

# SENATE BILL REPORT

## 2SSB 6096

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As Passed Senate, February 14, 2014

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

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

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Pearson, McCoy, Brown and Roach).

**Brief History:**

**Committee Activity:** Trade & Economic Development: 1/30/14, 2/04/14 [DPS-WM].

Ways & Means: 2/10/14, 2/11/14 [DP2S, w/oRec].

Passed Senate: 2/14/14, 49-0.

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### SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 6096 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Angel, Vice Chair; Chase, Ranking Member; Holmquist Newbry, Liias and Pedersen.

**Staff:** Jeff Olsen (786-7428)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 6096 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Fraser, Frockt, Hasegawa, Hatfield, Kohl-Welles, Padden, Rivers, Schoesler and Tom.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Hewitt and Parlette.

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

**Staff:** Dean Carlson (786-7305)

**Background:** Property Tax. All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. The tax is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located.

Growth Management Act (GMA). GMA is the comprehensive land use planning framework for counties and cities in Washington. Originally enacted in 1990 and 1991, GMA establishes land use designation and environmental protection requirements for all Washington counties and cities.

**Summary of Second Substitute Bill:** The value of new construction of industrial or manufacturing facilities that meet certain requirements is exempt from property taxation for ten years. To qualify, an application for a certificate of tax exemption must be submitted to the governing authority before December 31, 2020, and must meet a minimum improvement value of \$800,000 and create at least 25 family wage jobs. Cities with a population of at least 25,000 on lands zoned for industrial and manufacturing uses as of December 31, 2012, may establish targeted areas within or contiguous to an innovation partnership zone, foreign trade zone, or EB-5 regional center. The city governing authority must hold public hearings to designate targeted areas. The facility construction must meet all construction and development regulations of the city, and be complete within three years from the date of approval of the application.

The city governing authority may establish an application fee and must develop an application form that collects information, including a description of the project and the expected number of new family wage jobs to be created. The city governing authority must approve or deny an application within 90 days of receipt. If the application is approved, the city must issue the property owner a conditional certificate of acceptance of a tax exemption. There is an appeals process for applications that are denied.

To receive the exemption, upon completion of the new construction of a manufacturing or industrial facility, the owner must provide the city with a description of the completed work, the number of new family living wage jobs to be offered, and a statement that the work was completed within three years of the issuance of the conditional certificate of tax exemption. The city must determine if the work completed and jobs created qualify the project for an exemption, or if the application is denied. The exemption does not apply to the state levy, and the exemption does not apply to any county property taxes unless the governing body of the county authorizes property to be exempt from county property taxes.

Each owner receiving a tax exemption must report annually to the city granting the exemption. All cities that issue tax exemptions must report annually to the Department of Commerce on the number of tax exemptions granted, the number and type of new manufacturing or industrial facilities constructed, the number of new family wage jobs, and the value of each tax exemption. If a portion of the property is changed or will be changed to disqualify an owner from receiving a tax exemption, the exemption must be canceled, and the tax on the value of the non-qualifying improvements, a 20 percent penalty, and any interest

must be paid. The additional tax, penalty, and interest become a lien on the property until paid.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Original Bill (Trade & Economic Development):**

PRO: The cities of Arlington and Marysville have over 1000 acres of industrial land that the cities want to develop to create more family-wage jobs. One goal is to support research and development activities that are already occurring and encourage the development of manufacturing facilities. The cities compete with other states for development opportunities, and this tool would pay for itself by giving up some tax revenue in the short term, but providing long term revenues and benefits. By exempting only the value of the new facilities on the local portion of the tax, it does not impact current taxes or state revenues. There are safeguards where the applicant would need to create 25 family wage jobs, with a minimum of \$18 per hour, and is modeled after an existing multi-family housing exemption. The intention was to include additional areas such as a EB-5 Visa program, Innovation Partnership Zones, and a foreign-trade zone, along with a county opt-out provision. The eligible areas should be extended into the urban growth areas. The City of Lake Stevens would recommend that the population threshold for qualifying for the exemption program be reduced from 50,000 to 25,000 and dates for zoning designations be changed to allow others to qualify.

OTHER: The current bill allows cities to waive the county portion of the property tax.

**Persons Testifying (Trade & Economic Development):** PRO: Senator Pearson, prime sponsor; Jon Nehring, Mayor, city of Marysville; Barbara Tolbert, Mayor, city of Arlington; Doug Levy, city of Lake Stevens; Carolyn Crain, citizen.

OTHER: Brian Enslow, WA State Assn. of Counties.

**Staff Summary of Public Testimony on Recommended First Substitute (Ways & Means):**

PRO: This is an economic development bill. It exempts local property taxes for the first ten years. There are lots of checks and balances in the bill. This has no cost to the state and is for underutilized lands.

**Persons Testifying (Ways & Means):** PRO: Doug Levy, city of Lake Stevens; Al Aldrich, cities of Marysville, Arlington.