

SENATE BILL REPORT

EHB 1386

As Reported by Senate Committee On:
Ways & Means, March 18, 2021

Title: An act relating to modifying the property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas.

Brief Description: Modifying the property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas.

Sponsors: Representatives Wicks, Dolan, Lovick, Sells, Berg and Hackney.

Brief History: Passed House: 3/2/21, 97-0.

Committee Activity: Ways & Means: 3/15/21, 3/18/21 [DPA, DNP, w/oRec].

Brief Summary of Amended Bill

- Expands eligibility for the targeted urban area property tax exemption (TUA exemption) to allow any city located in a county with a population of at least 450,000 to use the program.
- Expands eligible facilities for the TUA exemption to include those facilities categorized with a transportation use.
- Specifies certain labor specifications that must be given priority by a city when evaluating applications for a TUA exemption.
- Increases the average wage required for a family living wage job to \$23 and requires that health care benefits be provided for the TUA exemption.
- Modifies several administrative provisions related to the TUA exemption.
- Extends, until December 30, 2030, the deadline to apply for a TUA exemption.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Wilson, L., Ranking Member; Conway, Darneille, Dhingra, Gildon, Hunt, Keiser, Liias, Mullet, Muzzall, Pedersen, Rivers, Wagoner and Wellman.

Minority Report: Do not pass.

Signed by Senators Honeyford, Assistant Ranking Member, Capital; Schoesler, Assistant Ranking Member, Capital; Carlyle and Hasegawa.

Minority Report: That it be referred without recommendation.

Signed by Senators Brown, Assistant Ranking Member, Operating; Braun and Warnick.

Staff: Alia Kennedy (786-7405)

Background: Property Tax. All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The county assessor determines assessed value for each property and calculates property taxes. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. The aggregate of all regular tax levies upon real and personal property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property. The aggregate regular levies of junior taxing districts and senior taxing districts, other than the state, may not exceed \$5.90 per \$1,000 of assessed valuation.

Targeted Urban Area Property Tax Exemption. Certain cities are authorized to grant a 10-year local property tax exemption for new industrial or manufacturing facilities in designated areas. To be eligible, a city must be located in a county with a population between 700,000 and 800,000; have a population of at least 18,000; and be located north or east of the largest city in the county.

Industrial or manufacturing facilities must be at least 10,000 square feet with an improvement value of at least \$800,000 and be categorized as a manufacturing use by the United States Department of Labor. New construction of industrial or manufacturing facilities must:

- be within a targeted area designated by the city;
- be on land that has no existing building improvements and is zoned for an industrial or manufacturing use as of December 31, 2014;
- meet all construction and development regulations of the city; and
- be completed within three years from the date of approval of the application.

Within one year of building occupancy, the facility must create at least 25 family living

wage jobs with an average wage of at least \$18 per hour.

A property owner seeking the exemption must apply to the city, pay any applicable fees, and contract with the city agreeing to terms and conditions of the implementation of the development. An application must be approved by a city governing authority or its authorized representative. The contract must be approved by the city governing authority, or an administrative official or commission authorized by the governing authority. No application may be submitted on or after December 31, 2022.

The value of the property tax exemption is provided on the value of eligible improvements and applies only to the city portion of the property tax. A county may, by resolution, allow any property receiving an exemption from city property taxes to also receive an exemption from county property taxes.

If exempted improvements are converted to another use or do not continue to satisfy all conditions of the exemption, the exemption must be canceled and an additional tax must be imposed on the property equal to the amount that was exempted, but for which program requirements were not met. The amount due is subject to interest, calculated from the date when the tax would have otherwise been due, and a penalty equal to 20 percent of the additional tax imposed.

Summary of Amended Bill: Any city or town located in a county with a population of 450,000 is eligible to use the targeted urban area property tax exemption.

A family living wage job must have an average wage of \$23 per hour and offer health care benefits.

Facilities categorized as Division E: Transportation—major groups 40-42, 45, or 47-48—by the United States Department of Labor are eligible for the exemption. Cities may limit eligible facilities to exclude Division E: Transportation categorizations.

When evaluating applications, a city must give priority to those applicants that:

- compensate workers at prevailing wage;
- procure from, and contract with, women, minority, or veteran-owned businesses;
- procure from, and contract with, entities with a history of compliance with wage and hour regulations;
- include apprenticeship utilization from state-registered apprenticeship programs;
- provide for preferred entry for workers living in the vicinity of the project; and
- maintain labor standards for workers employed at the facility.

An application for exemption must be reviewed and approved by a city governing authority. The contract into which an applicant must enter with the city must be approved by the city governing authority.

If a project fails to maintain 25 family living wage jobs, the exemption must be canceled and an additional tax must be imposed on the property equal to the amount that was exempted, but for which program requirements were not met, beginning from when the facility last maintained a minimum of at least 25 family living wage jobs.

No application for exemption may be submitted on or after December 31, 2030.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Limits qualifying cities for the targeted urban area property tax exemption to only those cities located in a county with a population of at least 450,000, rather than any city.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Engrossed House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This program was originally created in response to the Oso landslide in order to provide support to struggling communities. Encouraging industrial and manufacturing development reduces traffic and pollution, increases job availability where people live, and promotes a better quality of life. This bill encourages businesses to invest in communities. People can benefit from the higher employment and workforce standards that are required of the program in this bill. This gives cities another tool to encourage development and jobs creation. Many cities are willing to trade the tax revenue for more community based jobs. The bill gives opportunities to women, minority, and veteran owned businesses.

Persons Testifying: PRO: Representative Emily Wicks, Prime Sponsor; Jon Nehring, City of Marysville, Mayor; Barb Tolbert, City of Arlington, Mayor; Laurel Poplack, Washington State Labor Council, AFL-CIO.

Persons Signed In To Testify But Not Testifying: No one.