

SSB 5051 - S AMD 7
By Senator O'Ban

ADOPTED 03/12/2019

1 Strike everything after the enacting clause and insert the
2 following:

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

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

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

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

26 (1) Obtain written agreement for the use of the local sales tax
27 exemption from any taxing authority that imposes a sales or use tax
28 under chapters 82.14 or 81.104 RCW. The agreement must be authorized
29 by the governing body of such participating taxing authorities;

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

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

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

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

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

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

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

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

21 (4) Adopt an ordinance announcing the use of the sales and use
22 tax exemptions under sections 6 and 7 of this act. The ordinance
23 must:

24 (a) Describe the qualifying project, including a physical
25 description of proposed building or buildings, a list of features and
26 amenities, cost of construction, length that the qualifying project
27 will be under construction, and final use such as residential,
28 commercial, or mixed use;

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

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

33 (d) Certify the criteria under this section by which a qualifying
34 project can later receive certification under sections 6(3) and 7(3)
35 of this act confirming that a taxpayer is eligible for the
36 remittance.

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

1 (a) Establish the criteria under which property can qualify for
2 the exemption under section 9 of this act. Criteria:

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

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

8 (C) A location in a designated commercial office development
9 targeted area; and

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

14 (b) Designate an area as a commercial office development targeted
15 area. The following criteria must be met before an area may be
16 designated as a commercial office development targeted area:

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

19 (ii) The area must lack, as determined by the governing
20 authority, sufficient available, desirable, high-quality, and
21 convenient commercial office space to provide jobs in the urban
22 center, if the desirable, attractive, and convenient commercial
23 office space was available;

24 (iii) The providing of additional commercial office space
25 development opportunities in the area, as determined by the governing
26 authority, will assist in achieving one or more of the stated
27 purposes of this chapter; and

28 (iv) The use of the incentive in this chapter is not expected to
29 be used for the purpose of relocating a business from outside of the
30 commercial office development targeted area, but within the state, to
31 within the commercial office development targeted area. The incentive
32 may be used for the expansion of a business, including the
33 development of additional offices or satellite facilities.

34 (2) For the purpose of designating a commercial office
35 development targeted area or areas, the governing authority must
36 adopt a resolution of intention to so designate an area as generally
37 described in the resolution. The resolution must state the time and
38 place of a hearing to be held by the governing authority to consider
39 the designation of the area and must include, at a minimum, findings
40 as to the number of commercial office buildings that will be newly

1 constructed or rehabilitated within the proposed commercial office
2 development targeted areas, estimated construction costs of the new
3 construction or rehabilitation, estimated local taxes generated, and
4 jobs produced within the targeted area in a period of ten years from
5 the date of the hearing, and may include such other information
6 pertaining to the designation of the area as the governing authority
7 determines to be appropriate to apprise the public of the action
8 intended.

9 (3) The governing authority must give notice of a hearing held
10 under this chapter by publication of the notice once each week for
11 two consecutive weeks, not less than seven days, nor more than thirty
12 days before the date of the hearing in a paper having a general
13 circulation in the city or county where the proposed commercial
14 office development targeted area is located. The notice must state
15 the time, date, place, and purpose of the hearing and generally
16 identify the area proposed to be designated as a commercial office
17 development targeted area.

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

23 (5) After designation of a commercial office development targeted
24 area, the governing authority must adopt and implement standards and
25 guidelines to be utilized in considering applications and making the
26 determinations required under section 12 of this act. The standards
27 and guidelines must establish basic requirements for both new
28 construction and rehabilitation, which must include:

29 (a) Application process and procedures;

30 (b) Requirements that address demolition of existing structures
31 and site utilization;

32 (c) Building requirements that may include elements addressing
33 parking, height, density, environmental impact, and compatibility
34 with the existing surrounding property and such other amenities as
35 will attract and keep commercial tenants and that will properly
36 enhance the commercial office development targeted area in which they
37 are to be located; and

38 (d) Guidelines regarding individual units that are part of a
39 qualifying project that may meet the requirements of the exemption in

1 chapter 84.-- RCW (the new chapter created in section 21 of this
2 act).

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

6 (1) "City" means a city located in a county with a population of
7 less than one million five hundred thousand.

8 (2) "Class A" means among the most competitive and highest
9 quality building or buildings in the local market, as determined by a
10 city's governing authority. High quality must be reflected in the
11 finishes, construction, and infrastructure of the project building.
12 The building or buildings must be at least fifty thousand square
13 feet, and at least three stories. The building must be centrally
14 located in a city, provide close access to public transportation and
15 freeways, be managed professionally, and offer amenities and advanced
16 technology options to tenants.

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

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

23 (5) "Family living wage job" means a job with a wage that is
24 sufficient for raising a family. A family living wage job must have
25 an average wage of eighteen dollars an hour or more, working two
26 thousand eighty hours per year, as adjusted annually by the consumer
27 price index. The family living wage may be increased by the local
28 authority based on regional factors and wage conditions.

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

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

38 (8) "Qualifying project" means new construction or rehabilitation
39 of a building or group of buildings intended for use as class A

1 office space. Projects may include mixed use buildings, not solely
2 intended to be used as office space, but does not include any portion
3 of a project intended for residential use.

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

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

12 (11) "Relocating a business" means the closing of a business and
13 the reopening of that business, or the opening of a new business that
14 engages in the same activities as the previous business, in a
15 different location within a one-year period, when an individual or
16 entity has an ownership interest in the business at the time of
17 closure and at the time of opening or reopening. "Relocating a
18 business" does not include the closing and reopening of a business in
19 a new location where the business has been acquired and is under
20 entirely new ownership at the new location, or the closing and
21 reopening of a business in a new location as a result of the exercise
22 of the power of eminent domain.

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

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

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

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

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

36 (1) Subject to the requirements of this section and section 3 of
37 this act, a taxpayer is eligible for an exemption from the sales and
38 use taxes imposed under the authority of this chapter on:

1 (a) The sale of or charge made for labor and services rendered in
2 respect to construction or rehabilitation of a qualifying project
3 located in a city; and

4 (b) The sale or use of tangible personal property that will be
5 incorporated as an ingredient or component of a qualifying project
6 located in a city during the course of the constructing or
7 rehabilitating.

8 (2)(a) The exemption in this section is in the form of a
9 remittance. A taxpayer claiming an exemption under this section must
10 pay all applicable state and local sales and use taxes on all
11 activities qualifying for the exemption.

12 (b) The amount of the exemption is one hundred percent of the
13 local sales and use taxes paid under the authority of this chapter
14 for activities qualifying under subsection (1) of this section, if
15 the taxing authorities imposing taxes authorized under this chapter
16 have authorized the use of the exemption to the governing authority
17 of a city as provided under section 3(1) of this act.

18 (3)(a) After the qualifying project has been operationally
19 complete for four years, but not later than five years after all
20 state and local sales and use tax for activities qualifying under
21 subsection (1) of this section has been paid, a taxpayer may apply to
22 the department for a remittance of local sales and use taxes.

23 (b) A taxpayer requesting a remittance under this section must
24 obtain certification from the governing authority of a city verifying
25 that the qualifying project has satisfied the criteria in section 3
26 of this act.

27 (c) The taxpayer must specify the amount of exempted tax claimed
28 and the qualifying activities for which the exemption is claimed. The
29 taxpayer must retain, in adequate detail, records to enable the
30 department to determine whether the taxpayer is entitled to an
31 exemption under this section, including invoices, proof of tax paid,
32 and construction contracts.

33 (d) The department must determine eligibility under this section
34 based on information provided by the taxpayer, which is subject to
35 audit verification by the department.

36 (4) The definitions in section 5 of this act apply to this
37 section.

38 NEW SECTION. **Sec. 7.** A new section is added to chapter 81.104
39 RCW to read as follows:

1 (1) Subject to the requirements of this section and section 3 of
2 this act, a taxpayer is eligible for an exemption from the tax
3 imposed under the authority of RCW 81.104.170.

4 (2)(a) The exemption in this section is in the form of a
5 remittance. A taxpayer claiming an exemption under this section must
6 pay all applicable state and local sales taxes imposed or authorized
7 under RCW 82.08.020, 82.12.020, section 6 of this act, and this
8 chapter on all activities qualifying for the exemption as described
9 in section 6(1) of this act.

10 (b) The amount of the exemption is one hundred percent of the
11 local sales and use taxes paid under this chapter for activities
12 qualifying under (a) of this subsection, if the taxing authorities
13 imposing sales and use taxes authorized under this chapter have
14 authorized the use of the exemption to the governing authority of a
15 city as provided under section 3(1) of this act.

16 (3)(a) After the qualifying project has been operationally
17 complete for four years, but not later than five years after all
18 local sales and use tax for activities qualifying under subsection
19 (2)(a) of this section has been paid, a taxpayer may apply to the
20 department for a remittance of local sales and use taxes.

21 (b) A taxpayer requesting a remittance under this section must
22 obtain certification from the governing authority of a city verifying
23 that the qualifying project has satisfied the criteria in section 3
24 of this act.

25 (c) The taxpayer must specify the amount of exempted tax claimed
26 and the qualifying activities for which the exemption is claimed. The
27 taxpayer must retain, in adequate detail, records to enable the
28 department to determine whether the taxpayer is entitled to an
29 exemption under this section, including invoices, proof of tax paid,
30 and construction contracts.

31 (d) The department must determine eligibility under this section
32 based on information provided by the taxpayer, which is subject to
33 audit verification by the department.

34 (4) The definitions in section 5 of this act apply to this
35 section.

36 **Sec. 8.** RCW 81.104.170 and 2015 3rd sp.s. c 44 s 320 are each
37 amended to read as follows:

38 (1) Cities that operate transit systems, county transportation
39 authorities, metropolitan municipal corporations, public

1 transportation benefit areas, high capacity transportation corridor
2 areas, and regional transit authorities may submit an authorizing
3 proposition to the voters and if approved by a majority of persons
4 voting, fix and impose a sales and use tax in accordance with the
5 terms of this chapter, solely for the purpose of providing high
6 capacity transportation service.

7 (2) The tax authorized pursuant to this section is in addition to
8 the tax authorized by RCW 82.14.030 and must be collected from those
9 persons who are taxable by the state pursuant to chapters 82.08 and
10 82.12 RCW upon the occurrence of any taxable event within the taxing
11 district.

12 (a) Except for the tax imposed under (b) of this subsection by
13 regional transit authorities that include a county with a population
14 of more than one million five hundred thousand, the maximum rate of
15 such tax must be approved by the voters and may not exceed one
16 percent of the selling price (in the case of a sales tax) or value of
17 the article used (in the case of a use tax). The maximum rate of such
18 tax that may be imposed may not exceed nine-tenths of one percent in
19 any county that imposes a tax under RCW 82.14.340, or within a
20 regional transit authority if any county within the authority imposes
21 a tax under RCW 82.14.340.

22 (b) The maximum rate of such tax that may be imposed by a
23 regional transit authority that includes a county with a population
24 of more than one million five hundred thousand must be approved by
25 the voters and may not exceed 1.4 percent. If a regional transit
26 authority imposes the tax authorized under this subsection (2)(b) in
27 excess of 0.9 percent, the authority may not receive any state grant
28 funds provided in an omnibus transportation appropriations act except
29 transit coordination grants created in chapter 11, Laws of 2015 3rd
30 sp. sess.

31 (3)(a) The exemptions in RCW 82.08.820 and 82.12.820 are for the
32 state portion of the sales and use tax and do not extend to the tax
33 authorized in this section.

34 (b) The exemptions in RCW 82.08.962 and 82.12.962 are for the
35 state and local sales and use taxes and include the tax authorized by
36 this section.

37 (c) The exemptions in section 7 of this act are for the local
38 sales and use taxes and include the tax authorized by this section.

1 NEW SECTION.

2 **Sec. 9.**

3 (1) In a city that has met the
4 requirements of section 4 of this act, the value of new construction
5 and rehabilitation improvements of real property qualifying under
6 this chapter is exempt from the city share of ad valorem property
7 taxation for a period of ten successive years beginning January 1st
8 of the calendar year immediately following the calendar year in which
9 a certificate of tax exemption is filed with the county assessor in
10 accordance with section 13 of this act.

11 (2) Upon approval by a county legislative authority, the value of
12 new construction and rehabilitation improvements of real property
13 qualifying under this chapter is exempt from all property taxes
14 levied by a county legislative authority for a period of ten
15 successive years beginning January 1st of the calendar year
16 immediately following the calendar year in which a certificate of tax
17 exemption is filed with the county assessor in accordance with
18 section 13 of this act.

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

22 (4) When a local government adopts guidelines pursuant to section
23 4 of this act and includes conditions that must be satisfied with
24 respect to individual commercial units, rather than with respect to
25 the qualifying project as a whole or some minimum portion thereof,
26 the exemption may, at the local government's discretion, be limited
27 to the value of the improvements allocable to those individual
28 commercial units that meet the local guidelines.

29 (5) In the case of rehabilitation of existing buildings, the
30 exemption does not include the value of improvements constructed
31 prior to the submission of the application required under this
32 chapter.

33 (6) This chapter does not apply to increases in assessed
34 valuation made by the assessor on nonqualifying portions of building
35 and value of land nor to increases made by lawful order of a county
36 board of equalization, the department of revenue, or a county to a
37 class of property throughout the county or specific area of the
38 county to achieve the uniformity of assessment or appraisal required
39 by law.

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

1 (8) The incentive provided by this chapter is in addition to any
2 other incentives, tax credits, grants, or other incentives provided
3 by law.

4 NEW SECTION. **Sec. 10.** An owner of property making application
5 under this chapter must meet the following requirements:

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

8 (2) The qualifying project must meet criteria as adopted by the
9 governing authority under section 4 of this act that may include
10 height, density, public benefit features, quality of amenities,
11 number and size of proposed development, parking, and other adopted
12 requirements indicated necessary by the city or county. The required
13 amenities should be relative to the size of the project and tax
14 benefit to be obtained;

15 (3) A qualifying project must be completed within three years
16 from the date of approval of the application;

17 (4) The applicant must enter into a contract with the city
18 approved by the governing authority, or an administrative official or
19 commission authorized by the governing authority, under which the
20 applicant has agreed to the implementation of the development on
21 terms and conditions satisfactory to the governing authority.

22 NEW SECTION. **Sec. 11.** An owner of property seeking tax
23 incentives under this chapter must complete the following procedures:

24 (1) In the case of rehabilitation or where demolition or new
25 construction is required, the owner must secure from the governing
26 authority or duly authorized representative, before commencement of
27 rehabilitation improvements or new construction, verification of
28 property noncompliance with applicable building codes;

29 (2) The owner must apply to the city on forms adopted by the
30 governing authority. The application must contain the following:

31 (a) Information setting forth the grounds supporting the
32 requested exemption including information indicated on the
33 application form or in the guidelines;

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

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

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

4 (3) The applicant must verify the application by oath or
5 affirmation; and

6 (4) The application may be accompanied by the application fee, if
7 any, required under section 14 of this act. The governing authority
8 may permit the applicant to revise an application before final action
9 by the governing authority.

10 NEW SECTION. **Sec. 12.** The duly authorized administrative
11 official or committee of the city may approve the application if it
12 finds that:

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

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

20 (3) The owner has complied with all standards and guidelines
21 adopted by the city under section 4 of this act; and

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

26 NEW SECTION. **Sec. 13.** (1) The governing authority or an
27 administrative official or commission authorized by the governing
28 authority must approve or deny an application filed under this
29 chapter within ninety days after receipt of the application.

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

36 (3) If the application is denied by the authorized administrative
37 official or commission authorized by the governing authority, the
38 deciding administrative official or commission must state in writing

1 the reasons for denial and send the notice to the applicant at the
2 applicant's last known address within ten days of the denial.

3 (4) Upon denial by a duly authorized administrative official or
4 commission, an applicant may appeal the denial to the governing
5 authority within thirty days after issuance of the denial. The appeal
6 before the governing authority must be based upon the record made
7 before the administrative official with the burden of proof on the
8 applicant to show that there was no substantial evidence to support
9 the administrative official's decision. The decision of the governing
10 body in denying or approving the application is final.

11 NEW SECTION. **Sec. 14.** The governing authority may establish an
12 application fee. This fee may not exceed an amount determined to be
13 required to cover the cost to be incurred by the governing authority
14 and the assessor in administering this chapter. The application fee
15 must be paid at the time the application for limited exemption is
16 filed. If the application is approved, the governing authority shall
17 pay the application fee to the county assessor for deposit in the
18 county current expense fund, after first deducting that portion of
19 the fee attributable to its own administrative costs in processing
20 the application. If the application is denied, the governing
21 authority may retain that portion of the application fee attributable
22 to its own administrative costs and refund the balance to the
23 applicant.

24 NEW SECTION. **Sec. 15.** (1) Upon completion of rehabilitation or
25 new construction for which an application for a limited tax exemption
26 under this chapter has been approved and after issuance of the
27 certificate of occupancy, the owner must file with the city the
28 following:

29 (a) A statement of the amount of rehabilitation or construction
30 expenditures made;

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

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

37 (d) If applicable, a statement that the project meets the local
38 requirements as described in section 10 of this act; and

1 (e) A statement that the work has been completed within three
2 years of the issuance of the conditional certificate of tax
3 exemption.

4 (2) Within thirty days after receipt of the statements required
5 under subsection (1) of this section, the authorized representative
6 of the city must determine whether the work completed, and the
7 affordability of the units, is consistent with the application and
8 the contract approved by the city and is qualified for a limited tax
9 exemption under this chapter. The city must also determine which
10 specific improvements completed meet the requirements and required
11 findings.

12 (3) If the rehabilitation or construction is completed within
13 three years of the date the application for a limited tax exemption
14 is filed under this chapter, or within an authorized extension of
15 this time limit, and the authorized representative of the city
16 determines that improvements were constructed consistent with the
17 application and other applicable requirements, and the owner's
18 property is qualified for a limited tax exemption under this chapter,
19 the city must file the certificate of tax exemption with the county
20 assessor within ten days of the expiration of the thirty-day period
21 provided under subsection (2) of this section.

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

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

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

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

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

34 (5) If the authorized representative finds that construction or
35 rehabilitation of a qualifying project was not completed within the
36 required time period due to circumstances beyond the control of the
37 owner and that the owner has been acting and could reasonably be
38 expected to act in good faith and with due diligence, the governing
39 authority or the city official authorized by the governing authority
40 may extend the deadline for completion of construction or

1 rehabilitation for a period not to exceed twenty-four consecutive
2 months.

3 (6) The governing authority may provide by ordinance for an
4 appeal of a decision by the deciding officer or authority that an
5 owner is not entitled to a certificate of tax exemption to the
6 governing authority, a hearing examiner, or other city officer
7 authorized by the governing authority to hear the appeal in
8 accordance with such reasonable procedures and time periods as
9 provided by ordinance of the governing authority. The owner may
10 appeal a decision by the deciding officer or authority that is not
11 subject to local appeal or a decision by the local appeal authority
12 that the owner is not entitled to a certificate of tax exemption in
13 superior court under RCW 34.05.510 through 34.05.598, if the appeal
14 is filed within thirty days of notification by the governing
15 authority to the owner of the decision being challenged.

16 NEW SECTION. **Sec. 16.** (1) Thirty days after the anniversary of
17 the date of the certificate of tax exemption and each year for the
18 tax exemption period, the owner of the rehabilitated or newly
19 constructed property must file with a designated authorized
20 representative of the city or the governing authority an annual
21 report indicating the following:

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

24 (b) A certification by the owner that the property has not
25 changed use and, if applicable, that the property has been in
26 compliance with all criteria under sections 4 and 11 of this act
27 since the date of the certificate approved by the governing
28 authority;

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 governing
32 authority in regards to the units receiving a tax exemption.

33 (2) All cities, which issue certificates of tax exemption for
34 class A commercial office space that conform to the requirements of
35 this chapter, must publish on the city's web site, or in another
36 format that is easily available to the public, annually by December
37 31st of each year, beginning in 2019, the following information:

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

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

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

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

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

10 NEW SECTION. **Sec. 17.** (1) If improvements have been exempted
11 under this chapter, the improvements continue to be exempted for the
12 applicable period under this chapter, so long as they are not
13 converted to another use and continue to satisfy all applicable
14 conditions. If the owner intends to convert the qualifying project to
15 another use or, if applicable, if the owner intends to discontinue
16 compliance with criteria established under section 4(1) of this act
17 or any other condition to exemption, the owner must notify the
18 assessor within sixty days of the change in use or intended
19 discontinuance. If, after a certificate of tax exemption has been
20 filed with the county assessor, the authorized representative of the
21 governing authority discovers that the property or a portion of the
22 property no longer qualifies according to the requirements of this
23 chapter as previously approved or agreed upon by contract between the
24 city and the owner and that the qualifying project, or a portion of
25 the qualifying project, no longer qualifies for the exemption, the
26 tax exemption must be canceled and the following must occur:

27 (a) Additional real property tax must be imposed upon the value
28 of the nonqualifying improvements in the amount that would normally
29 be imposed, plus a penalty must be imposed amounting to twenty
30 percent. This additional tax is calculated based upon the difference
31 between the property tax paid and the property tax that would have
32 been paid if it had included the value of the nonqualifying
33 improvements dated back to the date that the improvements were
34 converted to a use that no longer qualifies them for the exemption;

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

1 (c) The additional tax owed together with interest and penalty
2 must become a lien on the land and attach at the time that the
3 property or portion of the property no longer qualifies for the
4 exemption, and has priority to and must be fully paid and satisfied
5 before a recognizance, mortgage, judgment, debt, obligation, or
6 responsibility to or with which the land may become charged or
7 liable. The lien may be foreclosed upon expiration of the same period
8 after delinquency and in the same manner provided by law for
9 foreclosure of liens for delinquent real property taxes. An
10 additional tax unpaid on its due date is delinquent. From the date of
11 delinquency until paid, interest must be charged at the same rate
12 applied by law to delinquent ad valorem property taxes.

13 (2) Upon a determination that a tax exemption is to be canceled
14 for a reason stated in this section, the governing authority or
15 authorized representative must notify the record owner of the
16 property as shown by the tax rolls by mail, return receipt requested,
17 of the determination to cancel the exemption. The owner may appeal
18 the determination to the governing authority or authorized
19 representative, within thirty days by filing a notice of appeal with
20 the clerk of the governing authority, which notice must specify the
21 factual and legal basis on which the determination of cancellation is
22 alleged to be erroneous. The governing authority or a hearing
23 examiner or other official authorized by the governing authority may
24 hear the appeal. At the hearing, all affected parties may be heard
25 and all competent evidence received. After the hearing, the deciding
26 body or officer must either affirm, modify, or repeal the decision of
27 cancellation of exemption based on the evidence received. An
28 aggrieved party may appeal the decision of the deciding body or
29 officer to the superior court under RCW 34.05.510 through 34.05.598.

30 NEW SECTION. **Sec. 18.** (1) If a property exempted under section
31 9 of this act changes ownership, the property must continue to
32 qualify for the exemption provided that the new owner complies with
33 all application procedures, terms, conditions, and reporting
34 requirements under this chapter, and meets all criteria established
35 by a city under section 4 of this act.

36 (2) The exemption is limited to ten successive years, beginning
37 the January 1st immediately following the calendar year in which a
38 certificate of tax exemption is filed by the city with the county
39 assessor in accordance with section 13 of this act.

1 NEW SECTION. **Sec. 19.** The definitions in section 5 of this act
2 apply to this chapter.

3 NEW SECTION. **Sec. 20.** Sections 2 through 5 of this act
4 constitute a new chapter in Title 35 RCW.

5 NEW SECTION. **Sec. 21.** Sections 9 through 19 of this act
6 constitute a new chapter in Title 84 RCW.

7 NEW SECTION. **Sec. 22.** Sections 6 and 7 of this act apply to
8 sales and use taxes due on or after October 1, 2019.

9 NEW SECTION. **Sec. 23.** Sections 9 through 18 of this act apply
10 to taxes levied for collection in 2020 and thereafter."

SSB 5051 - S AMD 7
By Senator O'Ban

ADOPTED 03/12/2019

11 On page 1, beginning on line 2 of the title, after "cities"
12 strike the remainder of the title and insert "located in a county
13 with a population of less than one million five hundred thousand;
14 amending RCW 81.104.170; adding a new section to chapter 82.14 RCW;
15 adding a new section to chapter 81.104 RCW; adding a new chapter to
16 Title 35 RCW; adding a new chapter to Title 84 RCW; and creating new
17 sections."

EFFECT: The amendment makes the following changes:

(1) Allows for any city located in a county with a population of less than one million five hundred thousand to adopt a local sales and use tax exemption and a local property tax exemption;

(2) Permits sales and use taxes authorized by certain municipal governments for the purpose of providing high capacity transit to be exempted;

(3) Modifies certain terms for clarity; and

(4) Makes technical changes.

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