SENATE BILL REPORT
ESHB 1210

As Reported by Senate Committee On:
Ways & Means, April 3, 2025

Title: An act relating to targeted urban area tax preferences.

Brief Description: Concerning targeted urban area tax preferences.

Sponsors: House Committee on Finance (originally sponsored by Representatives Barnard and Springer).

Brief History: Passed House: 3/11/25, 81-15.
Committee Activity: Ways & Means: 3/18/25, 4/03/25 [DP, DNP, w/oRec].

Brief Summary of Bill

- Requires additional documentation and applies certain labor standards to the project construction requirements for the targeted urban area property tax exemption if the project is a nuclear facility requiring certification by the United States Nuclear Regulatory Commission.
- Authorizes cities to extend the project completion deadline for the exemption up to four years for nuclear facilities requiring certification by the United States Nuclear Regulatory Commission.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.
Signed by Senators Robinson, Chair; Trudeau, Vice Chair, Capital; Frame, Vice Chair, Finance; Gildon, Ranking Member, Operating; Torres, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Dozier, Assistant Ranking Member, Capital; Boehnke, Cleveland, Conway, Hansen, Hasegawa, Muzzall, Riccelli, Wagoner, Warnick and Wellman.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Do not pass.
Signed by Senators Stanford, Vice Chair, Operating; Dhingra, Kauffman, Pedersen and Saldaña.

Minority Report: That it be referred without recommendation.
Signed by Senators Braun and Wilson, C..

Staff: Tianyi Lan (786-7432)

Background: Property Tax. All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The county assessor determines assessed value for each property and calculates property taxes. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. The aggregate of all regular tax levies upon real and personal property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property. The aggregate regular levies of junior taxing districts and senior taxing districts, other than the state, may not exceed $5.90 per $1,000 of assessed valuation.

Targeted Urban Area Property Tax Exemption. Cities and towns are authorized to grant a ten-year local property tax exemption for new industrial or manufacturing facilities in designated areas. The property tax exemption is provided on the value of eligible improvements, applies only to the city portion of the property tax, and becomes effective upon completion of the project. A county may, by resolution, allow any property receiving an exemption from city property taxes to also receive an exemption from county property taxes. No application for the exemption may be submitted after December 31, 2030.

The industrial or manufacturing facilities must be at least 10,000 square feet with an improvement value of at least $800,000 and meet certain building use standards defined by the United States Department of Labor. New construction of industrial or manufacturing facilities must:

- be located in undeveloped or underutilized areas of the city zoned for industrial or manufacturing uses;
- be designated by the city as a targeted area;
- meet all construction and development regulations of the city; and
- be completed within three years from the date of approval of the application.

Upon completion of the new construction, the owner of the facility must file certain document with the city, including:

- a description of the work that has been completed;
- a statement that the new construction on the owner's property qualify for the exemption;
- a statement of the new family living wage jobs to be offered as a result of the new construction; and

- a statement that the work has been completed within three years.

Within one year of building occupancy, the facility must create at least 25 family living wage jobs. If a project fails to maintain 25 family living wage jobs, the exemption must be canceled and an additional tax must be imposed on the property equal to the amount that was exempted but for which program requirements were not met.

If the city finds that the work was not completed within the required time limit of three years, due to circumstances beyond the control of the owner, and that the owner is acting in good faith, cities may extend the deadline for completion of the work for a period not to exceed two years.

<u>Tax Preference Performance Statement.</u> State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a tax preference performance statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided or the tax preference is exempted from expiration.

Summary of Bill: If the project is a nuclear facility requiring certification by the United States Nuclear Regulatory Commission (NRC), cities may extend the deadline for completion of the work for an additional period not to exceed four years.

Upon completion, for nuclear facilities requiring certification by NRC, the owner must file additional documents with the city, including:
- verification that all requirements and commitments made by the applicant for prioritization in the application approval process have been met;
- a copy of the executed community workforce agreement or project labor agreement used for the construction of the project; and
- a statement of the postconstruction new prevailing or family living wage jobs to be offered as a result of the new construction.

If the project is a nuclear facility requiring certification by NRC, the city must determine whether the labor standard requirements are consistent with the application and the contract approved by the city and consult with the Department of Labor and Industries (L&I) to confirm the portion of the following information available to L&I that:
- all entities procured from or contracted with during the construction of the facility have a history of complying with federal and state wage and hour laws and regulations;
- workers were paid at least a rate consistent with the state prevailing rate of wage during the construction of the project; and

- state-registered apprentices were employed on the construction project.

The automatic ten-year expiration date, TPPS requirement, and the JLARC review do not apply to the bill.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Tri-cities and City of Richland have been making good use of the tax preference. There are currently four projects in the pipeline totaling about $6 billion of investment and 1,500 jobs. Two of them are nuclear projects, which are complicated to regulate and need additional time to get through the regulatory pipeline. The labor language in the bill makes sure that workers have their voice and safety moving forward.

The program is already implemented under current law and it is not an incentive. The bill only affects local taxes and it's free to the state.

CON: Nuclear fuel production should not be given special tax treatment. Any tax preference for the inclusion of new nuclear, small modular reactors (SMR), and associated fuel production technologies is unfavorable. A study shows that the costs of SMR increased from $10,000 per kilowatt in 2015 to $23,000 per kilowatt in 2023. The cost rose three-fold from initial estimates. The state cannot afford to extend tax preferences to increasingly expensive, unproven, and incomplete nuclear designs and supporting technologies.

Although local governments would shoulder financial risks of the tax break, this is not a local issue. These nuclear projects pose serious risks extending to residents throughout Washington and beyond. Fission reactors, even small modular reactors, generate radioactive waste, and there is no safe place to store it.

Persons Testifying: PRO: Joe Schiessl, City of Richland; Rael Candelaria, Framatome; Seth Worley, Government Affairs Director, United Association of Plumbers & Steamfitters Local 598.

CON: Suellen Mele, 350 Washington Civic Action Team; Kathleen M. Saul, Sierra Club; Cathryn Chudy.

Persons Signed In To Testify But Not Testifying: No one.