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HOUSE BILL 1386

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State of Washington

67th Legislature

2021 Regular Session

By Representatives Wicks, Dolan, Lovick, Sells, Berg, and Hackney

Read first time 01/26/21. Referred to Committee on Finance.

1 AN ACT Relating to modifying the property tax exemption for the  
2 value of new construction of industrial/manufacturing facilities in  
3 targeted urban areas; and amending RCW 84.25.030, 84.25.040,  
4 84.25.080, and 84.25.130.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 84.25.030 and 2015 1st sp.s. c 9 s 3 are each  
7 amended to read as follows:

8 The definitions in this section apply throughout this chapter  
9 unless the context clearly requires otherwise.

10 (1) "City" means any city that: (a) Has a population of at least  
11 (~~eighteen thousand~~) 18,000; and (b) is north or east of the largest  
12 city in the county in which the city is located and such county has a  
13 population of at least (~~seven hundred thousand~~) 800,000, but less  
14 than (~~eight hundred thousand~~) 900,000 as of the effective date of  
15 this section.

16 (2) "Family living wage job" means a job that offers health care  
17 benefits with a wage that is sufficient for raising a family. A  
18 family living wage job must have an average wage of (~~eighteen~~  
19 ~~dollars~~) \$23 an hour or more, working (~~two thousand eighty~~) 2,080  
20 hours per year on the subject site, as adjusted annually for  
21 inflation by the consumer price index. The family living wage may be

1 increased by the local authority based on regional factors and wage  
2 conditions.

3 (3) "Governing authority" means the local legislative authority  
4 of a city having jurisdiction over the property for which an  
5 exemption may be applied for under this chapter.

6 (4) "Growth management act" means chapter 36.70A RCW.

7 (5) "Industrial/manufacturing facilities" means building  
8 improvements that are (~~ten thousand~~) 10,000 square feet or larger,  
9 representing a minimum improvement valuation of (~~eight hundred~~  
10 ~~thousand dollars~~) \$800,000 for uses categorized as "division D:  
11 manufacturing" or "division E: transportation (major groups 40-42,  
12 45, or 47-48)" by the United States department of labor in the  
13 occupation safety and health administration's standard industrial  
14 classification manual, provided, a city may limit the tax exemption  
15 to manufacturing uses.

16 (6) "Lands zoned for industrial and manufacturing uses" means  
17 lands in a city zoned as of December 31, 2014, for an industrial or  
18 manufacturing use consistent with the city's comprehensive plan where  
19 the lands are designated for industry.

20 (7) "Owner" means the property owner of record.

21 (8) "Targeted area" means an area of undeveloped lands zoned for  
22 industrial and manufacturing uses in the city that is located within  
23 or contiguous to an innovation partnership zone, foreign trade zone,  
24 or EB-5 regional center, and designated for possible exemption under  
25 the provisions of this chapter.

26 (9) "Undeveloped or underutilized" means that there are no  
27 existing building improvements on the (~~property or~~) portions of the  
28 property targeted for new or expanded industrial or manufacturing  
29 uses.

30 **Sec. 2.** RCW 84.25.040 and 2015 1st sp.s. c 9 s 4 are each  
31 amended to read as follows:

32 (1)(a) The value of new construction of industrial/manufacturing  
33 facilities qualifying under this chapter is exempt from property  
34 taxation under this title, as provided in this section. The value of  
35 new construction of industrial/manufacturing facilities is exempt  
36 from taxation for properties for which an application for a  
37 certificate of tax exemption is submitted under this chapter before  
38 December 31, (~~2022~~) 2030. The value is exempt under this section  
39 for (~~ten~~) 10 successive years beginning January 1st of the year

1 immediately following the calendar year of issuance of the  
2 certificate.

3 (b) The exemption provided in this section does not include the  
4 value of land or nonindustrial/manufacturing-related improvements not  
5 qualifying under this chapter.

6 (2) The exemption provided in this section is in addition to any  
7 other exemptions, deferrals, credits, grants, or other tax incentives  
8 provided by law.

9 (3) This chapter does not apply to state levies or increases in  
10 assessed valuation made by the assessor on nonqualifying portions of  
11 buildings and value of land nor to increases made by lawful order of  
12 a county board of equalization, the department of revenue, or a  
13 county, to a class of property throughout the county or specific area  
14 of the county to achieve the uniformity of assessment or appraisal  
15 required by law.

16 (4) This exemption does not apply to any county property taxes  
17 unless the governing body of the county adopts a resolution and  
18 notifies the governing authority of its intent to allow the property  
19 to be exempted from county property taxes.

20 (5) At the conclusion of the exemption period, the new  
21 industrial/manufacturing facilities cost must be considered as new  
22 construction for the purposes of chapter 84.55 RCW.

23 **Sec. 3.** RCW 84.25.080 and 2015 1st sp.s. c 9 s 8 are each  
24 amended to read as follows:

25 (1) The duly authorized administrative official or committee of  
26 the city may approve the application if it finds that:

27 ~~((1))~~ (a) A minimum of ~~((twenty-five))~~ 25 new family living  
28 wage jobs will be created on the subject site as a result of new  
29 construction of ~~((manufacturing/industrial~~ [industrial/  
30 manufacturing]) industrial/manufacturing facilities within one year  
31 of building occupancy;

32 ~~((2))~~ (b) The proposed project is, or will be, at the time of  
33 completion, in conformance with all local plans and regulations that  
34 apply at the time the application is approved; and

35 ~~((3))~~ (c) The criteria of this chapter have been satisfied.

36 (2) Priority must be given to applications that meet the  
37 following labor specifications during the new construction and  
38 ongoing business of industrial/manufacturing facilities:

1 (a) Compensate workers at prevailing wage rates as determined by  
2 the department of labor and industries;

3 (b) Procure from, and contract with, women-owned, minority-owned,  
4 or veteran-owned businesses;

5 (c) Procure from, and contract with, entities that have a history  
6 of complying with federal and state wage and hour laws and  
7 regulations;

8 (d) Include apprenticeship utilization from state-registered  
9 apprenticeship programs;

10 (e) Provide for preferred entry for workers living in the area  
11 where the project is being constructed; and

12 (f) Maintain certain labor standards for workers employed  
13 primarily at the facility after construction, including production,  
14 maintenance, and operational employees.

15 **Sec. 4.** RCW 84.25.130 and 2015 1st sp.s. c 9 s 13 are each  
16 amended to read as follows:

17 (1) If the value of improvements have been exempted under this  
18 chapter, the improvements continue to be exempted for the applicable  
19 period under this chapter so long as they are not converted to  
20 another use and continue to satisfy all applicable conditions  
21 including, but not limited to, zoning, land use, building, and  
22 family-wage job creation.

23 (2) If an owner voluntarily opts to discontinue compliance with  
24 the requirements of this chapter, the owner must notify the assessor  
25 within (~~sixty~~) 60 days of the change in use or intended  
26 discontinuance.

27 (3) If, after a certificate of tax exemption has been filed with  
28 the county assessor, the city discovers that a portion of the  
29 property is changed or will be changed to disqualify the owner for  
30 exemption eligibility under this chapter, the tax exemption must be  
31 canceled and the following occurs:

32 (a) Additional real property tax must be imposed on the value of  
33 the nonqualifying improvements in the amount that would be imposed if  
34 an exemption had not been available under this chapter, plus a  
35 penalty equal to (~~twenty~~) 20 percent of the additional value. This  
36 additional tax is calculated based upon the difference between the  
37 property tax paid and the property tax that would have been paid if  
38 it had included the value of the nonqualifying improvements dated

1 back to the date that the improvements were converted to a  
2 nonqualifying use;

3 (b) The tax must include interest upon the amounts of the  
4 additional tax at the same statutory rate charged on delinquent  
5 property taxes from the dates on which the additional tax could have  
6 been paid without penalty if the improvements had been assessed at a  
7 value without regard to this chapter; and

8 (c) The additional tax owed together with interest and penalty  
9 becomes a lien on the property and attaches at the time the property  
10 or portion of the property is removed from the qualifying use under  
11 this chapter or the amenities no longer meet the applicable  
12 requirements for exemption under this chapter. A lien under this  
13 section has priority to, and must be fully paid and satisfied before,  
14 a recognizance, mortgage, judgment, debt, obligation, or  
15 responsibility to or with which the property may become charged or  
16 liable. The lien may be foreclosed upon expiration of the same period  
17 after delinquency and in the same manner provided by law for  
18 foreclosure of liens for delinquent real property taxes. An  
19 additional tax unpaid on its due date is delinquent. From the date of  
20 delinquency until paid, interest must be charged at the same rate  
21 applied by law to delinquent property taxes.

22 (4) If, after a certificate of tax exemption has been filed with  
23 the county assessor, the city discovers that the facility maintains  
24 fewer than 25 family living wage jobs, the owner is considered  
25 ineligible for the exemption under this chapter, and the following  
26 must occur:

27 (a) The tax exemption must be canceled; and

28 (b) Additional real property tax must be imposed in the amount  
29 that would be imposed if an exemption had not been available under  
30 this chapter, dated back to the date that the facility last  
31 maintained a minimum of 25 family living wage jobs.

32 (5) Upon a determination that a tax exemption is to be terminated  
33 for a reason stated in this section, the city's governing authority  
34 must notify the record owner of the property as shown by the tax  
35 rolls by mail, return receipt requested, of the determination to  
36 terminate the exemption. The owner may appeal the determination to  
37 the city, within (~~thirty~~) 30 days by filing a notice of appeal with  
38 the city, which notice must specify the factual and legal basis on  
39 which the determination of termination is alleged to be erroneous. At  
40 an appeal hearing, all affected parties may be heard and all

1 competent evidence received. After the hearing, the deciding body or  
2 officer must either affirm, modify, or repeal the decision of  
3 termination of exemption based on the evidence received. An aggrieved  
4 party may appeal the decision of the deciding body or officer to the  
5 superior court as provided in RCW 34.05.510 through 34.05.598.

6 ~~((5))~~ (6) Upon determination by the city to terminate an  
7 exemption, the county officials having possession of the assessment  
8 and tax rolls must correct the rolls in the manner provided for  
9 omitted property under RCW 84.40.080. The county assessor must make  
10 such a valuation of the property and improvements as is necessary to  
11 permit the correction of the rolls. The value of the new industrial/  
12 manufacturing facilities added to the rolls is considered new  
13 construction for the purposes of chapter 84.40 RCW. The owner may  
14 appeal the valuation to the county board of equalization as provided  
15 in chapter 84.40 RCW. If there has been a failure to comply with this  
16 chapter, the property must be listed as an omitted assessment for  
17 assessment years beginning January 1st of the calendar year in which  
18 the noncompliance first occurred, but the listing as an omitted  
19 assessment may not be for a period more than three calendar years  
20 preceding the year in which the failure to comply was discovered.

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