CERTIFICATION OF ENROLLMENT

**ENGROSSED HOUSE BILL 1386**

Chapter 218, Laws of 2021

67th Legislature

2021 Regular Session

TARGETED URBAN AREA PROPERTY TAX EXEMPTION—MODIFICATION

EFFECTIVE DATE: July 25, 2021

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| Passed by the House March 2, 2021  Yeas 97 Nays 0  LAURIE JINKINS  **Speaker of the House of Representatives**  Passed by the Senate April 21, 2021  Yeas 47 Nays 2  DENNY HECK  **President of the Senate** | CERTIFICATE  I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 1386** as passed by the House of Representatives and the Senate on the dates hereon set forth.  BERNARD DEAN  Chief Clerk |
| Approved May 10, 2021 3:14 PM | May 10, 2021 |
| JAY INSLEE  **Governor of the State of Washington** | **Secretary of State**  **State of Washington** |

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**ENGROSSED HOUSE BILL 1386**

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Passed Legislature - 2021 Regular Session

**State of Washington 67th Legislature 2021 Regular Session**

**By** Representatives Wicks, Dolan, Lovick, Sells, Berg, and Hackney

AN ACT Relating to modifying the property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas; and amending RCW 84.25.030, 84.25.040, 84.25.050, 84.25.080, 84.25.090, and 84.25.130.

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

**Sec.**  RCW 84.25.030 and 2015 1st sp.s. c 9 s 3 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "City" means any city ((~~that: (a) Has a population of at least eighteen thousand; and (b) is north or east of the largest city in the county in which the city is located and such county has a population of at least seven hundred thousand, but less than eight hundred thousand~~)) or town.

(2) "Family living wage job" means a job that offers health care benefits with a wage that is sufficient for raising a family. A family living wage job must have an average wage of ((~~eighteen dollars~~)) $23 an hour or more, working ((~~two thousand eighty~~)) 2,080 hours per year on the subject site, as adjusted annually for inflation by the consumer price index. The family living wage may be increased by the local authority based on regional factors and wage conditions.

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

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

(5) "Industrial/manufacturing facilities" means building improvements that are ((~~ten thousand~~)) 10,000 square feet or larger, representing a minimum improvement valuation of ((~~eight hundred thousand dollars~~)) $800,000 for uses categorized as "division D: manufacturing" or "division E: transportation (major groups 40-42, 45, or 47-48)" by the United States department of labor in the occupation safety and health administration's standard industrial classification manual, provided, a city may limit the tax exemption to manufacturing uses.

(6) "Lands zoned for industrial and manufacturing uses" means lands in a city zoned as of December 31, 2014, for an industrial or manufacturing use consistent with the city's comprehensive plan where the lands are designated for industry.

(7) "Owner" means the property owner of record.

(8) "Targeted area" means an area of undeveloped lands zoned for industrial and manufacturing uses in the city that is located within or contiguous to an innovation partnership zone, foreign trade zone, or EB-5 regional center, and designated for possible exemption under the provisions of this chapter.

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

**Sec.**  RCW 84.25.040 and 2015 1st sp.s. c 9 s 4 are each amended to read as follows:

(1)(a) The value of new construction of industrial/manufacturing facilities qualifying under this chapter is exempt from property taxation under this title, as provided in this section. The value of new construction of industrial/manufacturing facilities is exempt from taxation for properties for which an application for a certificate of tax exemption is submitted under this chapter before December 31, ((~~2022~~)) 2030. The value is exempt under this section for ((~~ten~~)) 10 successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate.

(b) The exemption provided in this section does not include the value of land or nonindustrial/manufacturing-related improvements not qualifying under this chapter.

(2) The exemption provided in this section is in addition to any other exemptions, deferrals, credits, grants, or other tax incentives provided by law.

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

(4) This exemption does not apply to any county property taxes unless the governing body of the county adopts a resolution and notifies the governing authority of its intent to allow the property to be exempted from county property taxes.

(5) At the conclusion of the exemption period, the new industrial/manufacturing facilities cost must be considered as new construction for the purposes of chapter 84.55 RCW.

**Sec.**  RCW 84.25.050 and 2015 1st sp.s. c 9 s 5 are each amended to read as follows:

An owner of property making application under this chapter must meet the following requirements:

(1) The new construction of industrial/manufacturing facilities must be located on land zoned for industrial and manufacturing uses, undeveloped or underutilized, and as provided in RCW 84.25.060, designated by the city as a targeted area;

(2) The new construction of industrial/manufacturing facilities must meet all construction and development regulations of the city;

(3) The new construction of industrial/manufacturing facilities must be completed within three years from the date of approval of the application; and

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

**Sec.**  RCW 84.25.080 and 2015 1st sp.s. c 9 s 8 are each amended to read as follows:

(1) The ((~~duly authorized administrative official or committee of the~~)) city governing authority may approve the application if it finds that:

((~~(1)~~)) (a) A minimum of ((~~twenty-five~~)) 25 new family living wage jobs will be created on the subject site as a result of new construction of ((~~manufacturing/industrial [industrial/manufacturing]~~)) industrial/manufacturing facilities within one year of building occupancy;

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

((~~(3)~~)) (c) The criteria of this chapter have been satisfied.

(2) Priority must be given to applications that meet the following labor specifications during the new construction and ongoing business of industrial/manufacturing facilities:

(a) Compensate workers at prevailing wage rates as determined by the department of labor and industries;

(b) Procure from, and contract with, women-owned, minority-owned, or veteran-owned businesses;

(c) Procure from, and contract with, entities that have a history of complying with federal and state wage and hour laws and regulations;

(d) Include apprenticeship utilization from state-registered apprenticeship programs;

(e) Provide for preferred entry for workers living in the area where the project is being constructed; and

(f) Maintain certain labor standards for workers employed primarily at the facility after construction, including production, maintenance, and operational employees.

**Sec.**  RCW 84.25.090 and 2015 1st sp.s. c 9 s 9 are each amended to read as follows:

(1) The city governing authority ((~~or its authorized representative~~)) must approve or deny an application filed under this chapter within ninety days after receipt of the application.

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

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

(4) Upon denial by the city, an applicant may appeal the denial to the city's governing authority within thirty days after receipt of the denial. The appeal before the city's governing authority must be based upon the record made before the city with the burden of proof on the applicant to show that there was no substantial evidence to support the city's decision. The decision of the city in denying or approving the application is final.

**Sec.**  RCW 84.25.130 and 2015 1st sp.s. c 9 s 13 are each amended to read as follows:

(1) If the value of improvements have been exempted under this chapter, the improvements continue to be exempted for the applicable period under this chapter so long as they are not converted to another use and continue to satisfy all applicable conditions including, but not limited to, zoning, land use, building, and family-wage job creation.

(2) If an owner voluntarily opts to discontinue compliance with the requirements of this chapter, the owner must notify the assessor within ((~~sixty~~)) 60 days of the change in use or intended discontinuance.

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

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

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

(c) The additional tax owed together with interest and penalty becomes a lien on the property and attaches at the time the property or portion of the property is removed from the qualifying use under this chapter or the amenities no longer meet the applicable requirements for exemption under this chapter. A lien under this section has priority to, and must be fully paid and satisfied before, a recognizance, mortgage, judgment, debt, obligation, or responsibility to or with which the property may become charged or liable. The lien may be foreclosed upon expiration of the same period after delinquency and in the same manner provided by law for foreclosure of liens for delinquent real property taxes. An additional tax unpaid on its due date is delinquent. From the date of delinquency until paid, interest must be charged at the same rate applied by law to delinquent property taxes.

(4) If, after a certificate of tax exemption has been filed with the county assessor, the city discovers that the facility maintains fewer than 25 family living wage jobs, the owner is considered ineligible for the exemption under this chapter, and the following must occur:

(a) The tax exemption must be canceled; and

(b) Additional real property tax must be imposed in the amount that would be imposed if an exemption had not been available under this chapter, dated back to the date that the facility last maintained a minimum of 25 family living wage jobs.

(5) Upon a determination that a tax exemption is to be terminated for a reason stated in this section, the city's governing authority must notify the record owner of the property as shown by the tax rolls by mail, return receipt requested, of the determination to terminate the exemption. The owner may appeal the determination to the city, within ((~~thirty~~)) 30 days by filing a notice of appeal with the city, which notice must specify the factual and legal basis on which the determination of termination is alleged to be erroneous. At an appeal hearing, all affected parties may be heard and all competent evidence received. After the hearing, the deciding body or officer must either affirm, modify, or repeal the decision of termination of exemption based on the evidence received. An aggrieved party may appeal the decision of the deciding body or officer to the superior court as provided in RCW 34.05.510 through 34.05.598.

((~~(5)~~)) (6) Upon determination by the city to terminate an exemption, the county officials having possession of the assessment and tax rolls must correct the rolls in the manner provided for omitted property under RCW 84.40.080. The county assessor must make such a valuation of the property and improvements as is necessary to permit the correction of the rolls. The value of the new industrial/manufacturing facilities added to the rolls is considered new construction for the purposes of chapter 84.40 RCW. The owner may appeal the valuation to the county board of equalization as provided in chapter 84.40 RCW. If there has been a failure to comply with this chapter, the property must be listed as an omitted assessment for assessment years beginning January 1st of the calendar year in which the noncompliance first occurred, but the listing as an omitted assessment may not be for a period more than three calendar years preceding the year in which the failure to comply was discovered.

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Passed by the House March 2, 2021.

Passed by the Senate April 21, 2021.

Approved by the Governor May 10, 2021.

Filed in Office of Secretary of State May 10, 2021.