



STATE OF WASHINGTON
DEPARTMENT OF REVENUE
OFFICE OF THE DIRECTOR

P.O. Box 47454 • Tumwater, Washington 98504-7454 • (360) 534-1600 • FAX (360) 534-1606

May 28, 2026

TO: Sarah Bannister, Secretary
Washington State Senate

Bernard Dean, Chief Clerk
Washington State House of Representatives

FROM: John Ryser, Acting Director *John Ryser*

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 base year was established in 2007. The first measurement year for the Hospital Benefit Zone was 2008. Calendar Year 2025 represents the 18th measurement year.

The report is available under [Other Reports](#) on our website at [Statistics & Reports](#).

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
K.D. Chapman-See, Director, Office of Financial Management
Kenneth Martin, Policy Director, Office of the Governor



Hospital Benefit Zone Financing Program

2026 Report to the Legislature

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.
- 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 DOH approval 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 hospital. Tax increment financing within 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 taxes revenue generated in the HBZ begins. Financing for eligible public improvement projects comes from incremental local tax revenue and 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 local sales and use taxes authorized under RCW 82.14.465 (commonly referred to as the “HBZ tax”). This HBZ tax is credited against the state sales and use taxes, so the consumer's sales and use taxes 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 HBZ tax rate 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.
- 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 one of the following conditions is met:

- 1) 30 years from the imposition date of the HBZ tax.
- 2) The eligible public improvements are paid for.
- 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 taxes revenue 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.
- \$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 taxes revenue within the HBZ is 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 Taxes	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	34,635,631.45	3,183,725.65	1,532,826.69
2024	17	34,664,868.98	3,108,074.06	1,626,800.12
2025	18	35,813,748.89	3,213,619.26	1,677,625.55

*The amounts for Gig Harbor and Pierce County represent the 0.5 percent basic and 0.5 percent optional sales and use taxes 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	30,085,856.72	2,731,367.09	1,291,399.54
2024	17	30,115,094.25	2,655,715.50	1,385,372.97
2025	18	31,263,974.16	2,761,260.70	1,436,198.40

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 in part with HBZ financing (see list below).
- 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

2025. 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 HBZ tax revenue for fiscal years 2012 through 2025. Gig Harbor has received \$30 million in HBZ tax revenue through December 31, 2025.

In 2025, Gig Harbor reported over \$5.37 million in local funds dedicated to development in the HBZ. HBZ tax revenues funded construction of Gig Harbor Sports Complex phases 1A and 1B, master plan for Crescent Creek Park, Loop trail construction and signage at tx^waalqøt Conservation Area, Commercial fishing homeport design permitting and construction, Phase 1A construction of Burnham Drive half-width improvements, new streetlight installations on Peacock Avenue and the west end of Borgen Boulevard, and the design and permitting of Peacock Hill Ave half-street improvements in 2025.

In 2025, the state benefit increased by about \$1.15 million to over \$35.8 million from the Gig Harbor HBZ. Gig Harbor received \$2 million in HBZ tax revenue in calendar year 2025.

Gig Harbor provided the following list of businesses added in 2025. Please note that this list may contain duplicates based on business name or physical address.

2025 New Businesses Located within the Gig Harbor Hospital Benefit Zone		
Account Id	Business Name	Physical Address
603100269-001-0002	1 OCEAN ADVISORY	3117 HARBORVIEW
604383100-001-0002	ABOVE AND BEYOND CUSTOM TILE AND QUARTZ	9111 66TH AVE NW TRLR 137
605916180-001-0001	ACCELERATED SCHOOL IMPROVEMENT LLC - CRAWFORD DIVISION	9325 GOODMAN AVE
605849170-001-0001	ALCHEMY AESTHETICS AND WELLNESS	8815 N HARBORVIEW DR
606008708-001-0001	ALL ACTION SERVICES, LLC	8002 MITTS LN
605808709-001-0001	AMANDA JEAN EVENT PLANNING LLC	10159 SENTINEL LOOP
605956545-001-0001	ARLO PEST CONTROL	3842 APOLLO WAY
605734610-001-0001	AVALON PRIVACY AND COMPLIANCE LLC	11913 10TH AVENUE CT NW
605957351-001-0001	AWAKEN WOMEN'S HEALTH PLLC	10229 SENTINEL LOOP
604949664-001-0001	BENNETT PHYSICIAN SERVICES, PLLC	5037 MARINER ST
605501493-001-0001	BEYOND BEAUTY L.L.C.	4221 HARBORVIEW DR STE 105
606002660-001-0001	BEYOND CRAFT PUBLICATIONS LLC	6516 112TH STREET CT
605819055-001-0001	BLUE WATER HOSPITALITY GROUP, LLC	9515 BURNHAM DR NW OFC
605887708-001-0001	BLUEWIND BOUTIQUE	3126 HARBORVIEW DR
604908205-001-0002	BRAZEN HOUSE STUDIOS	6518 WOODHILL DR
604262724-001-0002	BRIAN WILLIAMS CREATIVE	6710 84TH ST. CT. NW
605976027-001-0001	BRIDGEWAY MARKET	6707 TYEE DR NW
601986557-001-0002	BUD'S HAULING AND LEASING, LLC	12520 BURNHAM DR
605999991-001-0001	BURNING MOON DESIGN	11524 BUCKHORN PL
605996183-001-0001	BY CRYSTAL DEE	10414 PEACOCK HILL AVE SPC 30
604644855-001-0002	C FULTON AESTHETICS LLC	8815 N HARBORVIEW DR
605539836-001-0001	C WEST DEVELOPMENT, L.L.C.	10329 DRIFTWOOD AVE
605944032-001-0001	CANCER SENTINEL AI	11511 CANTERWOOD BLVD STE 310
605680022-001-0001	CAREGIVERS QUEST	9504 PEACOCK HILL AVE

605649192-001-0001	CASCADE COMFORT HVAC LLC	146TH ST CT NW BLDG 4916
605701279-001-0001	COLVOS MANAGEMENT LLC	916 139TH STREET CT NW
605839627-001-0001	CONNECTED PLEASURE COACHING LLC	3417 HARBORVIEW DR
604386076-001-0001	COUNTRY'S PROPERTY SOLUTIONS	11010 HARBOR HILL DR # 218 STE B
604853875-001-0001	DAISY IF YOU DO PRODUCTIONS LLC	3888 SENTINEL DR
605767956-001-0001	DEBEAU MARKETING LLC	11007 PERSHING PL
605457970-001-0001	DSTA LOGISTICS LLC	11400 OLYMPUS WAY APT B302
605636077-001-0001	EMBER & BLOOM LLC	11400 OLYMPUS WAY APT R201
605819596-001-0001	FIG TREE HOLDINGS	9512 PEACOCK HILL AVE
603559760-001-0003	FOX ISLAND TRADING CO. VINTAGE & ADVENTURE LLC	3226 HARBORVIEW DR STE 5
605671430-001-0001	GARD SERVICES	5727 BAKER WAY NW STE 106
605906746-001-0001	GIG HARBOR FLOWER FARM, LLC	5727 BAKER WAY NW STE 105
605668735-001-0001	GIG HARBOR THAI CUISINE	8825 N HARBORVIEW DR
605925950-001-0001	GLASS WORKS	10421 BURNHAM DR STE 2C
604787465-001-0002	GOOSE & GANDER GOODIES	2811 HARBORVIEW DR APT A
603251991-001-0001	GOTBLOOMZ	8909 PRENTICE AVE APT 3
605797953-001-0001	GRIFFIN, STERLING LEARASS	4024 FIRDRONA DRIVE
605671430-001-0002	GUARDIAN HERO	5727 BAKER WAY NW STE 106
605907166-001-0001	HARBOR BUSINESS PARK, LLC	5926 SEHMEL DR
605929221-001-0001	HARBOR DOULA COMPANY LLC	4508 OLYMPUS LOOP
605925940-001-0001	HARBOR PEAK WELLNESS	4968 MEMORIES ST
605904634-001-0001	HARBOUR ACCOUNTING	3518 141ST STREET CT NW
603129994-001-0015	HERITAGE DISTILLING COMPANY, INC.	9014 PEACOCK HILL AVE STE 200
605351210-001-0001	HUNTER LEA PRODUCTIONS	3703 VERNHARDSON ST
604086766-001-0003	IN BLOOM ACUPUNCTURE	3226 HARBORVIEW DR STE 8
605712966-001-0001	IZZROX, LLC	11298 BORGEN LOOP
605660185-001-0001	JACOBY CONSULTING, LLC	11400 OLYMPUS WAY APT F303
605804375-001-0001	JAX LUXURY SALON	3111 HARBORVIEW DR SUITE 100 STE 100
604337592-001-0001	JENNIFER DAWN LLC	9809 PROSPECT PL
603210563-001-0002	JM&M ENTERPRISES	10913 60TH AVE
603235603-001-0001	KAWAII MISE	9707 41ST AVE
604812100-001-0002	KEATING TRANSPORT	9515 BURNHAM DR NW SPC 109
602018360-001-0001	LEGACY TELECOMMUNICATIONS, LLC	8102 SKANSIE AVE
603047626-001-0001	LEX VENTURES LLC	9672 BUJACICH RD BUILDING D STE D
605117696-001-0001	LI JANITORIAL	11324 BORGEN LOOP
605880383-001-0002	LIGHTENED LLC	9005 FRANKLIN AVE
605880383-001-0001	LIGHTENED LLC	9055 FRANKLIN AVE
605937966-001-0001	LOOKING BACK PRODUCTIONS LLC	9810 43RD AVE OFC
605494047-001-0001	LYNNE DODSON	10616 63RD AVE
604182498-001-0001	MARKETPLACE GRILLE, LLC	3117 HARBORVIEW DR
604168864-001-0001	MCGILL ELECTRIC INC.	9508 WOODWORTH AVE
605753731-001-0001	MOUNTAIN AND SEA MASSAGE	11515 BURNHAM DR
605667260-001-0001	N/A	4410 158TH STREET CT NW
605908682-001-0001	NORTHWEST LOGIX CONSULTING GROUP INCORPORATED	10317 DRIFTWOOD AVE

603233975-001-0002	OBIELAND 11451 GRIFFIN, LLC	9120 WOODWORTH AVE
603233973-001-0002	OBIELAND 11511 GRIFFIN, LLC	9120 WOODWORTH AVE
604170020-001-0002	OBIELAND 11593 BARKLEY LANE, LLC	9120 WOODWORTH AVE
605674836-001-0001	ORBIT WILLS	3010 HARBORVIEW DR STE 202
605671109-001-0001	PACIFIC STRIDE RUNNING	11565 ARROWHEAD DR
605721611-001-0001	PRESTIGE MANAGEMENT GROUP	916 139TH STREET CT NW
605606494-001-0001	PRIMODUO, LLC	11400 OLYMPUS WAY
604496848-001-0002	PROMOVERE TRAINING	9644 BUJACICH RD STE F
605522132-001-0002	PROSPECT STUDIO SF	2707 88TH STREET CT NW
605683503-001-0001	PSRE, LLC	10305 DRIFTWOOD AVE
606004102-001-0001	REHER EXTERIORS	5120 138TH STREET CT NW
605908257-001-0001	ROSE ACUPUNCTURE	11515 BURNHAM DR
605083177-001-0001	SAFE AND SETTLED	1616 FAWN CT NW
605782564-001-0001	SANS PEUR ENTERPRISES LLC	5038 BLUE PEBBLE CT
605972629-001-0001	SERENITY CLEANING NW, LLC	4504 CANTERWOOD DR NW
605710844-001-0001	SITECARE LLC	11400 OLYMPUS WAY APT L102
604769818-001-0004	SOULLECTIVE SPACE, LLC	8809 N HARBORVIEW DR STE 101
605904908-001-0001	SOUND EDUCATION AND INCLUSION SERVICES	4019 101ST STREET CT
605924248-001-0001	STOWAWAY LABS LLC	8809 N HARBORVIEW DR STE 101
605964765-001-0001	SUMMIT ACQUISITION SOLUTIONS, LLC	4957 WANDERLUST WAY
602944325-001-0001	SUNSHINE EMPLOYMENT SERVICES LLC	3025 HARBORVIEW DR
605889733-001-0001	TAYLOR ANDERSEN	9203 24TH AVE NW
605857845-001-0001	THE TIDY NEST	4518 158TH STREET CT NW
600080023-001-0029	TIDES TAVERN	2925 HARBORVIEW DR
605797557-001-0001	UNDEROATH FISHERIES LLC	6325 WOODHILL DR
605999209-001-0001	UVVENTURES LLC	4958 EMPRESS ST
605836392-001-0001	VELOCITY ALTERNATIVE RESEARCH	3859 APOLLO WAY
604845107-001-0002	VELOCITY VENTURES	8419 58TH AVE NW
605941912-001-0001	VERSAFIT	14802 49TH AVE NW
604332305-001-0001	VIF UNCOMMON ADVENTURES LLC	9106 PEACOCK HILL AVE # A
606015128-001-0001	WANDERFOX PNW	9727 44TH AVE BLDG 8-E
605760529-001-0001	WESTERN WASHINGTON CONSTRUCTION GROUP LLC	8811 71ST AVE NW
604471428-001-0001	WILD FERN DESIGNS	3308 HARBORVIEW DR BLDG B
602344817-001-0001	WILLOW TREE GARDENS INC	12715 PEACOCK HILL AVE NW
602176009-001-0002	YINGLAN SHERRILL	9190 PEACOCK HILL AVE
605956271-001-0001	ZEITGEIST INVESTMENTS LLC	10402 27TH AVE NW