



STATE OF WASHINGTON
DEPARTMENT OF REVENUE
OFFICE OF THE DIRECTOR

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May 10, 2024

TO: Sarah Bannister, Secretary
Washington State Senate

Bernard Dean, Chief Clerk
Washington State House of Representatives

FROM: Drew Shirk, Director *DIS*

SUBJECT: Hospital Benefit Zone Financing Program Report

RCW 82.14.470(5) requires the Department of Revenue to issue an annual report on the activity to date for the Hospital Benefit Zone (HBZ) local sales tax program adopted by the Legislature in 2006. This program provides state support for local jurisdictions to finance public improvements. The improvements must be near a hospital and encourage new and expanded businesses within the zone.

As the report notes, the sole participants include the city of Gig Harbor and Pierce County. They established a single HBZ that consists of a portion of the city and a portion of the county's unincorporated area. To measure future increases in sales tax receipts, the establishment of base year revenues occurred in 2007. The first measurement year for the Hospital Benefit Zone was 2008. Calendar Year 2023 represents the 16th measurement year.

The report is available under "Other reports & studies" on our website at:
<http://www.dor.wa.gov/Content/AboutUs/StatisticsAndReports/Default.aspx>.

If you have questions about this report, please get in touch with Kathy Oline, Assistant Director of Research and Fiscal Analysis, at (360) 534-1534.

Attachment

cc: Members, Senate Ways and Means Committee
Members, House Finance Committee
Members, House Appropriations Committee
David Schumacher, Director, Office of Financial Management
Pat Sullivan, Executive Director, Legislative Affairs, Office of the Governor

Hospital Benefit Zone Financing Program

2024 Report to the Legislature
Covering Calendar Year 2023 Activity
Under RCW 82.14.470



During the 2006 Legislative Session, the Legislature adopted SHB 2670 Chapter 111, Laws of 2006, creating the Hospital Benefit Zone (HBZ) financing program. The program helps local governments finance public improvement projects that encourage private development within the HBZ and support hospital development. The program requires the Department of Health (DOH) to issue a certificate of need for a hospital. The program requires the Department of Revenue (Department) to make a report available to the public and the Legislature by June 1 of each year that includes:

- A list of public improvements undertaken by local governments and financed in whole or in part with hospital benefit zone financing, and
- A summary of information provided to the Department by local governments.

Program Use

The Gig Harbor Hospital Benefit Zone is the only approved HBZ.

Project History

Franciscan Health Systems received approval from the DOH in May 2004 to build an 80-bed community hospital in Gig Harbor to serve the people of Gig Harbor, Key Peninsula, and South Kitsap County. DOH issued a “certificate of need” as part of the approval process. The hospital opened on March 17, 2009. Infrastructure improvements continue in the North Gig Harbor area around the new hospital. Tax increment financing in the HBZ helps pay for infrastructure improvements associated with development around the new hospital.

The city of Gig Harbor established an HBZ, and Franciscan Health Systems built the hospital. The city of Gig Harbor contributes incremental sales tax revenues from the HBZ for public improvements. Pierce County helps finance public improvements within Gig Harbor’s HBZ by contributing incremental sales tax revenues from the HBZ area.

In November 2006, the Department approved Gig Harbor's HBZ. The sales tax location codes for the new zone became effective January 1, 2007.

Program Summary

Once designated an HBZ, under chapter 39.100 RCW, the measurement of incremental increases in certain state and local sales and use tax revenues generated in the HBZ begins. Financing for eligible public improvement projects comes from the incremental local tax revenue and revenue from other local public sources. The state matches the incremental local tax revenue and the revenue from other local public sources.

The local government sponsoring the HBZ receives the state contribution through a local sales and use tax authorized under RCW 82.14.465 (commonly referred to as the “HBZ tax”). This HBZ tax is credited against the state sales and use tax, so the consumer's sales and use tax rate does not increase. Instead, the HBZ tax shifts revenue from the state general fund to the sponsoring local government. To impose the HBZ tax, a local government receives approval from the Department. The tax rate for the HBZ tax may be as high as 6.5 percent. However, the rate must be no higher than what the local government needs to receive its entire annual state contribution. A local government receives in any fiscal year from the state through the HBZ tax the lesser of:

- 1) \$2 million,
- 2) The local matching funds provided by the local government, or
- 3) The incremental state revenue received by the state in the previous year because of economic development within the zone.

Revenue from the HBZ tax pays the principal and interest on bonds issued to finance the public improvements or the local public improvements within the HBZ. The state contribution continues until:

- 1) 30 years from the imposition date of the HBZ tax,
- 2) The eligible public improvements are paid for, or
- 3) The principal and interest on bonds issued to finance the eligible public improvements are retired.

In 2011, the Legislature passed SSB 5525, making the following technical changes to the HBZ program:

- The definition of public improvements expanded to include construction, maintenance, and improvement of state highways that connect to the HBZ, including interchanges.
- Modifications to public improvements can happen after the local government amends the adopted ordinance and holds a public hearing.
- Local governments levying the HBZ tax are not required to spend the tax revenues in the same fiscal year they receive them.
- Local matching funds may include amounts expended by a hospital in the HBZ and may be applied to one year or carried forward and used in later years.

Gig Harbor Base Year Information

Future calculations of incremental state and local sales and use tax revenues require determining base amounts. For the Gig Harbor HBZ, the base year was Calendar Year 2007. In 2007, taxable activity in the HBZ generated:

- \$4,549,774.73 in state sales and use taxes;
- \$452,358.56 in tax distributions for Gig Harbor; and
- \$241,427.15 in tax distributions for Pierce County.

Gig Harbor and Pierce County distributions come from the 0.5 percent basic and 0.5 percent optional local sales and use taxes authorized in RCW 82.14.030. In the years following 2007, state and local sales and use tax revenues within the HBZ are measured against these base year figures to determine the state contribution provided through the HBZ tax.

Gig Harbor Measurement Year Information

Calendar year 2008 was the first measurement year for the Gig Harbor HBZ. The following table shows annual revenues for the base year and each measurement year within the HBZ.

Calendar Year	Measurement Year	State 6.5% Sales and Use Tax	Gig Harbor*	Pierce County*
2007	Base	\$4,549,774.73	\$452,358.56	\$241,427.15
2008	1	12,630,698.22	1,393,212.25	532,002.85
2009	2	13,157,465.88	1,402,159.62	604,518.24
2010	3	12,453,810.01	1,412,688.50	486,271.60
2011	4	10,746,554.68	1,185,280.38	453,658.22
2012	5	9,237,518.56	969,904.98	438,181.79
2013	6	12,786,090.21	1,325,840.34	624,068.04
2014	7	16,638,369.51	1,834,108.84	702,702.26
2015	8	18,225,233.20	1,973,002.70	807,208.88
2016	9	21,920,400.86	2,407,213.32	935,521.60
2017	10	24,511,207.71	2,718,775.54	1,019,427.58
2018	11	23,984,560.36	2,527,602.27	1,128,314.07
2019	12	24,378,164.96	2,523,549.40	1,194,077.82
2020	13	28,502,110.08	3,093,758.51	1,249,570.57
2021	14	30,214,434.23	3,208,189.81	1,396,276.54
2022	15	30,829,867.93	3,241,150.12	1,456,789.71
2023	16	30,952,245.59	3,183,725.65	1,532,826.47

*The amounts for Gig Harbor and Pierce County represent the 0.5 percent basic and 0.5 percent optional sales and use tax authorized under RCW 82.14.030

The following table shows the increase in measurement year revenues within the HBZ compared to base year revenues.

Calendar Year	Measurement Year	State Incremental Revenue	Gig Harbor Incremental Revenue	Pierce County Incremental Revenue
2008	1	\$8,080,923.49	\$940,853.69	\$290,575.70
2009	2	8,607,691.15	949,801.06	363,091.09
2010	3	7,904,035.28	960,329.94	244,844.45
2011	4	6,196,779.95	732,921.82	212,231.07
2012	5	4,687,743.83	517,546.42	196,754.64
2013	6	8,236,315.48	873,481.78	382,640.89
2014	7	12,088,594.78	1,381,750.28	461,275.11
2015	8	13,675,458.47	1,520,644.14	565,781.73
2016	9	17,370,626.13	1,954,854.76	694,094.45
2017	10	19,961,432.98	2,266,416.98	778,000.43
2018	11	19,434,785.63	2,081,333.44	886,886.92
2019	12	19,828,390.23	2,071,190.84	952,650.67
2020	13	23,952,335.35	2,641,399.95	1,008,143.42
2021	14	25,664,659.50	2,755,831.25	1,154,849.39
2022	15	26,280,093.20	2,788,791.56	1,215,362.56
2023	16	26,402,470.86	2,731,367.09	1,291,399.32

Program Results

RCW 82.14.470 requires reporting of the following information:

- The tax allocation revenues, the HBZ tax revenues (taxes under RCW 82.14.465), the local public sources received by the local government during the preceding calendar year, and a summary of how these revenues were expended;
- The businesses known to local governments that have located within the HBZ because of the public improvements undertaken by the local government and financed in whole or part with HBZ financing (see list below); and
- A list of public improvements undertaken by the local government and financed in whole or part with HBZ financing and a summary of the report submitted by participating local governments.

The earliest Gig Harbor could have imposed the HBZ tax was July 1, 2009. Gig Harbor imposed the HBZ tax on July 1, 2011, at a rate of 0.6 percent.

Local governments must submit a report to the Department and the State Auditor by March 1 of each year for activity occurring during the preceding calendar year. Based on those reports, Gig Harbor received \$1,715,683.72 from the HBZ tax in calendar year 2011, \$2,284,316.28 from the HBZ tax in calendar year 2012, and \$2 million from the HBZ tax in calendar years 2013 through 2023. The HBZ tax is limited to \$2 million per *fiscal year* for each qualifying local government. Gig Harbor has received the full \$2 million in revenue from the HBZ tax for fiscal years 2012 through 2023. Gig Harbor has received \$26 million from the HBZ tax through December 31, 2023.

In 2023, Gig Harbor reported over \$3.19 million in local funds dedicated to development in the HBZ. HBZ tax revenues funded Prentice and Fenimore roadway improvements, Burnham Drive/State Route 16 roundabout metering, roadway corridor improvements to Burnham Drive, improvements of City Park at Crescent Creek, Skansie Netshed repair and upgrade, Phase 1 of the Gig Harbor Sports Complex, and development of the Commercial Fishing Homeport in 2023.

In 2023, the state benefit increased by over \$122,000 to \$30.95 million for the Gig Harbor HBZ. Gig Harbor received \$2 million from the HBZ tax in calendar year 2023.

Gig Harbor provided the following list of businesses added during calendar year 2023. Please note that this list may contain duplicates based on business name or physical address.

2023 New Businesses Located within the Gig Harbor Hospital Benefit Zone		
Account Id	Business Name	Physical Address
604439186-001-0001	8915 FRANKLIN AVENUE LLC	8915 FRANKLIN AVE
604217944-001-0003	ALIGN SKINCARE, LLC	3024B HARBORVIEW DR
605027339-001-0001	ALLIEKAY ARTISTRY	11515 BURNHAM DR
603548640-001-0001	ALLOVUS PROPERTIES, LLC	8811 N HARBORVIEW DR
605329133-001-0001	ASTRO PUGET SOUND LLC	11457 PORTAGE PL
605091969-001-0001	AT HOME IN THE HARBOR	11116 12TH AVENUE CT NW
605307937-001-0001	ATANASOFF, PETER	5040 ADMIRAL ST
604707348-001-0001	AZURITE CONSULTANTS	3514 ROSS AVE
603247406-001-0008	BEST CHOICE REALTY LLC	9014 PEACOCK HILL AVE STE 103A
605330360-001-0001	BLUE STEEL VENDING	10204 SENTINEL LOOP
604547907-001-0002	BREAKTHROUGH FAMILY THERAPY, LLC	10329 DRIFTWOOD AVE
602299055-001-0002	BYRNE CONSULTING	11202 66TH AVE
605022642-001-0001	CAPPS FENCE CO.	11761 ARROWHEAD DR
604486197-001-0001	CASI WOODS COUNSELING SERVICES, PLLC	11505 BURNHAM DR STE 301
604768323-001-0001	CEDARLAND FOREST RESOURCES LLC	9014 PEACOCK HILL AVE STE 203A
605005839-001-0001	CIGAR LAND GIG HARBOR	11430 51ST AVE STE 103
604740994-001-0002	CRUMBL GIG HARBOR	4784 BORGEN BLVD STE E
605080892-001-0001	DYRD, LLC	4123 BURNHAM DR
605260409-001-0001	FAMILY THAI HUT LLC	4116 HARBORVIEW DR
604796238-001-0001	GIG HARBOR COFFEE	11621 BURNHAM DR
605109821-001-0001	GIG HARBOR CRUMBL	4784 BORGEN BLVD STE E
605019971-001-0001	GIG HARBOR DIRECTORY	10884 YONDER LN
605183217-001-0001	GREENROPE, COMPLETE CRM	11010 HARBOR HILL DR NW STE B-224
605031930-001-0001	HAIR BY DANA LLC	8809 N HARBORVIEW DR STE 201
605006830-001-0001	HARBOR BASKETS AND GIFTS LLC	3126 HARBORVIEW DR
605016811-001-0001	HARBOR CHARCUTERIE CO.	4953 CORNELIA CT
605268965-001-0001	HARBOR HAVEN	2911 87TH STREET CT NW
605365041-001-0001	HARBOR MEDICAL MANAGEMENT, LLC	11511 CANTERWOOD BLVD STE 310
605330455-001-0001	HARBORVIEW MANAGEMENT LLC	9014 PEACOCK HILL AVE STE 203A

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605294821-001-0001	HARBORVIEW REST AND RESTORE, LLC	3417 HARBORVIEW DR STE 101
605320111-001-0001	HAVEN BY THE HARBOR	9911 40TH AVENUE CT
603490657-001-0001	HEMPFIRE S.P.C.	9916 PEACOCK HILL AVE BLDG A
605302763-001-0001	HER ON TOP PODCAST	3976 SAWTOOTH CT
605367565-001-0001	HERMAN INDUSTRIES LLC	11278 BORGEN LOOP
605015533-001-0001	IJ LEASING LLC	3302 HARBORVIEW DR OFC
605279712-001-0001	JOHNSON LANE SHORT TERM RENTAL	9508 JOHNSON LN
605020955-001-0001	JPR ENTERPRISE LLC	4552 OLYMPUS LOOP
605136405-001-0001	KADZIK STR	3518 HARBORVIEW DR
604672085-001-0001	KARA CHAPPELL PHOTOGRAPHY	4941 MEMORIES ST
605306041-001-0001	KARMA INDIAN CUISINE & MARTINI BAR	4107 HARBORVIEW DR
605206053-001-0001	KHY CERTIFIED KOREAN TRANSLATOR	11228 BORGEN LOOP
604339019-001-0002	KINGS	11010 HARBOR HILL DR
604072355-001-0001	LEDWICK, INC.	5038 MARINER ST
604913007-001-0001	LIBERTY COUNSELING AND CONSULTING SERVICES LLC	3100 HARBORVIEW DR UNIT C
605281867-001-0001	LIVING PROOF HEALTH, PLLC	9877 ALPENGLOW WAY
605314483-001-0001	LOCAL WHIMSY, LLC	3306 HARBORVIEW DR
605308310-001-0001	LYFT	4505 OLYMPUS LOOP
605222620-001-0001	M&M SPORTS LLC	11010 HARBOR HILL DRIVE STE. B314
605268183-001-0001	MARITIME JEWELERS, LLC	3116 HARBORVIEW DR
604533550-001-0001	MAVI CONTEMPORARY ART	3126 HARBORVIEW DR
604806088-001-0001	MEDLICOTT, MARGARET H	9363 GOODMAN AVE
605328681-001-0001	MILLVILLE AT 7SEAS LLC	2905 HARBORVIEW DR
605347818-001-0001	MOMO	11330 51ST AVE NW
605320923-001-0001	MOONWILLOW ESTHETIX	3417 HARBORVIEW DR
605243146-001-0002	ONE:11	3104 HARBORVIEW DR
605019446-001-0001	OYCHE JANITORIAL	11324 BORGEN LOOP
605161103-001-0001	PACIFIC CUSTOM ENGINEERING LLC	3914 SENTINEL DR
605172887-001-0001	PANNEN HAUS RE LLC	9869 PROSPECT PL
604922732-001-0001	PARKERS LITTLE GYM LLC	5151 BORGEN BLVD STE 201
604426800-001-0002	PEIST CHARTERS	3211 HARBORVIEW DR
601209027-001-0003	PESSEMIER CONSULTING SERVICES	11400 OLYMPUS WAY APT F103HC
605250709-001-0004	QDOBA	4726 BORGEN BLVD STE A
604952693-001-0001	QUTE STUFF	11010 HARBOR HILL DR STE 263
605017705-001-0001	RACHELANNMASSAGE, PLLC	3417 HARBORVIEW DR STE 101
605166223-001-0001	RAD DAD VIBES	4953 CORNELIA CT
605352082-001-0001	RANGER WAY	9020 PEACOCK HILL AVE APT 7
605206113-001-0001	RAVEN CAPITAL, LLC	6115 WOODHILL DR
605320184-001-0001	RIVER REISHI LLC	5628 W OLD STUMP DR NW
601543053-001-0002	ROSANNE'S GUEST RENTAL	10910 61ST AVE
605092309-001-0001	SALISH VETERINARY CARDIOLOGY, P.L.L.C.	3516 RUST ST

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603469250-001-0003	SANTA BARBARA BOAT WORKS, LLC	9770 44TH AVE
605255868-001-0001	SBS CONSULTING	9804 43RD AVE
604305061-001-0001	SCHULTZ & SONS AUTOMOTIVE LLC	9615 44TH AVE STE B
602236371-001-0001	SCOTT'S DENTAL SUPPLY	9656 BUJACICH RD STE H BLDG E
605280514-001-0001	SEAN PRIDDY CO	11010 HARBOR HILL DR STE B268
605003543-001-0001	SENTINEL HARBOR PLLC	10551 SENTINEL DR
605283319-001-0001	SHAWNA'S AESTHETICS	4523 OLYMPUS LOOP
602788129-001-0002	SHAWNA'S ESTHETIC'S	4523 OLYMPUS LOOP
605302347-001-0001	SIGNARAMA GIG HARBOR	9615 44TH AVE BLDG 9D
605280434-001-0001	SORELLA	3327 108TH ST NW
604769818-001-0001	SOULLECTIVE SPACE, LLC	3100B HARBORVIEW DR
603255595-001-0002	SUPERSONIC CONSULTING LLC	11407 66TH AVE
605277462-001-0001	SW PHYSICIAN SERVICES PLLC	10821 ECHO ROCK PL
605208251-001-0001	TALLER TALES LLC	3861 ATHENA CT
604154584-001-0001	TBC ENTERPRISES LLC	9014 PEACOCK HILL AVE STE 203A
605244162-001-0001	THE BARBERS ROOM	4949 BORGEN BLVD STE 104A
605249306-001-0001	THE BARBERS ROOM	4949 BORGEN BLVD STE 104A
604090475-001-0005	THE GIFT SHOP AT ST. ANTHONY'S	11567 CANTERWOOD BLVD
605235902-001-0001	THE SUNSHINE CART	9913 41ST AVE
605016276-001-0001	THERESA MCFARLAND	2800 HARBORVIEW DR
605165841-001-0001	TOP OF THE HARBOR	9701 WOODWORTH AVE
605337515-001-0001	TRENT ELLIS DMD, PLLC.	5034 MARINER ST
604761328-001-0001	TRUE WIND COLLABORATIVE	11435 KINGLET LN
604991673-001-0001	UPDIKE S CAMELOT LLC	4958 EMPRESS ST
605333330-001-0001	UPLIFT SALES SOLUTIONS COMPANY	11435 KINGLET LN
604999689-001-0001	VISION ACCOMPLISHED LLC	9420 ANCICH CT OFC
605287022-001-0001	W/GWENDOLYN	11806 41ST AVE NW
602150560-001-0010	WINDERMERE PROFESSIONAL PARTNERS	3111 HARBORVIEW DR STE 200A
605320402-001-0001	XU, JIAN	9118 PEACOCK HILL AVE
605279751-001-0001	YOUNG FASTENERS PRODUCTS	12112 61ST AVENUE CT