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

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

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

The legislature finds that local governments can implement funding options to encourage high-quality redevelopment of the neighborhoods nearest the state's military bases, and infrastructure consistent with the highest public health, safety, and welfare standards in a manner supportive to the military's esprit de corps.
NEW SECTION. Sec. 2. A new section is added to chapter 43.330 RCW to read as follows:

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

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

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

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

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

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

(4) Subject to the availability of amounts appropriated for this specific purpose, the department must provide grants to counties and cities participating in the pilot program authorized under this section. The department must also use receipts collected under section 3(1) of this act for counties and cities participating in the pilot program authorized under this section. The grants and collected receipts must only be for public infrastructure projects related to affordable housing projects for the improvement zone. Authorized uses include, but are not limited to: (a) Street and road construction
necessary to serve the improvement zone; (b) water and sewer system
construction; and (c) construction of storm water and drainage
management systems.

(5) (a) The department must provide a comprehensive pilot program
status report to the governor and appropriate committees of the house
of representatives and the senate by September 30, 2011.

(b) The department must report its pilot program findings and
recommendations to the governor and appropriate committees of the house
of representatives and the senate by September 30, 2013.

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

(7) This section expires June 30, 2014.

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

(1) Subject to the requirements of this section, twenty-five
percent of the estimated taxes collected under chapters 82.08 and 82.12
RCW on the sale or use of tangible personal property and labor and
services used in the construction of affordable housing projects in
military improvement zones, less any credits allowed for local
governments, must be deposited in the account established in section 4
of this act.

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

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

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

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

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

(iv) At least twenty-five percent of the housing units in the
project qualify as affordable housing; and
A development agreement has been made between the developer and the applicable county or city providing for: (A) The number of affordable housing units to be developed; (B) site and building design specifications; and (C) the infrastructure necessary for the project to be constructed. The department must rule on the application within forty-five days of its receipt;

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

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

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

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

(6) The department may not transfer money to the account established in section 4 of this act after July 1, 2014.

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

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

(2) The department of revenue must distribute proceeds under this section annually at no cost to the receiving county or city. Proceeds
must be distributed to a city or county by July 1st of each year,
beginning in the state fiscal year following the fiscal year in which
initiation of construction of the affordable housing project begins.

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