
SENATE BILL 6302

State of Washington

65th Legislature

2018 Regular Session

By Senator O'Ban

Read first time 01/11/18. Referred to Committee on Economic Development & International Trade.

1 AN ACT Relating to incentivizing the development of commercial
2 office space in cities with a population of greater than fifty
3 thousand and located in a county with a population of less than one
4 million five hundred thousand; adding a new section to chapter 82.14
5 RCW; adding a new section to chapter 82.12 RCW; adding a new chapter
6 to Title 35 RCW; adding a new chapter to Title 84 RCW; and creating
7 new sections.

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

9 NEW SECTION. **Sec. 1.** The legislature finds that the cost of
10 developing high-quality, commercial office space is prohibitive in
11 cities located outside of a major metropolitan area. The legislature
12 finds these cities have designated urban centers and plan to locate
13 high-quality, commercial office space within those urban centers. The
14 legislature also finds that solely planning for commercial office
15 space within urban centers is inadequate and an incentive should be
16 created to stimulate the development of new commercial office space
17 in urban centers. The legislature intends to provide these cities
18 with local options to incentivize the development of commercial
19 office space in urban centers with access to transit, high capacity
20 transportation systems, and other amenities.

1 NEW SECTION. **Sec. 2.** (1) A governing authority of a city may
2 adopt a local sales and use tax exemption program to incentivize the
3 development of class A commercial office space in urban centers with
4 access to transit, high capacity transportation systems, and other
5 amenities.

6 (2) A governing authority of a city may adopt a local property
7 tax exemption program to incentivize the development of class A
8 commercial office space in urban centers with access to transit, high
9 capacity transportation systems, and other amenities.

10 NEW SECTION. **Sec. 3.** In order to use the sales and use tax
11 exemption authorized in section 2 of this act, a city must:

12 (1) Obtain written agreement for the use of the local sales tax
13 exemption from any taxing authority that imposes a sales or use tax
14 under chapter 82.14 RCW. The agreement must be authorized by the
15 governing body of such participating taxing authorities;

16 (2) Hold a public hearing on the proposed use of the exemption.

17 (a) Notice of the hearing must be published in a legal newspaper
18 of general circulation at least ten days before the public hearing
19 and posted in at least six conspicuous public places located within
20 one mile of the proposed location of a qualifying project.

21 (b) Notices must describe the qualifying project and estimate the
22 amount of revenue exempted under this section.

23 (c) The public hearing may be held by either the governing body
24 of a city, or a committee of the governing body that includes at
25 least a majority of the whole governing body;

26 (3)(a) Establish criteria for a qualifying project exempted under
27 section 6 of this act. Criteria must include:

28 (i) A minimum number of new family living wage jobs for location
29 within the qualifying project; and

30 (ii) The physical characteristics, features, and amenities
31 necessary for a qualifying project to be defined as class A
32 commercial office space.

33 (b) Criteria may also include height, density, public benefit
34 features, quality of amenities, number and size of proposed
35 development, parking, employment targets, percent occupied, or other
36 adopted requirements indicated necessary by the city; and

37 (4) Adopt an ordinance announcing the use of the sales and use
38 tax exemption under section 6 of this act. The ordinance must:

1 (a) Describe the qualifying project, including a physical
2 description of proposed building or buildings, a list of features and
3 amenities, cost of construction, length that the qualifying project
4 will be under construction, and final use such as residential,
5 commercial, or mixed use;

6 (b) Estimate the amount of local sales tax revenue that will be
7 exempted under section 6 of this act;

8 (c) Provide the approximate date that the local sales tax revenue
9 will be remitted to a taxpayer; and

10 (d) Certify the criteria under this section by which a qualifying
11 project can later receive certification under section 6(3) of this
12 act confirming that a taxpayer is eligible for the remittance.

13 NEW SECTION. **Sec. 4.** (1) In order to use the property tax
14 exemption authorized under section 2 of this act, a city must:

15 (a) Establish the criteria under which property can qualify for
16 the exemption under section 8 of this act. Criteria:

17 (i) Must include: (A) A minimum number of new family living wage
18 jobs for location within the qualifying project;

19 (B) The physical characteristics, features, and amenities
20 necessary for a qualifying project to be defined as class A
21 commercial office space;

22 (C) A location in a designated commercial office development
23 targeted area; and

24 (ii) May also include height, density, public benefit features,
25 quality of amenities, number and size of proposed development,
26 parking, employment targets, percent occupied, or other adopted
27 requirements indicated necessary by the city;

28 (b) Designate an area as a commercial office development targeted
29 area. The following criteria must be met before an area may be
30 designated as a commercial office development targeted area:

31 (i) The area must be within an urban center, as determined by the
32 governing authority;

33 (ii) The area must lack, as determined by the governing
34 authority, sufficient available, desirable, high-quality, and
35 convenient commercial office space to provide jobs in the urban
36 center, if the desirable, attractive, and convenient commercial
37 office space was available;

38 (iii) The providing of additional commercial office space
39 development opportunities in the area, as determined by the governing

1 authority, will assist in achieving one or more of the stated
2 purposes of this chapter; and

3 (iv) The use of the incentive in this chapter is not expected to
4 be used for the purpose of relocating a business from outside of the
5 commercial office development targeted area, but within the state, to
6 within the commercial office development targeted area. The incentive
7 may be used for the expansion of a business, including the
8 development of additional offices or satellite facilities.

9 (2) For the purpose of designating a commercial office
10 development targeted area or areas, the governing authority must
11 adopt a resolution of intention to so designate an area as generally
12 described in the resolution. The resolution must state the time and
13 place of a hearing to be held by the governing authority to consider
14 the designation of the area and must include, at a minimum, findings
15 as to the number of commercial office buildings that will be newly
16 constructed or rehabilitated within the proposed commercial office
17 development targeted areas, estimated construction costs of the new
18 construction or rehabilitation, estimated local taxes generated, and
19 jobs produced within the targeted area in a period of ten years from
20 the date of the hearing, and may include such other information
21 pertaining to the designation of the area as the governing authority
22 determines to be appropriate to apprise the public of the action
23 intended.

24 (3) The governing authority must give notice of a hearing held
25 under this chapter by publication of the notice once each week for
26 two consecutive weeks, not less than seven days, nor more than thirty
27 days before the date of the hearing in a paper having a general
28 circulation in the city or county where the proposed commercial
29 office development targeted area is located. The notice must state
30 the time, date, place, and purpose of the hearing and generally
31 identify the area proposed to be designated as a commercial office
32 development targeted area.

33 (4) Following the hearing, the governing authority may designate
34 all or a portion of the area described in the resolution of intent as
35 a commercial office development targeted area if it finds, in its
36 sole discretion, that the criteria in subsections (1) and (2) of this
37 section have been met.

38 (5) After designation of a commercial office development targeted
39 area, the governing authority must adopt and implement standards and
40 guidelines to be utilized in considering applications and making the

1 determinations required under section 11 of this act. The standards
2 and guidelines must establish basic requirements for both new
3 construction and rehabilitation, which must include:

4 (a) Application process and procedures;

5 (b) Requirements that address demolition of existing structures
6 and site utilization;

7 (c) Building requirements that may include elements addressing
8 parking, height, density, environmental impact, and compatibility
9 with the existing surrounding property and such other amenities as
10 will attract and keep commercial tenants and that will properly
11 enhance the commercial office development targeted area in which they
12 are to be located; and

13 (d) Guidelines regarding individual units that are part of a
14 qualifying project that may meet the requirements of the exemption in
15 chapter 84.-- RCW (the new chapter created in section 20 of this
16 act).

17 NEW SECTION. **Sec. 5.** The definitions in this section apply
18 throughout this chapter unless the context clearly requires
19 otherwise.

20 (1) "City" means a city with a population of greater than fifty
21 thousand and located in a county with a population of less than one
22 million five hundred thousand.

23 (2) "Class A" means among the most competitive and highest
24 quality building or buildings in the local market, as determined by a
25 city's governing authority. High quality must be reflected in the
26 finishes, construction, and infrastructure of the project building.
27 The building or buildings must be at least fifty thousand square
28 feet, and at least three stories. The building must be centrally
29 located in a city, provide close access to public transportation and
30 freeways, be managed professionally, and offer amenities and advanced
31 technology options to tenants.

32 (3) "Commercial office development targeted area" means an area
33 within an urban center or urban growth area that has been designated
34 by the governing authority as a commercial office development
35 targeted area in accordance with this chapter.

36 (4) "County" means a county with a population of less than one
37 million five hundred thousand.

38 (5) "Family living wage job" means a job with a wage that is
39 sufficient for raising a family. A family living wage job must have

1 an average wage of eighteen dollars an hour or more, working two
2 thousand eighty hours per year, as adjusted annually by the consumer
3 price index. The family living wage may be increased by the local
4 authority based on regional factors and wage conditions.

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

8 (7) "Mixed use" means any building or buildings containing a
9 combination of residential and commercial units, whether title to the
10 entire property is held in single or undivided ownership or title to
11 individual units is held by owners who also, directly or indirectly
12 through an association, own real property in common with the other
13 unit owners.

14 (8) "Qualifying project" means new construction or rehabilitation
15 of a building or group of buildings intended for use as class A
16 office space. Projects may include mixed use buildings, not solely
17 intended to be used as office space, but does not include any portion
18 of a project intended for residential use.

19 (9) "Rehabilitation" means modifications to an existing building
20 or buildings made to achieve substantial improvements such that the
21 building or buildings can be categorized as class A.

22 (10) "Rehabilitation improvements" means modifications to an
23 existing building or buildings made to achieve substantial
24 improvements in quality, features, or amenities, such that the
25 building or buildings can be categorized as class A as determined by
26 a city's governing authority.

27 (11) "Relocating a business" means the closing of a business and
28 the reopening of that business, or the opening of a new business that
29 engages in the same activities as the previous business, in a
30 different location within a one-year period, when an individual or
31 entity has an ownership interest in the business at the time of
32 closure and at the time of opening or reopening. "Relocating a
33 business" does not include the closing and reopening of a business in
34 a new location where the business has been acquired and is under
35 entirely new ownership at the new location, or the closing and
36 reopening of a business in a new location as a result of the exercise
37 of the power of eminent domain.

38 (12) "Urban center" means a compact identifiable district where
39 urban residents may obtain a variety of products and services. An
40 urban center must contain:

1 (a) Several existing or previous, or both, business
2 establishments that may include but are not limited to shops,
3 offices, banks, restaurants, and governmental agencies;

4 (b) Adequate public facilities including streets, sidewalks,
5 lighting transit, domestic water, and sanitary sewer systems; and

6 (c) A mixture of uses and activities that may include housing,
7 recreation, and cultural activities in association with either
8 commercial or office use, or both commercial and office use.

9 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.14
10 RCW to read as follows:

11 (1) Subject to the requirements of this section and section 3 of
12 this act, a taxpayer is eligible for an exemption from the tax
13 imposed under this chapter on the sale of or charge made for:

14 (a) Labor and services rendered in respect to construction or
15 rehabilitation of a qualifying project located in a city; and

16 (b) Sales of tangible personal property that will be incorporated
17 as an ingredient or component of a qualifying project located in a
18 city during the course of the constructing or rehabilitating.

19 (2)(a) The exemption in this section is in the form of a
20 remittance. A purchaser claiming an exemption under this section must
21 pay all applicable state and local sales taxes imposed under RCW
22 82.08.020 and this chapter on all purchases qualifying for the
23 exemption.

24 (b) The amount of the exemption is one hundred percent of the
25 local sales tax paid under this chapter for purchases qualifying
26 under subsection (1) of this section, if the taxing authorities
27 imposing taxes under this chapter have authorized the use of the
28 exemption to the governing authority of a city as provided under
29 section 3(1) of this act.

30 (3)(a) After the qualifying project has been operationally
31 complete for four years, but not later than five years after all
32 local sales tax for purchases qualifying under subsection (1) of this
33 section has been paid, a purchaser may apply to the department for a
34 remittance of local sales taxes.

35 (b) A purchaser requesting a remittance under this section must
36 obtain certification from the governing authority of a city verifying
37 that the qualifying project has satisfied the criteria in section 3
38 of this act.

1 (c) The purchaser must specify the amount of exempted tax claimed
2 and the qualifying purchases for which the exemption is claimed. The
3 purchaser must retain, in adequate detail, records to enable the
4 department to determine whether the purchaser is entitled to an
5 exemption under this section, including invoices, proof of tax paid,
6 and construction contracts.

7 (d) The department must determine eligibility under this section
8 based on information provided by the purchaser, which is subject to
9 audit verification by the department.

10 (4) The definitions in section 5 of this act apply to this
11 section.

12 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.12
13 RCW to read as follows:

14 (1) The tax imposed by RCW 82.12.020 does not apply to tangible
15 personal property that will be incorporated as an ingredient or
16 component of a qualifying project in a city during the course of the
17 constructing or rehabilitating.

18 (2) The eligibility requirements, conditions, and definitions in
19 sections 2, 3, 5, and 6 of this act apply to this section.

20 NEW SECTION. **Sec. 8.** (1) In a city that has met the
21 requirements of section 4 of this act, the value of new construction
22 and rehabilitation improvements of real property qualifying under
23 this chapter is exempt from the city share of ad valorem property
24 taxation for a period of ten successive years beginning January 1st
25 of the calendar year immediately following the calendar year in which
26 a certificate of tax exemption is filed with the county assessor in
27 accordance with section 12 of this act.

28 (2) Upon approval by a county legislative authority, the value of
29 new construction, conversion, and rehabilitation improvements of real
30 property qualifying under this chapter is exempt from the county
31 share of ad valorem property taxation for a period of ten successive
32 years beginning January 1st of the calendar year immediately
33 following the calendar year in which a certificate of tax exemption
34 is filed with the county assessor in accordance with section 12 of
35 this act.

36 (3) The exemptions provided in subsections (1) and (2) of this
37 section do not include the value of land or improvements not
38 qualifying under this chapter.

1 (4) When a local government adopts guidelines pursuant to section
2 4 of this act and includes conditions that must be satisfied with
3 respect to individual commercial units, rather than with respect to
4 the qualifying project as a whole or some minimum portion thereof,
5 the exemption may, at the local government's discretion, be limited
6 to the value of the improvements allocable to those individual
7 commercial units that meet the local guidelines.

8 (5) In the case of rehabilitation of existing buildings, the
9 exemption does not include the value of improvements constructed
10 prior to the submission of the application required under this
11 chapter.

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

19 (7) At the conclusion of the exemption period, the new or
20 rehabilitated property must be considered as new construction for the
21 purposes of chapter 84.55 RCW.

22 (8) The incentive provided by this chapter is in addition to any
23 other incentives, tax credits, grants, or other incentives provided
24 by law.

25 NEW SECTION. **Sec. 9.** An owner of property making application
26 under this chapter must meet the following requirements:

27 (1) The qualifying project must be located in an urban center as
28 designated by the city or county;

29 (2) The qualifying project must meet criteria as adopted by the
30 governing authority under section 4 of this act that may include
31 height, density, public benefit features, quality of amenities,
32 number and size of proposed development, parking, and other adopted
33 requirements indicated necessary by the city or county. The required
34 amenities should be relative to the size of the project and tax
35 benefit to be obtained;

36 (3) New construction of a qualifying project must be completed
37 within three years from the date of approval of the application;

38 (4) The applicant must enter into a contract with the city
39 approved by the governing authority, or an administrative official or

1 commission authorized by the governing authority, under which the
2 applicant has agreed to the implementation of the development on
3 terms and conditions satisfactory to the governing authority.

4 NEW SECTION. **Sec. 10.** An owner of property seeking tax
5 incentives under this chapter must complete the following procedures:

6 (1) In the case of rehabilitation or where demolition or new
7 construction is required, the owner must secure from the governing
8 authority or duly authorized representative, before commencement of
9 rehabilitation improvements or new construction, verification of
10 property noncompliance with applicable building codes;

11 (2) In the case of new construction of a qualifying project, the
12 owner must apply to the city or county on forms adopted by the
13 governing authority. The application must contain the following:

14 (a) Information setting forth the grounds supporting the
15 requested exemption including information indicated on the
16 application form or in the guidelines;

17 (b) A statement of the expected number of new family living wage
18 jobs to be created;

19 (c) A description of the project and site plan; and

20 (d) A statement that the applicant is aware of the potential tax
21 liability involved when the property ceases to be eligible for the
22 incentive provided under this chapter;

23 (3) The applicant must verify the application by oath or
24 affirmation; and

25 (4) The application may be accompanied by the application fee, if
26 any, required under section 13 of this act. The governing authority
27 may permit the applicant to revise an application before final action
28 by the governing authority.

29 NEW SECTION. **Sec. 11.** The duly authorized administrative
30 official or committee of the city may approve the application if it
31 finds that:

32 (1) The proposed qualifying project meets the criteria as defined
33 by the city in section 4 of this act, including the minimum number of
34 new family living wage jobs to be created for permanent location in
35 the qualifying project within one year of building occupancy;

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

1 (3) The owner has complied with all standards and guidelines
2 adopted by the city or county under section 4 of this act; and

3 (4) The site is located in a commercial office development
4 targeted area of an urban center or urban growth area that has been
5 designated by the governing authority in accordance with procedures
6 and guidelines indicated under section 4 of this act.

7 NEW SECTION. **Sec. 12.** (1) The governing authority or an
8 administrative official or commission authorized by the governing
9 authority must approve or deny an application filed under this
10 chapter within ninety days after receipt of the application.

11 (2) If the application is approved, the city must issue the owner
12 of the property a conditional certificate of acceptance of tax
13 exemption. The certificate must contain a statement by a duly
14 authorized administrative official of the governing authority that
15 the property has complied with the required findings indicated in
16 section 11 of this act.

17 (3) If the application is denied by the authorized administrative
18 official or commission authorized by the governing authority, the
19 deciding administrative official or commission must state in writing
20 the reasons for denial and send the notice to the applicant at the
21 applicant's last known address within ten days of the denial.

22 (4) Upon denial by a duly authorized administrative official or
23 commission, an applicant may appeal the denial to the governing
24 authority within thirty days after receipt of the denial. The appeal
25 before the governing authority must be based upon the record made
26 before the administrative official with the burden of proof on the
27 applicant to show that there was no substantial evidence to support
28 the administrative official's decision. The decision of the governing
29 body in denying or approving the application is final.

30 NEW SECTION. **Sec. 13.** The governing authority may establish an
31 application fee. This fee may not exceed an amount determined to be
32 required to cover the cost to be incurred by the governing authority
33 and the assessor in administering this chapter. The application fee
34 must be paid at the time the application for limited exemption is
35 filed. If the application is approved, the governing authority shall
36 pay the application fee to the county assessor for deposit in the
37 county current expense fund, after first deducting that portion of
38 the fee attributable to its own administrative costs in processing

1 the application. If the application is denied, the governing
2 authority may retain that portion of the application fee attributable
3 to its own administrative costs and refund the balance to the
4 applicant.

5 NEW SECTION. **Sec. 14.** (1) Upon completion of rehabilitation or
6 new construction for which an application for a limited tax exemption
7 under this chapter has been approved and after issuance of the
8 certificate of occupancy, the owner must file with the city the
9 following:

10 (a) A statement of the amount of rehabilitation or construction
11 expenditures made;

12 (b) A statement of the new family living wage jobs to be created
13 for location at the qualifying project;

14 (c) A description of the work that has been completed and a
15 statement that the rehabilitation improvements or new construction on
16 the owner's property qualify the property for limited exemption under
17 this chapter;

18 (d) If applicable, a statement that the project meets the local
19 requirements as described in section 9 of this act; and

20 (e) A statement that the work has been completed within three
21 years of the issuance of the conditional certificate of tax
22 exemption.

23 (2) Within thirty days after receipt of the statements required
24 under subsection (1) of this section, the authorized representative
25 of the city must determine whether the work completed, and the
26 affordability of the units, is consistent with the application and
27 the contract approved by the city and is qualified for a limited tax
28 exemption under this chapter. The city must also determine which
29 specific improvements completed meet the requirements and required
30 findings.

31 (3) If the rehabilitation, conversion, or construction is
32 completed within three years of the date the application for a
33 limited tax exemption is filed under this chapter, or within an
34 authorized extension of this time limit, and the authorized
35 representative of the city determines that improvements were
36 constructed consistent with the application and other applicable
37 requirements, and the owner's property is qualified for a limited tax
38 exemption under this chapter, the city must file the certificate of
39 tax exemption with the county assessor within ten days of the

1 expiration of the thirty-day period provided under subsection (2) of
2 this section.

3 (4) The authorized representative of the city must notify the
4 applicant that a certificate of tax exemption is not going to be
5 filed if the authorized representative determines that:

6 (a) The rehabilitation or new construction was not completed
7 within three years of the application date, or within any authorized
8 extension of the time limit;

9 (b) The improvements were not constructed consistent with the
10 application or other applicable requirements;

11 (c) If applicable, the additional criteria related to a
12 qualifying project under section 4 of this act were not met; or

13 (d) The owner's property is otherwise not qualified for limited
14 exemption under this chapter.

15 (5) If the authorized representative of the city or county finds
16 that construction or rehabilitation of a qualifying project was not
17 completed within the required time period due to circumstances beyond
18 the control of the owner and that the owner has been acting and could
19 reasonably be expected to act in good faith and with due diligence,
20 the governing authority or the city or county official authorized by
21 the governing authority may extend the deadline for completion of
22 construction or rehabilitation for a period not to exceed twenty-four
23 consecutive months.

24 (6) The governing authority may provide by ordinance for an
25 appeal of a decision by the deciding officer or authority that an
26 owner is not entitled to a certificate of tax exemption to the
27 governing authority, a hearing examiner, or other city or county
28 officer authorized by the governing authority to hear the appeal in
29 accordance with such reasonable procedures and time periods as
30 provided by ordinance of the governing authority. The owner may
31 appeal a decision by the deciding officer or authority that is not
32 subject to local appeal or a decision by the local appeal authority
33 that the owner is not entitled to a certificate of tax exemption in
34 superior court under RCW 34.05.510 through 34.05.598, if the appeal
35 is filed within thirty days of notification by the city or county to
36 the owner of the decision being challenged.

37 NEW SECTION. **Sec. 15.** (1) Thirty days after the anniversary of
38 the date of the certificate of tax exemption and each year for the
39 tax exemption period, the owner of the rehabilitated or newly

1 constructed property must file with a designated authorized
2 representative of the city or county an annual report indicating the
3 following:

4 (a) A statement of the family living wage jobs at the qualifying
5 project as of the anniversary date;

6 (b) A certification by the owner that the property has not
7 changed use and, if applicable, that the property has been in
8 compliance with all criteria under sections 4 and 10 of this act
9 since the date of the certificate approved by the city or county;

10 (c) A description of changes or improvements constructed after
11 issuance of the certificate of tax exemption; and

12 (d) Any additional information requested by the city or county in
13 regards to the units receiving a tax exemption.

14 (2) All cities, which issue certificates of tax exemption for
15 multiunit housing that conform to the requirements of this chapter,
16 must publish on the city's web site, or in another format that is
17 easily available to the public, annually by December 31st of each
18 year, beginning in 2018, the following information:

19 (a) The number of tax exemption certificates granted;

20 (b) A description of the new construction and rehabilitation
21 improvements of any qualifying projects;

22 (c) The value of the tax exemption for each project receiving a
23 tax exemption and the total value of tax exemptions granted;

24 (d) The number of family living wage jobs located at the
25 qualifying project; and

26 (e) A comparison of the data required in this section with the
27 data included in the findings developed when the commercial office
28 development targeted area was established.

29 NEW SECTION. **Sec. 16.** (1) If improvements have been exempted
30 under this chapter, the improvements continue to be exempted for the
31 applicable period under this chapter, so long as they are not
32 converted to another use and continue to satisfy all applicable
33 conditions. If the owner intends to convert the qualifying project to
34 another use or, if applicable, if the owner intends to discontinue
35 compliance with criteria established under section 4(1) of this act
36 or any other condition to exemption, the owner must notify the
37 assessor within sixty days of the change in use or intended
38 discontinuance. If, after a certificate of tax exemption has been
39 filed with the county assessor, the authorized representative of the

1 governing authority discovers that the property or a portion of the
2 property no longer qualifies according to the requirements of this
3 chapter as previously approved or agreed upon by contract between the
4 city and the owner and that the qualifying project, or a portion of
5 the qualifying project, no longer qualifies for the exemption, the
6 tax exemption must be canceled and the following must occur:

7 (a) Additional real property tax must be imposed upon the value
8 of the nonqualifying improvements in the amount that would normally
9 be imposed, plus a penalty must be imposed amounting to twenty
10 percent. This additional tax is calculated based upon the difference
11 between the property tax paid and the property tax that would have
12 been paid if it had included the value of the nonqualifying
13 improvements dated back to the date that the improvements were
14 converted to a use that no longer qualifies them for the exemption;

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

20 (c) The additional tax owed together with interest and penalty
21 must become a lien on the land and attach at the time that the
22 property or portion of the property no longer qualifies for the
23 exemption, and has priority to and must be fully paid and satisfied
24 before a recognizance, mortgage, judgment, debt, obligation, or
25 responsibility to or with which the land may become charged or
26 liable. The lien may be foreclosed upon expiration of the same period
27 after delinquency and in the same manner provided by law for
28 foreclosure of liens for delinquent real property taxes. An
29 additional tax unpaid on its due date is delinquent. From the date of
30 delinquency until paid, interest must be charged at the same rate
31 applied by law to delinquent ad valorem property taxes.

32 (2) Upon a determination that a tax exemption is to be canceled
33 for a reason stated in this section, the governing authority or
34 authorized representative must notify the record owner of the
35 property as shown by the tax rolls by mail, return receipt requested,
36 of the determination to cancel the exemption. The owner may appeal
37 the determination to the governing authority or authorized
38 representative, within thirty days by filing a notice of appeal with
39 the clerk of the governing authority, which notice must specify the
40 factual and legal basis on which the determination of cancellation is

1 alleged to be erroneous. The governing authority or a hearing
2 examiner or other official authorized by the governing authority may
3 hear the appeal. At the hearing, all affected parties may be heard
4 and all competent evidence received. After the hearing, the deciding
5 body or officer must either affirm, modify, or repeal the decision of
6 cancellation of exemption based on the evidence received. An
7 aggrieved party may appeal the decision of the deciding body or
8 officer to the superior court under RCW 34.05.510 through 34.05.598.

9 (3) Upon determination by the governing authority or authorized
10 representative to terminate an exemption, the county officials having
11 possession of the assessment and tax rolls must correct the rolls in
12 the manner provided for omitted property under RCW 84.40.080. The
13 county assessor must make such a valuation of the property and
14 improvements as is necessary to permit the correction of the rolls.
15 The value of the new construction and rehabilitation improvements
16 added to the rolls is considered as new construction for the purposes
17 of chapter 84.55 RCW. The owner may appeal the valuation to the
18 county board of equalization under chapter 84.48 RCW and according to
19 the provisions of RCW 84.40.038. If there has been a failure to
20 comply with this chapter, the property must be listed as an omitted
21 assessment for assessment years beginning January 1st of the calendar
22 year in which the noncompliance first occurred, but the listing as an
23 omitted assessment may not be for a period more than three calendar
24 years preceding the year in which the failure to comply was
25 discovered.

26 NEW SECTION. **Sec. 17.** (1) If a property exempted under section
27 8 of this act changes ownership, the property will continue to
28 qualify for the exemption provided that the new owner complies with
29 all application procedures, terms, conditions, and reporting
30 requirements under this chapter, and meets all criteria established
31 by a city under section 4 of this act.

32 (2) The exemption is limited to ten successive years, beginning
33 the January 1st immediately following the calendar year in which a
34 certificate of tax exemption is filed by the original owner with the
35 county assessor in accordance with section 12 of this act.

36 NEW SECTION. **Sec. 18.** The definitions in section 5 of this act
37 apply to this chapter.

1 NEW SECTION. **Sec. 19.** Sections 2 through 5 of this act
2 constitute a new chapter in Title 35 RCW.

3 NEW SECTION. **Sec. 20.** Sections 8 through 18 of this act
4 constitute a new chapter in Title 84 RCW.

5 NEW SECTION. **Sec. 21.** Sections 6 and 7 of this act apply to
6 sales and use taxes made on or after October 1, 2018.

7 NEW SECTION. **Sec. 22.** Sections 8 through 17 of this act apply
8 to taxes levied for collection in 2019 and thereafter.

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