
SENATE BILL 6361

State of Washington

65th Legislature

2018 Regular Session

By Senators Billig, Baumgartner, Conway, Short, and Darneille

Read first time 01/12/18. Referred to Committee on Economic Development & International Trade.

1 AN ACT Relating to authorizing certain cities to establish a
2 limited exemption from local property taxes to encourage
3 redevelopment of vacant lands in urban areas; and adding a new
4 chapter to Title 84 RCW.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that:

7 (1) Many cities in Washington are actively planning for growth
8 under the growth management act, chapter 36.70A RCW;

9 (2) The construction industry provides living wage jobs for
10 families across Washington;

11 (3) In the current economic climate, the creation of additional
12 family living wage jobs is essential to the economic health of our
13 cities and our state;

14 (4) It is critical that Washington state promote its cities and
15 its industries that will provide family living wage job growth;

16 (5) A meaningful, fair, and predictable economic incentive should
17 be created to stimulate the redevelopment of vacant or underdeveloped
18 property in targeted urban areas through a limited tax exemption as
19 provided by this chapter; and

1 (6) This limited tax exemption should help the owners of vacant
2 or undeveloped property achieve the highest and best use of land and
3 enable cities to more fully realize their planning goals.

4 NEW SECTION. **Sec. 2.** It is the purpose of this chapter to
5 encourage the redevelopment of vacant or undeveloped land in targeted
6 urban areas, thereby increasing employment opportunities for family
7 living wage jobs and helping accomplish the planning goals of
8 Washington cities. The legislative authorities of cities to which
9 this chapter applies may authorize an ad valorem tax exemption for
10 the value of new construction within the city if the legislative
11 authority of the city finds that there are both significant areas of
12 vacant or undeveloped land and insufficient family living wage jobs
13 for its wage earning population in areas proximate to the vacant or
14 undeveloped land.

15 NEW SECTION. **Sec. 3.** The definitions in this section apply
16 throughout this chapter unless the context clearly requires
17 otherwise.

18 (1) "City" means a first-class city with a population of at least
19 one hundred fifty thousand and not more than two hundred fifty
20 thousand.

21 (2) "Family living wage job" means a job with an average wage of
22 fifteen dollars an hour or more, working two thousand eighty hours
23 per year on the subject site, as adjusted annually for inflation by
24 the consumer price index. The family living wage may be increased by
25 the local authority based on regional factors and wage conditions.

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

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

30 (5) "Owner" means the property owner of record.

31 (6) "Vacant or undeveloped" means that there are no existing
32 habitable building improvements on the property which is targeted for
33 new or expanded industrial, residential, commercial, or manufacturing
34 uses.

35 NEW SECTION. **Sec. 4.** (1)(a) The value of new construction
36 qualifying under this chapter is exempt from property taxation,
37 except taxes levied by the state and school districts, for a period

1 of ten successive years beginning January 1st of the year immediately
2 following the calendar year of issuance of the certificate.

3 (b) The exemption provided in this section does not apply to the
4 value of the land.

5 (2) The exemption provided in this section is in addition to any
6 other exemptions, deferrals, credits, grants, or other tax incentives
7 provided by law; provided, that the exemption provided in this
8 section is not available for properties exempt under the multiple
9 family tax exemption pursuant to chapter 84.14 RCW.

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

17 (4) Upon the expiration of the exemption period, or upon
18 termination of the exemption, the cost of new construction and
19 improvements to the property not previously considered as new
20 construction during the exemption period, must be considered as new
21 construction for purposes of calculating levies under chapter 84.55
22 RCW.

23 NEW SECTION. **Sec. 5.** (1) For the purpose of creating a property
24 tax exemption program under this chapter, the governing authority
25 must adopt a resolution of intention to create a property tax
26 exemption program as generally described in the resolution. The
27 resolution must state the time and place of a hearing to be held by
28 the governing authority to consider the creation of the property tax
29 exemption program and may include such other information pertaining
30 to the creation of the exemption program as the governing authority
31 determines to be appropriate to apprise the public of the action
32 intended. However, the resolution must provide information pertaining
33 to:

- 34 (a) The application process;
35 (b) The approval process;
36 (c) The appeals process for applications denied approval; and
37 (d) Requirements, conditions, and obligations that must be
38 followed post-approval of an application.

1 (2) The governing authority must give notice of a hearing held
2 under this chapter by publication of the notice once each week for
3 two consecutive weeks, not less than seven days, nor more than thirty
4 days before the date of the hearing in a paper having a general
5 circulation in the city. The notice must state the time, date, place,
6 and purpose of the hearing.

7 (3) Following the hearing or a continuance of the hearing, the
8 governing authority may authorize the creation of the program.

9 NEW SECTION. **Sec. 6.** An owner of property seeking an exemption
10 under this chapter must complete the following procedures:

11 (1) The owner must apply to the city on forms adopted by the
12 governing authority. The application must contain the following:

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

16 (b) A description of the project and site plan, and other
17 information requested;

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

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 (e) A statement that the applicant is aware that the new
24 construction must be completed within three years from the date of
25 approval of the application; and

26 (f) A statement that the applicant would not have built in this
27 location but for the availability of the tax exemption under this
28 chapter;

29 (2) The applicant must verify the application by oath or
30 affirmation; and

31 (3) The application must be accompanied by the application fee,
32 if any, required under this chapter. The duly authorized
33 administrative official or committee of the city may permit the
34 applicant to revise an application before final action by the duly
35 authorized administrative official or committee of the city.

36 NEW SECTION. **Sec. 7.** The duly authorized administrative
37 official or committee of the city may approve the application if it
38 finds that:

1 (1) A minimum of ten new family living wage jobs will be created
2 on the subject site as a result of new construction within one year
3 of building occupancy;

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

7 (3) The new construction will occur on land which is vacant or
8 undeveloped;

9 (4) The area where the new construction will occur is located
10 within an area primarily zoned for mixed use, commercial, or
11 industrial uses;

12 (5) The terms and conditions of the implementation of the
13 development meets the requirements of this chapter and any
14 requirements of the city that are not otherwise inconsistent with
15 this chapter; and

16 (6) All other requirements of this chapter have been satisfied as
17 well as any other requirements of the city that are not otherwise
18 inconsistent with this chapter.

19 NEW SECTION. **Sec. 8.** (1) The duly authorized administrative
20 official or committee of the city must approve or deny an application
21 filed under this chapter within ninety days after receipt of the
22 application.

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

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

32 (4) Upon denial by the city, an applicant may appeal the denial
33 to the city's governing authority or a city official designated by
34 the city to hear such appeals within thirty days after receipt of the
35 denial. The appeal before the city's governing authority or
36 designated city official must be based upon the record made before
37 the city with the burden of proof on the applicant to show that there
38 was no substantial evidence to support the city's decision. The
39 decision of the city on the appeal is final.

1 NEW SECTION. **Sec. 9.** The governing authority may establish an
2 application fee. This fee may not exceed an amount determined to be
3 required to cover the cost to be incurred by the governing authority
4 and the assessor in administering this chapter. The application fee
5 must be paid at the time the application for limited exemption is
6 filed. If the application is approved, the governing authority of the
7 city must pay the application fee to the county assessor for deposit
8 in the county current expense fund, after first deducting that
9 portion of the fee attributable to its own administrative costs in
10 processing the application. If the application is denied, the city's
11 governing authority may retain that portion of the application fee
12 attributable to its own administrative costs and refund the balance
13 to the applicant.

14 NEW SECTION. **Sec. 10.** (1) Upon completion of the new
15 construction for which an application for an exemption under this
16 chapter has been approved and issued a certificate of occupancy, the
17 owner must file with the city the following:

18 (a) A description of the work that has been completed and a
19 statement that the new construction on the owner's property qualifies
20 the property for an exemption under this chapter;

21 (b) A statement of the new family living wage jobs to be offered
22 as a result of the new construction; and

23 (c) A statement that the work has been completed within three
24 years of the issuance of the conditional certificate of tax
25 exemption.

26 (2) Within thirty days after receipt of the statements required
27 under subsection (1) of this section, the city must determine whether
28 the work completed and the jobs to be offered are consistent with the
29 application and the contract approved by the city and whether the
30 application is qualified for a tax exemption under this chapter.

31 (3) If the criteria of this chapter have been satisfied and the
32 owner's property is qualified for a tax exemption under this chapter,
33 the city must file the certificate of tax exemption with the county
34 assessor within ten days of the expiration of the thirty-day period
35 provided under subsection (2) of this section.

36 (4) The city must notify the applicant that a certificate of tax
37 exemption is denied if the city determines that:

38 (a) The work was not completed within three years of the
39 application date;

1 (b) The work was not constructed consistent with the application
2 or other applicable requirements;

3 (c) The jobs to be offered are not consistent with the
4 application and criteria of this chapter; or

5 (d) The owner's property is otherwise not qualified for an
6 exemption under this chapter.

7 (5) If the city finds that the work was not completed within the
8 required time period due to circumstances beyond the control of the
9 owner and that the owner has been acting and could reasonably be
10 expected to act in good faith and with due diligence, the governing
11 authority may extend the deadline for completion of the work for a
12 period not to exceed twenty-four consecutive months.

13 (6) The city's governing authority may enact an ordinance to
14 provide a process for an owner to appeal a decision by the city that
15 the owner is not entitled to a certificate of tax exemption to the
16 city. The owner may appeal a decision by the city to deny a
17 certificate of tax exemption in superior court under RCW 34.05.510
18 through 34.05.598, if the appeal is filed within thirty days of
19 notification by the city to the owner of the exemption denial.

20 NEW SECTION. **Sec. 11.** (1) Thirty days after the anniversary of
21 the date of the certificate of tax exemption and each year for the
22 tax exemption period, the owner of the new construction must file
23 with a designated authorized representative of the city an annual
24 report indicating the following:

25 (a) A statement of the family living wage jobs at the facility as
26 of the anniversary date;

27 (b) A certification by the owner that the property has not
28 changed use;

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

31 (d) Any additional information requested by the city.

32 (2) A city that issues a certificate of tax exemption under this
33 chapter must report annually by December 31st of each year, beginning
34 in 2019, to the department of commerce. The report must include the
35 following information:

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

37 (b) The total number and type of new buildings constructed;

38 (c) The number of family living wage jobs resulting from the new
39 construction; and

1 (d) The value of the tax exemption for each project receiving a
2 tax exemption and the total value of tax exemptions granted.

3 NEW SECTION. **Sec. 12.** (1) If the value of improvements have
4 been exempted under this chapter, the improvements continue to be
5 exempted for the applicable period under this chapter so long as they
6 are not converted to another use and continue to satisfy all
7 applicable conditions including, but not limited to, zoning, land
8 use, building, and family living wage job creation.

9 (2) If an owner voluntarily opts to discontinue compliance with
10 the requirements of this chapter, the owner must notify the assessor
11 within sixty days of the change in use or intended discontinuance.

12 (3) If, after a certificate of tax exemption has been filed with
13 the county assessor, the city discovers that a portion of the
14 property is changed or will be changed to disqualify the owner for
15 exemption eligibility under this chapter, the tax exemption must be
16 terminated and the following occurs:

17 (a) Additional real property tax must be imposed on the value of
18 the nonqualifying improvements in the amount that would be imposed if
19 an exemption had not been available under this chapter, plus a
20 penalty equal to twenty percent of the additional tax due. This
21 additional tax is calculated based upon the difference between the
22 property tax paid and the property tax that would have been paid if
23 it had included the value of the nonqualifying improvements dated
24 back to the date that the improvements were converted to a
25 nonqualifying use;

26 (b) The tax must include interest upon the amounts of the
27 additional tax at the same statutory rate charged on delinquent
28 property taxes from the dates on which the additional tax could have
29 been paid without penalty if the improvements had been assessed at a
30 value without regard to this chapter;

31 (c) The additional tax, interest, and penalty are due in full
32 thirty days following the date on which the treasurer's statement of
33 additional tax due is issued. The additional tax must be distributed
34 by the county treasurer in the same manner in which current property
35 taxes applicable to the subject property are distributed; and

36 (d) The additional tax owed together with interest and penalty
37 becomes a lien on the property and attaches at the time the property
38 or portion of the property is removed from the qualifying use under
39 this chapter or the amenities no longer meet the applicable

1 requirements for exemption under this chapter. A lien under this
2 section has priority to, and must be fully paid and satisfied before,
3 a recognizance, mortgage, judgment, debt, obligation, or
4 responsibility to or with which the property may become charged or
5 liable. The lien may be foreclosed upon expiration of the same period
6 after delinquency and in the same manner provided by law for
7 foreclosure of liens for delinquent real property taxes. An
8 additional tax unpaid on its due date is delinquent. From the date of
9 delinquency until paid, interest must be charged at the same rate
10 applied by law to delinquent property taxes.

11 (4) Upon a determination that a tax exemption is to be terminated
12 for a reason stated in this section, the city's governing authority
13 must notify the county assessor and record owner of the property as
14 shown by the tax rolls by mail, return receipt requested, of the
15 determination to terminate the exemption. The owner may appeal the
16 determination to the city, within thirty days by filing a notice of
17 appeal with the city, which notice must specify the factual and legal
18 basis on which the determination of termination is alleged to be
19 erroneous. At an appeal hearing, all affected parties may be heard
20 and all competent evidence received. After the hearing, the deciding
21 body or officer must either affirm, modify, or repeal the decision of
22 termination of exemption based on the evidence received. An aggrieved
23 party may appeal the decision of the deciding body or officer to the
24 superior court as provided in RCW 34.05.510 through 34.05.598.

25 (5) Upon determination by the city to terminate an exemption, the
26 county officials having possession of the assessment and tax rolls
27 must correct the rolls in the manner provided for omitted property
28 under RCW 84.40.080. The county assessor must make such a valuation
29 of the property and improvements as is necessary to permit the
30 correction of the rolls. The cost of the new construction and
31 improvements to the property, not previously considered as new
32 construction during the exempt period, must be considered as new
33 construction for purposes of calculating levies under chapter 84.55
34 RCW. The owner may appeal the valuation to the county board of
35 equalization as provided in chapter 84.48 RCW, and according to the
36 provisions of RCW 84.40.038. If there has been a failure to comply
37 with this chapter, the property must be listed as an omitted
38 assessment for assessment years beginning January 1st of the calendar
39 year in which the noncompliance first occurred, but the listing as an
40 omitted assessment may not be for a period more than three calendar

1 years preceding the year in which the failure to comply was
2 discovered.

3 NEW SECTION. **Sec. 13.** This act applies to taxes levied for
4 collection in 2019 and thereafter.

5 NEW SECTION. **Sec. 14.** Sections 1 through 13 of this act
6 constitute a new chapter in Title 84 RCW.

7 NEW SECTION. **Sec. 15.** If any provision of this act or its
8 application to any person or circumstance is held invalid, the
9 remainder of the act or the application of the provision to other
10 persons or circumstances is not affected.

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