AN ACT Relating to modifying the property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas; and amending RCW 84.25.030, 84.25.040, 84.25.080, and 84.25.130.

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

Sec. 1. RCW 84.25.030 and 2015 1st sp.s. c 9 s 3 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "City" means any city that: (a) Has a population of at least 18,000; and (b) is north or east of the largest city in the county in which the city is located and such county has a population of at least 800,000, but less than 900,000 as of the effective date of this section.

(2) "Family living wage job" means a job that offers health care benefits with a wage that is sufficient for raising a family. A family living wage job must have an average wage of $23 an hour or more, working 2,080 hours per year on the subject site, as adjusted annually for inflation by the consumer price index. The family living wage may be
increased by the local authority based on regional factors and wage conditions.

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

(4) "Growth management act" means chapter 36.70A RCW.

(5) "Industrial/manufacturing facilities" means building improvements that are \((10,000)\) square feet or larger, representing a minimum improvement valuation of \((800,000)\) for uses categorized as "division D: manufacturing" or "division E: transportation (major groups 40-42, 45, or 47-48)" by the United States department of labor in the occupation safety and health administration's standard industrial classification manual, provided, a city may limit the tax exemption to manufacturing uses.

(6) "Lands zoned for industrial and manufacturing uses" means lands in a city zoned as of December 31, 2014, for an industrial or manufacturing use consistent with the city's comprehensive plan where the lands are designated for industry.

(7) "Owner" means the property owner of record.

(8) "Targeted area" means an area of undeveloped lands zoned for industrial and manufacturing uses in the city that is located within or contiguous to an innovation partnership zone, foreign trade zone, or EB-5 regional center, and designated for possible exemption under the provisions of this chapter.

(9) "Undeveloped or underutilized" means that there are no existing building improvements on the portions of the property targeted for new or expanded industrial or manufacturing uses.

Sec. 2. RCW 84.25.040 and 2015 1st sp.s. c 9 s 4 are each amended to read as follows:

(1)(a) The value of new construction of industrial/manufacturing facilities qualifying under this chapter is exempt from property taxation under this title, as provided in this section. The value of new construction of industrial/manufacturing facilities is exempt from taxation for properties for which an application for a certificate of tax exemption is submitted under this chapter before December 31, \((2030)\). The value is exempt under this section for \((10)\) successive years beginning January 1st of the year.
immediately following the calendar year of issuance of the certificate.

(b) The exemption provided in this section does not include the value of land or nonindustrial/manufacturing-related improvements not qualifying under this chapter.

(2) The exemption provided in this section is in addition to any other exemptions, deferrals, credits, grants, or other tax incentives provided by law.

(3) This chapter does not apply to state levies or increases in assessed valuation made by the assessor on nonqualifying portions of buildings and value of land nor to increases made by lawful order of a county board of equalization, the department of revenue, or a county, to a class of property throughout the county or specific area of the county to achieve the uniformity of assessment or appraisal required by law.

(4) This exemption does not apply to any county property taxes unless the governing body of the county adopts a resolution and notifies the governing authority of its intent to allow the property to be exempted from county property taxes.

(5) At the conclusion of the exemption period, the new industrial/manufacturing facilities cost must be considered as new construction for the purposes of chapter 84.55 RCW.

Sec. 3. RCW 84.25.080 and 2015 1st sp.s. c 9 s 8 are each amended to read as follows:

(1) The duly authorized administrative official or committee of the city may approve the application if it finds that:

((1)) (a) A minimum of ((twenty-five)) 25 new family living wage jobs will be created on the subject site as a result of new construction of ((manufacturing/industrial [industrial/ manufacturing])) industrial/manufacturing facilities within one year of building occupancy;

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

((3)) (c) The criteria of this chapter have been satisfied.

(2) Priority must be given to applications that meet the following labor specifications during the new construction and ongoing business of industrial/manufacturing facilities:
(a) Compensate workers at prevailing wage rates as determined by
the department of labor and industries;
(b) Procure from, and contract with, women-owned, minority-owned,
or veteran-owned businesses;
(c) Procure from, and contract with, entities that have a history
of complying with federal and state wage and hour laws and
regulations;
(d) Include apprenticeship utilization from state-registered
apprenticeship programs;
(e) Provide for preferred entry for workers living in the area
where the project is being constructed; and
(f) Maintain certain labor standards for workers employed
primarily at the facility after construction, including production,
maintenance, and operational employees.

Sec. 4. RCW 84.25.130 and 2015 1st sp.s. c 9 s 13 are each
amended to read as follows:
(1) If the value of improvements have been exempted under this
chapter, the improvements continue to be exempted for the applicable
period under this chapter so long as they are not converted to
another use and continue to satisfy all applicable conditions
including, but not limited to, zoning, land use, building, and
family-wage job creation.
(2) If an owner voluntarily opts to discontinue compliance with
the requirements of this chapter, the owner must notify the assessor
within ((sixty)) 60 days of the change in use or intended
 discontinuance.
(3) If, after a certificate of tax exemption has been filed with
the county assessor, the city discovers that a portion of the
property is changed or will be changed to disqualify the owner for
exemption eligibility under this chapter, the tax exemption must be
canceled and the following occurs:
(a) Additional real property tax must be imposed on the value of
the nonqualifying improvements in the amount that would be imposed if
an exemption had not been available under this chapter, plus a
penalty equal to ((twenty)) 20 percent of the additional value. This
additional tax is calculated based upon the difference between the
property tax paid and the property tax that would have been paid if
it had included the value of the nonqualifying improvements dated
back to the date that the improvements were converted to a
nonqualifying use;

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

(c) The additional tax owed together with interest and penalty
becomes a lien on the property and attaches at the time the property
or portion of the property is removed from the qualifying use under
this chapter or the amenities no longer meet the applicable
requirements for exemption under this chapter. A lien under this
section has priority to, and must be fully paid and satisfied before,
a recognizance, mortgage, judgment, debt, obligation, or
responsibility to or with which the property may become charged or
liable. The lien may be foreclosed upon expiration of the same period
after delinquency and in the same manner provided by law for
foreclosure of liens for delinquent real property taxes. An
additional tax unpaid on its due date is delinquent. From the date of
delinquency until paid, interest must be charged at the same rate
applied by law to delinquent property taxes.

(4) If, after a certificate of tax exemption has been filed with
the county assessor, the city discovers that the facility maintains
fewer than 25 family living wage jobs, the owner is considered
ineligible for the exemption under this chapter, and the following
must occur:

(a) The tax exemption must be canceled; and

(b) Additional real property tax must be imposed in the amount
that would be imposed if an exemption had not been available under
this chapter, dated back to the date that the facility last
maintained a minimum of 25 family living wage jobs.

(5) Upon a determination that a tax exemption is to be terminated
for a reason stated in this section, the city's governing authority
must notify the record owner of the property as shown by the tax
rolls by mail, return receipt requested, of the determination to
terminate the exemption. The owner may appeal the determination to
the city, within (thirty) 30 days by filing a notice of appeal with
the city, which notice must specify the factual and legal basis on
which the determination of termination is alleged to be erroneous. At
an appeal hearing, all affected parties may be heard and all
competent evidence received. After the hearing, the deciding body or officer must either affirm, modify, or repeal the decision of termination of exemption based on the evidence received. An aggrieved party may appeal the decision of the deciding body or officer to the superior court as provided in RCW 34.05.510 through 34.05.598.

Upon determination by the city to terminate an exemption, the county officials having possession of the assessment and tax rolls must correct the rolls in the manner provided for omitted property under RCW 84.40.080. The county assessor must make such a valuation of the property and improvements as is necessary to permit the correction of the rolls. The value of the new industrial/manufacturing facilities added to the rolls is considered new construction for the purposes of chapter 84.40 RCW. The owner may appeal the valuation to the county board of equalization as provided in chapter 84.40 RCW. If there has been a failure to comply with this chapter, the property must be listed as an omitted assessment for assessment years beginning January 1st of the calendar year in which the noncompliance first occurred, but the listing as an omitted assessment may not be for a period more than three calendar years preceding the year in which the failure to comply was discovered.

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