

**SHB 1746 - S COMM AMD**

By Committee on Financial Institutions, Economic Development & Trade

**ADOPTED 04/12/2019**

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 plan to locate commercial office space within  
7 those urban centers. The legislature also finds that solely planning  
8 for commercial office space within urban centers is inadequate and an  
9 incentive should be created to stimulate commercial office space  
10 development in urban centers outside major metropolitan areas. The  
11 legislature intends to provide these cities with local options to  
12 incentivize the development of commercial office space in urban  
13 centers with access to transit, transportation systems, and other  
14 amenities.

15 NEW SECTION. **Sec. 2.** A governing authority of a city may  
16 designate a commercial office space development area. Within the  
17 area, the city may:

18 (1) Adopt a local sales and use tax remittance program to  
19 incentivize the development of commercial office space; and

20 (2) Establish a local property tax reinvestment program to make  
21 public improvements that incentivize the development of commercial  
22 office space.

23 NEW SECTION. **Sec. 3.** The definitions in this section apply  
24 throughout this chapter unless the context clearly requires  
25 otherwise.

26 (1) "Commercial office space" means a high quality building or  
27 buildings in the local market, as determined by a city's governing  
28 authority. High quality must be reflected in the finishes,  
29 construction, and infrastructure of the project building. The

1 building or buildings must be at least fifty thousand square feet,  
2 and at least three stories. The building must be centrally located in  
3 a city, provide close access to available public transportation and  
4 freeways, be managed professionally, and offer amenities and advanced  
5 technology options to tenants.

6 (2) "Commercial office space development area" means an area that  
7 has been designated by the city legislative authority as a commercial  
8 office space development area. Each area is limited to contiguous  
9 tracts, lots, pieces, or parcels of land without the creation of  
10 islands of property not included in the commercial office space  
11 development area. The commercial office space development area or  
12 areas within a city cannot contain more than twenty-five percent of  
13 the total assessed value of the taxable real property within the  
14 boundaries of the city at the time the area is established.

15 (3) "County" means a county with a population of less than one  
16 million five hundred thousand.

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

23 (5) "Operationally complete" means that a certificate of  
24 occupancy has been issued for the building.

25 (6) "Public improvement" means infrastructure improvements to be  
26 owned by a public entity within the commercial office space  
27 development area that include:

- 28 (a) Street, road, bridge, and rail construction and maintenance;
- 29 (b) Water and sewer system construction and improvements;
- 30 (c) Sidewalks, streetlights, landscaping, and streetscaping;
- 31 (d) Parking, terminal, and dock facilities;
- 32 (e) Park and ride facilities of a transit authority;
- 33 (f) Park facilities, recreational areas, and environmental  
34 remediation;
- 35 (g) Stormwater and drainage management systems;
- 36 (h) Seismic improvements to buildings eligible for or eligible  
37 for listing in the Washington state register of historic places (RCW  
38 27.34.220) or the national register of historic places as defined in  
39 the national historic preservation act of 1966 (Title 1, Sec. 101,

1 P.L. 89-665; 80 Stat. 915; 16 U.S.C. Sec. 470) as now or hereafter  
2 amended;

3 (i) Electric, gas, fiber, and other utility infrastructures; and

4 (j) Expenditures for any of the following purposes:

5 (i) Providing environmental analysis, professional management,  
6 planning, and promotion within the commercial office space  
7 development area; and

8 (ii) Providing maintenance and security for common or public  
9 areas in the commercial office space development area.

10 (7) "Public improvement costs" means the costs of:

11 (a) Design; planning; acquisition, including land acquisition;  
12 site preparation, including land clearing; construction;  
13 reconstruction; rehabilitation; improvements; and installation of  
14 public improvements;

15 (b) Demolishing, relocating, maintaining, and operating property  
16 pending construction of public improvements;

17 (c) Relocating utilities as a result of public improvements;

18 (d) Financing public improvements, including interest during  
19 construction; legal, and other professional services; taxes;  
20 insurance; principal and interest costs on general indebtedness  
21 issued to finance public improvements; and any necessary reserves for  
22 general indebtedness; and

23 (e) Administrative expenses and feasibility studies reasonably  
24 necessary and related to these costs, including related costs that  
25 may have been incurred before adoption of the ordinance authorizing  
26 the public improvements and use of funds deposited into the  
27 commercial office development public improvement fund.

28 (8) "Qualifying project" means new construction or rehabilitation  
29 of a building or group of buildings intended for use as commercial  
30 office space. A "qualifying project" may include mixed-use buildings,  
31 not solely intended to be used as office space, but does not include  
32 any portion of a project intended for residential use or  
33 noncommercial use. A "qualifying project" may include new  
34 construction, or rehabilitation of an existing building, which  
35 included an area intended to be used for childcare facilities at or  
36 near the commercial office space. "Qualifying project" does not  
37 include the land associated with the new construction or  
38 rehabilitation.

39 (9) "Rehabilitation" and "rehabilitation improvements" means  
40 modifications to an existing building or buildings made to achieve

1 substantial improvements such that the building or buildings can be  
2 categorized as commercial office space.

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

7 (11) "Urban center" means a compact identifiable district where  
8 urban residents may obtain a variety of products and services. An  
9 urban center must contain:

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

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

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

18 NEW SECTION. **Sec. 4.** (1) In order for a city to approve a  
19 qualifying project to receive a sales and use tax remittance and  
20 participate in a local property tax reinvestment program, the city  
21 legislative authority must adopt an ordinance designating a  
22 commercial office space development area or areas. In the ordinance,  
23 the city legislative authority must:

24 (a) Outline the boundaries of the commercial office space  
25 development area or areas, consistent with the definitions of this  
26 chapter;

27 (b) Find that the area is wholly within an urban center;

28 (c) Find that the area lacks sufficient available, desirable,  
29 high-quality, and convenient commercial office space to provide  
30 family living wage jobs in the urban center;

31 (d) Outline standards and guidelines consistent with section 5 of  
32 this act to accept and approve applications for qualifying projects  
33 to be considered for a local sales and use tax remittance or a  
34 property tax reinvestment program; and

35 (e) Establish a commercial office development public improvement  
36 fund in which to deposit property tax reinvestment revenues.

37 (2) The city legislative authority must hold a public hearing on  
38 the ordinance establishing the commercial office space development  
39 area or areas. The city legislative authority must give notice of a

1 hearing held under this section by publication of the notice once  
2 each week for two consecutive weeks, not less than seven days, nor  
3 more than thirty days before the date of the hearing in a paper  
4 having a general circulation in the city where the proposed  
5 commercial office space development area or areas would be located.  
6 The notice must state the time, date, place, and purpose of the  
7 hearing and generally identify the area proposed to be designated as  
8 a commercial office space development area.

9 NEW SECTION. **Sec. 5.** (1) In order to approve the sales and use  
10 tax remittance and property tax reinvestment for a qualifying project  
11 under section 4 of this act, an owner of a qualifying project must,  
12 in coordination with the city, submit an application to the city  
13 consistent with the standards and guidelines provided in section 4 of  
14 this act. Additionally, the application must include:

15 (a) Whether the qualifying project is located within a commercial  
16 office space development area, in accordance with an adopted  
17 ordinance under section 4 of this act;

18 (b) Whether the qualifying project meets the definition of a  
19 qualifying project;

20 (c) The number of family living wage jobs estimated to be  
21 generated by the qualifying project;

22 (d) A description of the qualifying project, including a physical  
23 description of proposed building or buildings including estimated  
24 square footage, number of floors, and a list of features and  
25 amenities;

26 (e) The cost of construction or rehabilitation, and length of  
27 time that the qualifying project will be under construction;

28 (f) Whether the qualifying project is or will be, at the time of  
29 completion, in conformance with all local plans and regulations that  
30 apply at the time the application is approved; and

31 (g) A statement that the qualifying project is not anticipated to  
32 be used for the purpose of relocating a business from outside of the  
33 commercial office space development area, but within the state, to  
34 within the commercial office space development area. This does not  
35 exclude the incentives authorized under this chapter and section 11  
36 of this act from being used for the expansion of a business,  
37 including the development of additional offices or satellite  
38 facilities.

1 (2) If the project applicant is seeking a sales and use tax  
2 remittance, the application must also include:

3 (a) A written agreement for the use of the local sales and use  
4 tax remittance from any taxing authority that imposes a sales or use  
5 tax under chapter 82.14 RCW or RCW 81.104.170. The agreement must be  
6 authorized by the governing body of such participating taxing  
7 authorities. If a taxing authority does not provide a written  
8 agreement, the sales and use tax for that taxing authority may not be  
9 remitted and the revenue may not be estimated in the application;

10 (b) An estimate of the amount of local sales and use tax revenue  
11 that will be remitted to a taxpayer;

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

14 (d) The criteria under this section by which a qualifying project  
15 can later receive certification under section 11(4) of this act  
16 confirming that a taxpayer is eligible for the remittance.

17 (3) If the city intends to approve the qualifying project for a  
18 property tax reinvestment, the application must also include:

19 (a) A written agreement of the participation of any taxing  
20 authority that collects a local property tax allocation. The  
21 agreement must be authorized by the governing body of such  
22 participating local taxing authorities. If a taxing authority does  
23 not provide written agreement, the local property tax for that taxing  
24 authority may not be remitted to the city legislative authority that  
25 established a commercial office development public improvement fund;

26 (b) An estimated amount of property tax to be deposited into a  
27 commercial office development public improvement fund resulting from  
28 the qualifying project; and

29 (c) A prioritized list of public improvements that support the  
30 development of the qualifying project, and the estimated public  
31 improvement costs.

32 NEW SECTION. **Sec. 6.** (1) The duly authorized administrative  
33 official or committee of the city may approve the application if it  
34 finds that:

35 (a) The proposed qualifying project meets the criteria as defined  
36 by the city in section 4 of this act;

37 (b) The proposed qualifying project is or will be, at the time of  
38 completion, in conformance with all local plans and regulations that  
39 apply at the time the application is approved;

1 (c) The owner has complied with all standards and guidelines  
2 adopted by the city in section 4 of this act; and

3 (d) The site is located in a commercial office space development  
4 area that has been designated by the city legislative authority in  
5 accordance with the procedures and guidelines indicated in section 4  
6 of this act.

7 (2) If the application is approved, the city must issue the owner  
8 of the property a conditional certificate of acceptance of the  
9 project for the sales and use tax remittance and participation in a  
10 property tax reinvestment program.

11 (3) If the application is denied by the authorized administrative  
12 official or committee authorized by the city legislative authority,  
13 the deciding administrative official or committee must state in  
14 writing the reasons for denial and send the notice to the applicant  
15 at the applicant's last known address within ten days of the denial.

16 (4) Upon denial by a duly authorized administrative official or  
17 committee, an applicant may appeal the denial to the city legislative  
18 authority within thirty days after receipt of the denial. The appeal  
19 before the governing authority must be based upon the record made  
20 before the administrative official or committee with the burden of  
21 proof on the applicant to show that there was no substantial evidence  
22 to support the administrative official's or committee's decision. The  
23 decision of the city legislative authority in denying or approving  
24 the application is final.

25 NEW SECTION. **Sec. 7.** (1) Once the city approves an application  
26 for a qualifying project to participate in a property tax  
27 reinvestment program, the city must deposit into a commercial office  
28 development public improvement fund, the equivalent of the city's  
29 share of the ad valorem property taxation on the value of new  
30 construction and rehabilitation improvements of real property for  
31 qualifying projects under this chapter for a period of ten successive  
32 years beginning January 1st of the calendar year immediately  
33 following the calendar year in which the application is initially  
34 approved.

35 (2) For a period of ten successive years beginning January 1st of  
36 the calendar year immediately following the calendar year in which  
37 the application is initially approved, taxing districts participating  
38 under this section that provide a written agreement under section 5  
39 of this act must transfer to the city an amount equivalent to the

1 portion of the taxing district's ad valorem property tax on the value  
2 of new construction and rehabilitation improvements of real property  
3 for qualifying projects for the city to deposit into a commercial  
4 office development public improvement fund.

5 NEW SECTION. **Sec. 8.** (1) The city may only make expenditures  
6 from the commercial office development public improvement fund that:

7 (a) Are to construct the public improvement that was identified  
8 in the approved application, requesting the property tax reinvestment  
9 submitted under section 5 of this act and approved under section 6 of  
10 this act;

11 (b) Transfer funding to the project applicant to construct the  
12 public improvement and transfer ownership of the public improvement  
13 to a public agency; and

14 (c) Meet any additional criteria established in an ordinance  
15 adopted under section 4 of this act.

16 (2) The city and the project applicant must enter into a written  
17 agreement outlining the specifics of the public improvement,  
18 associated public improvement costs, responsible parties, and any  
19 other information required by the city.

20 NEW SECTION. **Sec. 9.** If a qualifying project participating in  
21 the property tax reinvestment program under this chapter changes  
22 ownership, the property continues to qualify for the reinvestment, if  
23 the new owner complies with all of the application requirements,  
24 procedures, terms, conditions, and reporting requirements under this  
25 chapter, and meets all of the criteria established by the city to  
26 which the application was submitted under this chapter.

27 NEW SECTION. **Sec. 10.** (1) The joint legislative audit and  
28 review committee must study the effectiveness of the local sales and  
29 use tax remittance and the local property tax reinvestment programs  
30 authorized in this chapter, and submit a report as provided in  
31 subsection (3) of this section.

32 (2) The report must include, but is not limited to, an assessment  
33 of the local sales and use tax remittance and the property tax  
34 reinvestment programs authorized under this chapter and an evaluation  
35 of:

36 (a) The availability of quality office space;

37 (b) The effects on affordable housing;



1 (c) The effects on transportation, traffic congestion, and  
2 greenhouse gas emissions; and

3 (d) Job creation.

4 (3) By October 1, 2028, and in compliance with RCW 43.01.036, the  
5 joint legislative audit and review committee must submit to the  
6 appropriate committees of the legislature a final report with their  
7 findings and recommendations under this section.

8 (4) This section expires December 31, 2028.

9 NEW SECTION. **Sec. 11.** A new section is added to chapter 82.14  
10 RCW to read as follows:

11 (1) Subject to the requirements of chapter 35.--- RCW (the new  
12 chapter created in section 12 of this act) and RCW 81.104.170, a  
13 project is eligible for a sales and use tax remittance under the  
14 authority of this chapter on:

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

18 (b) The sales or use of tangible personal property that will be  
19 incorporated as an ingredient or component of a qualifying project  
20 located in a city during the course of the constructing or  
21 rehabilitating.

22 (2)(a) A qualifying project owner claiming a remittance under  
23 this section must pay all applicable state and local sales and use  
24 taxes imposed or authorized under RCW 82.08.020, 82.12.020, and this  
25 chapter on all purchases and uses qualifying for the remittance.

26 (b) The amount of the remittance is one hundred percent of the  
27 local sales and use taxes paid under an ordinance enacted under the  
28 authority of this chapter for purchases or uses qualifying under  
29 subsection (1) of this section, if the taxing authorities imposing  
30 taxes under the authority of this chapter have authorized the use of  
31 the remittance to the city legislative authority as provided under  
32 section 6 of this act.

33 (3) After the qualifying project has been operationally complete  
34 for eighteen months, but not more than thirty-six months, and after  
35 all local sales and use taxes for purchases and uses qualifying under  
36 subsection (1) of this section have been paid, a qualifying project  
37 owner who submits an application for a building permit for that  
38 qualifying project prior to July 1, 2027, may apply to the department  
39 for a remittance of local sales and use taxes.

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

5 (5) A qualifying project owner must specify the amount of  
6 exempted tax claimed and the qualifying purchases or uses for which  
7 the exemption is claimed. The qualifying project owner must retain,  
8 in adequate detail, records to enable the department to determine  
9 whether the qualifying project owner is entitled to an exemption  
10 under this section, including invoices, proof of tax paid, and  
11 construction contracts.

12 (6) The department must determine eligibility under this section  
13 based on information provided by the qualifying project owner, which  
14 is subject to audit verification by the department.

15 (7)(a) A person otherwise eligible for a remittance under this  
16 section that transfers the ownership of the qualifying project before  
17 the requirements in subsection (3) of this section are met may assign  
18 the right to the remittance under this section to the subsequent  
19 owner of the qualifying project.

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

23 (i) The agreement that transfers the right to the remittance to  
24 the assignee;

25 (ii) Proof of payment of sales and use tax on the qualifying  
26 project; and

27 (iii) Any other documentation the department requires.

28 (8) The definitions in section 3 of this act apply to this  
29 section.

30 **Sec. 12.** RCW 81.104.170 and 2015 3rd sp.s. c 44 s 320 are each  
31 amended to read as follows:

32 (1) Cities that operate transit systems, county transportation  
33 authorities, metropolitan municipal corporations, public  
34 transportation benefit areas, high capacity transportation corridor  
35 areas, and regional transit authorities may submit an authorizing  
36 proposition to the voters and if approved by a majority of persons  
37 voting, fix and impose a sales and use tax in accordance with the  
38 terms of this chapter, solely for the purpose of providing high  
39 capacity transportation service.

1 (2) The tax authorized pursuant to this section is in addition to  
2 the tax authorized by RCW 82.14.030 and must be collected from those  
3 persons who are taxable by the state pursuant to chapters 82.08 and  
4 82.12 RCW upon the occurrence of any taxable event within the taxing  
5 district.

6 (a) Except for the tax imposed under (b) of this subsection by  
7 regional transit authorities that include a county with a population  
8 of more than one million five hundred thousand, the maximum rate of  
9 such tax must be approved by the voters and may not exceed one  
10 percent of the selling price (in the case of a sales tax) or value of  
11 the article used (in the case of a use tax). The maximum rate of such  
12 tax that may be imposed may not exceed nine-tenths of one percent in  
13 any county that imposes a tax under RCW 82.14.340, or within a  
14 regional transit authority if any county within the authority imposes  
15 a tax under RCW 82.14.340.

16 (b) The maximum rate of such tax that may be imposed by a  
17 regional transit authority that includes a county with a population  
18 of more than one million five hundred thousand must be approved by  
19 the voters and may not exceed 1.4 percent. If a regional transit  
20 authority imposes the tax authorized under this subsection (2)(b) in  
21 excess of 0.9 percent, the authority may not receive any state grant  
22 funds provided in an omnibus transportation appropriations act except  
23 transit coordination grants created in chapter 11, Laws of 2015 3rd  
24 sp. sess.

25 (3)(a) The exemptions in RCW 82.08.820 and 82.12.820 are for the  
26 state portion of the sales and use tax and do not extend to the tax  
27 authorized in this section.

28 (b) The exemptions in RCW 82.08.962 and 82.12.962 are for the  
29 state and local sales and use taxes and include the tax authorized by  
30 this section.

31 (c) The exemptions in section 11 of this act are for the local  
32 sales and use taxes and include the tax authorized by this section.

33 NEW SECTION. **Sec. 13.** Sections 1 through 10 of this act  
34 constitute a new chapter in Title 35 RCW."

**SHB 1746** - S COMM AMD

By Committee on Financial Institutions, Economic Development & Trade

**ADOPTED 04/12/2019**

1        On page 1, line 3 of the title, after "thousand;" strike the  
2 remainder of the title and insert "amending RCW 81.104.170; adding a  
3 new section to chapter 82.14 RCW; adding a new chapter to Title 35  
4 RCW; and providing an expiration date."

EFFECT: Includes the local sales and use tax imposed by regional transit authorities for high capacity transit as an option for the local sales and use tax exemption, if approved by the authorizing taxing authority.

--- END ---