

**2SHB 1495 - H AMD 236**

By Representative Fey

WITHDRAWN 03/08/2017

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

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

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

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

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

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

1 use tax for that taxing authority shall not be exempted. Other taxing  
2 authorities may proceed forward with exempting portions of the local  
3 sales and use tax where written agreement is provided;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (C) A location in a designated commercial office development  
9 targeted area; and

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

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

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

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

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

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

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

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

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

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

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

29 (a) Application process and procedures;

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

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

1        NEW SECTION.    **Sec. 5.**    The definitions in this section apply  
2 throughout this chapter unless the context clearly requires  
3 otherwise.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 (iii) Any other documentation the department requires.

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

4        NEW SECTION.    **Sec. 18.**    (1) The joint legislative audit and  
5 review committee must study the effectiveness of the local sales and  
6 use tax exemption and the local property tax exemption programs and  
7 submit a report with recommendations to the appropriate committees of  
8 the legislature.

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

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

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

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

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

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

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

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

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

33        Correct the title.

EFFECT: The 2nd Substitute House Bill 1495:

(1) Creates a local sales and use tax exemption program in cities with certain population parameters incentivize the development of commercial office space in urban centers.

(2) Requires certain agencies and local jurisdictions to determine eligibility for the tax exemption program, and establish guidelines and criteria for qualifying projects.

(3) Requires a study by the Department of Commerce on the effectiveness of the program.

(4) Establishes an end date for new participation in the tax exemption program.

The Striking Amendment:

(1) Adds a local property tax exemption program subject to the same population parameters.

(2) Requires participating cities and project owners to comply with various project requirements related to the property tax exemption program.

(3) Requires a study by the Joint Legislative Audit and Review Committee on the effectiveness of the exemption programs (rather than Commerce).

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