
37 development of private improvements within the benefit zone;

38 (4) Private development that is anticipated to occur within the
39 military benefit zone, as a result of the public improvements, will

1 be consistent with the countywide planning policy adopted by the
2 county under RCW 36.70A.210 and the local government's comprehensive
3 plan and development regulations adopted under chapter 36.70A RCW;

4 (5) The sponsoring military community may not use military
5 benefit zone financing to finance the costs associated with the
6 financing, design, acquisition, construction, equipping, operating,
7 maintaining, remodeling, repairing, and reequipping of public
8 facilities funded with taxes collected under RCW 82.14.048 or
9 82.14.390;

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

12 (a) Will not be used for the purpose of relocating a business
13 from outside the zone, but within this state, into the zone unless
14 convincing evidence is provided that the firm being relocated would
15 otherwise leave the state;

16 (b) Will improve the viability of existing business entities
17 within the zone; and

18 (c) Will be used exclusively in areas within the jurisdiction of
19 the local government deemed in need of either economic development or
20 redevelopment, or both, and absent the financing available under this
21 chapter and sections 14 and 15 of this act the proposed economic
22 development or redevelopment would more than likely not occur; and

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

26 (a) Increase private investment within the zone;

27 (b) Increase employment within the zone;

28 (c) Generate, over the period of time that the local sales and
29 use tax will be imposed under section 14 of this act, increases in
30 state and local sales and use tax revenues that are equal to or
31 greater than the respective state and local contributions made under
32 this chapter; and

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

35 NEW SECTION. **Sec. 4.** CREATION OF MILITARY BENEFIT ZONE. (1)
36 Before adopting an ordinance creating the military benefit zone, a
37 sponsoring military community must:

38 (a) Provide notice to all taxing districts that levy a sales and
39 use tax with geographic boundaries within the proposed military

1 benefit zone of the sponsoring military community's intent to create
2 a zone. Notice must be provided in writing to the governing body of
3 the taxing districts and local governments at least sixty days in
4 advance of the public hearing as required by (b) of this subsection.
5 The notice must include the following information:

6 (i) The name of the benefit zone;

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

9 (iii) The earliest anticipated date when the sponsoring local
10 government will take action to adopt the proposed military benefit
11 zone; and

12 (iv) The name of the contact person with the phone number of the
13 sponsoring local government and mailing address where a copy of an
14 ordinance adopted under section 5 of this act may be sent.

15 (b) Hold a public hearing on the proposed financing of the public
16 improvements in whole or in part with military benefit financing.
17 Notice of the public hearing must be published in a legal newspaper
18 of general circulation within the proposed military benefit zone at
19 least ten days before the public hearing and posted in at least six
20 conspicuous public places located in the proposed zone. Notices must
21 describe the contemplated public improvements, estimate the costs of
22 the public improvements, describe the portion of the costs of the
23 public improvements to be borne by military benefit financing,
24 describe any other sources of revenue to finance the public
25 improvements, describe the boundaries of the proposed zone, and
26 estimate the period during which benefit financing is contemplated to
27 be used. The public hearing may be held by either the governing body
28 of the sponsoring military community, or a committee of the governing
29 body that includes at least a majority of the whole governing body.

30 (2) To create a zone, a sponsoring military community must adopt
31 an ordinance establishing the zone that:

32 (a) Describes the public improvements to be made in the zone;

33 (b) Describes the boundaries of the zone, subject to the
34 limitations in section 5 of this act;

35 (c) Estimates the cost of the proposed public improvements and
36 the portion of these costs to be financed by military benefit
37 financing;

38 (d) Provides the anticipated rate of sales and use tax under
39 section 14 of this act that the local government will impose if
40 awarded a state contribution under section 8 of this act;

1 (e) Provides the anticipated date when the criteria for the sales
2 and use tax in section 14 of this act will be met and the anticipated
3 date when the sales and use tax in section 14 of this act will be
4 imposed; and

5 (f) Estimates the average amount of tax revenue to be received in
6 all fiscal years through the imposition of a sales and use tax in
7 section 7 of this act.

8 (3) Upon creation of a zone, the sponsoring military community
9 must deliver a certified copy of the adopted ordinance to the
10 department and the governing body of each participating local
11 government.

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

15 (1) No military benefit zone may have within its geographic
16 boundaries any part of a hospital benefit zone under chapter 39.100
17 RCW, any part of a revenue development area created under chapter
18 39.102 RCW, any part of an increment area under chapter 39.89 RCW, or
19 any part of a benefit zone under chapter 39.104 RCW;

20 (2) No military benefit zone may overlap boundaries with another
21 military benefit zone;

22 (3) A military benefit zone must be wholly within two miles of
23 the boundary of Joint Base Lewis-McChord;

24 (4) A military benefit zone may not include areas within Joint
25 Base Lewis-McChord;

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

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

31 (7) The public improvements financed through bonds issued under
32 section 9 of this act must be located in the military benefit zone;

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

37 (9) The boundaries of the military benefit zone may not be
38 changed for the time period that local sales and use taxes of
39 participating local governments, and the local sales and use tax

1 under section 14 of this act are used to pay bonds issued under
2 section 9 of this act and public improvement costs within the
3 military benefit zone on a pay-as-you-go basis, as provided under
4 this chapter; and

5 (10) A military benefit zone must be geographically restricted to
6 the location of the public improvement and adjacent locations that
7 the sponsoring military community funds to benefit neighborhoods
8 nearest the state's military bases, and infrastructure consistent
9 with the highest public health, safety, and welfare standards in a
10 manner supportive to the Joint Base Lewis-McChord.

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

15 (2)(a) If a local government that imposes a sales and use tax
16 under RCW 82.14.030 does not want to participate in the military
17 benefit financing of public improvements in a military benefit zone,
18 its governing body must adopt an ordinance and notify the sponsoring
19 military community that the taxing authority will not be a
20 participating local government.

21 (b) The local government must provide a copy of the adopted
22 ordinance and the notice to the sponsoring military community
23 creating the military benefit zone before the anticipated date that
24 the sponsoring military community proposes to adopt an ordinance
25 creating the military benefit zone as provided in the notice required
26 by section 4(1)(a) of this act.

27 NEW SECTION. **Sec. 7.** PUBLIC IMPROVEMENT FINANCING. A sponsoring
28 military community may use annually local sales and use tax amounts
29 equal to some or all of its local sales and use tax increments to
30 finance public improvements in the military benefit zone. The amounts
31 of local sales and use tax dedicated by a participating local
32 government must begin and cease on the dates specified in an
33 interlocal agreement authorized in chapter 39.34 RCW. Sponsoring
34 military communities and participating local governments are
35 authorized to allocate some or all of their local sales and use tax
36 increments to the sponsoring military community as provided by
37 section 6 of this act.

1 NEW SECTION. **Sec. 8.** APPLICATION PROCESS—APPROVAL OF PROJECT

2 AWARDS BY THE APPROVING AGENCY. (1) Prior to applying to receive a
3 state contribution, a sponsoring military community must adopt a
4 military benefit zone within the limitations in section 5 of this act
5 and in accordance with section 4 of this act.

6 (2)(a) As a condition to imposing a sales and use tax under
7 section 14 of this act, a sponsoring military community must apply
8 and be approved for a project award amount. The application must be
9 in a form and manner prescribed by the approving agency and include,
10 but not be limited to:

11 (i) Information establishing that over the period of time that
12 the local sales and use tax will be imposed under section 14 of this
13 act, increases in state sales and use tax revenues as a result of
14 public improvements in the military benefit zone will be equal to or
15 greater than the respective state and local contributions made under
16 this chapter;

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

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

21 (iv) The anticipated effective date for imposing the tax under
22 section 14 of this act;

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

24 (vi) The anticipated rate of tax to be imposed under section 14
25 of this act, subject to the rate-setting conditions in section 14 (3)
26 of this act, should the sponsoring military community be approved for
27 a project award; and

28 (vii) The anticipated date when bonds under section 9 of this act
29 will be issued.

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

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

38 (i) The availability of a state contribution;

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

4 (iii) The number of jobs created;

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

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

8 (vi) The extent to which the project leverages nonstate funds;
9 and

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

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

14 (c) If the level of available state contribution is less than the
15 amount requested by the next available applicant, the applicant must
16 be given the first opportunity to accept the lesser amount of state
17 contribution but only if the applicant produces a new application
18 within sixty days of being notified by the approving agency and the
19 application describes the impact on the proposed project as a result
20 of the lesser award in addition to new application information
21 required in subsection (2) of this section.

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

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

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

30 (4) The approving agency must notify the sponsoring military
31 community of approval or denial of a project award within sixty days
32 of the approving agency's receipt of the sponsoring military
33 community's application. Determination of a project award by the
34 approving agency is final. Notification must include the earliest
35 date when the tax authorized under section 14 of this act may be
36 imposed, subject to conditions in chapter 82.14 RCW. The project
37 award notification must specify the rate requested in the application
38 and any adjustments to the rate that would need to be made based on
39 the project award and rate restrictions in section 14 of this act.

1 The department of commerce must consult with the department in
2 determining the amount of a project award.

3 (5) The department of commerce must begin accepting applications
4 and approving project awards under this section on and after June 1,
5 2018. The department of commerce must notify the department of all
6 approved project awards under this section. The department of
7 commerce must also provide to the department any information
8 necessary to implement the tax authorized under section 14 of this
9 act.

10 NEW SECTION. **Sec. 9.** ISSUANCE OF GENERAL OBLIGATION BONDS. (1)
11 A sponsoring military community creating a military benefit zone and
12 authorizing the use of local military benefit financing may incur
13 general indebtedness, including issuing general obligation bonds, to
14 finance the public improvements and retire the indebtedness in whole
15 or in part from local military benefit financing it receives, subject
16 to the following requirements:

17 (a)(i) The ordinance adopted by the sponsoring military community
18 creating the military benefit zone and authorizing the use of local
19 military benefit financing indicates an intent to incur this
20 indebtedness and the maximum amount of this indebtedness that is
21 contemplated; and

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

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

28 (2) The general indebtedness incurred under subsection (1) of
29 this section may be payable from other tax revenues, the full faith
30 and credit of the sponsoring military community, and nontax income,
31 revenues, fees, and rents from the public improvements, as well as
32 contributions, grants, and nontax money available to the local
33 government for payment of costs of the public improvements or
34 associated debt service on the general indebtedness.

35 (3) In addition to the requirements in subsection (1) of this
36 section, a sponsoring military community creating a military benefit
37 zone and authorizing the use of local military benefit financing may
38 require any nonpublic participants to provide adequate security to

1 protect the public investment in the public improvement within the
2 military benefit zone.

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

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

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

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

11 (d) Be in a denomination or denominations;

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

14 (f) Carry conversation or registration privileges;

15 (g) Have a rank or priority;

16 (h) Be executed in a manner;

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

19 (j) Be secured in a manner; and

20 (k) Have any other characteristics.

21 (5) The sponsoring military community may:

22 (a) Annually pay into the special fund established pursuant to
23 this section a fixed proportion or a fixed amount of any revenues
24 derived from taxes imposed under section 14 of this act, such payment
25 to continue until all bonds payable from the fund are paid in full.
26 Revenues derived from taxes imposed under section 14 of this act are
27 subject to the use restriction in section 15 of this act; and

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

30 (6) In case any of the public officials of the sponsoring
31 military community whose signatures appear on any bonds or any
32 coupons issued under this chapter cease to be the officials before
33 the delivery of the bonds, the signatures must, nevertheless, be
34 valid and sufficient for all purposes, the same as if the officials
35 had remained in office until the delivery. Any provision of any law
36 to the contrary notwithstanding, any bonds issued under this chapter
37 are fully negotiable.

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

1 NEW SECTION. **Sec. 10.** USE OF TAX REVENUE FOR BOND REPAYMENT. A
2 sponsoring military community that issues bonds under section 9 of
3 this act to finance public improvements may pledge for the payment of
4 such bonds all or part of any revenues derived from taxes imposed
5 under section 14 of this act and held in connection with the public
6 improvements. All of such tax revenues are subject to the use
7 restriction in section 15 of this act.

8 NEW SECTION. **Sec. 11.** LIMITATION ON BONDS ISSUED. The bonds
9 issued by a local government under section 9 of this act to finance
10 public improvements do not constitute an obligation of the state of
11 Washington, either general or special.

12 NEW SECTION. **Sec. 12.** ADMINISTRATION BY THE DEPARTMENT OF
13 REVENUE AND THE DEPARTMENT OF COMMERCE—ADOPTION OF RULES. The
14 department and the department of commerce may adopt any rules under
15 chapter 34.05 RCW that the departments consider necessary for the
16 administration of this chapter.

17 NEW SECTION. **Sec. 13.** MILITARY BENEFIT FINANCING—PILOT PROJECT.
18 (1) Pilot projects are designated to determine the feasibility of
19 military benefit financing.

20 (2) Notwithstanding section 8 of this act, the approving agency
21 must approve each pilot project that meets the applicable conditions,
22 limitations, and requirements provided in this chapter and chapter
23 39.--- RCW (the new chapter created in section 16 of this act) as
24 follows:

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

27 (b) Any other pilot project application submitted under this
28 section by a local government.

29 (3) Local government sponsors of pilot projects under this
30 section must submit to the approving agency by no later than
31 September 1, 2018, documentation that substantiates that the project
32 has met the applicable conditions, limitations, and requirements
33 provided in this chapter and chapter 39.--- RCW (the new chapter
34 created in section 16 of this act).

35 (4) Within ninety days of submitting the documentation required
36 under subsection (3) of this section, the approving agency must

1 approve a pilot project that has met the conditions, limitations, and
2 requirements under this chapter.

3 (5) Local government sponsors of pilot projects may elect to
4 decline the project awards as designated in this section, and may
5 elect instead to submit applications according to the process
6 described in section 8 of this act.

7 NEW SECTION. **Sec. 14.** A new section is added to chapter 82.14
8 RCW to read as follows:

9 SALE AND USE TAX AUTHORITY. (1) Any local government that has
10 been approved for a project award under section 8 of this act may
11 impose a sales and use tax under the authority of this section in
12 accordance with the terms of this chapter. Except as provided in this
13 section, the tax is in addition to other taxes authorized by law and
14 must be collected from those persons who are taxable by the state
15 under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable
16 event within the taxing jurisdiction of the local government.

17 (2) The tax authorized under subsection (1) of this section is
18 credited against the state taxes imposed under RCW 82.08.020(1) and
19 82.12.020 at the rate provided in RCW 82.08.020(1). The department
20 must perform the collection of such taxes on behalf of the local
21 government at no cost to the local government. The taxes must be
22 distributed to local governments as provided in RCW 82.14.060.

23 (3) The rate of tax imposed by a local government may not exceed
24 the lesser of:

25 (a) The rate provided in RCW 82.08.020(1), less:

26 (i) The aggregate rates of all other local sales and use taxes
27 imposed by any taxing authority on the same taxable events;

28 (ii) The aggregate rates of all taxes under RCW 82.14.465 and
29 82.14.475 and this section that are authorized but have not yet been
30 imposed on the same taxable events by a local government that has
31 been approved to receive a state contribution by the department, the
32 department of commerce, or the community economic revitalization
33 board under chapter 39.104, 39.100, or 39.102 RCW; and

34 (iii) The percentage amount of distributions required under RCW
35 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
36 82.08.020(1); and

37 (b) The rate, as determined by the local government in
38 consultation with the department, reasonably necessary to receive the
39 project award under section 8 of this act over ten months.

1 (4) The department, upon request, must assist a local government
2 in establishing its tax rate in accordance with subsection (3) of
3 this section. Once the rate of tax is selected through the
4 application process and approved under section 8 of this act, it may
5 not be increased.

6 (5)(a) Except as provided in (c) and (d) of this subsection, no
7 tax may be imposed under the authority of this section before:

8 (i) July 1, 2019;

9 (ii) July 1st of the second calendar year following the year in
10 which the application was approved under section 8 of this act;

11 (iii) The state sales and use tax increment for the preceding
12 calendar year is equal to or exceeds the amount of the project award
13 approved under section 8 of this act; and

14 (iv) Bonds have been issued according to section 9 of this act.

15 (b) The tax imposed under this section expires the earlier of the
16 date that the bonds issued under the authority of section 9 of this
17 act are retired or twenty-five years after the tax is first imposed.

18 (6) An ordinance or resolution adopted by the legislative
19 authority of the local government imposing a tax under this section
20 must provide that:

21 (a) The tax will first be imposed on the first day of a fiscal
22 year;

23 (b) The cumulative amount of tax received by the local
24 government, in any fiscal year, may not exceed the amount approved by
25 the department under subsection (10) of this section;

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

28 (i) The amount of tax received by the local government equals the
29 amount of distributions approved by the department for the fiscal
30 year under subsection (10) of this section; or

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

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

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

1 (7) If a local government receives approval for more than one
2 military benefit zone within its jurisdiction, the local government
3 may impose a sales and use tax under this section for each military
4 benefit zone.

5 (8) The department must determine the amount of tax receipts
6 distributed to each local government imposing a sales and use tax
7 under the authority of this section and must advise a local
8 government when tax distributions for the fiscal year equal the
9 amount determined by the department in subsection (10) of this
10 section. Determinations by the department of the amount of tax
11 distributions attributable to a local government are not appealable.
12 The department must remit any tax receipts in excess of the amounts
13 specified in subsection (6)(c) of this section to the state treasurer
14 who must deposit the money in the general fund.

15 (9) If a local government fails to comply with RCW 82.32.765, no
16 tax may be distributed in the subsequent fiscal year until such time
17 as the local government complies and the department calculates the
18 state contribution amount according to subsection (10) of this
19 section for the fiscal year.

20 (10)(a) For each fiscal year that a local government imposes the
21 tax under the authority of this section, the department must approve
22 the amount of taxes that may be distributed to the local government.
23 The amount approved by the department under this subsection is the
24 lesser of:

25 (i) The state contribution;

26 (ii) The amount of project award granted as provided in section 8
27 of this act; or

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

32 (b) A local government may not receive, in any fiscal year, more
33 revenues from taxes imposed under the authority of this section than
34 the amount approved annually by the department.

35 (11) The amount of tax distributions received from taxes imposed
36 under the authority of this section by all local governments is
37 limited annually to not more than the amount of annual state
38 contribution limit.

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

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

6 (a) "Local sales and use taxes" means sales and use taxes imposed
7 by cities, counties, public facilities districts, and other local
8 governments under the authority of this chapter, chapter 67.28 RCW,
9 or any other chapter, and that are credited against the state sales
10 and use taxes.

11 (b) "State sales and use taxes" means the taxes imposed in RCW
12 82.08.020(1) and 82.12.020.

13 NEW SECTION. **Sec. 15.** Moneys collected from the taxes imposed
14 under section 14 of this act may be used only for the purpose of
15 paying debt service on bonds issued under the authority in section 9
16 of this act.

17 NEW SECTION. **Sec. 16.** Sections 1 through 13 and 15 of this act
18 constitute a new chapter in Title 39 RCW.

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