
**Technology & Economic Development
Committee**

HB 1443

Brief Description: Providing for property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas.

Sponsors: Representatives Sells and Hope.

Brief Summary of Bill

- Allows a ten-year property tax exemption on the value of new construction of industrial/manufacturing facilities that create family living wage jobs.

Hearing Date: 2/5/13

Staff: Jennifer Thornton (786-7147).

Background:

Property Tax

All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. There are two classes of property. Real property consists of land and the buildings, structures, and improvements that are affixed to land. Personal property consists of all other property, such as machinery, equipment, furniture, and supplies of businesses. The tax is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located. The county treasurer mails a notice of tax due to taxpayers and collects the tax.

Growth Management Act

The Growth Management Act (GMA) is the comprehensive land use planning framework for counties and cities in Washington. Originally enacted in 1990 and 1991, the GMA establishes land use designation and environmental protection requirements for all Washington counties and cities, and a significantly wider array of planning duties for the 29 counties and the cities within

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that are obligated by mandate or choice to satisfy all planning requirements of the GMA. It also establishes a reduced number of directives for all other counties and cities.

Summary of Bill:

The value of new construction of industrial/manufacturing facilities that meet certain requirements is exempt from property taxation for ten years after receiving an exemption certificate. The exemption does not apply to the state school levy. An application for a certificate of tax exemption must be submitted before December 31, 2020, and meet the following requirements:

- the new construction of industrial/manufacturing facilities must be located on undeveloped or underutilized land zoned for industrial and manufacturing uses that is designated by the city governing authority as a targeted area; and
- facility construction must meet all construction and development regulations of the city, and be completed within three years from the date of approval of the application.

For an area to be designated as a targeted area, the area must be zoned for industrial and manufacturing uses, and the city governing authority must determine that targeting the area will assist in the new construction of industrial/manufacturing facilities that will provide employment for family living wage jobs.

The city governing authority must develop an application form that collects specific information including a description of the project and the expected number of new family wage jobs to be created. The city governing authority may establish an application fee. The fee cannot exceed the costs to the city governing authority and assessor for administering the exemption. The city governing authority must approve or deny an application within 90 days of receipt. If the application is approved, the city must issue the property owner a conditional certificate of acceptance of a tax exemption. There is an appeals process for applications that are denied.

To receive the exemption, upon completion of the new construction of a manufacturing/industrial facility, the owner must provide the city with a description of the completed work, the number of new family living wage jobs to be offered, and a statement that the work was completed within three years of the issuance of the conditional certificate of tax exemption. The city must find that the proposed project will create at least twenty-five new family living wage jobs on the site within one year of business occupancy. The city must deny the tax exemption if:

- the work was not completed within three years of the application date;
- the work was not constructed consistent with the application or other applicable requirements;
- the jobs to be offered are not consistent with the application and criteria for the exemption; or
- the owner's property is otherwise not qualified for an exemption.

The city may give the owner up to 24 additional months to complete the work, if the reason for exceeding three years was beyond the owner's control.

Each owner receiving a tax exemption must report annually to the city granting the exemption. All cities that issue tax exemptions must report annually to the Department of Commerce on the number of tax exemptions granted, the number and type of new manufacturing/industrial

facilities constructed, the number of new family wage jobs, and the value of each tax exemption. If a portion of the property is changed or will be changed to disqualify an owner from receiving a tax exemption, the exemption must be canceled, and the tax on the value of the non-qualifying improvements, a 20 percent penalty, and any interest must be paid. The additional tax, penalty, and interest become a lien on the property until paid.

"City" is defined to mean a city with a population of at least fifty thousand, or the largest city or town, if there is no city or town with a population of at least fifty thousand, located in a county planning under the growth management act.

"Family living wage job" is defined to mean an average wage of at least \$18 per hour, working 2,080 hours per year, adjusted annually for inflation. A local authority may set the wage higher.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.