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**SUBSTITUTE SENATE BILL 5051**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senate Financial Institutions, Economic Development & Trade  
(originally sponsored by Senators O'Ban, Brown, Palumbo, and Wagoner)

READ FIRST TIME 01/23/19.

1 AN ACT Relating to incentivizing the development of commercial  
2 office space in cities with a population of greater than fifty  
3 thousand and located in a county with a population of less than one  
4 million five hundred thousand; adding a new section to chapter 82.14  
5 RCW; adding a new section to chapter 82.12 RCW; adding a new chapter  
6 to Title 35 RCW; adding a new chapter to Title 84 RCW; and creating  
7 new sections.

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

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

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

6        (2) A governing authority of a city may adopt a local property  
7 tax exemption program to incentivize the development of class A  
8 commercial office space in urban centers with access to transit, high  
9 capacity transportation systems, and other amenities.

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

12        (1) Obtain written agreement for the use of the local sales tax  
13 exemption from any taxing authority that imposes a sales or use tax  
14 under chapter 82.14 RCW. The agreement must be authorized by the  
15 governing body of such participating taxing authorities;

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

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

21        (b) Notices must describe the qualifying project and estimate the  
22 amount of revenue exempted under this section.

23        (c) The public hearing may be held by either the governing body  
24 of a city, or a committee of the governing body that includes at  
25 least a majority of the whole governing body;

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

28        (i) A minimum number of new family living wage jobs for location  
29 within the qualifying project; and

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

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

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

1 (a) Describe the qualifying project, including a physical  
2 description of proposed building or buildings, a list of features and  
3 amenities, cost of construction, length that the qualifying project  
4 will be under construction, and final use such as residential,  
5 commercial, or mixed use;

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

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

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

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

15 (a) Establish the criteria under which property can qualify for  
16 the exemption under section 8 of this act. Criteria:

17 (i) Must include: (A) A minimum number of new family living wage  
18 jobs for location within the qualifying project;

19 (B) The physical characteristics, features, and amenities  
20 necessary for a qualifying project to be defined as class A  
21 commercial office space;

22 (C) A location in a designated commercial office development  
23 targeted area; and

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

28 (b) Designate an area as a commercial office development targeted  
29 area. The following criteria must be met before an area may be  
30 designated as a commercial office development targeted area:

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

33 (ii) The area must lack, as determined by the governing  
34 authority, sufficient available, desirable, high-quality, and  
35 convenient commercial office space to provide jobs in the urban  
36 center, if the desirable, attractive, and convenient commercial  
37 office space was available;

38 (iii) The providing of additional commercial office space  
39 development opportunities in the area, as determined by the governing

1 authority, will assist in achieving one or more of the stated  
2 purposes of this chapter; and

3 (iv) The use of the incentive in this chapter is not expected to  
4 be used for the purpose of relocating a business from outside of the  
5 commercial office development targeted area, but within the state, to  
6 within the commercial office development targeted area. The incentive  
7 may be used for the expansion of a business, including the  
8 development of additional offices or satellite facilities.

9 (2) For the purpose of designating a commercial office  
10 development targeted area or areas, the governing authority must  
11 adopt a resolution of intention to so designate an area as generally  
12 described in the resolution. The resolution must state the time and  
13 place of a hearing to be held by the governing authority to consider  
14 the designation of the area and must include, at a minimum, findings  
15 as to the number of commercial office buildings that will be newly  
16 constructed or rehabilitated within the proposed commercial office  
17 development targeted areas, estimated construction costs of the new  
18 construction or rehabilitation, estimated local taxes generated, and  
19 jobs produced within the targeted area in a period of ten years from  
20 the date of the hearing, and may include such other information  
21 pertaining to the designation of the area as the governing authority  
22 determines to be appropriate to apprise the public of the action  
23 intended.

24 (3) The governing authority must give notice of a hearing held  
25 under this chapter by publication of the notice once each week for  
26 two consecutive weeks, not less than seven days, nor more than thirty  
27 days before the date of the hearing in a paper having a general  
28 circulation in the city or county where the proposed commercial  
29 office development targeted area is located. The notice must state  
30 the time, date, place, and purpose of the hearing and generally  
31 identify the area proposed to be designated as a commercial office  
32 development targeted area.

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

38 (5) After designation of a commercial office development targeted  
39 area, the governing authority must adopt and implement standards and  
40 guidelines to be utilized in considering applications and making the

1 determinations required under section 11 of this act. The standards  
2 and guidelines must establish basic requirements for both new  
3 construction and rehabilitation, which must include:

4 (a) Application process and procedures;

5 (b) Requirements that address demolition of existing structures  
6 and site utilization;

7 (c) Building requirements that may include elements addressing  
8 parking, height, density, environmental impact, and compatibility  
9 with the existing surrounding property and such other amenities as  
10 will attract and keep commercial tenants and that will properly  
11 enhance the commercial office development targeted area in which they  
12 are to be located; and

13 (d) Guidelines regarding individual units that are part of a  
14 qualifying project that may meet the requirements of the exemption in  
15 chapter 84.-- RCW (the new chapter created in section 20 of this  
16 act).

17 NEW SECTION. **Sec. 5.** The definitions in this section apply  
18 throughout this chapter unless the context clearly requires  
19 otherwise.

20 (1) "City" means a city with a population of greater than fifty  
21 thousand and located in a county with a population of less than one  
22 million five hundred thousand.

23 (2) "Class A" means among the most competitive and highest  
24 quality building or buildings in the local market, as determined by a  
25 city's governing authority. High quality must be reflected in the  
26 finishes, construction, and infrastructure of the project building.  
27 The building or buildings must be at least fifty thousand square  
28 feet, and at least three stories. The building must be centrally  
29 located in a city, provide close access to public transportation and  
30 freeways, be managed professionally, and offer amenities and advanced  
31 technology options to tenants.

32 (3) "Commercial office development targeted area" means an area  
33 within an urban center or urban growth area that has been designated  
34 by the governing authority as a commercial office development  
35 targeted area in accordance with this chapter.

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

38 (5) "Family living wage job" means a job with a wage that is  
39 sufficient for raising a family. A family living wage job must have

1 an average wage of eighteen dollars an hour or more, working two  
2 thousand eighty hours per year, as adjusted annually by the consumer  
3 price index. The family living wage may be increased by the local  
4 authority based on regional factors and wage conditions.

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

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

14 (8) "Qualifying project" means new construction or rehabilitation  
15 of a building or group of buildings intended for use as class A  
16 office space. Projects may include mixed use buildings, not solely  
17 intended to be used as office space, but does not include any portion  
18 of a project intended for residential use.

19 (9) "Rehabilitation" means modifications to an existing building  
20 or buildings made to achieve substantial improvements such that the  
21 building or buildings can be categorized as class A.

22 (10) "Rehabilitation improvements" means modifications to an  
23 existing building or buildings made to achieve substantial  
24 improvements in quality, features, or amenities, such that the  
25 building or buildings can be categorized as class A as determined by  
26 a city's governing authority.

27 (11) "Relocating a business" means the closing of a business and  
28 the reopening of that business, or the opening of a new business that  
29 engages in the same activities as the previous business, in a  
30 different location within a one-year period, when an individual or  
31 entity has an ownership interest in the business at the time of  
32 closure and at the time of opening or reopening. "Relocating a  
33 business" does not include the closing and reopening of a business in  
34 a new location where the business has been acquired and is under  
35 entirely new ownership at the new location, or the closing and  
36 reopening of a business in a new location as a result of the exercise  
37 of the power of eminent domain.

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

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

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

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

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

11 (1) Subject to the requirements of this section and section 3 of  
12 this act, a taxpayer is eligible for an exemption from the tax  
13 imposed under this chapter on the sale of or charge made for:

14 (a) Labor and services rendered in respect to construction or  
15 rehabilitation of a qualifying project located in a city; and

16 (b) Sales of tangible personal property that will be incorporated  
17 as an ingredient or component of a qualifying project located in a  
18 city during the course of the constructing or rehabilitating.

19 (2)(a) The exemption in this section is in the form of a  
20 remittance. A purchaser claiming an exemption under this section must  
21 pay all applicable state and local sales taxes imposed under RCW  
22 82.08.020 and this chapter on all purchases qualifying for the  
23 exemption.

24 (b) The amount of the exemption is one hundred percent of the  
25 local sales tax paid under this chapter for purchases qualifying  
26 under subsection (1) of this section, if the taxing authorities  
27 imposing taxes under this chapter have authorized the use of the  
28 exemption to the governing authority of a city as provided under  
29 section 3(1) of this act.

30 (3)(a) After the qualifying project has been operationally  
31 complete for four years, but not later than five years after all  
32 local sales tax for purchases qualifying under subsection (1) of this  
33 section has been paid, a purchaser may apply to the department for a  
34 remittance of local sales taxes.

35 (b) A purchaser requesting a remittance under this section must  
36 obtain certification from the governing authority of a city verifying  
37 that the qualifying project has satisfied the criteria in section 3  
38 of this act.

1 (c) The purchaser must specify the amount of exempted tax claimed  
2 and the qualifying purchases for which the exemption is claimed. The  
3 purchaser must retain, in adequate detail, records to enable the  
4 department to determine whether the purchaser is entitled to an  
5 exemption under this section, including invoices, proof of tax paid,  
6 and construction contracts.

7 (d) The department must determine eligibility under this section  
8 based on information provided by the purchaser, which is subject to  
9 audit verification by the department.

10 (4) The definitions in section 5 of this act apply to this  
11 section.

12 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.12  
13 RCW to read as follows:

14 (1) A person who has paid tax under RCW 82.12.020 for tangible  
15 personal property that will be incorporated as an ingredient or  
16 component of a qualifying project in a city during the course of the  
17 construction or rehabilitating is eligible for an exemption from the  
18 local share of the tax in the form of a credit, as provided in this  
19 section. A person claiming an exemption must pay the tax and then  
20 take a credit equal to the local share of use tax paid under RCW  
21 82.12.020. The person must submit information, in a form and manner  
22 prescribed by the department, specifying the amount of qualifying  
23 purchases or acquisitions for which the exemption is claimed and the  
24 amount of exempted tax.

25 (2) A person reporting under the tax rate provided in this  
26 section must file a complete annual tax performance report with the  
27 department under RCW 82.32.534.

28 (3) The eligibility requirements, conditions, and definitions in  
29 sections 2, 3, 5, and 6 of this act apply to this section.

30 NEW SECTION. **Sec. 8.** (1) In a city that has met the  
31 requirements of section 4 of this act, the value of new construction  
32 and rehabilitation improvements of real property qualifying under  
33 this chapter is exempt from the city share of ad valorem property  
34 taxation for a period of ten successive years beginning January 1st  
35 of the calendar year immediately following the calendar year in which  
36 a certificate of tax exemption is filed with the county assessor in  
37 accordance with section 12 of this act.



1 (2) Upon approval by a county legislative authority, the value of  
2 new construction, conversion, and rehabilitation improvements of real  
3 property qualifying under this chapter is exempt from the county  
4 share of ad valorem property taxation for a period of ten successive  
5 years beginning January 1st of the calendar year immediately  
6 following the calendar year in which a certificate of tax exemption  
7 is filed with the county assessor in accordance with section 12 of  
8 this act.

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

12 (4) When a local government adopts guidelines pursuant to section  
13 4 of this act and includes conditions that must be satisfied with  
14 respect to individual commercial units, rather than with respect to  
15 the qualifying project as a whole or some minimum portion thereof,  
16 the exemption may, at the local government's discretion, be limited  
17 to the value of the improvements allocable to those individual  
18 commercial units that meet the local guidelines.

19 (5) In the case of rehabilitation of existing buildings, the  
20 exemption does not include the value of improvements constructed  
21 prior to the submission of the application required under this  
22 chapter.

23 (6) This chapter does not apply to increases in assessed  
24 valuation made by the assessor on nonqualifying portions of building  
25 and value of land nor to increases made by lawful order of a county  
26 board of equalization, the department of revenue, or a county to a  
27 class of property throughout the county or specific area of the  
28 county to achieve the uniformity of assessment or appraisal required  
29 by law.

30 (7) At the conclusion of the exemption period, the new or  
31 rehabilitated property must be considered as new construction for the  
32 purposes of chapter 84.55 RCW.

33 (8) The incentive provided by this chapter is in addition to any  
34 other incentives, tax credits, grants, or other incentives provided  
35 by law.

36 NEW SECTION. **Sec. 9.** An owner of property making application  
37 under this chapter must meet the following requirements:

38 (1) The qualifying project must be located in an urban center as  
39 designated by the city or county;

1 (2) The qualifying project must meet criteria as adopted by the  
2 governing authority under section 4 of this act that may include  
3 height, density, public benefit features, quality of amenities,  
4 number and size of proposed development, parking, and other adopted  
5 requirements indicated necessary by the city or county. The required  
6 amenities should be relative to the size of the project and tax  
7 benefit to be obtained;

8 (3) New construction of a qualifying project must be completed  
9 within three years from the date of approval of the application;

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

15 NEW SECTION. **Sec. 10.** An owner of property seeking tax  
16 incentives under this chapter must complete the following procedures:

17 (1) In the case of rehabilitation or where demolition or new  
18 construction is required, the owner must secure from the governing  
19 authority or duly authorized representative, before commencement of  
20 rehabilitation improvements or new construction, verification of  
21 property noncompliance with applicable building codes;

22 (2) In the case of new construction of a qualifying project, the  
23 owner must apply to the city or county on forms adopted by the  
24 governing authority. The application must contain the following:

25 (a) Information setting forth the grounds supporting the  
26 requested exemption including information indicated on the  
27 application form or in the guidelines;

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

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

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

34 (3) The applicant must verify the application by oath or  
35 affirmation; and

36 (4) The application may be accompanied by the application fee, if  
37 any, required under section 13 of this act. The governing authority  
38 may permit the applicant to revise an application before final action  
39 by the governing authority.

1        NEW SECTION.        **Sec. 11.**        The duly authorized administrative  
2 official or committee of the city may approve the application if it  
3 finds that:

4        (1) The proposed qualifying project meets the criteria as defined  
5 by the city in section 4 of this act, including the minimum number of  
6 new family living wage jobs to be created for permanent location in  
7 the qualifying project within one year of building occupancy;

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

11        (3) The owner has complied with all standards and guidelines  
12 adopted by the city or county under section 4 of this act; and

13        (4) The site is located in a commercial office development  
14 targeted area of an urban center or urban growth area that has been  
15 designated by the governing authority in accordance with procedures  
16 and guidelines indicated under section 4 of this act.

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

21        (2) If the application is approved, the city must issue the owner  
22 of the property a conditional certificate of acceptance of tax  
23 exemption. The certificate must contain a statement by a duly  
24 authorized administrative official of the governing authority that  
25 the property has complied with the required findings indicated in  
26 section 11 of this act.

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

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

1        NEW SECTION.    **Sec. 13.**    The governing authority may establish an  
2 application fee. This fee may not exceed an amount determined to be  
3 required to cover the cost to be incurred by the governing authority  
4 and the assessor in administering this chapter. The application fee  
5 must be paid at the time the application for limited exemption is  
6 filed. If the application is approved, the governing authority shall  
7 pay the application fee to the county assessor for deposit in the  
8 county current expense fund, after first deducting that portion of  
9 the fee attributable to its own administrative costs in processing  
10 the application. If the application is denied, the governing  
11 authority may retain that portion of the application fee attributable  
12 to its own administrative costs and refund the balance to the  
13 applicant.

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

19            (a) A statement of the amount of rehabilitation or construction  
20 expenditures made;

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

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

27            (d) If applicable, a statement that the project meets the local  
28 requirements as described in section 9 of this act; and

29            (e) A statement that the work has been completed within three  
30 years of the issuance of the conditional certificate of tax  
31 exemption.

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

1 (3) If the rehabilitation, conversion, or construction is  
2 completed within three years of the date the application for a  
3 limited tax exemption is filed under this chapter, or within an  
4 authorized extension of this time limit, and the authorized  
5 representative of the city determines that improvements were  
6 constructed consistent with the application and other applicable  
7 requirements, and the owner's property is qualified for a limited tax  
8 exemption under this chapter, the city must file the certificate of  
9 tax exemption with the county assessor within ten days of the  
10 expiration of the thirty-day period provided under subsection (2) of  
11 this section.

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

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

18 (b) The improvements were not constructed consistent with the  
19 application or other applicable requirements;

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

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

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

33 (6) The governing authority may provide by ordinance for an  
34 appeal of a decision by the deciding officer or authority that an  
35 owner is not entitled to a certificate of tax exemption to the  
36 governing authority, a hearing examiner, or other city or county  
37 officer authorized by the governing authority to hear the appeal in  
38 accordance with such reasonable procedures and time periods as  
39 provided by ordinance of the governing authority. The owner may  
40 appeal a decision by the deciding officer or authority that is not

1 subject to local appeal or a decision by the local appeal authority  
2 that the owner is not entitled to a certificate of tax exemption in  
3 superior court under RCW 34.05.510 through 34.05.598, if the appeal  
4 is filed within thirty days of notification by the city or county to  
5 the owner of the decision being challenged.

6 NEW SECTION. **Sec. 15.** (1) Thirty days after the anniversary of  
7 the date of the certificate of tax exemption and each year for the  
8 tax exemption period, the owner of the rehabilitated or newly  
9 constructed property must file with a designated authorized  
10 representative of the city or county an annual report indicating the  
11 following:

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

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

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

20 (d) Any additional information requested by the city or county in  
21 regards to the units receiving a tax exemption.

22 (2) All cities, which issue certificates of tax exemption for  
23 class A commercial office space that conform to the requirements of  
24 this chapter, must publish on the city's web site, or in another  
25 format that is easily available to the public, annually by December  
26 31st of each year, beginning in 2019, the following information:

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

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

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

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

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

37 NEW SECTION. **Sec. 16.** (1) If improvements have been exempted  
38 under this chapter, the improvements continue to be exempted for the

1 applicable period under this chapter, so long as they are not  
2 converted to another use and continue to satisfy all applicable  
3 conditions. If the owner intends to convert the qualifying project to  
4 another use or, if applicable, if the owner intends to discontinue  
5 compliance with criteria established under section 4(1) of this act  
6 or any other condition to exemption, the owner must notify the  
7 assessor within sixty days of the change in use or intended  
8 discontinuance. If, after a certificate of tax exemption has been  
9 filed with the county assessor, the authorized representative of the  
10 governing authority discovers that the property or a portion of the  
11 property no longer qualifies according to the requirements of this  
12 chapter as previously approved or agreed upon by contract between the  
13 city and the owner and that the qualifying project, or a portion of  
14 the qualifying project, no longer qualifies for the exemption, the  
15 tax exemption must be canceled and the following must occur:

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

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

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

1 (2) Upon a determination that a tax exemption is to be canceled  
2 for a reason stated in this section, the governing authority or  
3 authorized representative must notify the record owner of the  
4 property as shown by the tax rolls by mail, return receipt requested,  
5 of the determination to cancel the exemption. The owner may appeal  
6 the determination to the governing authority or authorized  
7 representative, within thirty days by filing a notice of appeal with  
8 the clerk of the governing authority, which notice must specify the  
9 factual and legal basis on which the determination of cancellation is  
10 alleged to be erroneous. The governing authority or a hearing  
11 examiner or other official authorized by the governing authority may  
12 hear the appeal. At the hearing, all affected parties may be heard  
13 and all competent evidence received. After the hearing, the deciding  
14 body or officer must either affirm, modify, or repeal the decision of  
15 cancellation of exemption based on the evidence received. An  
16 aggrieved party may appeal the decision of the deciding body or  
17 officer to the superior court under RCW 34.05.510 through 34.05.598.

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

35 NEW SECTION. **Sec. 17.** (1) If a property exempted under section  
36 8 of this act changes ownership, the property must continue to  
37 qualify for the exemption provided that the new owner complies with  
38 all application procedures, terms, conditions, and reporting



1 requirements under this chapter, and meets all criteria established  
2 by a city under section 4 of this act.

3 (2) The exemption is limited to ten successive years, beginning  
4 the January 1st immediately following the calendar year in which a  
5 certificate of tax exemption is filed by the original owner with the  
6 county assessor in accordance with section 12 of this act.

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

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

11 NEW SECTION. **Sec. 20.** Sections 8 through 18 of this act  
12 constitute a new chapter in Title 84 RCW.

13 NEW SECTION. **Sec. 21.** Sections 6 and 7 of this act apply to  
14 sales and use taxes made on or after October 1, 2019.

15 NEW SECTION. **Sec. 22.** Sections 8 through 17 of this act apply  
16 to taxes levied for collection in 2020 and thereafter.

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