
SUBSTITUTE HOUSE BILL 1495

State of Washington

65th Legislature

2017 Regular Session

By House Local Government (originally sponsored by Representatives Fey, Muri, Sawyer, Sells, Jinkins, and Doglio)

READ FIRST TIME 02/13/17.

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 chapter to Title 35 RCW; adding a new chapter to
6 Title 84 RCW; and creating new sections.

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

8 NEW SECTION. **Sec. 1.** The legislature finds that the cost of
9 developing high-quality, commercial office space is prohibitive in
10 cities located outside of a major metropolitan area. The legislature
11 finds these cities have designated urban centers and plan to locate
12 high-quality, commercial office space within those urban centers. The
13 legislature also finds that solely planning for commercial office
14 space within urban centers is inadequate and an incentive should be
15 created to stimulate the development of new commercial office space
16 in urban centers. The legislature intends to provide these cities
17 with local options to incentivize the development of commercial
18 office space in urban centers with access to transit, high capacity
19 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 commercial office space in urban centers with access
4 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 commercial
8 office space in urban centers with access to transit, high capacity
9 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 and
13 use tax exemption from any taxing authority that imposes a sales or
14 use tax under chapter 82.14 RCW. The agreement must be authorized by
15 the governing body of such participating taxing authorities. If a
16 taxing authority does not provide written agreement, the sales and
17 use tax for that taxing authority shall not be exempted. Other taxing
18 authorities may proceed forward with exempting portions of the local
19 sales and use tax where written agreement is provided;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (a) Application process and procedures;

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

14 (c) Guidelines regarding individual units that are part of a
15 qualifying project that may meet the requirements of the exemption in
16 chapter 84.-- RCW (the new chapter created in section 21 of this
17 act).

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

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

24 (2) "Commercial office development targeted area" means an area
25 within an urban center that has been designated by the governing
26 authority as a commercial office development targeted area in
27 accordance with this chapter.

28 (3) "Commercial office space" means among the most competitive
29 and highest quality building or buildings in the local market, as
30 determined by a city's governing authority. High quality must be
31 reflected in the finishes, construction, and infrastructure of the
32 project building. The building or buildings must be at least fifty
33 thousand square feet, and at least three stories. The building must
34 be centrally located in a city, provide close access to public
35 transportation and freeways, be managed professionally, and offer
36 amenities and advanced technology options to tenants.

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

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

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

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

16 (8) "Qualifying project" means new construction or rehabilitation
17 of a building or group of buildings intended for use as commercial
18 office space, as defined in this section. Projects may include mixed
19 use buildings, not solely intended to be used as office space, but
20 does not include any portion of a project intended for residential
21 use.

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

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

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

1 reopening of a business in a new location as a result of the exercise
2 of the power of eminent domain.

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

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

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

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

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

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

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

22 (b) The sales or use of tangible personal property that will be
23 incorporated as an ingredient or component of a qualifying project
24 located in a city during the course of the constructing or
25 rehabilitating.

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

31 (b) The amount of the exemption is one hundred percent of the
32 local sales and use taxes paid under an ordinance or resolution
33 enacted under the authority of this chapter for purchases or uses
34 qualifying under subsection (1) of this section, if the taxing
35 authorities imposing taxes under the authority of this chapter have
36 authorized the use of the exemption to the governing authority of a
37 city as provided under section 3(1) of this act.

38 (3)(a) After the qualifying project has been operationally
39 complete for four years, but not later than five years after all

1 local sales and use taxes for purchases and uses qualifying under
2 subsection (1) of this section have been paid, a qualifying project
3 owner who submits an application for a building permit for that
4 qualifying project prior to July 1, 2027, may apply to the department
5 for a remittance of local sales and use taxes.

6 (b) A qualifying project owner requesting a remittance under this
7 section must obtain certification from the governing authority of a
8 city verifying that the qualifying project has satisfied the criteria
9 in section 3 of this act.

10 (c) The qualifying project owner must specify the amount of
11 exempted tax claimed and the qualifying purchases or uses for which
12 the exemption is claimed. The qualifying project owner must retain,
13 in adequate detail, records to enable the department to determine
14 whether the qualifying project owner is entitled to an exemption
15 under this section, including invoices, proof of tax paid, and
16 construction contracts.

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

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

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

28 (i) The agreement that transfers the right to the remittance to
29 the assignee;

30 (ii) Proof of payment of sales and use tax on the qualifying
31 project; and

32 (iii) Any other documentation the department requires.

33 (5) The definitions in section 5 of this act apply to this
34 section.

35 NEW SECTION. **Sec. 7.** (1) In a city that has met the
36 requirements of section 4 of this act, the value of new construction
37 and rehabilitation improvements of real property qualifying under
38 this chapter is exempt from the city share of ad valorem property
39 taxation for a period of ten successive years beginning January 1st

1 of the calendar year immediately following the calendar year in which
2 a certificate of tax exemption is filed with the county assessor in
3 accordance with section 13 of this act.

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

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

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

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

26 (5) In the case of rehabilitation of existing buildings, the
27 exemption does not include the value of improvements constructed
28 prior to the submission of the application required under this
29 chapter.

30 (6) This chapter does not apply to increases in assessed
31 valuation made by the assessor on nonqualifying portions of building
32 and value of land nor to increases made by lawful order of a county
33 board of equalization, the department of revenue, or a county to a
34 class of property throughout the county or specific area of the
35 county to achieve the uniformity of assessment or appraisal required
36 by law.

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

1 (8) The incentive provided by this chapter is in addition to any
2 other incentives, tax credits, grants, or other incentives provided
3 by law.

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

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

8 (2) The qualifying project must meet criteria as adopted by the
9 governing authority under section 4 of this act that may include
10 height, density, public benefit features, quality of amenities,
11 number and size of proposed development, parking, and other adopted
12 requirements indicated necessary by the city. The required amenities
13 should be relative to the size of the project and tax benefit to be
14 obtained;

15 (3) New construction or rehabilitation of a qualifying project
16 must be completed within three years from the date of approval of the
17 application;

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

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

25 (1) In the case of rehabilitation or where demolition is
26 required, the owner must secure from the governing authority or duly
27 authorized representative, before commencement of rehabilitation
28 improvements or new construction, verification of property
29 noncompliance with applicable building codes;

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

34 (a) Information setting forth the grounds supporting the
35 requested exemption including information indicated on the
36 application form or in the guidelines;

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

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

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

5 (3) The applicant must verify the application by oath or
6 affirmation; and

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

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

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

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

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

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

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

32 (2) If the application is approved, the city must issue the owner
33 of the property a conditional certificate of acceptance of tax
34 exemption. The certificate must contain a statement by a duly
35 authorized administrative official of the governing authority that
36 the property has complied with the required findings indicated in
37 section 10 of this act.

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

6 (4) Upon denial by a duly authorized administrative official or
7 commission, an applicant may appeal the denial to the governing
8 authority within thirty days after receipt of the denial. The appeal
9 before the governing authority must be based upon the record made
10 before the administrative official with the burden of proof on the
11 applicant to show that there was no substantial evidence to support
12 the administrative official's decision. The decision of the governing
13 body in denying or approving the application is final.

14 NEW SECTION. **Sec. 12.** The governing authority may establish an
15 application fee. This fee may not exceed an amount determined to be
16 required to cover the cost to be incurred by the governing authority
17 and the assessor in administering this chapter. The application fee
18 must be paid at the time the application for limited exemption is
19 filed. If the application is approved, the governing authority shall
20 pay the application fee to the county assessor for deposit in the
21 county current expense fund, after first deducting that portion of
22 the fee attributable to its own administrative costs in processing
23 the application. If the application is denied, the governing
24 authority may retain that portion of the application fee attributable
25 to its own administrative costs and refund the balance to the
26 applicant.

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

32 (a) A statement of the amount of rehabilitation or construction
33 expenditures made;

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

36 (c) A description of the work that has been completed and a
37 statement that the rehabilitation improvements or new construction on

1 the owner's property qualify the property for limited exemption under
2 this chapter;

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

5 (e) A statement that the work has been completed within three
6 years of the issuance of the conditional certificate of tax
7 exemption.

8 (2) Within thirty days after receipt of the statements required
9 under subsection (1) of this section, the authorized representative
10 of the city must determine whether the work completed, and the
11 affordability of the units, is consistent with the application and
12 the contract approved by the city and is qualified for a limited tax
13 exemption under this chapter. The city must also determine which
14 specific improvements completed meet the requirements and required
15 findings.

16 (3) If the rehabilitation or new construction is completed within
17 three years of the date the application for a limited tax exemption
18 is filed under this chapter, or within an authorized extension of
19 this time limit, and the authorized representative of the city
20 determines that improvements were constructed consistent with the
21 application and other applicable requirements, and the owner's
22 property is qualified for a limited tax exemption under this chapter,
23 the city must file the certificate of tax exemption with the county
24 assessor within ten days of the expiration of the thirty-day period
25 provided under subsection (2) of this section.

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

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

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

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

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

38 (5) If the authorized representative of the city finds that
39 construction or rehabilitation of a qualifying project was not
40 completed within the required time period due to circumstances beyond

1 the control of the owner and that the owner has been acting and could
2 reasonably be expected to act in good faith and with due diligence,
3 the governing authority or the city official authorized by the
4 governing authority may extend the deadline for completion of
5 construction or rehabilitation for a period not to exceed twenty-four
6 consecutive months.

7 (6) The governing authority may provide by ordinance for an
8 appeal of a decision by the deciding officer or authority that an
9 owner is not entitled to a certificate of tax exemption to the
10 governing authority, a hearing examiner, or other city officer
11 authorized by the governing authority to hear the appeal in
12 accordance with such reasonable procedures and time periods as
13 provided by ordinance of the governing authority. The owner may
14 appeal a decision by the deciding officer or authority that is not
15 subject to local appeal or a decision by the local appeal authority
16 that the owner is not entitled to a certificate of tax exemption in
17 superior court under RCW 34.05.510 through 34.05.598, if the appeal
18 is filed within thirty days of notification by the city to the owner
19 of the decision being challenged.

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

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

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

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

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

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

- 1 (a) The number of tax exemption certificates granted;
- 2 (b) A description of the new construction and rehabilitation
3 improvements of any qualifying projects;
- 4 (c) The value of the tax exemption for each project receiving a
5 tax exemption and the total value of tax exemptions granted;
- 6 (d) The number of family living wage jobs located at the
7 qualifying project; and
- 8 (e) A comparison of the data required in this section with the
9 data included in the findings developed when the commercial office
10 development targeted area was established.

11 NEW SECTION. **Sec. 15.** (1) If improvements have been exempted
12 under this chapter, the improvements continue to be exempted for the
13 applicable period under this chapter, so long as they are not
14 converted to another use and continue to satisfy all applicable
15 conditions. If the owner intends to convert the qualifying project to
16 another use or, if applicable, if the owner intends to discontinue
17 compliance with criteria established under section 4(1) of this act
18 or any other condition to exemption, the owner must notify the
19 assessor within sixty days of the change in use or intended
20 discontinuance. If, after a certificate of tax exemption has been
21 filed with the county assessor, the authorized representative of the
22 governing authority discovers that the property or a portion of the
23 property no longer qualifies according to the requirements of this
24 chapter as previously approved or agreed upon by contract between the
25 city and the owner and that the qualifying project, or a portion of
26 the qualifying project, no longer qualifies for the exemption, the
27 tax exemption must be canceled and the following must occur:

28 (a) Additional real property tax must be imposed upon the value
29 of the nonqualifying improvements in the amount that would normally
30 be imposed, plus a penalty must be imposed amounting to twenty
31 percent. This additional tax is calculated based upon the difference
32 between the property tax paid and the property tax that would have
33 been paid if it had included the value of the nonqualifying
34 improvements dated back to the date that the improvements were
35 converted to a use that no longer qualifies them for the exemption;

36 (b) The tax must include interest upon the amounts of the
37 additional tax at the same statutory rate charged on delinquent
38 property taxes from the dates on which the additional tax could have

1 been paid without penalty if the improvements had been assessed at a
2 value without regard to this chapter; and

3 (c) The additional tax owed together with interest and penalty
4 must become a lien on the land and attach at the time that the
5 property or portion of the property no longer qualifies for the
6 exemption, and has priority to and must be fully paid and satisfied
7 before a recognizance, mortgage, judgment, debt, obligation, or
8 responsibility to or with which the land may become charged or
9 liable. The lien may be foreclosed upon expiration of the same period
10 after delinquency and in the same manner provided by law for
11 foreclosure of liens for delinquent real property taxes. An
12 additional tax unpaid on its due date is delinquent. From the date of
13 delinquency until paid, interest must be charged at the same rate
14 applied by law to delinquent ad valorem property taxes.

15 (2) Upon a determination that a tax exemption is to be canceled
16 for a reason stated in this section, the governing authority or
17 authorized representative must notify the record owner of the
18 property as shown by the tax rolls by mail, return receipt requested,
19 of the determination to cancel the exemption. The owner may appeal
20 the determination to the governing authority or authorized
21 representative, within thirty days by filing a notice of appeal with
22 the clerk of the governing authority, which notice must specify the
23 factual and legal basis on which the determination of cancellation is
24 alleged to be erroneous. The governing authority or a hearing
25 examiner or other official authorized by the governing authority may
26 hear the appeal. At the hearing, all affected parties may be heard
27 and all competent evidence received. After the hearing, the deciding
28 body or officer must either affirm, modify, or repeal the decision of
29 cancellation of exemption based on the evidence received. An
30 aggrieved party may appeal the decision of the deciding body or
31 officer to the superior court under RCW 34.05.510 through 34.05.598.

32 (3) Upon determination by the governing authority or authorized
33 representative to cancel an exemption, the county officials having
34 possession of the assessment and tax rolls must correct the rolls in
35 the manner provided for omitted property under RCW 84.40.080. The
36 county assessor must make such a valuation of the property and
37 improvements as is necessary to permit the correction of the rolls.
38 The value of the new construction and rehabilitation improvements
39 added to the rolls is considered as new construction for the purposes
40 of chapter 84.55 RCW. The owner may appeal the valuation to the

1 county board of equalization under chapter 84.48 RCW and according to
2 the provisions of RCW 84.40.038. If there has been a failure to
3 comply with this chapter, the property must be listed as an omitted
4 assessment for assessment years beginning January 1st of the calendar
5 year in which the noncompliance first occurred, but the listing as an
6 omitted assessment may not be for a period more than three calendar
7 years preceding the year in which the failure to comply was
8 discovered.

9 NEW SECTION. **Sec. 16.** (1) If a property exempted under section
10 7 of this act changes ownership, the property will continue to
11 qualify for the exemption provided that the new owner complies with
12 all application procedures, terms, conditions, and reporting
13 requirements under this chapter, and meets all criteria established
14 by a city under section 4 of this act.

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

19 NEW SECTION. **Sec. 17.** A city may not accept new applications
20 for the local property tax exemption program, created in this
21 chapter, after July 1, 2027.

22 NEW SECTION. **Sec. 18.** (1) The department of commerce must study
23 the effectiveness of the local sales and use tax exemption and the
24 local property tax exemption programs and submit a report with
25 recommendations to the appropriate committees of the legislature.

26 (2) The study must include, but is not limited to, an assessment
27 of the local sales and use tax exemption and the property tax
28 exemption programs authorized under this chapter and an evaluation
29 of:

- 30 (a) The availability of quality office space;
- 31 (b) The effects on affordable housing;
- 32 (c) The effects on transportation, traffic congestion, and
33 greenhouse gas emissions; and
- 34 (d) Job creation.

35 (3) By October 1, 2025, and in compliance with RCW 43.01.036, the
36 department of commerce must submit to the appropriate committees of
37 the legislature a final study with findings and recommendations.

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

2 NEW SECTION. **Sec. 19.** The definitions in section 5 of this act
3 apply to this chapter.

4 NEW SECTION. **Sec. 20.** Sections 2 through 5 of this act
5 constitute a new chapter in Title 35 RCW.

6 NEW SECTION. **Sec. 21.** Sections 7 through 19 of this act
7 constitute a new chapter in Title 84 RCW.

8 NEW SECTION. **Sec. 22.** Section 6 of this act applies to sales
9 and use taxes paid on or after October 1, 2017.

10 NEW SECTION. **Sec. 23.** Sections 7 through 19 of this act apply
11 to taxes levied for collection in 2018 and thereafter.

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