
ENGROSSED SUBSTITUTE SENATE BILL 5051

State of Washington

66th Legislature

2019 Regular Session

By Senate Financial Institutions, Economic Development & Trade
(originally sponsored by Senators O'Ban, Brown, Palumbo, and Wagoner)

READ FIRST TIME 01/23/19.

1 AN ACT Relating to incentivizing the development of commercial
2 office space in cities located in a county with a population of less
3 than one million five hundred thousand; amending RCW 81.104.170;
4 adding a new section to chapter 82.14 RCW; adding a new section to
5 chapter 81.104 RCW; adding a new chapter to Title 35 RCW; adding a
6 new chapter to Title 84 RCW; and creating new sections.

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

8 NEW SECTION. **Sec. 1.** The legislature finds that the cost of
9 developing high-quality, commercial office space is prohibitive in
10 cities located outside of a major metropolitan area. The legislature
11 finds these cities have designated urban centers and plan to locate
12 high-quality, commercial office space within those urban centers. The
13 legislature also finds that solely planning for commercial office
14 space within urban centers is inadequate and an incentive should be
15 created to stimulate the development of new commercial office space
16 in urban centers. The legislature intends to provide these cities
17 with local options to incentivize the development of commercial
18 office space in urban centers with access to transit, high capacity
19 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 chapters 82.14 or 81.104 RCW. The agreement must be authorized
15 by the 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 exemptions under sections 6 and 7 of this act. The ordinance
39 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 sections 6 and 7 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 sections 6(3) and 7(3)
12 of this act confirming that a taxpayer is eligible for the
13 remittance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (a) Application process and procedures;

8 (b) Requirements that address demolition of existing structures
9 and site utilization;

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

16 (d) Guidelines regarding individual units that are part of a
17 qualifying project that may meet the requirements of the exemption in
18 chapter 84.-- RCW (the new chapter created in section 21 of this
19 act).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 (b) The sale or use of tangible personal property that will be
21 incorporated as an ingredient or component of a qualifying project
22 located in a city during the course of the constructing or
23 rehabilitating.

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

28 (b) The amount of the exemption is one hundred percent of the
29 local sales and use taxes paid under the authority of this chapter
30 for activities qualifying under subsection (1) of this section, if
31 the taxing authorities imposing taxes authorized under this chapter
32 have authorized the use of the exemption to the governing authority
33 of a city as provided under section 3(1) of this act.

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

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

5 (c) The taxpayer must specify the amount of exempted tax claimed
6 and the qualifying activities for which the exemption is claimed. The
7 taxpayer must retain, in adequate detail, records to enable the
8 department to determine whether the taxpayer is entitled to an
9 exemption under this section, including invoices, proof of tax paid,
10 and construction contracts.

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

14 (4) The definitions in section 5 of this act apply to this
15 section.

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

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

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

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

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

38 (b) A taxpayer requesting a remittance under this section must
39 obtain certification from the governing authority of a city verifying

1 that the qualifying project has satisfied the criteria in section 3
2 of this act.

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

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

12 (4) The definitions in section 5 of this act apply to this
13 section.

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

16 (1) Cities that operate transit systems, county transportation
17 authorities, metropolitan municipal corporations, public
18 transportation benefit areas, high capacity transportation corridor
19 areas, and regional transit authorities may submit an authorizing
20 proposition to the voters and if approved by a majority of persons
21 voting, fix and impose a sales and use tax in accordance with the
22 terms of this chapter, solely for the purpose of providing high
23 capacity transportation service.

24 (2) The tax authorized pursuant to this section is in addition to
25 the tax authorized by RCW 82.14.030 and must be collected from those
26 persons who are taxable by the state pursuant to chapters 82.08 and
27 82.12 RCW upon the occurrence of any taxable event within the taxing
28 district.

29 (a) Except for the tax imposed under (b) of this subsection by
30 regional transit authorities that include a county with a population
31 of more than one million five hundred thousand, the maximum rate of
32 such tax must be approved by the voters and may not exceed one
33 percent of the selling price (in the case of a sales tax) or value of
34 the article used (in the case of a use tax). The maximum rate of such
35 tax that may be imposed may not exceed nine-tenths of one percent in
36 any county that imposes a tax under RCW 82.14.340, or within a
37 regional transit authority if any county within the authority imposes
38 a tax under RCW 82.14.340.

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

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

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

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

18 NEW SECTION. **Sec. 9.** (1) In a city that has met the
19 requirements of section 4 of this act, the value of new construction
20 and rehabilitation improvements of real property qualifying under
21 this chapter is exempt from the city share of ad valorem property
22 taxation for a period of ten successive years beginning January 1st
23 of the calendar year immediately following the calendar year in which
24 a certificate of tax exemption is filed with the county assessor in
25 accordance with section 13 of this act.

26 (2) Upon approval by a county legislative authority, the value of
27 new construction and rehabilitation improvements of real property
28 qualifying under this chapter is exempt from all property taxes
29 levied by a county legislative authority for a period of ten
30 successive years beginning January 1st of the calendar year
31 immediately following the calendar year in which a certificate of tax
32 exemption is filed with the county assessor in accordance with
33 section 13 of this act.

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

37 (4) When a local government adopts guidelines pursuant to section
38 4 of this act and includes conditions that must be satisfied with
39 respect to individual commercial units, rather than with respect to

1 the qualifying project as a whole or some minimum portion thereof,
2 the exemption may, at the local government's discretion, be limited
3 to the value of the improvements allocable to those individual
4 commercial units that meet the local guidelines.

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

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

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

19 (8) The incentive provided by this chapter is in addition to any
20 other incentives, tax credits, grants, or other incentives provided
21 by law.

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

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

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

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

35 (4) The applicant must enter into a contract with the city
36 approved by the governing authority, or an administrative official or
37 commission authorized by the governing authority, under which the
38 applicant has agreed to the implementation of the development on
39 terms and conditions satisfactory to the governing authority.

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

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

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

10 (a) Information setting forth the grounds supporting the
11 requested exemption including information indicated on the
12 application form or in the guidelines;

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

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

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

19 (3) The applicant must verify the application by oath or
20 affirmation; and

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

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

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

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

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

37 (4) The site is located in a commercial office development
38 targeted area of an urban center or urban growth area that has been

1 designated by the governing authority in accordance with procedures
2 and guidelines indicated under section 4 of this act.

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

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

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

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

26 NEW SECTION. **Sec. 14.** The governing authority may establish an
27 application fee. This fee may not exceed an amount determined to be
28 required to cover the cost to be incurred by the governing authority
29 and the assessor in administering this chapter. The application fee
30 must be paid at the time the application for limited exemption is
31 filed. If the application is approved, the governing authority shall
32 pay the application fee to the county assessor for deposit in the
33 county current expense fund, after first deducting that portion of
34 the fee attributable to its own administrative costs in processing
35 the application. If the application is denied, the governing
36 authority may retain that portion of the application fee attributable
37 to its own administrative costs and refund the balance to the
38 applicant.

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

6 (a) A statement of the amount of rehabilitation or construction
7 expenditures made;

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

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

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

16 (e) A statement that the work has been completed within three
17 years of the issuance of the conditional certificate of tax
18 exemption.

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

27 (3) If the rehabilitation or construction is completed within
28 three years of the date the application for a limited tax exemption
29 is filed under this chapter, or within an authorized extension of
30 this time limit, and the authorized representative of the city
31 determines that improvements were constructed consistent with the
32 application and other applicable requirements, and the owner's
33 property is qualified for a limited tax exemption under this chapter,
34 the city must file the certificate of tax exemption with the county
35 assessor within ten days of the expiration of the thirty-day period
36 provided under subsection (2) of this section.

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

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

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

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

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

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

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

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

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

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

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

8 (d) Any additional information requested by the governing
9 authority in regards to the units receiving a tax exemption.

10 (2) All cities, which issue certificates of tax exemption for
11 class A commercial office space that conform to the requirements of
12 this chapter, must publish on the city's web site, or in another
13 format that is easily available to the public, annually by December
14 31st of each year, beginning in 2019, the following information:

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

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

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

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

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

25 NEW SECTION. **Sec. 17.** (1) If improvements have been exempted
26 under this chapter, the improvements continue to be exempted for the
27 applicable period under this chapter, so long as they are not
28 converted to another use and continue to satisfy all applicable
29 conditions. If the owner intends to convert the qualifying project to
30 another use or, if applicable, if the owner intends to discontinue
31 compliance with criteria established under section 4(1) of this act
32 or any other condition to exemption, the owner must notify the
33 assessor within sixty days of the change in use or intended
34 discontinuance. If, after a certificate of tax exemption has been
35 filed with the county assessor, the authorized representative of the
36 governing authority discovers that the property or a portion of the
37 property no longer qualifies according to the requirements of this
38 chapter as previously approved or agreed upon by contract between the
39 city and the owner and that the qualifying project, or a portion of

1 the qualifying project, no longer qualifies for the exemption, the
2 tax exemption must be canceled and the following must occur:

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

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

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

28 (2) Upon a determination that a tax exemption is to be canceled
29 for a reason stated in this section, the governing authority or
30 authorized representative must notify the record owner of the
31 property as shown by the tax rolls by mail, return receipt requested,
32 of the determination to cancel the exemption. The owner may appeal
33 the determination to the governing authority or authorized
34 representative, within thirty days by filing a notice of appeal with
35 the clerk of the governing authority, which notice must specify the
36 factual and legal basis on which the determination of cancellation is
37 alleged to be erroneous. The governing authority or a hearing
38 examiner or other official authorized by the governing authority may
39 hear the appeal. At the hearing, all affected parties may be heard
40 and all competent evidence received. After the hearing, the deciding

1 body or officer must either affirm, modify, or repeal the decision of
2 cancellation of exemption based on the evidence received. An
3 aggrieved party may appeal the decision of the deciding body or
4 officer to the superior court under RCW 34.05.510 through 34.05.598.

5 NEW SECTION. **Sec. 18.** (1) If a property exempted under section
6 9 of this act changes ownership, the property must continue to
7 qualify for the exemption provided that the new owner complies with
8 all application procedures, terms, conditions, and reporting
9 requirements under this chapter, and meets all criteria established
10 by a city under section 4 of this act.

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

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

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

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

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

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

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