

CERTIFICATION OF ENROLLMENT

ENGROSSED HOUSE BILL 1386

Chapter 218, Laws of 2021

67th Legislature
2021 Regular Session

TARGETED URBAN AREA PROPERTY TAX EXEMPTION—MODIFICATION

EFFECTIVE DATE: July 25, 2021

Passed by the House March 2, 2021
Yeas 97 Nays 0

LAURIE JINKINS

**Speaker of the House of
Representatives**

Passed by the Senate April 21, 2021
Yeas 47 Nays 2

DENNY HECK

President of the Senate

Approved May 10, 2021 3:14 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 1386** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

May 10, 2021

**Secretary of State
State of Washington**

ENGROSSED HOUSE BILL 1386

Passed Legislature - 2021 Regular Session

State of Washington 67th Legislature 2021 Regular Session

By Representatives Wicks, Dolan, Lovick, Sells, Berg, and Hackney

Read first time 01/26/21. Referred to Committee on Finance.

1 AN ACT Relating to modifying the property tax exemption for the
2 value of new construction of industrial/manufacturing facilities in
3 targeted urban areas; and amending RCW 84.25.030, 84.25.040,
4 84.25.050, 84.25.080, 84.25.090, and 84.25.130.

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

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

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

10 (1) "City" means any city (~~that: (a) Has a population of at~~
11 ~~least eighteen thousand; and (b) is north or east of the largest city~~
12 ~~in the county in which the city is located and such county has a~~
13 ~~population of at least seven hundred thousand, but less than eight~~
14 ~~hundred thousand)) or town.~~

15 (2) "Family living wage job" means a job that offers health care
16 benefits with a wage that is sufficient for raising a family. A
17 family living wage job must have an average wage of ((~~eighteen~~
18 ~~dollars~~)) \$23 an hour or more, working ((~~two thousand eighty~~)) 2,080
19 hours per year on the subject site, as adjusted annually for
20 inflation by the consumer price index. The family living wage may be

1 increased by the local authority based on regional factors and wage
2 conditions.

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

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

7 (5) "Industrial/manufacturing facilities" means building
8 improvements that are (~~ten thousand~~) 10,000 square feet or larger,
9 representing a minimum improvement valuation of (~~eight hundred~~
10 ~~thousand dollars~~) \$800,000 for uses categorized as "division D:
11 manufacturing" or "division E: transportation (major groups 40-42,
12 45, or 47-48)" by the United States department of labor in the
13 occupation safety and health administration's standard industrial
14 classification manual, provided, a city may limit the tax exemption
15 to manufacturing uses.

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

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

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

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

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

32 (1)(a) The value of new construction of industrial/manufacturing
33 facilities qualifying under this chapter is exempt from property
34 taxation under this title, as provided in this section. The value of
35 new construction of industrial/manufacturing facilities is exempt
36 from taxation for properties for which an application for a
37 certificate of tax exemption is submitted under this chapter before
38 December 31, (~~2022~~) 2030. The value is exempt under this section
39 for (~~ten~~) 10 successive years beginning January 1st of the year

1 immediately following the calendar year of issuance of the
2 certificate.

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

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

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

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

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

23 **Sec. 3.** RCW 84.25.050 and 2015 1st sp.s. c 9 s 5 are each
24 amended to read as follows:

25 An owner of property making application under this chapter must
26 meet the following requirements:

27 (1) The new construction of industrial/manufacturing facilities
28 must be located on land zoned for industrial and manufacturing uses,
29 undeveloped or underutilized, and as provided in RCW 84.25.060,
30 designated by the city as a targeted area;

31 (2) The new construction of industrial/manufacturing facilities
32 must meet all construction and development regulations of the city;

33 (3) The new construction of industrial/manufacturing facilities
34 must be completed within three years from the date of approval of the
35 application; and

36 (4) The applicant must enter into a contract with the city
37 approved by the city governing authority(~~(, or an administrative~~
38 ~~official or commission authorized by the governing authority,)) under
39 which the applicant has agreed to the implementation of the~~

1 development on terms and conditions satisfactory to the governing
2 authority.

3 **Sec. 4.** RCW 84.25.080 and 2015 1st sp.s. c 9 s 8 are each
4 amended to read as follows:

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

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

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

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

17 (2) Priority must be given to applications that meet the
18 following labor specifications during the new construction and
19 ongoing business of industrial/manufacturing facilities:

20 (a) Compensate workers at prevailing wage rates as determined by
21 the department of labor and industries;

22 (b) Procure from, and contract with, women-owned, minority-owned,
23 or veteran-owned businesses;

24 (c) Procure from, and contract with, entities that have a history
25 of complying with federal and state wage and hour laws and
26 regulations;

27 (d) Include apprenticeship utilization from state-registered
28 apprenticeship programs;

29 (e) Provide for preferred entry for workers living in the area
30 where the project is being constructed; and

31 (f) Maintain certain labor standards for workers employed
32 primarily at the facility after construction, including production,
33 maintenance, and operational employees.

34 **Sec. 5.** RCW 84.25.090 and 2015 1st sp.s. c 9 s 9 are each
35 amended to read as follows:

36 (1) The city governing authority ((or——its——authorized
37 representative)) must approve or deny an application filed under this
38 chapter within ninety days after receipt of the application.

1 (2) If the application is approved, the city must issue the owner
2 of the property a conditional certificate of acceptance of tax
3 exemption. The certificate must contain a statement by a duly
4 authorized administrative official of the governing authority that
5 the property has complied with the required criteria of this chapter.

6 (3) If the application is denied by the city, the city must state
7 in writing the reasons for denial and send the notice to the
8 applicant at the applicant's last known address within ten days of
9 the denial.

10 (4) Upon denial by the city, an applicant may appeal the denial
11 to the city's governing authority within thirty days after receipt of
12 the denial. The appeal before the city's governing authority must be
13 based upon the record made before the city with the burden of proof
14 on the applicant to show that there was no substantial evidence to
15 support the city's decision. The decision of the city in denying or
16 approving the application is final.

17 **Sec. 6.** RCW 84.25.130 and 2015 1st sp.s. c 9 s 13 are each
18 amended to read as follows:

19 (1) If the value of improvements have been exempted under this
20 chapter, the improvements continue to be exempted for the applicable
21 period under this chapter so long as they are not converted to
22 another use and continue to satisfy all applicable conditions
23 including, but not limited to, zoning, land use, building, and
24 family-wage job creation.

25 (2) If an owner voluntarily opts to discontinue compliance with
26 the requirements of this chapter, the owner must notify the assessor
27 within (~~sixty~~) 60 days of the change in use or intended
28 discontinuance.

29 (3) If, after a certificate of tax exemption has been filed with
30 the county assessor, the city discovers that a portion of the
31 property is changed or will be changed to disqualify the owner for
32 exemption eligibility under this chapter, the tax exemption must be
33 canceled and the following occurs:

34 (a) Additional real property tax must be imposed on the value of
35 the nonqualifying improvements in the amount that would be imposed if
36 an exemption had not been available under this chapter, plus a
37 penalty equal to (~~twenty~~) 20 percent of the additional value. This
38 additional tax is calculated based upon the difference between the
39 property tax paid and the property tax that would have been paid if

1 it had included the value of the nonqualifying improvements dated
2 back to the date that the improvements were converted to a
3 nonqualifying use;

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

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

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

28 (a) The tax exemption must be canceled; and

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

33 (5) Upon a determination that a tax exemption is to be terminated
34 for a reason stated in this section, the city's governing authority
35 must notify the record owner of the property as shown by the tax
36 rolls by mail, return receipt requested, of the determination to
37 terminate the exemption. The owner may appeal the determination to
38 the city, within (~~thirty~~) 30 days by filing a notice of appeal with
39 the city, which notice must specify the factual and legal basis on
40 which the determination of termination is alleged to be erroneous. At

1 an appeal hearing, all affected parties may be heard and all
2 competent evidence received. After the hearing, the deciding body or
3 officer must either affirm, modify, or repeal the decision of
4 termination of exemption based on the evidence received. An aggrieved
5 party may appeal the decision of the deciding body or officer to the
6 superior court as provided in RCW 34.05.510 through 34.05.598.

7 ~~((5))~~ (6) Upon determination by the city to terminate an
8 exemption, the county officials having possession of the assessment
9 and tax rolls must correct the rolls in the manner provided for
10 omitted property under RCW 84.40.080. The county assessor must make
11 such a valuation of the property and improvements as is necessary to
12 permit the correction of the rolls. The value of the new industrial/
13 manufacturing facilities added to the rolls is considered new
14 construction for the purposes of chapter 84.40 RCW. The owner may
15 appeal the valuation to the county board of equalization as provided
16 in chapter 84.40 RCW. If there has been a failure to comply with this
17 chapter, the property must be listed as an omitted assessment for
18 assessment years beginning January 1st of the calendar year in which
19 the noncompliance first occurred, but the listing as an omitted
20 assessment may not be for a period more than three calendar years
21 preceding the year in which the failure to comply was discovered.

Passed by the House March 2, 2021.
Passed by the Senate April 21, 2021.
Approved by the Governor May 10, 2021.
Filed in Office of Secretary of State May 10, 2021.

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