

E2SHB 1495 - S COMM AMD
By Committee on Ways & Means

ADOPTED 04/12/2017

1 Strike everything after the enacting clause and insert the
2 following:

3 **"NEW SECTION.** **Sec. 1.** The legislature finds that the cost of
4 developing high-quality, commercial office space is prohibitive in
5 cities located outside of a major metropolitan area. The legislature
6 finds these cities have designated urban centers and plan to locate
7 high-quality, commercial office space within those urban centers. The
8 legislature also finds that solely planning for commercial office
9 space within urban centers is inadequate and an incentive should be
10 created to stimulate the development of new commercial office space
11 in urban centers. The legislature intends to provide these cities
12 with local options to incentivize the development of commercial
13 office space in urban centers with access to transit, transportation
14 systems, and other amenities.

15 **NEW SECTION.** **Sec. 2.** (1) A governing authority of a city may
16 adopt a local sales and use tax exemption program to incentivize the
17 development of commercial office space in urban centers with access
18 to transit, transportation systems, and other amenities.

19 (2) A governing authority of a city may adopt a local property
20 tax exemption program to incentivize the development of commercial
21 office space in urban centers with access to transit, transportation
22 systems, and other amenities.

23 **NEW SECTION.** **Sec. 3.** In order to use the sales and use tax
24 exemption authorized in section 2 of this act, a city must:

25 (1) Obtain written agreement for the use of the local sales and
26 use tax exemption from any taxing authority that imposes a sales or
27 use tax under chapter 82.14 RCW. The agreement must be authorized by
28 the governing body of such participating taxing authorities. If a
29 taxing authority does not provide written agreement, the sales and
30 use tax for that taxing authority shall not be exempted. Other taxing

authorities may proceed forward with exempting portions of the local sales and use tax where written agreement is provided;

(2) Hold a public hearing on the proposed use of the exemption.

(a) Notice of the hearing must be published in a legal newspaper of general circulation at least ten days before the public hearing and posted in at least six conspicuous public places located within one mile of the proposed location of a qualifying project.

(b) Notices must describe the qualifying project and estimate the amount of sales and use tax revenue exempted under this section.

(c) The public hearing may be held by the city legislative authority;

(3)(a) Establish criteria for a qualifying project exempted under section 6 of this act. Criteria must include:

(i) The estimated number of new family living wage jobs for location within the qualifying project; and

(ii) The physical characteristics, features, and amenities necessary for a qualifying project to be defined as commercial office space.

(b) Criteria may also include height, density, public benefit features, quality of amenities, number and size of proposed development, parking, employment targets, percent occupied, or other adopted requirements indicated necessary by the city; and

(4) Adopt an ordinance announcing the use of the sales and use tax exemption under section 6 of this act. The ordinance must:

(a) Describe the qualifying project, including a physical description of proposed building or buildings, a list of features and amenities, cost of construction, and length that the qualifying project will be under construction;

(b) Estimate the amount of local sales and use tax revenue that will be exempted under section 6 of this act;

(c) Provide the approximate date that the local sales and use tax revenue will be remitted to a taxpayer; and

(d) Certify the criteria under this section by which a qualifying project can later receive certification under section 6(3) of this act confirming that a taxpayer is eligible for the remittance.

NEW SECTION. **Sec. 4.** (1) In order to use the property tax exemption authorized under section 2 of this act, a city must:

(a) Establish the criteria under which property can qualify for the exemption under section 7 of this act. Criteria:

1 (i) Must include: (A) An estimated minimum number of new family
2 living wage jobs for location within the qualifying project;

3 (B) The physical characteristics, features, and amenities
4 necessary for a qualifying project to be defined as commercial office
5 space;

6 (C) A location in a designated commercial office development
7 targeted area; and

8 (ii) May also include height, density, public benefit features,
9 quality of amenities, number and size of proposed development,
10 parking, employment targets, percent occupied, or other adopted
11 requirements indicated necessary by the city;

12 (b) Designate an area as a commercial office development targeted
13 area. The following criteria must be met before an area may be
14 designated as a commercial office development targeted area:

15 (i) The area must be within an urban center, as determined by the
16 governing authority;

17 (ii) The area must lack, as determined by the governing
18 authority, sufficient available, desirable, high-quality, and
19 convenient commercial office space to provide jobs in the urban
20 center, if the desirable, attractive, and convenient commercial
21 office space was available;

22 (iii) The providing of additional commercial office space
23 development opportunities in the area, as determined by the governing
24 authority, will assist in achieving one or more of the stated
25 purposes of this chapter; and

26 (iv) The use of the incentive in this chapter is not expected to
27 be used for the purpose of relocating a business from outside of the
28 commercial office development targeted area, but within the state, to
29 within the commercial office development targeted area. The incentive
30 may be used for the expansion of a business, including the
31 development of additional offices or satellite facilities.

32 (2) For the purpose of designating a commercial office
33 development targeted area or areas, the governing authority must
34 adopt a resolution of intention to so designate an area as generally
35 described in the resolution. The resolution must state the time and
36 place of a hearing to be held by the governing authority to consider
37 the designation of the area and must include, at a minimum, findings
38 as to the number of commercial office buildings that will be newly
39 constructed or rehabilitated within the proposed commercial office
40 development targeted areas, estimated construction costs of the new

1 construction or rehabilitation, estimated local taxes generated, and
2 estimated family living wage jobs produced within the targeted area
3 in a period of ten years from the date of the hearing, and may
4 include such other information pertaining to the designation of the
5 area as the governing authority determines to be appropriate to
6 apprise the public of the action intended.

7 (3) The governing authority must give notice of a hearing held
8 under this chapter by publication of the notice once each week for
9 two consecutive weeks, not less than seven days, nor more than thirty
10 days before the date of the hearing in a paper having a general
11 circulation in the city where the proposed commercial office
12 development targeted area is located. The notice must state the time,
13 date, place, and purpose of the hearing and generally identify the
14 area proposed to be designated as a commercial office development
15 targeted area.

16 (4) Following the hearing, the governing authority may designate
17 all or a portion of the area described in the resolution of intent as
18 a commercial office development targeted area if it finds, in its
19 sole discretion, that the criteria in subsections (1) and (2) of this
20 section have been met.

21 (5) After designation of a commercial office development targeted
22 area, the governing authority must adopt and implement standards and
23 guidelines to be utilized in considering applications and making the
24 determinations required under section 10 of this act. The standards
25 and guidelines must establish basic requirements for both new
26 construction and rehabilitation, which must include:

27 (a) Application process and procedures;

28 (b) Building requirements that may include elements addressing
29 parking, height, density, environmental impact, and compatibility
30 with the existing surrounding property and such other amenities as
31 will attract and keep commercial tenants and that will properly
32 enhance the commercial office development targeted area in which they
33 are to be located; and

34 (c) Guidelines regarding individual units that are part of a
35 qualifying project that may meet the requirements of the exemption in
36 chapter 84.--- RCW (the new chapter created in section 21 of this
37 act).

1 NEW SECTION. **Sec. 5.** The definitions in this section apply

2 throughout this chapter unless the context clearly requires
3 otherwise.

4 (1) "City" means a city with a population of greater than thirty-
5 five thousand and located in a county with a population of less than
6 one million five hundred thousand.

7 (2) "Commercial office development targeted area" means an area
8 within an urban center that has been designated by the governing
9 authority as a commercial office development targeted area in
10 accordance with this chapter.

11 (3) "Commercial office space" means among the most competitive
12 and highest quality building or buildings in the local market, as
13 determined by a city's governing authority. High quality must be
14 reflected in the finishes, construction, and infrastructure of the
15 project building. The building or buildings must be at least fifty
16 thousand square feet, and at least three stories. The building must
17 be centrally located in a city, provide close access to public
18 transportation and freeways, be managed professionally, and offer
19 amenities and advanced technology options to tenants.

20 (4) "County" means a county with a population of less than one
21 million five hundred thousand.

22 (5) "Family living wage job" means a job with a wage that is
23 sufficient for raising a family. A family living wage job must have
24 an average wage of eighteen dollars an hour or more, working two
25 thousand eighty hours per year, as adjusted annually by the consumer
26 price index. The family living wage may be increased by the local
27 authority based on regional factors and wage conditions.

28 (6) "Governing authority" means the local legislative authority
29 of a city having jurisdiction over the property for which an
30 exemption may be applied for under this chapter.

31 (7) "Mixed use" means any building or buildings containing a
32 combination of residential and commercial units, whether title to the
33 entire property is held in single or undivided ownership or title to
34 individual units is held by owners who also, directly or indirectly
35 through an association, own real property in common with the other
36 unit owners.

37 (8) "Qualifying project" means new construction or rehabilitation
38 of a building or group of buildings intended for use as commercial
39 office space, as defined in this section. Projects may include mixed
40 use buildings, not solely intended to be used as office space, but

1 does not include any portion of a project intended for residential
2 use.

3 (9) "Rehabilitation" means modifications to an existing building
4 or buildings made to achieve substantial improvements such that the
5 building or buildings can be categorized as commercial office space,
6 as defined in this section.

7 (10) "Rehabilitation improvements" means modifications to an
8 existing building or buildings made to achieve substantial
9 improvements in quality, features, or amenities, such that the
10 building or buildings can be categorized as commercial office space,
11 as defined in this section.

12 (11) "Relocating a business" means the closing of a business and
13 the reopening of that business, or the opening of a new business that
14 engages in the same activities as the previous business, in a
15 different location within a one-year period, when an individual or
16 entity has an ownership interest in the business at the time of
17 closure and at the time of opening or reopening. "Relocating a
18 business" does not include the closing and reopening of a business in
19 a new location where the business has been acquired and is under
20 entirely new ownership at the new location, or the closing and
21 reopening of a business in a new location as a result of the exercise
22 of the power of eminent domain.

23 (12) "Urban center" means a compact identifiable district where
24 urban residents may obtain a variety of products and services. An
25 urban center must contain:

26 (a) Several existing or previous, or both, business
27 establishments that may include but are not limited to shops,
28 offices, banks, restaurants, and governmental agencies;

29 (b) Adequate public facilities including streets, sidewalks,
30 lighting transit, domestic water, and sanitary sewer systems; and

31 (c) A mixture of uses and activities that may include housing,
32 recreation, and cultural activities in association with either
33 commercial or office use, or both commercial and office use.

34 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.14
35 RCW to read as follows:

36 (1) Subject to the requirements of this section and section 3 of
37 this act, a project is eligible for an exemption from the taxes
38 imposed under the authority of this chapter on:

1 (a) The sale of or charge made for labor and services rendered in
2 respect to construction or rehabilitation of a qualifying project
3 located in a city; and

4 (b) The sales or use of tangible personal property that will be
5 incorporated as an ingredient or component of a qualifying project
6 located in a city during the course of the constructing or
7 rehabilitating.

8 (2)(a) The exemption in this section is in the form of a
9 remittance. A qualifying project owner claiming an exemption under
10 this section must pay all applicable state and local sales and use
11 taxes imposed or authorized under RCW 82.08.020, 82.12.020, and this
12 chapter on all purchases and uses qualifying for the exemption.

13 (b) The amount of the exemption is one hundred percent of the
14 local sales and use taxes paid under an ordinance or resolution
15 enacted under the authority of this chapter for purchases or uses
16 qualifying under subsection (1) of this section, if the taxing
17 authorities imposing taxes under the authority of this chapter have
18 authorized the use of the exemption to the governing authority of a
19 city as provided under section 3(1) of this act.

20 (3)(a) After the qualifying project has been operationally
21 complete for four years, but not later than five years after all
22 local sales and use taxes for purchases and uses qualifying under
23 subsection (1) of this section have been paid, a qualifying project
24 owner who submits an application for a building permit for that
25 qualifying project prior to July 1, 2027, may apply to the department
26 for a remittance of local sales and use taxes.

27 (b) A qualifying project owner requesting a remittance under this
28 section must obtain certification from the governing authority of a
29 city verifying that the qualifying project has satisfied the criteria
30 in section 3 of this act.

31 (c) The qualifying project owner must specify the amount of
32 exempted tax claimed and the qualifying purchases or uses for which
33 the exemption is claimed. The qualifying project owner must retain,
34 in adequate detail, records to enable the department to determine
35 whether the qualifying project owner is entitled to an exemption
36 under this section, including invoices, proof of tax paid, and
37 construction contracts.

38 (d) The department must determine eligibility under this section
39 based on information provided by the qualifying project owner, which
40 is subject to audit verification by the department.

1 (4)(a) A person otherwise eligible for a remittance under this
2 section that transfers the ownership of the qualifying project before
3 the requirements in subsection (3) of this section are met may assign
4 the right to the remittance under this section to the subsequent
5 owner of the qualifying project.

6 (b) Persons applying for the remittance as an assignee must
7 provide the department the following documentation in a form and
8 manner as provided by the department:

9 (i) The agreement that transfers the right to the remittance to
10 the assignee;

11 (ii) Proof of payment of sales and use tax on the qualifying
12 project; and

13 (iii) Any other documentation the department requires.

14 (5) The definitions in section 5 of this act apply to this
15 section.

16 NEW SECTION. **Sec. 7.** (1) In a city that has met the
17 requirements of section 4 of this act, the value of new construction
18 and rehabilitation improvements of real property qualifying under
19 this chapter is exempt from the city share of ad valorem property
20 taxation for a period of ten successive years beginning January 1st
21 of the calendar year immediately following the calendar year in which
22 a certificate of tax exemption is filed with the county assessor in
23 accordance with section 13 of this act.

24 (2)(a) The exemption in this section does not apply to any county
25 share of property tax unless the legislative authority of the county
26 adopts a resolution and notifies the governing authority, that has
27 established a tax exempt program under section 4 of this act, of its
28 intent to allow the property to be exempt.

29 (b) Upon approval by a county legislative authority, the value of
30 new construction and rehabilitation improvements of real property
31 qualifying under this chapter is exempt from the county share of ad
32 valorem property taxation for a period of ten successive years
33 beginning January 1st of the calendar year immediately following the
34 calendar year in which a certificate of tax exemption is filed with
35 the county assessor in accordance with section 13 of this act.

36 (3) The exemptions provided in subsections (1) and (2) of this
37 section do not include the value of land or improvements not
38 qualifying under this chapter.

1 (4) When a city adopts guidelines pursuant to section 4 of this
2 act and includes conditions that must be satisfied with respect to the
3 individual commercial units, rather than with respect to the
4 qualifying project as a whole or some minimum portion thereof, the
5 exemption may, at the local government's discretion, be limited to
6 the value of the improvements allocable to those individual
7 commercial units that meet the local guidelines.

8 (5) In the case of rehabilitation of existing buildings, the
9 exemption does not include the value of improvements constructed
10 prior to the submission of the application required under this
11 chapter.

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

19 (7) At the conclusion of the exemption period, the new or
20 rehabilitated property must be considered new construction for the
21 purposes of chapter 84.55 RCW.

22 (8) The incentive provided by this chapter is in addition to any
23 other incentives, tax credits, grants, or other incentives provided
24 by law.

25 **NEW SECTION.** **Sec. 8.** An owner of property making application
26 under this chapter must meet the following requirements:

27 (1) The qualifying project must be located in an urban center as
28 designated by a city;

29 (2) The qualifying project must meet criteria as adopted by the
30 governing authority under section 4 of this act that may include
31 height, density, public benefit features, quality of amenities,
32 number and size of proposed development, parking, and other adopted
33 requirements indicated necessary by the city. The required amenities
34 should be relative to the size of the project and tax benefit to be
35 obtained;

36 (3) New construction or rehabilitation of a qualifying project
37 must be completed within three years from the date of approval of the
38 application;

1 (4) The applicant must enter into a contract with the city
2 approved by the governing authority, or an administrative official or
3 commission authorized by the governing authority, under which the
4 applicant has agreed to the implementation of the development on
5 terms and conditions satisfactory to the governing authority.

6 NEW SECTION. **Sec. 9.** An owner of property seeking tax
7 incentives under this chapter must complete the following procedures:

8 (1) In the case of rehabilitation or where demolition is
9 required, the owner must secure from the governing authority or duly
10 authorized representative, before commencement of rehabilitation
11 improvements or new construction, verification of property
12 noncompliance with applicable building codes;

13 (2) In the case of new construction or rehabilitation of a
14 qualifying project, the owner must apply to the city on forms adopted
15 by the governing authority. The application must contain the
16 following:

17 (a) Information setting forth the grounds supporting the
18 requested exemption including information indicated on the
19 application form or in the guidelines;

20 (b) A statement of the expected number of new family living wage
21 jobs to be created;

22 (c) A description of the project and site plan; and

23 (d) A statement that the applicant is aware of the potential tax
24 liability involved when the property ceases to be eligible for the
25 incentive provided under this chapter;

26 (3) The applicant must verify the application by oath or
27 affirmation; and

28 (4) The application may be accompanied by the application fee, if
29 any, required under section 12 of this act. The governing authority
30 may permit the applicant to revise an application before final action
31 by the governing authority.

32 NEW SECTION. **Sec. 10.** The duly authorized administrative
33 official or committee of the city may approve the application if it
34 finds that:

35 (1) The proposed qualifying project meets the criteria as defined
36 by the city in section 4 of this act, including the estimated minimum
37 number of new family living wage jobs to be created for permanent

1 location in the qualifying project within one year of building
2 occupancy;

3 (2) The proposed project is or will be, at the time of
4 completion, in conformance with all local plans and regulations that
5 apply at the time the application is approved;

6 (3) The owner has complied with all standards and guidelines
7 adopted by the city under section 4 of this act; and

8 (4) The site is located in a commercial office development
9 targeted area of an urban center that has been designated by the
10 governing authority in accordance with procedures and guidelines
11 indicated under section 4 of this act.

12 **NEW SECTION.** **Sec. 11.** (1) The governing authority or an
13 administrative official or commission authorized by the governing
14 authority must approve or deny an application filed under this
15 chapter within ninety days after receipt of the application.

16 (2) If the application is approved, the city must issue the owner
17 of the property a conditional certificate of acceptance of tax
18 exemption. The certificate must contain a statement by a duly
19 authorized administrative official of the governing authority that
20 the property has complied with the required findings indicated in
21 section 10 of this act.

22 (3) If the application is denied by the authorized administrative
23 official or commission authorized by the governing authority, the
24 deciding administrative official or commission must state in writing
25 the reasons for denial and send the notice to the applicant at the
26 applicant's last known address within ten days of the denial.

27 (4) Upon denial by a duly authorized administrative official or
28 commission, an applicant may appeal the denial to the governing
29 authority within thirty days after receipt of the denial. The appeal
30 before the governing authority must be based upon the record made
31 before the administrative official with the burden of proof on the
32 applicant to show that there was no substantial evidence to support
33 the administrative official's decision. The decision of the governing
34 body in denying or approving the application is final.

35 **NEW SECTION.** **Sec. 12.** The governing authority may establish an
36 application fee. This fee may not exceed an amount determined to be
37 required to cover the cost to be incurred by the governing authority
38 and the assessor in administering this chapter. The application fee

1 must be paid at the time the application for limited exemption is
2 filed. If the application is approved, the governing authority shall
3 pay the application fee to the county assessor for deposit in the
4 county current expense fund, after first deducting that portion of
5 the fee attributable to its own administrative costs in processing
6 the application. If the application is denied, the governing
7 authority may retain that portion of the application fee attributable
8 to its own administrative costs and refund the balance to the
9 applicant.

10 **NEW SECTION.** **Sec. 13.** (1) Upon completion of rehabilitation or
11 new construction for which an application for a limited tax exemption
12 under this chapter has been approved and after issuance of the
13 certificate of occupancy, the owner must file with the city the
14 following:

15 (a) A statement of the amount of rehabilitation or construction
16 expenditures made;

17 (b) A statement of the estimated new family living wage jobs to
18 be created for location at the qualifying project;

19 (c) A description of the work that has been completed and a
20 statement that the rehabilitation improvements or new construction on
21 the owner's property qualify the property for limited exemption under
22 this chapter;

23 (d) If applicable, a statement that the project meets the local
24 requirements as described in section 8 of this act; and

25 (e) A statement that the work has been completed within three
26 years of the issuance of the conditional certificate of tax
27 exemption.

28 (2) Within thirty days after receipt of the statements required
29 under subsection (1) of this section, the authorized representative
30 of the city must determine whether the work completed, and the
31 affordability of the units, is consistent with the application and
32 the contract approved by the city and is qualified for a limited tax
33 exemption under this chapter. The city must also determine which
34 specific improvements completed meet the requirements and required
35 findings.

36 (3) If the rehabilitation or new construction is completed within
37 three years of the date the application for a limited tax exemption
38 is filed under this chapter, or within an authorized extension of
39 this time limit, and the authorized representative of the city

1 determines that improvements were constructed consistent with the
2 application and other applicable requirements, and the owner's
3 property is qualified for a limited tax exemption under this chapter,
4 the city must file the certificate of tax exemption with the county
5 assessor within ten days of the expiration of the thirty-day period
6 provided under subsection (2) of this section.

7 (4) The authorized representative of the city must notify the
8 applicant that a certificate of tax exemption is not going to be
9 filed if the authorized representative determines that:

10 (a) The rehabilitation or new construction was not completed
11 within three years of the application date, or within any authorized
12 extension of the time limit;

13 (b) The rehabilitation or new construction is not constructed
14 consistent with the application or other applicable requirements;

15 (c) If applicable, the additional criteria related to a
16 qualifying project under section 4 of this act were not met; or

17 (d) The owner's property is otherwise not qualified for limited
18 exemption under this chapter.

19 (5) If the authorized representative of the city finds that
20 construction or rehabilitation of a qualifying project was not
21 completed within the required time period due to circumstances beyond
22 the control of the owner and that the owner has been acting and could
23 reasonably be expected to act in good faith and with due diligence,
24 the governing authority or the city official authorized by the
25 governing authority may extend the deadline for completion of
26 construction or rehabilitation for a period not to exceed twenty-four
27 consecutive months.

28 (6) The governing authority may provide by ordinance for an
29 appeal of a decision by the deciding officer or authority that an
30 owner is not entitled to a certificate of tax exemption to the
31 governing authority, a hearing examiner, or other city officer
32 authorized by the governing authority to hear the appeal in
33 accordance with such reasonable procedures and time periods as
34 provided by ordinance of the governing authority. The owner may
35 appeal a decision by the deciding officer or authority that is not
36 subject to local appeal or a decision by the local appeal authority
37 that the owner is not entitled to a certificate of tax exemption in
38 superior court under RCW 34.05.510 through 34.05.598, if the appeal
39 is filed within thirty days of notification by the city to the owner
40 of the decision being challenged.

1 NEW SECTION. **Sec. 14.** (1) Thirty days after the anniversary of
2 the date of the certificate of tax exemption and each year for the
3 tax exemption period, the owner of the rehabilitated or newly
4 constructed property must file with a designated authorized
5 representative of the city an annual report indicating the following:

6 (a) A statement of the family living wage jobs at the qualifying
7 project as of the anniversary date;

8 (b) A certification by the owner that the property has not
9 changed use and, if applicable, that the property has been in
10 compliance with all criteria under sections 4 and 9 of this act since
11 the date of the certificate approved by the city;

12 (c) A description of changes or improvements constructed after
13 issuance of the certificate of tax exemption; and

14 (d) Any additional information requested by the city in regards
15 to the units receiving a tax exemption.

16 (2) All cities, which issue certificates of tax exemption for
17 qualifying projects that conform to the requirements of this chapter,
18 must publish on the city's web site, or in another format that is
19 easily available to the public, annually by December 31st of each
20 year, beginning in 2018, the following information:

21 (a) The number of tax exemption certificates granted;

22 (b) A description of the new construction and rehabilitation
23 improvements of any qualifying projects;

24 (c) The value of the tax exemption for each project receiving a
25 tax exemption and the total value of tax exemptions granted;

26 (d) The number of family living wage jobs located at the
27 qualifying project; and

28 (e) A comparison of the data required in this section with the
29 data included in the findings developed when the commercial office
30 development targeted area was established.

31 NEW SECTION. **Sec. 15.** (1) If improvements have been exempted
32 under this chapter, the improvements continue to be exempted for the
33 applicable period under this chapter, so long as they are not
34 converted to another use and continue to satisfy all applicable
35 conditions. If the owner intends to convert the qualifying project to
36 another use or, if applicable, if the owner intends to discontinue
37 compliance with criteria established under section 4(1) of this act
38 or any other condition to exemption, the owner must notify the
39 assessor within sixty days of the change in use or intended

1 discontinuance. If, after a certificate of tax exemption has been
2 filed with the county assessor, the authorized representative of the
3 governing authority discovers that the property or a portion of the
4 property no longer qualifies according to the requirements of this
5 chapter as previously approved or agreed upon by contract between the
6 city and the owner and that the qualifying project, or a portion of
7 the qualifying project, no longer qualifies for the exemption, the
8 tax exemption must be canceled and the following must occur:

9 (a) Additional real property tax must be imposed upon the value
10 of the nonqualifying improvements in the amount that would normally
11 be imposed, plus a penalty must be imposed amounting to twenty
12 percent. This additional tax is calculated based upon the difference
13 between the property tax paid and the property tax that would have
14 been paid if it had included the value of the nonqualifying
15 improvements dated back to the date that the improvements were
16 converted to a use that no longer qualifies them for the exemption;

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

22 (c) The additional tax owed together with interest and penalty
23 must become a lien on the land and attach at the time that the
24 property or portion of the property no longer qualifies for the
25 exemption, and has priority to and must be fully paid and satisfied
26 before a recognizance, mortgage, judgment, debt, obligation, or
27 responsibility to or with which the land may become charged or
28 liable. The lien may be foreclosed upon expiration of the same period
29 after delinquency and in the same manner provided by law for
30 foreclosure of liens for delinquent real property taxes. An
31 additional tax unpaid on its due date is delinquent. From the date of
32 delinquency until paid, interest must be charged at the same rate
33 applied by law to delinquent ad valorem property taxes.

34 (2) Upon a determination that a tax exemption is to be canceled
35 for a reason stated in this section, the governing authority or
36 authorized representative must notify the record owner of the
37 property as shown by the tax rolls by mail, return receipt requested,
38 of the determination to cancel the exemption. The owner may appeal
39 the determination to the governing authority or authorized
40 representative, within thirty days by filing a notice of appeal with

1 the clerk of the governing authority, which notice must specify the
2 factual and legal basis on which the determination of cancellation is
3 alleged to be erroneous. The governing authority or a hearing
4 examiner or other official authorized by the governing authority may
5 hear the appeal. At the hearing, all affected parties may be heard
6 and all competent evidence received. After the hearing, the deciding
7 body or officer must either affirm, modify, or repeal the decision of
8 cancellation of exemption based on the evidence received. An
9 aggrieved party may appeal the decision of the deciding body or
10 officer to the superior court under RCW 34.05.510 through 34.05.598.

11 (3) Upon determination by the governing authority or authorized
12 representative to cancel an exemption, the county officials having
13 possession of the assessment and tax rolls must correct the rolls in
14 the manner provided for omitted property under RCW 84.40.080. The
15 county assessor must make such a valuation of the property and
16 improvements as is necessary to permit the correction of the rolls.
17 The value of the new construction and rehabilitation improvements
18 added to the rolls is considered as new construction for the purposes
19 of chapter 84.55 RCW. The owner may appeal the valuation to the
20 county board of equalization under chapter 84.48 RCW and according to
21 the provisions of RCW 84.40.038. If there has been a failure to
22 comply with this chapter, the property must be listed as an omitted
23 assessment for assessment years beginning January 1st of the calendar
24 year in which the noncompliance first occurred, but the listing as an
25 omitted assessment may not be for a period more than three calendar
26 years preceding the year in which the failure to comply was
27 discovered.

28 **NEW SECTION.** **Sec. 16.** (1) If a property exempted under section
29 7 of this act changes ownership, the property will continue to
30 qualify for the exemption provided that the new owner complies with
31 all application procedures, terms, conditions, and reporting
32 requirements under this chapter, and meets all criteria established
33 by a city under section 4 of this act.

34 (2) The exemption is limited to ten successive years, beginning
35 the January 1st immediately following the calendar year in which a
36 certificate of tax exemption is filed by the city with the county
37 assessor in accordance with section 13 of this act.

1 NEW SECTION. **Sec. 17.** (1) The joint legislative audit and
2 review committee must study the effectiveness of the local sales and
3 use tax exemption and the local property tax exemption programs and
4 submit a report with recommendations to the appropriate committees of
5 the legislature.

6 (2) The study must include, but is not limited to, an assessment
7 of the local sales and use tax exemption and the property tax
8 exemption programs authorized under this chapter and an evaluation
9 of:

- 10 (a) The availability of quality office space;
11 (b) The effects on affordable housing;
12 (c) The effects on transportation, traffic congestion, and
13 greenhouse gas emissions; and
14 (d) Job creation.

15 (3) By October 1, 2025, and in compliance with RCW 43.01.036, the
16 joint legislative audit and review committee must submit to the
17 appropriate committees of the legislature a final study with findings
18 and recommendations.

19 (4) This section expires December 31, 2025.

20 NEW SECTION. **Sec. 18.** The definitions in section 5 of this act
21 apply to this chapter.

22 NEW SECTION. **Sec. 19.** Sections 2 through 5 of this act
23 constitute a new chapter in Title 35 RCW.

24 NEW SECTION. **Sec. 20.** Sections 7 through 18 of this act
25 constitute a new chapter in Title 84 RCW.

26 NEW SECTION. **Sec. 21.** Section 6 of this act applies to sales
27 and use taxes paid on or after October 1, 2017.

28 NEW SECTION. **Sec. 22.** Sections 7 through 18 of this act apply
29 to taxes levied for collection in 2018 and thereafter."

E2SHB 1495 - S COMM AMD
By Committee on Ways & Means

ADOPTED 04/12/2017

1 On page 1, line 2 of the title, after "than" strike "fifty" and
2 insert "thirty-five"

3 On page 1, line 4 of the title, after "thousand;" strike the
4 remainder of the title and insert "adding a new section to chapter
5 82.14 RCW; adding a new chapter to Title 35 RCW; adding a new chapter
6 to Title 84 RCW; creating new sections; and providing an expiration
7 date."

EFFECT: The striking amendment makes the following technical changes:

- (1) References to local use tax are added back in section 3 to accompany references to local sales tax;
- (2) Removes references to "or a county" in sections 5(6), 9(1) and (2), 10(2), and 11(3);
- (3) Section 8(2) language is clarified regarding the county's ability to opt-in to the exemption;
- (4) References to "conversion" are removed from the bill and references to "rehabilitation" and "new" construction are added in various sections;
- (5) Section 15(2) is corrected to reference year "2018" rather than "2017;"
- (6) Corrects reference in section 15(2) to change "multiunit housing" to "qualifying projects;" and
- (7) Several other minor references that need to be changed.

--- END ---