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## Technology & Economic Development Committee

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### SB 5761

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

**Sponsors:** Senators Pearson, Hobbs, McCoy, Bailey and Benton.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Allows a 10 year property tax exemption on the value of new construction of industrial/manufacturing facilities that create family living wage jobs in certain areas.</li></ul>
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**Hearing Date:** 3/18/15

**Staff:** Kirsten Lee (786-7133).

**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 Originally enacted in 1990 and 1991, the GMA establishes land use designation and environmental protection requirements for all Washington counties and cities, and a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.

Innovation Partnership Zones, Foreign Trade Zones, and EB-5 Regional Centers.

Innovation Partnership Zones (IPZs) are areas formally designated by the Department of Commerce wherein business, government, and academic institutions work together to promote economic development. Currently there are 18 designated IPZs, which are designed around specific industry clusters within geographic regions of the State.

Foreign-Trade Zones (FTZs) are designated locations in the United States that offer tariff and tax relief designed to lower the costs of United States-based operations engaged in international trade and thereby create and retain the employment and capital investment opportunities that result from those operations. Located in or near customs ports of entry, FTZs are the United States version of what are known internationally as free trade zones. There are currently 11 FTZs located in Washington.

The EB-5 Regional Center program is aimed at stimulating economic activity and creating jobs for United States workers, while simultaneously affording eligible foreign investors the opportunity to become lawful permanent residents. Thirteen EB-5 Regional Centers in Washington have been designated and approved by the United States Citizenship and Immigration Services.

**Summary of Bill:**

The value of new construction of industrial/manufacturing facilities that meet certain requirements is exempt from property taxation for 10 years after receiving an exemption certificate from the local legislative authority of a city (governing authority). The exemption does not apply to state levies or increases in assessed valuation. The exemption also does not apply to county property taxes unless the county adopts a resolution allowing county property taxes to be exempt.

An application for a certificate of tax exemption must be submitted before December 31, 2022, 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 as a targeted area;
- 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; and
- the applicant must enter into a contract with the city approved by the governing authority, under which the applicant has agreed to the implementation of the development on terms and conditions satisfactory to the governing authority.

For an area to be designated as a targeted area:

- the area must be zoned for industrial and manufacturing uses and located in or contiguous to an IPZ, FTZ, or EB-5 Regional Center; and
- the city must have determined that targeting the area will assist in the new construction of industrial/manufacturing facilities that will provide employment for family living wage jobs.

The 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 governing authority may establish an application fee, not to exceed administrative costs of the governing authority and assessor. An application may be approved by an authorized administrative official or committee of the governing authority if:

- a minimum of 25 new family living wage jobs will be created as a result of new construction of manufacturing/industrial facilities within one year of building occupancy;
- the 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
- all other requirements are met.

The governing authority or authorized representative 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. If an application is denied, notice must be sent to the applicant within 10 days of the denial. 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 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 governing authority or city official authorized by the governing authority 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 designated authorized representative of 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 corresponding annual wages, 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" means: (1) A city with a population of at least 18,000; or (2) the largest city or town, if there is no city or town with a population of at least 18,000, located in county planning under the Growth Management Act.

"Governing authority" is defined to mean the local legislative authority of a city having jurisdiction over the property for which an exemption may be applied for.

"Family living wage job" is a job with 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.

"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" by the United States Department of Labor in the Occupation Safety and Health Administration's Standard Industrial Classification manual.

"Targeted area" is an area of undeveloped lands zoned for industrial and manufacturing uses in the city that is located within or contiguous to an IPZ, FTZ, or EB-5 regional center, and designated for possible exemption.

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

**Appropriation:** None.

**Fiscal Note:** Available.

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