

E2SHB 1495 - S COMM AMD
By Committee on Local Government

NOT CONSIDERED 04/12/2017

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

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

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

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

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

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

1 use tax for that taxing authority may 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 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 tax revenue that will be
31 exempted under section 6 of this act;

32 (c) Provide the approximate date that the local sales tax revenue
33 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 8 of this act. Criteria:

3 (i) Must include: (A) A minimum number of new family living wage
4 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 jobs produced within the targeted area in a period of ten years from
5 the date of the hearing, and may include such other information
6 pertaining to the designation of the area as the governing authority
7 determines to be appropriate to apprise the public of the action
8 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 or county where the proposed commercial
14 office development targeted area is located. The notice must state
15 the time, date, place, and purpose of the hearing and generally
16 identify the area proposed to be designated as a commercial office
17 development 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 11 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) Requirements that address demolition of existing structures
31 and site utilization;

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

38 (d) Guidelines regarding individual units that are part of a
39 qualifying project that may meet the requirements of the exemption in

1 chapter 84.--- RCW (the new chapter created in section 20 of this
2 act).

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

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

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

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

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

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

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

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

1 (8) "Qualifying project" means new construction or rehabilitation
2 of a building or group of buildings intended for use as commercial
3 office space, as defined in this section. Projects may include mixed
4 use buildings, not solely intended to be used as office space, but
5 does not include any portion of a project intended for residential
6 use.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (i) The agreement that transfers the right to the remittance to
13 the assignee;

14 (ii) Proof of payment of sales and use tax on the qualifying
15 project; and

16 (iii) Any other documentation the department requires.

17 (5) The definitions in section 5 of this act apply to this
18 section.

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

23 (2) The study must include, but is not limited to, an assessment
24 of the local sales and use tax exemption program authorized under
25 this chapter and an evaluation of:

26 (a) The availability of quality office space;

27 (b) The effects on affordable housing;

28 (c) The effects on transportation, traffic congestion, and
29 greenhouse gas emissions; and

30 (d) Job creation.

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

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

36 NEW SECTION. **Sec. 8.** (1) In a city that has met the
37 requirements of section 4 of this act, the value of new construction
38 and rehabilitation improvements of real property qualifying under

1 this chapter is exempt from the city share of ad valorem property
2 taxation for a period of ten successive years beginning January 1st
3 of the calendar year immediately following the calendar year in which
4 a certificate of tax exemption is filed with the county assessor in
5 accordance with section 12 of this act.

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

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

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

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

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

35 (7) At the conclusion of the exemption period, the new or
36 rehabilitated property shall be considered as new construction for
37 the purposes of chapter 84.55 RCW.

38 (8) The incentive provided by this chapter is in addition to any
39 other incentives, tax credits, grants, or other incentives provided
40 by law.

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

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

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

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

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

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

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

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

29 (a) Information setting forth the grounds supporting the
30 requested exemption including information indicated on the
31 application form or in the guidelines;

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

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

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

38 (3) The applicant must verify the application by oath or
39 affirmation; and

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

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

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

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

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

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

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

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

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

36 (4) Upon denial by a duly authorized administrative official or
37 commission, an applicant may appeal the denial to the governing
38 authority within thirty days after receipt of the denial. The appeal

1 before the governing authority must be based upon the record made
2 before the administrative official with the burden of proof on the
3 applicant to show that there was no substantial evidence to support
4 the administrative official's decision. The decision of the governing
5 body in denying or approving the application is final.

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

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

24 (a) A statement of the amount of rehabilitation or construction
25 expenditures made;

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

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

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

34 (e) A statement that the work has been completed within three
35 years of the issuance of the conditional certificate of tax
36 exemption.

37 (2) Within thirty days after receipt of the statements required
38 under subsection (1) of this section, the authorized representative

1 of the city must determine whether the work completed, and the
2 affordability of the units, is consistent with the application and
3 the contract approved by the city and is qualified for a limited tax
4 exemption under this chapter. The city must also determine which
5 specific improvements completed meet the requirements and required
6 findings.

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

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

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

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

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

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

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

39 (6) The governing authority may provide by ordinance for an
40 appeal of a decision by the deciding officer or authority that an

1 owner is not entitled to a certificate of tax exemption to the
2 governing authority, a hearing examiner, or other city or county
3 officer authorized by the governing authority to hear the appeal in
4 accordance with such reasonable procedures and time periods as
5 provided by ordinance of the governing authority. The owner may
6 appeal a decision by the deciding officer or authority that is not
7 subject to local appeal or a decision by the local appeal authority
8 that the owner is not entitled to a certificate of tax exemption in
9 superior court under RCW 34.05.510 through 34.05.598, if the appeal
10 is filed within thirty days of notification by the city or county to
11 the owner of the decision being challenged.

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

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

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

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

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

28 (2) All cities, which issue certificates of tax exemption for
29 multiunit housing that conform to the requirements of this chapter,
30 must publish on the city's web site, or in another format that is
31 easily available to the public, annually by December 31st of each
32 year, beginning in 2017, the following information:

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

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

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

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

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

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

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

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

34 (c) The additional tax owed together with interest and penalty
35 must become a lien on the land and attach at the time that the
36 property or portion of the property no longer qualifies for the
37 exemption, and has priority to and must be fully paid and satisfied
38 before a recognizance, mortgage, judgment, debt, obligation, or
39 responsibility to or with which the land may become charged or

1 liable. The lien may be foreclosed upon expiration of the same period
2 after delinquency and in the same manner provided by law for
3 foreclosure of liens for delinquent real property taxes. An
4 additional tax unpaid on its due date is delinquent. From the date of
5 delinquency until paid, interest must be charged at the same rate
6 applied by law to delinquent ad valorem property taxes.

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

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

1 NEW SECTION. **Sec. 17.** (1) If a property exempted under section
2 8 of this act changes ownership, the property will continue to
3 qualify for the exemption provided that the new owner complies with
4 all application procedures, terms, conditions, and reporting
5 requirements under this chapter, and meets all criteria established
6 by a city under section 4 of this act.

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

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

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

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

17 NEW SECTION. **Sec. 21.** Sections 6 and 7 of this act apply to
18 sales and use taxes made on or after October 1, 2017.

19 NEW SECTION. **Sec. 22.** Sections 8 through 17 of this act apply
20 to taxes levied for collection in 2018 and thereafter."

E2SHB 1495 - S COMM AMD
By Committee on Local Government

NOT CONSIDERED 04/12/2017

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

23 On page 1, line 4 of the title, after "thousand;" strike the
24 remainder of the title and insert "adding a new section to chapter
25 82.14 RCW; adding a new chapter to Title 35 RCW; adding a new chapter
26 to Title 84 RCW; creating new sections; and providing an expiration
27 date."

EFFECT: Removes references to high capacity transportation systems. Adds an optional local property tax exemption program. Makes technical corrections.

Amends the definition of city to mean a city with a population of greater than 35,000 (rather than 50,000) and located in a county with a population of less than 1.5 million.

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