



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 16<sup>th</sup> 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           |