



STATE OF WASHINGTON  
**DEPARTMENT OF REVENUE**  
OFFICE OF THE DIRECTOR

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May 30, 2025

**TO:** Sarah Bannister, Secretary  
Washington State Senate

Bernard Dean, Chief Clerk  
Washington State House of Representatives

**FROM:** Drew Shirk, Director

**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 2024 represents the 17<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  
K.D. Chapman-See, Director, Office of Financial Management  
Sahar Fathi, Policy Director, Office of the Governor

# Hospital Benefit Zone Financing Program

2025 Report to the Legislature  
Covering Calendar Year 2024 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 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	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

\*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	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

### **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 2024. 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 2024. Gig Harbor has received \$28 million from the HBZ tax through December 31, 2024.

In 2024, Gig Harbor reported over \$3.33 million in local funds dedicated to development in the HBZ. HBZ tax revenues funded additional Prentice and Fenimore roadway improvements, Phase 1A of Burnham Drive half-width improvements, the Public Works operations center, and continued Phase 1 of the Gig Harbor Sports Complex in 2024.

The state benefit was underestimated in 2023. Instead of a state increase of \$30.95 million, the increase was found to be \$34.64 million. The annual state revenues for 2023 have been updated with the correct information in the tables above.

In 2024, the state benefit increased by over \$29,000 to \$34.66 million for the Gig Harbor HBZ. Gig Harbor received \$2 million from the HBZ tax in calendar year 2024.

Gig Harbor provided the following list of businesses added during calendar year 2024. Please note that this list may contain duplicates based on business name or physical address.

2024 New Businesses Located within the Gig Harbor Hospital Benefit Zone		
Account Id	Business Name	Physical Address
605601409-001-0001	10150 SENTINEL LOOP LLC	10150 SENTINLE LOOP
605634921-001-0001	A BOUNDLESS LIFE	3818 101ST STREET CT
605638220-001-0001	A ROYAL PENGUIN PHOTOGRAPHY	11400 OLYMPUS WAY APT P103
604591937-001-0002	AISHA HOPKINS MANAGEMENT	3843 SAWTOOTH CT
605483148-001-0019	ALBERTSONS #4406	11330 51ST AVE
604864631-001-0001	ALY LAMOREAUX CREATIVE	11278 BORGEN LOOP NW
605396358-001-0001	AMPEER LLC	9005 N HARBORVIEW DR
605233249-001-0001	ARUSTAMYAN, PAVEL	3953 APOLLO WAY
604024938-001-0002	ASCENDED STRENGTH	11544 BUCKHORN PL
602088885-001-0003	BAYVIEW TOWING & COLLISION, INC.	8725 SR 16
602514950-001-0001	BIDDLE CONTRACTING SERVICES	11610 64TH AVE
601133793-001-0093	BOEING EMPLOYEES' CREDIT UNION	4784 BORGEN BLVD STE A
604701372-001-0001	BONNIE ZEITNER PILATES	4972 MEMORIES ST
605335690-001-0001	CHELAIN DESIGN LLC	2213 155TH ST NW
600271528-001-0001	CHRISTOPHER PALLIS, INC.	11010 HARBOR HILL DR # 118 STE B
605523702-001-0001	COASTAL CUSTOM BOWSTRINGS	4241 PELTON CT
605463403-001-0001	COLVOS HOMES	1201 139TH ST NW
605617361-001-0001	CRESCENT VALLEY SPRINGS	10003 CRESCENT VALLEY DR NW
600629826-001-0005	CRUISE AMERICA, INC.	11621 BURNHAM DR
604982036-001-0001	CUBESMART	5116 89TH ST
605442597-001-0001	DICE REPUBLIC	11811 17TH AVE NW
605448412-001-0001	DISCOVERY VILLAGE ACADEMY	4835 BORGEN BLVD
604223697-001-0002	DORNA DOCTORS RECRUITING	4524 OLYMPUS LOOP
605270098-001-0001	ECS CONSTRUCTION	8502 GOODMAN DR NW
605602346-001-0001	ELEV8 RESIDENTIAL LLC	3842 APOLLO WAY
602211955-001-0001	EMERALD FIRE, LLC	11505 BURNHAM DR STE 201

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605644488-001-0002	EVERGREEN STATE BREWERY LLC	3155 HARBORVIEW DR
604994386-001-0001	FLEETZERO INC.	8805 N HARBORVIEW DR STE 204
600572304-001-0010	FOURNIER AND ASSOCIATES, INC.	3111 HARBORVIEW DR STE 200B
605533310-001-0001	FREELANDS FINANCIALS LLC	10621 63RD AVE
605473413-001-0001	FRESCO NATURAL JUICE BAR	4472 OLYMPUS LOOP
605556666-001-0001	GEN-PRO PRODUCTS, LLC.	8855 FRANKLIN AVE
605544078-001-0001	GIG HARBOR ANESTHESIA, INC.	3908 122ND STREET CT NW
605474982-001-0001	GIG HARBOR BOAT RENTALS	8205 DOROTICH ST
605399744-001-0001	GIG HARBOR LEGAL	11732 OLYMPUS WAY
604769818-001-0002	GREEN HARBOR STUDIO	3028 HARBORVIEW DR
603290105-001-0002	GUNNY'S PUBLIC SAFETY FIREARMS	8021 DOROTICH ST
605315089-001-0001	GW GIG HARBOR BURNHAM LLC	9615 BURNHAM DR
602018423-001-0102	H & R BLOCK	11430 51ST AVE NW STE 104A
604354909-001-0001	HARBOR PLACE MARINA	3513 HARBORVIEW DR
605023143-001-0001	HARBOR REFILLERY	9321 CRESCENT VALLEY DR NW
605357897-001-0001	HARBOR STEEL FABRICATION	5926 SEHMEI DR STE C
604530751-001-0001	HEBREW WORLD INC	15404 41ST AVE NW
605322725-001-0001	HELLO ALEX GARCIA	9417 PEACOCK HILL AVE
605508382-001-0001	HIDDEN HARBOR WINE LIBRARY	8805 N HARBORVIEW DR STE 204
605446915-001-0001	INVICTUS SURGICAL INCORPORATED	4967 MEMORIES ST SPC 4967
604876165-001-0001	KELLISIMA	4971 MEMORIES ST
605563606-001-0001	KJ MEDICAL SERVICES LLC	4096 APOLLO WAY
605374871-001-0001	KRYVENKO, ANDREW	10548 SENTINEL DR
605414654-001-0001	LANG ACCOUNTING SERVICES, PLLC	5720 144TH ST NW #119
605020786-001-0001	LIVETT, TIMOTHY	3866 APOLLO WAY
605532819-001-0001	LOHRER, STACY	11326 BORGEN LOOP
605612144-001-0001	LREN LLC	11803 ARROWHEAD DR
604701741-001-0001	LYLA LLC	2913 HARBORVIEW DR
605610496-001-0001	MAGGIE CRUISE COACHING LLC	11318 BORGEN LOOP
604208068-001-0004	MAITRI MOVEMENT	3226 HARBORVIEW DR STE 8
605640553-001-0001	MALICH DOCK, LLC	3515 ROSS AVE
605465448-001-0001	MARCH REALTY COMPANY LLC	10305 DRIFTWOOD AVE
605540149-001-0001	MARISSA L. MICHALKE THERAPY & CONSULTING, LLC	9894 ALPENGLOW WAY
605426987-001-0001	MOVI PILATES AND FITNESS	8809 N HARBORVIEW DR STE 101
605383769-001-0001	NARROWS ONE AIRCRAFT SERVICES LLC	3302 HARBORVIEW DR STE 201
605391826-001-0001	NATURAL GLOW ESTHETICS	3417 HARBORVIEW DR
605369907-001-0001	NEAT	11229 BORGEN LOOP
604024651-001-0002	NORTHWEST INVESTMENT HOLDINGS #19, LLC	3419 HARBORVIEW DR STE 101
602793221-001-0002	NW TRANS OF GIG HARBOR	3953 APOLLO WAY
605365614-001-0001	OPERATION YOJ	11511 CANTERWOOD BLVD STE 310
605497773-001-0001	OPWII, LLC	4979 ADMIRAL ST

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605395719-001-0001	OWENS PHYSICIAN SERVICES, PLLC	4518 OLYMPUS LOOP
601103725-001-0045	PENSKE TRUCK LEASING CO., L.P., OF WASHINGTON	9615 BURNHAM DR NW
605569455-001-0001	PERSONALIZED BY CARA	9866 PROSPECT PL
605010463-001-0001	PINNACLE AYRE, LLC	9672 PROSPECT PL
605475341-001-0001	PNC PROPERTIES LLC	9301 N HARBORVIEW DR UPPR
605198337-001-0001	PNW DVM SERVICES	1719 145TH STREET CT NW
604119504-001-0001	POSIE SOAP	11703 ARROWHEAD DR
605445562-001-0001	PUGET SOUND PHOTO LLC	3516 RUST ST
603252848-001-0002	PURPOSELY CLEAN LLC	4210 OVERLOOK CT
605346147-001-0001	PURDY PLUMBING AND MECHANICAL SERVICES LLC	10421 BURNHAM DR BLDG #4 UNIT#2
604922806-001-0001	RAIN COAST CLEANING	10719 78TH AVE NW
605464353-001-0001	RDK HOME SERVICES	11410 HONEYSUCKLE LN
605623300-001-0001	RETAIL	3104 HARBORVIEW DR
605530923-001-0001	RICHARD MEYER	4943 MEMORIES ST
605570522-001-0001	RICHARDSON SPEECH AND LANGUAGE SERVICES, PLLC	10520 SENTINEL DR
605394687-001-0001	SANDY NOLL HOME TEAM	4025 SAWTOOTH CT
605291693-001-0002	SEA YAK VETERINARY SERVICES	4950 BERING ST
605600308-001-0001	SHORT TERM RENTAL	8601 GOODMAN DR NW
604498967-001-0002	SIGN KRAFT	10307 72ND AVE NW
605600848-001-0001	SIP AND SUPPORT COFFEE LLC	3843 SAWTOOTH CT
605375708-001-0001	SOUND BOAT TOURS LLC	11908 ARROWHEAD DR
605492853-001-0001	STANDARD ART COLLECTIVE	13205 POINT RICHMOND BEACH RD NW
605507622-001-0001	STEALTHNETWORK COMMUNICATIONS, INC.	3813 MOUNTAINVIEW PL
605392779-001-0001	SUH, SALLY	11725 ARROWHEAD DR OFC
601517077-001-0003	SUMMIT WEALTH MANAGEMENT	3010 HARBORVIEW DR STE 301
605390879-001-0001	TEDS GIG, LLC	9812 SARI LN
605586034-001-0001	THE ANXIOUS BAKER LLC	9103 PRENTICE AVE
604572647-001-0001	THE ASCENDED	11544 BUCKHORN PL
605633568-001-0001	THE FLOWER GARDEN	4908 BERING ST
605504829-001-0001	THE HAHN WOOD GROUP LLC	4968 OCEANIA ST
605412235-001-0001	THE HATCH	3108 HARBORVIEW DR
605434820-001-0001	THE HELP DESK	10043 VETERAN AVE
605614483-001-0001	THE JUNK HUNKS LLC	15901 62ND AVE NW
605597382-001-0001	THOMAS, MICHEAL	3419 HARBORVIEW DR
605597382-001-0001	THOMAS, MICHEAL	3419 HARBORVIEW DR
604123085-001-0002	TOWSURFER.COM	11400 OLYMPUS WAY APT J302
605548314-001-0001	TRAXX IT, LLC	6425 126TH STREET CT
605562076-001-0001	UPLIFT GROWTH STRATEGIES LLC	11435 KINGLET LN
605562076-001-0002	UPLIFT GROWTH STRATEGIES	11435 KINGLET LN
604125016-001-0002	WAGNER, ROBERTA	9112 PRENTICE AVE
605426451-001-0001	WILDWOOD WAFFLES LLC	8812 N HARBORVIEW DR



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605600466-001-0001	Z.I.E. SOLUTIONS LLC	9752 PROSPECT PL
605633007-001-0001	ZENITH ELECTRIC NW, LLC	8811 N HARBORVIEW DR STE C
605375242-001-0001	ZTM HOLDINGS LLC	3202 HARBORVIEW DR