


CITY OF MARYSVILLE AGENDA BILL

EXECUTIVE SUMMARY FOR ACTION

CITY COUNCIL MEETING DATE: July 11, 2022

AGENDA ITEM:	
An ordinance of the City Of Marysville, Washington, proposing to amend MMC Chapter 3.104 Industrial/Manufacturing Property Tax Exemption to conform to recent changes by the Washington State Legislature.	
PREPARED BY:	DIRECTOR APPROVAL:
Haylie Miller, Community Development Director	
DEPARTMENT:	
Community Development	
ATTACHMENTS:	
<ol style="list-style-type: none"> 1. Proposed Code Change 2. Proposed Ordinance 3. Housing Bill 1386 and Final Bill Report 4. US Department of Labor Classification – Division E: Transportation uses 	
BUDGET CODE:	AMOUNT:
N/A	N/A
<p>SUMMARY: In 2016, the Council approved Ordinance 3020 making certain underdeveloped or underutilized lands zoned for industrial/manufacturing uses eligible for ad valorem tax relief and adopting a process regarding such relief per RCW 84.25 and as outlined in MMC Chapter 3. 104 Industrial/Manufacturing Property Tax Exemption. The tax exemption applies to properties within the Marysville Cascade Industrial Center (CIC).</p> <p>Washington State has recently modified the regulations associated with RCW 84.25 as outlined in Housing Bill 1386 and the Final Bill Report (Attachment 3). The existing MMC tax exemption will be modified to address the new state changes.</p> <p>The City currently allows for the tax exemption to be applied to industrial/manufacturing uses within the CIC area. The new state code includes “Division E: Transportation categorizations” within the definition for industrial/manufacturing facilities. These types of commercial uses (listed in Attachment 5) may not provide the level of jobs that is intended by the City; therefore, staff recommends that these uses be omitted from the eligibility criteria. The State change states that Cities may limit eligible facilities to exclude Division E: Transportation categorizations. The code change, as proposed, continues to provide the incentive for industrial/manufacturing uses and not transportation/distribution uses as shown in Attachment 1.</p> <p>Note: a separate agenda item will be considered by Council on July 25th to expand the Tax Exemption area. This item will follow that action and will depict the revised Tax Exemption area if approved by the City Council.</p>	
RECOMMENDED ACTION: Consider approving the ordinance and the proposed changes during the July 11, 2022 Council meeting.	
RECOMMENDED MOTION: Move to adopt Ordinance No. _____, approving amendments to Marysville Municipal Code Chapter 3.104.	

Chapter 3.104 INDUSTRIAL/MANUFACTURING PROPERTY TAX EXEMPTION

Sections:

[3.104.010 Findings.](#)

[3.104.020 Adoption by reference.](#)

[3.104.030 Definitions.](#)

[3.104.040 Application and fees.](#)

[3.104.050 Certificate of tax exemption, approval, denial, termination, and appeal.](#)

3.104.010 Findings.

There are insufficient family living wage jobs, as those jobs are defined by RCW [84.25.030](#), for Marysville's wage earning population. It is the purpose of this chapter to encourage new manufacturing and industrial uses on undeveloped and underutilized lands zoned for industrial and manufacturing uses in the area identified in this chapter.

3.104.020 Adoption by reference.

Chapter [84.25](#) RCW as currently enacted or subsequently amended is hereby adopted by reference, except that the definition of "Industrial/manufacturing facilities" is limited to manufacturing uses.

3.104.030 Definitions.

The following definitions shall apply to this chapter:

"Authorized representative" or "duly authorized representative" means the director of the community development department or his or her designee.

"City" means the city of Marysville.

3.104.040 Application and fees.

An owner of property seeking a tax exemption under this chapter shall submit an application to the director of community development prior to the application for any building permit for the project. The application shall be on a form established by the director, along with the required fees. The initial application fees to the city shall be \$500.00 plus any amount required by the county assessor in administering this chapter. If the application is approved, the city shall pay the application fee to the county assessor for deposit in the county current expense fund, after first deducting that portion of the fee attributable to the city's administrative costs in processing the application. If the application shall result in a denial by the city, the city shall retain that portion of the fee attributable to its own administrative costs and refund the balance to the applicant.

3.104.050 Certificate of tax exemption, approval, denial, termination, and appeal.

(1) The director of community development or his or her designee shall make the determination whether a holder of a conditional acceptance of tax exemption qualifies for a certificate of tax exemption upon the completion of the new construction of a manufacturing/industrial facility and a certificate of occupancy issued. The director shall also review each certificate of tax exemption annually for compliance with this chapter.

(2) If the director determines that the property is not qualified for an exemption under this chapter or that it no longer meets the criteria of this chapter for eligibility for a tax exemption, he or she shall notify the owner of the property, as shown in the assessor's records, of the determination to deny or terminate the tax exemption. The notification shall be by certified mail, return receipt requested, and by regular first class mail. A recognized courier service may be substituted for first class mail. A copy shall also be sent to the Snohomish County assessor.

(3) The owner may appeal the determination by filing a written notice of appeal specifying the factual and legal basis on which the determination of termination is alleged to be erroneous. Such appeal must be served on the city clerk within 30 days of the date the notice was placed in the mail.

(4) The chief administrative officer of the city shall hold a hearing within 30 days of the notice of appeal. The parties may be heard at the hearing and the chief administrative officer may use the procedures set forth in Chapter [34.05](#) RCW to control the conduct of the hearing and admission of evidence.

(5) The chief administrative officer shall issue a decision affirming, modifying, or repealing the determination of termination based on the evidence admitted at the hearing. A copy of the decision shall be served on the owner within 30 days of the hearing by certified mail, return receipt requested, and by regular first class mail. A recognized courier service may be substituted for first class mail. A copy shall also be sent to the Snohomish County assessor.

(6) An aggrieved party may appeal the decision of the chief administrative officer to the superior court as provided in RCW [34.05.510](#) through [34.05.598](#).

**CITY OF MARYSVILLE
Marysville, Washington
ORDINANCE NO.**

AN ORDINANCE OF THE CITY OF MARYSVILLE, WASHINGTON, AMENDING SECTION 3.104.020 OF THE MARYSVILLE MUNICIPAL CODE TO CONFORM WITH STATE CHANGES TO RCW 84.25.

WHEREAS, the City adopted Ordinance 3020, in 2016, providing for property tax exemption for the value of new construction of industrial/manufacturing facilities in the Cascade Industrial Center as enacted in RCW 84.25; and

WHEREAS, the City of Marysville has determined that the targeting of an industrial and manufacturing area for property tax exemption will assist in the new construction of industrial/manufacturing facilities that will provide employment for family wage jobs; and

WHEREAS, Chapter 84.25 RCW authorizes the City to grant or deny this property tax exemption based on the criteria; and

WHEREAS, family living wage job must have an average wage of \$23 per hour and offer health care benefits; and

WHEREAS, there is the need for additional family wage jobs in Marysville to support the growing community, to diversify the economic base and have sustainable economic growth; and

WHEREAS, at a public meeting on July 11, 2022 the Marysville City Council reviewed and considered staff’s recommendation and the proposed amendments to MMC Section 3.104.020; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MARYSVILLE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Section 3.104.020 Adoption by reference, is hereby amended as set forth in Exhibit A.

Section 2. Severability. If any section, subsection, sentence, clause, phrase, or word of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality thereof shall not affect the validity or constitutionality of any other section, subsection, sentence, clause, phrase, or word of this ordinance.

Section 3. Corrections. Upon approval by the city attorney, the city clerk or the code reviser are authorized to make necessary corrections to this ordinance, including scrivener’s errors or clerical mistakes; references to other local, state, or federal laws, rules, or regulations; or numbering or referencing of ordinances or their sections and subsections.

Section 4. Effective Date. This ordinance shall become effective five days after the date of its publication by summary.

PASSED by the City Council and APPROVED by the Mayor this _____ day of _____, 2022.

CITY OF MARYSVILLE

By: _____
JON NEHRING, MAYOR

Attest:

By: _____
DEPUTY CITY CLERK

Approved as to form:

By: _____
JON WALKER, CITY ATTORNEY

Date of Publication: _____

Effective Date: _____
(5 days after publication)

Exhibit A

3.104.020 Adoption by reference.

Chapter [84.25](#) RCW as currently enacted or subsequently amended is hereby adopted by reference, except that the definition of “Industrial/manufacturing facilities” is limited to manufacturing uses.

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

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

Approved May 10, 2021 3:14 PM

JAY INSLEE

Governor of the State of Washington

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

FILED

May 10, 2021

**Secretary of State
State of Washington**

ENGROSSED HOUSE BILL 1386

Passed Legislature - 2021 Regular Session

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

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

Read first time 01/26/21. Referred to Committee on Finance.

1 AN ACT Relating to modifying the property tax exemption for the
2 value of new construction of industrial/manufacturing facilities in
3 targeted urban areas; and amending RCW 84.25.030, 84.25.040,
4 84.25.050, 84.25.080, 84.25.090, and 84.25.130.

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

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

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

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

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

1 increased by the local authority based on regional factors and wage
2 conditions.

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

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

7 (5) "Industrial/manufacturing facilities" means building
8 improvements that are (~~ten thousand~~) 10,000 square feet or larger,
9 representing a minimum improvement valuation of (~~eight hundred~~
10 ~~thousand dollars~~) \$800,000 for uses categorized as "division D:
11 manufacturing" or "division E: transportation (major groups 40-42,
12 45, or 47-48)" by the United States department of labor in the
13 occupation safety and health administration's standard industrial
14 classification manual, provided, a city may limit the tax exemption
15 to manufacturing uses.

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

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

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

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

30 **Sec. 2.** RCW 84.25.040 and 2015 1st sp.s. c 9 s 4 are each
31 amended to read as follows:

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

1 immediately following the calendar year of issuance of the
2 certificate.

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

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

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

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

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

23 **Sec. 3.** RCW 84.25.050 and 2015 1st sp.s. c 9 s 5 are each
24 amended to read as follows:

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

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

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

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

36 (4) The applicant must enter into a contract with the city
37 approved by the city governing authority(~~(, or an administrative~~
38 ~~official or commission authorized by the governing authority,)) under
39 which the applicant has agreed to the implementation of the~~

1 development on terms and conditions satisfactory to the governing
2 authority.

3 **Sec. 4.** RCW 84.25.080 and 2015 1st sp.s. c 9 s 8 are each
4 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

34 **Sec. 5.** RCW 84.25.090 and 2015 1st sp.s. c 9 s 9 are each
35 amended to read as follows:

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

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

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

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

17 **Sec. 6.** RCW 84.25.130 and 2015 1st sp.s. c 9 s 13 are each
18 amended to read as follows:

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

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

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

34 (a) Additional real property tax must be imposed on the value of
35 the nonqualifying improvements in the amount that would be imposed if
36 an exemption had not been available under this chapter, plus a
37 penalty equal to (~~twenty~~) 20 percent of the additional value. This
38 additional tax is calculated based upon the difference between the
39 property tax paid and the property tax that would have been paid if

1 it had included the value of the nonqualifying improvements dated
2 back to the date that the improvements were converted to a
3 nonqualifying use;

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

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

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

28 (a) The tax exemption must be canceled; and

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

33 (5) Upon a determination that a tax exemption is to be terminated
34 for a reason stated in this section, the city's governing authority
35 must notify the record owner of the property as shown by the tax
36 rolls by mail, return receipt requested, of the determination to
37 terminate the exemption. The owner may appeal the determination to
38 the city, within (~~thirty~~) 30 days by filing a notice of appeal with
39 the city, which notice must specify the factual and legal basis on
40 which the determination of termination is alleged to be erroneous. At

1 an appeal hearing, all affected parties may be heard and all
2 competent evidence received. After the hearing, the deciding body or
3 officer must either affirm, modify, or repeal the decision of
4 termination of exemption based on the evidence received. An aggrieved
5 party may appeal the decision of the deciding body or officer to the
6 superior court as provided in RCW 34.05.510 through 34.05.598.

7 ~~((5))~~ (6) Upon determination by the city to terminate an
8 exemption, the county officials having possession of the assessment
9 and tax rolls must correct the rolls in the manner provided for
10 omitted property under RCW 84.40.080. The county assessor must make
11 such a valuation of the property and improvements as is necessary to
12 permit the correction of the rolls. The value of the new industrial/
13 manufacturing facilities added to the rolls is considered new
14 construction for the purposes of chapter 84.40 RCW. The owner may
15 appeal the valuation to the county board of equalization as provided
16 in chapter 84.40 RCW. If there has been a failure to comply with this
17 chapter, the property must be listed as an omitted assessment for
18 assessment years beginning January 1st of the calendar year in which
19 the noncompliance first occurred, but the listing as an omitted
20 assessment may not be for a period more than three calendar years
21 preceding the year in which the failure to comply was discovered.

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.

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FINAL BILL REPORT

EHB 1386

C 218 L 21

Synopsis as Enacted

Brief Description: Modifying the property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas.

Sponsors: Representatives Wicks, Dolan, Lovick, Sells, Berg and Hackney.

House Committee on Finance

Senate Committee on Ways & Means

Background:

Property Tax.

All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The county assessor determines assessed value for each property and calculates property taxes. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. The aggregate of all regular tax levies upon real and personal property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property. In addition, the aggregate regular levies of junior taxing districts and senior taxing districts, other than the state, may not exceed \$5.90 per \$1,000 of assessed valuation.

Targeted Urban Area Property Tax Exemption.

Certain cities are authorized to grant a 10-year local property tax exemption for new industrial or manufacturing facilities in designated areas. To be eligible, a city must be: located in a county with a population between 700,000 and 800,000; have a population of at least 18,000; and be located north or east of the largest city in the county.

Industrial or manufacturing facilities must be at least 10,000 square feet with an improvement value of at least \$800,000 and be categorized as a manufacturing use by the United States Department of Labor. Additionally, new construction of industrial or manufacturing facilities must:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

- be within a targeted area as designated by the city;
- be on land that has no existing building improvements and that is zoned for an industrial or manufacturing use as of December 31, 2014;
- meet all construction and development regulations of the city; and
- be completed within 3 years from the date of approval of the application.

Within one year of building occupancy, the facility must create at least 25 family living wage jobs with an average wage of at least \$18 per hour.

A property owner seeking the exemption must apply to the city, pay any applicable fees, and enter into a contract with the city agreeing to terms and conditions of the implementation of the development. An application must be approved by a city governing authority or its authorized representative. The contract into which an applicant must enter with the city must be approved by the city governing authority, or an administrative official or commission authorized by the governing authority. No application may be submitted on or after December 31, 2022.

The value of the property tax exemption is provided on the value of eligible improvements and applies only to the city portion of the property tax. A county may, by resolution, allow any property receiving an exemption from city property taxes to also receive an exemption from county property taxes.

If exempted improvements are converted to another use or do not continue to satisfy all conditions of the exemption, the exemption must be canceled and an additional tax must be imposed on the property equal to the amount that was exempted but for which program requirements were not met. The amount due is subject to interest, calculated from the date when the tax would have otherwise been due, and a penalty equal to 20 percent of the additional tax is imposed.

Summary:

Targeted Urban Area Property Tax Exemption.

Any city or town is eligible to utilize the targeted urban area property tax exemption.

A family living wage job must have an average wage of \$23 per hour and offer health care benefits.

Facilities categorized as Division E: Transportation (major groups 40-42, 45, or 47-48) by the United States Department of Labor are eligible for the exemption. Cities may limit eligible facilities to exclude Division E: Transportation categorizations.

In evaluating applications, a city must give priority to those applicants that:

- compensate workers at prevailing wage;
- procure from, and contract with, women-, minority-, or veteran-owned businesses;

- procure from, and contract with, entities with a history of compliance with wage and hour regulations;
- include apprenticeship utilization from state-registered apprenticeship programs;
- provide for preferred entry for workers living in the vicinity of the project; and
- maintain labor standards for workers employed at the facility.

An application for exemption must be reviewed and approved by a city governing authority. The contract into which an applicant must enter with the city must be approved by the city governing authority.

If a project fails to maintain 25 family living wage jobs, the exemption must be canceled and an additional tax must be imposed on the property equal to the amount that was exempted but for which program requirements were not met, beginning from when the facility last maintained a minimum of at least 25 family living wage jobs.

No application for exemption may be submitted on or after December 31, 2030.

Votes on Final Passage:

House	97	0	
Senate	36	13	(Senate amended)
House			(House refused to concur/asked Senate to recede)
Senate	47	2	(Senate receded)

Effective: July 25, 2021

RCW 84.25.030 Definitions

(5) "Industrial/manufacturing facilities" means building improvements that are 10,000 square feet or larger, representing a minimum improvement valuation of \$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.

Division E: Transportation, Communications, Electric, Gas, And Sanitary Services

This division includes establishments providing, to the general public or to other business enterprises, passenger and freight transportation, communications services, or electricity, gas, steam, water or sanitary services, and all establishments of the United States Postal Service.

For many of the industries in this division, the establishments have activities, workers, and physical facilities distributed over an extensive geographic area. For this division, the establishment is represented by a relatively permanent office, shop, station, terminal, or warehouse, etc. that is either (1) directly responsible for supervising such activities or (2) the base from which personnel operate to carry out these activities.

Many of the industries are engaged in various related activities. For example, establishments of communications, pipeline, and utility enterprises include a variety of activities, such as power generation, pumping, transmission, and distribution. Establishments primarily engaged in such activities are all classified in this division. Establishments primarily engaged in new or replacement construction for establishments of these types of enterprises are classified as operating establishments in Division C, Construction. Locations engaged in activities such as sales of electric appliances to household consumers are classified in Division G, Retail Trade.

The establishments classified in this division furnish services to the general public or to other business enterprises; establishments which furnish similar services only to other establishments of the same enterprise are classified as auxiliary to the establishments or units of the enterprise which they serve. However, separate establishments primarily engaged in long-distance trucking, stevedoring, water transportation, or pipeline transportation are classified according to their activity and not as auxiliaries, even though they serve only establishments of the same enterprise.

- [Major Group 40: Railroad Transportation](#)
- [Major Group 41: Local And Suburban Transit And Interurban Highway Passenger Transportation](#)
- [Major Group 42: Motor Freight Transportation And Warehousing](#)
- [Major Group 43: United States Postal Service](#)
- [Major Group 44: Water Transportation](#)
- [Major Group 45: Transportation By Air](#)
- [Major Group 46: Pipelines, Except Natural Gas](#)
- [Major Group 47: Transportation Services](#)
- [Major Group 48: Communications](#)
- [Major Group 49: Electric, Gas, And Sanitary Services](#)

Major Group 40: Railroad Transportation

This major group includes establishments furnishing transportation by line-haul railroad, and switching and terminal establishments. Railways serving a single municipality, contiguous municipalities, or a municipality and its suburban areas are classified in Major Group 41. Other services related to railroad transportation are classified in Major Group 47. Lessors of railroad property are classified in Real Estate, Industry 6517.

Industry Group 401: Railroads

- 4011 [Railroads, Line-Haul Operating](#)
- 4013 [Railroad Switching and Terminal Establishments](#)

Major Group 41: Local And Suburban Transit And Interurban Highway Passenger Transportation

This major group includes establishments primarily engaged in furnishing local and suburban passenger transportation, such as those providing passenger transportation within a single municipality, contiguous municipalities, or a municipality and its suburban areas, by bus, rail, or subway, either separately or in combination, and establishments engaged in furnishing transportation to local scenic features. Also included are establishments primarily engaged in furnishing highway passenger transportation and establishments furnishing highway passenger terminal or maintenance facilities. Intercity bus lines are included in this major group, but interurban railways are classified in Major Group 40.

Industry Group 411: Local And Suburban Passenger Transportation

- 4111 [Local and Suburban Transit](#)
- 4119 [Local Passenger Transportation, Not Elsewhere Classified](#)

Industry Group 412: Taxicabs

- 4121 [Taxicabs](#)

Industry Group 413: Intercity And Rural Bus Transportation

- 4131 [Intercity and Rural Bus Transportation](#)

Industry Group 414: Bus Charter Service

- 4141 [Local Bus Charter Service](#)
- 4142 [Bus Charter Service, Except Local](#)

Industry Group 415: School Buses

- 4151 [School Buses](#)

Industry Group 417: Terminal And Service Facilities For Motor Vehicle

- 4173 [Terminal and Service Facilities for Motor Vehicle Passenger Transportation](#)

Major Group 42: Motor Freight Transportation And Warehousing

This major group includes establishments furnishing local or long-distance trucking or transfer services, or those engaged in the storage of farm products, furniture and other household goods, or commercial goods of any nature. The operation of terminal facilities for handling freight, with or without maintenance facilities, is also included. Establishments primarily engaged in the storage of natural gas are classified in Industry 4922. Field warehousing is classified in Services, Industry 7389. Establishments of the United States Postal Service are classified in Major Group 43.

Industry Group 421: Trucking And Courier Services, Except Air

- 4212 [Local Trucking Without Storage](#)
- 4213 [Trucking, Except Local](#)
- 4214 [Local Trucking With Storage](#)
- 4215 [Courier Services, Except by Air](#)

Industry Group 422: Public Warehousing And Storage

- 4221 [Farm Product Warehousing and Storage](#)
- 4222 [Refrigerated Warehousing and Storage](#)
- 4225 [General Warehousing and Storage](#)
- 4226 [Special Warehousing and Storage, Not Elsewhere Classified](#)

Industry Group 423: Terminal And Joint Terminal Maintenance

- 4231 [Terminal and Joint Terminal Maintenance Facilities for Motor Freight Transportation](#)

Major Group 45: Transportation By Air

This major group includes establishments engaged in furnishing domestic and foreign transportation by air and also those operating airports and flying fields and furnishing terminal services. Establishments primarily engaged in performing services which may incidentally use airplanes (e.g., crop dusting and aerial photography) are classified according to the service performed.

Industry Group 451: Air Transportation, Scheduled, And Air Courier

- 4512 [Air Transportation, Scheduled](#)
- 4513 [Air Courier Services](#)

Industry Group 452: Air Transportation, Nonscheduled

- 4522 [Air Transportation, Nonscheduled](#)

Industry Group 458: Airports, Flying Fields, And Airport Terminal

- 4581 [Airports, Flying Fields, and Airport Terminal Services](#)

Major Group 47: Transportation Services

This major group includes establishments furnishing services incidental to transportation, such as forwarding and packing services, and the arrangement of passenger and freight transportation.

Industry Group 472: Arrangement Of Passenger Transportation

- 4724 [Travel Agencies](#)
- 4725 [Tour Operators](#)
- 4729 [Arrangement of Passenger Transportation, Not Elsewhere Classified](#)

Industry Group 473: Arrangement Of Transportation Of Freight And Cargo

- 4731 [Arrangement of Transportation of Freight and Cargo](#)

Industry Group 474: Rental Of Railroad Cars

- 4741 [Rental of Railroad Cars](#)

Industry Group 478: Miscellaneous Services Incidental To Transportation

- 4783 [Packing and Crating](#)
- 4785 [Fixed Facilities and Inspection and Weighing Services for Motor Vehicle Transportation](#)
- 4789 [Transportation Services, Not Elsewhere Classified](#)

Major Group 48: Communications

This major group includes establishments furnishing point-to-point communications services, whether intended to be received aurally or visually; and radio and television broadcasting. This major group also includes establishments primarily engaged in providing paging and beeper services and those engaged in leasing telephone lines or other methods of telephone transmission, such as optical fiber lines and microwave or satellite facilities, and reselling the use of such methods to others. Establishments primarily engaged in furnishing telephone answering services are classified in Services, Industry 7389.

Industry Group 481: Telephone Communications

- 4812 [Radiotelephone Communications](#)
- 4813 [Telephone Communications, Except Radiotelephone](#)

Industry Group 482: Telegraph And Other Message Communications

- 4822 [Telegraph and Other Message Communications](#)

Industry Group 483: Radio And Television Broadcasting Stations

- 4832 [Radio Broadcasting Stations](#)
- 4833 [Television Broadcasting Stations](#)

Industry Group 484: Cable And Other Pay Television Services

- 4841 [Cable and Other Pay Television Services](#)


Industry Group 489: Communications Services, Not Elsewhere

- 4899 [Communications Services, Not Elsewhere Classified](#)

CITY OF MARYSVILLE AGENDA BILL

EXECUTIVE SUMMARY FOR ACTION

CITY COUNCIL MEETING DATE: July 11, 2022

AGENDA ITEM:	
An ordinance of the City Of Marysville, Washington, proposing to amend MMC Chapter 3.104 Industrial/Manufacturing Property Tax Exemption to conform to recent changes by the Washington State Legislature.	
PREPARED BY:	DIRECTOR APPROVAL:
Haylie Miller, Community Development Director	
DEPARTMENT:	
Community Development	
ATTACHMENTS:	
<ol style="list-style-type: none">1. Proposed Code Change2. Proposed Ordinance3. Housing Bill 1386 and Final Bill Report4. US Department of Labor Classification – Division E: Transportation uses	
BUDGET CODE:	AMOUNT:
N/A	N/A
<p>SUMMARY: In 2016, the Council approved Ordinance 3020 making certain underdeveloped or underutilized lands zoned for industrial/manufacturing uses eligible for ad valorem tax relief and adopting a process regarding such relief per RCW 84.25 and as outlined in MMC Chapter 3. 104 Industrial/Manufacturing Property Tax Exemption. The tax exemption applies to properties within the Marysville Cascade Industrial Center (CIC).</p> <p>Washington State has recently modified the regulations associated with RCW 84.25 as outlined in Housing Bill 1386 and the Final Bill Report (Attachment 3). The existing MMC tax exemption will be modified to address the new state changes.</p> <p>The City currently allows for the tax exemption to be applied to industrial/manufacturing uses within the CIC area. The new state code includes “Division E: Transportation categorizations” within the definition for industrial/manufacturing facilities. These types of commercial uses (listed in Attachment 5) may not provide the level of jobs that is intended by the City; therefore, staff recommends that these uses be omitted from the eligibility criteria. The State change states that Cities may limit eligible facilities to exclude Division E: Transportation categorizations. The code change, as proposed, continues to provide the incentive for industrial/manufacturing uses and not transportation/distribution uses as shown in Attachment 1.</p> <p>Note: a separate agenda item will be considered by Council to expand the Tax Exemption area. This item will follow that action and will depict the revised Tax Exemption area if approved by the City Council.</p>	
RECOMMENDED ACTION: Consider approving the ordinance and the proposed changes during the July 11, 2022 Council meeting.	
RECOMMENDED MOTION:	

Chapter 3.104 INDUSTRIAL/MANUFACTURING PROPERTY TAX EXEMPTION

Sections:

[3.104.010 Findings.](#)

[3.104.020 Adoption by reference.](#)

[3.104.030 Definitions.](#)

[3.104.040 Application and fees.](#)

[3.104.050 Certificate of tax exemption, approval, denial, termination, and appeal.](#)

3.104.010 Findings.

There are insufficient family living wage jobs, as those jobs are defined by RCW [84.25.030](#), for Marysville's wage earning population. It is the purpose of this chapter to encourage new manufacturing and industrial uses on undeveloped and underutilized lands zoned for industrial and manufacturing uses in the area identified in this chapter.

3.104.020 Adoption by reference.

Chapter [84.25](#) RCW as currently enacted or subsequently amended is hereby adopted by reference, except that the definition of "Industrial/manufacturing facilities" is limited to manufacturing uses.

3.104.030 Definitions.

The following definitions shall apply to this chapter:

"Authorized representative" or "duly authorized representative" means the director of the community development department or his or her designee.

"City" means the city of Marysville.

3.104.040 Application and fees.

An owner of property seeking a tax exemption under this chapter shall submit an application to the director of community development prior to the application for any building permit for the project. The application shall be on a form established by the director, along with the required fees. The initial application fees to the city shall be \$500.00 plus any amount required by the county assessor in administering this chapter. If the application is approved, the city shall pay the application fee to the county assessor for deposit in the county current expense fund, after first deducting that portion of the fee attributable to the city's administrative costs in processing the application. If the application shall result in a denial by the city, the city shall retain that portion of the fee attributable to its own administrative costs and refund the balance to the applicant.

3.104.050 Certificate of tax exemption, approval, denial, termination, and appeal.

(1) The director of community development or his or her designee shall make the determination whether a holder of a conditional acceptance of tax exemption qualifies for a certificate of tax exemption upon the completion of the new construction of a manufacturing/industrial facility and a certificate of occupancy issued. The director shall also review each certificate of tax exemption annually for compliance with this chapter.

(2) If the director determines that the property is not qualified for an exemption under this chapter or that it no longer meets the criteria of this chapter for eligibility for a tax exemption, he or she shall notify the owner of the property, as shown in the assessor's records, of the determination to deny or terminate the tax exemption. The notification shall be by certified mail, return receipt requested, and by regular first class mail. A recognized courier service may be substituted for first class mail. A copy shall also be sent to the Snohomish County assessor.

(3) The owner may appeal the determination by filing a written notice of appeal specifying the factual and legal basis on which the determination of termination is alleged to be erroneous. Such appeal must be served on the city clerk within 30 days of the date the notice was placed in the mail.

(4) The chief administrative officer of the city shall hold a hearing within 30 days of the notice of appeal. The parties may be heard at the hearing and the chief administrative officer may use the procedures set forth in Chapter [34.05](#) RCW to control the conduct of the hearing and admission of evidence.

(5) The chief administrative officer shall issue a decision affirming, modifying, or repealing the determination of termination based on the evidence admitted at the hearing. A copy of the decision shall be served on the owner within 30 days of the hearing by certified mail, return receipt requested, and by regular first class mail. A recognized courier service may be substituted for first class mail. A copy shall also be sent to the Snohomish County assessor.

(6) An aggrieved party may appeal the decision of the chief administrative officer to the superior court as provided in RCW [34.05.510](#) through [34.05.598](#).

**CITY OF MARYSVILLE
Marysville, Washington
ORDINANCE NO.**

AN ORDINANCE OF THE CITY OF MARYSVILLE, WASHINGTON, AMENDING SECTION 3.104.020 OF THE MARYSVILLE MUNICIPAL CODE TO CONFORM WITH STATE CHANGES TO RCW 84.25.

WHEREAS, the City adopted Ordinance 3020, in 2016, providing for property tax exemption for the value of new construction of industrial/manufacturing facilities in the Cascade Industrial Center as enacted in RCW 84.25; and

WHEREAS, the City of Marysville has determined that the targeting of an industrial and manufacturing area for property tax exemption will assist in the new construction of industrial/manufacturing facilities that will provide employment for family wage jobs; and

WHEREAS, Chapter 84.25 RCW authorizes the City to grant or deny this property tax exemption based on the criteria; and

WHEREAS, family living wage job must have an average wage of \$23 per hour and offer health care benefits; and

WHEREAS, there is the need for additional family wage jobs in Marysville to support the growing community, to diversify the economic base and have sustainable economic growth; and

WHEREAS, at a public meeting on July 11, 2022 the Marysville City Council reviewed and considered staff's recommendation and the proposed amendments to MMC Section 3.104.020; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MARYSVILLE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Section 3.104.020 Adoption by reference, is hereby amended as set forth in Exhibit A.

Section 2. Severability. If any section, subsection, sentence, clause, phrase, or word of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality thereof shall not affect the validity or constitutionality of any other section, subsection, sentence, clause, phrase, or word of this ordinance.

Section 3. Corrections. Upon approval by the city attorney, the city clerk or the code reviser are authorized to make necessary corrections to this ordinance, including scrivener's errors or clerical mistakes; references to other local, state, or federal laws, rules, or regulations; or numbering or referencing of ordinances or their sections and subsections.

Section 4. Effective Date. This ordinance shall become effective five days after the date of its publication by summary.

PASSED by the City Council and APPROVED by the Mayor this _____ day of _____, 2022.

CITY OF MARYSVILLE

By: _____
JON NEHRING, MAYOR

Attest:

By: _____
DEPUTY CITY CLERK

Approved as to form:

By: _____
JON WALKER, CITY ATTORNEY

Date of Publication: _____

Effective Date: _____
(5 days after publication)

Exhibit A

3.104.020 Adoption by reference.

Chapter [84.25](#) RCW as currently enacted or subsequently amended is hereby adopted by reference, except that the definition of “Industrial/manufacturing facilities” is limited to manufacturing uses.

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

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

Approved May 10, 2021 3:14 PM

JAY INSLEE

Governor of the State of Washington

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

FILED

May 10, 2021

**Secretary of State
State of Washington**

ENGROSSED HOUSE BILL 1386

Passed Legislature - 2021 Regular Session

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

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

Read first time 01/26/21. Referred to Committee on Finance.

1 AN ACT Relating to modifying the property tax exemption for the
2 value of new construction of industrial/manufacturing facilities in
3 targeted urban areas; and amending RCW 84.25.030, 84.25.040,
4 84.25.050, 84.25.080, 84.25.090, and 84.25.130.

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

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

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

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

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

1 increased by the local authority based on regional factors and wage
2 conditions.

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

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

7 (5) "Industrial/manufacturing facilities" means building
8 improvements that are (~~ten thousand~~) 10,000 square feet or larger,
9 representing a minimum improvement valuation of (~~eight hundred~~
10 ~~thousand dollars~~) \$800,000 for uses categorized as "division D:
11 manufacturing" or "division E: transportation (major groups 40-42,
12 45, or 47-48)" by the United States department of labor in the
13 occupation safety and health administration's standard industrial
14 classification manual, provided, a city may limit the tax exemption
15 to manufacturing uses.

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

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

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

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

30 **Sec. 2.** RCW 84.25.040 and 2015 1st sp.s. c 9 s 4 are each
31 amended to read as follows:

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

1 immediately following the calendar year of issuance of the
2 certificate.

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

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

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

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

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

23 **Sec. 3.** RCW 84.25.050 and 2015 1st sp.s. c 9 s 5 are each
24 amended to read as follows:

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

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

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

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

36 (4) The applicant must enter into a contract with the city
37 approved by the city governing authority(~~(, or an administrative~~
38 ~~official or commission authorized by the governing authority,)) under
39 which the applicant has agreed to the implementation of the~~

1 development on terms and conditions satisfactory to the governing
2 authority.

3 **Sec. 4.** RCW 84.25.080 and 2015 1st sp.s. c 9 s 8 are each
4 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

34 **Sec. 5.** RCW 84.25.090 and 2015 1st sp.s. c 9 s 9 are each
35 amended to read as follows:

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

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

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

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

17 **Sec. 6.** RCW 84.25.130 and 2015 1st sp.s. c 9 s 13 are each
18 amended to read as follows:

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

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

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

34 (a) Additional real property tax must be imposed on the value of
35 the nonqualifying improvements in the amount that would be imposed if
36 an exemption had not been available under this chapter, plus a
37 penalty equal to (~~twenty~~) 20 percent of the additional value. This
38 additional tax is calculated based upon the difference between the
39 property tax paid and the property tax that would have been paid if

1 it had included the value of the nonqualifying improvements dated
2 back to the date that the improvements were converted to a
3 nonqualifying use;

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

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

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

28 (a) The tax exemption must be canceled; and

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

33 (5) Upon a determination that a tax exemption is to be terminated
34 for a reason stated in this section, the city's governing authority
35 must notify the record owner of the property as shown by the tax
36 rolls by mail, return receipt requested, of the determination to
37 terminate the exemption. The owner may appeal the determination to
38 the city, within (~~thirty~~) 30 days by filing a notice of appeal with
39 the city, which notice must specify the factual and legal basis on
40 which the determination of termination is alleged to be erroneous. At

1 an appeal hearing, all affected parties may be heard and all
2 competent evidence received. After the hearing, the deciding body or
3 officer must either affirm, modify, or repeal the decision of
4 termination of exemption based on the evidence received. An aggrieved
5 party may appeal the decision of the deciding body or officer to the
6 superior court as provided in RCW 34.05.510 through 34.05.598.

7 ~~((5))~~ (6) Upon determination by the city to terminate an
8 exemption, the county officials having possession of the assessment
9 and tax rolls must correct the rolls in the manner provided for
10 omitted property under RCW 84.40.080. The county assessor must make
11 such a valuation of the property and improvements as is necessary to
12 permit the correction of the rolls. The value of the new industrial/
13 manufacturing facilities added to the rolls is considered new
14 construction for the purposes of chapter 84.40 RCW. The owner may
15 appeal the valuation to the county board of equalization as provided
16 in chapter 84.40 RCW. If there has been a failure to comply with this
17 chapter, the property must be listed as an omitted assessment for
18 assessment years beginning January 1st of the calendar year in which
19 the noncompliance first occurred, but the listing as an omitted
20 assessment may not be for a period more than three calendar years
21 preceding the year in which the failure to comply was discovered.

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.

--- END ---

FINAL BILL REPORT

EHB 1386

C 218 L 21

Synopsis as Enacted

Brief Description: Modifying the property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas.

Sponsors: Representatives Wicks, Dolan, Lovick, Sells, Berg and Hackney.

House Committee on Finance

Senate Committee on Ways & Means

Background:

Property Tax.

All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The county assessor determines assessed value for each property and calculates property taxes. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. The aggregate of all regular tax levies upon real and personal property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property. In addition, the aggregate regular levies of junior taxing districts and senior taxing districts, other than the state, may not exceed \$5.90 per \$1,000 of assessed valuation.

Targeted Urban Area Property Tax Exemption.

Certain cities are authorized to grant a 10-year local property tax exemption for new industrial or manufacturing facilities in designated areas. To be eligible, a city must be: located in a county with a population between 700,000 and 800,000; have a population of at least 18,000; and be located north or east of the largest city in the county.

Industrial or manufacturing facilities must be at least 10,000 square feet with an improvement value of at least \$800,000 and be categorized as a manufacturing use by the United States Department of Labor. Additionally, new construction of industrial or manufacturing facilities must:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

- be within a targeted area as designated by the city;
- be on land that has no existing building improvements and that is zoned for an industrial or manufacturing use as of December 31, 2014;
- meet all construction and development regulations of the city; and
- be completed within 3 years from the date of approval of the application.

Within one year of building occupancy, the facility must create at least 25 family living wage jobs with an average wage of at least \$18 per hour.

A property owner seeking the exemption must apply to the city, pay any applicable fees, and enter into a contract with the city agreeing to terms and conditions of the implementation of the development. An application must be approved by a city governing authority or its authorized representative. The contract into which an applicant must enter with the city must be approved by the city governing authority, or an administrative official or commission authorized by the governing authority. No application may be submitted on or after December 31, 2022.

The value of the property tax exemption is provided on the value of eligible improvements and applies only to the city portion of the property tax. A county may, by resolution, allow any property receiving an exemption from city property taxes to also receive an exemption from county property taxes.

If exempted improvements are converted to another use or do not continue to satisfy all conditions of the exemption, the exemption must be canceled and an additional tax must be imposed on the property equal to the amount that was exempted but for which program requirements were not met. The amount due is subject to interest, calculated from the date when the tax would have otherwise been due, and a penalty equal to 20 percent of the additional tax is imposed.

Summary:

Targeted Urban Area Property Tax Exemption.

Any city or town is eligible to utilize the targeted urban area property tax exemption.

A family living wage job must have an average wage of \$23 per hour and offer health care benefits.

Facilities categorized as Division E: Transportation (major groups 40-42, 45, or 47-48) by the United States Department of Labor are eligible for the exemption. Cities may limit eligible facilities to exclude Division E: Transportation categorizations.

In evaluating applications, a city must give priority to those applicants that:

- compensate workers at prevailing wage;
- procure from, and contract with, women-, minority-, or veteran-owned businesses;

- procure from, and contract with, entities with a history of compliance with wage and hour regulations;
- include apprenticeship utilization from state-registered apprenticeship programs;
- provide for preferred entry for workers living in the vicinity of the project; and
- maintain labor standards for workers employed at the facility.

An application for exemption must be reviewed and approved by a city governing authority. The contract into which an applicant must enter with the city must be approved by the city governing authority.

If a project fails to maintain 25 family living wage jobs, the exemption must be canceled and an additional tax must be imposed on the property equal to the amount that was exempted but for which program requirements were not met, beginning from when the facility last maintained a minimum of at least 25 family living wage jobs.

No application for exemption may be submitted on or after December 31, 2030.

Votes on Final Passage:

House	97	0	
Senate	36	13	(Senate amended)
House			(House refused to concur/asked Senate to recede)
Senate	47	2	(Senate receded)

Effective: July 25, 2021

RCW 84.25.030 Definitions

(5) "Industrial/manufacturing facilities" means building improvements that are 10,000 square feet or larger, representing a minimum improvement valuation of \$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.

Division E: Transportation, Communications, Electric, Gas, And Sanitary Services

This division includes establishments providing, to the general public or to other business enterprises, passenger and freight transportation, communications services, or electricity, gas, steam, water or sanitary services, and all establishments of the United States Postal Service.

For many of the industries in this division, the establishments have activities, workers, and physical facilities distributed over an extensive geographic area. For this division, the establishment is represented by a relatively permanent office, shop, station, terminal, or warehouse, etc. that is either (1) directly responsible for supervising such activities or (2) the base from which personnel operate to carry out these activities.

Many of the industries are engaged in various related activities. For example, establishments of communications, pipeline, and utility enterprises include a variety of activities, such as power generation, pumping, transmission, and distribution. Establishments primarily engaged in such activities are all classified in this division. Establishments primarily engaged in new or replacement construction for establishments of these types of enterprises are classified as operating establishments in Division C, Construction. Locations engaged in activities such as sales of electric appliances to household consumers are classified in Division G, Retail Trade.

The establishments classified in this division furnish services to the general public or to other business enterprises; establishments which furnish similar services only to other establishments of the same enterprise are classified as auxiliary to the establishments or units of the enterprise which they serve. However, separate establishments primarily engaged in long-distance trucking, stevedoring, water transportation, or pipeline transportation are classified according to their activity and not as auxiliaries, even though they serve only establishments of the same enterprise.

- [Major Group 40: Railroad Transportation](#)
- [Major Group 41: Local And Suburban Transit And Interurban Highway Passenger Transportation](#)
- [Major Group 42: Motor Freight Transportation And Warehousing](#)
- [Major Group 43: United States Postal Service](#)
- [Major Group 44: Water Transportation](#)
- [Major Group 45: Transportation By Air](#)
- [Major Group 46: Pipelines, Except Natural Gas](#)
- [Major Group 47: Transportation Services](#)
- [Major Group 48: Communications](#)
- [Major Group 49: Electric, Gas, And Sanitary Services](#)

Major Group 40: Railroad Transportation

This major group includes establishments furnishing transportation by line-haul railroad, and switching and terminal establishments. Railways serving a single municipality, contiguous municipalities, or a municipality and its suburban areas are classified in Major Group 41. Other services related to railroad transportation are classified in Major Group 47. Lessors of railroad property are classified in Real Estate, Industry 6517.

Industry Group 401: Railroads

- 4011 [Railroads, Line-Haul Operating](#)
- 4013 [Railroad Switching and Terminal Establishments](#)

Major Group 41: Local And Suburban Transit And Interurban Highway Passenger Transportation

This major group includes establishments primarily engaged in furnishing local and suburban passenger transportation, such as those providing passenger transportation within a single municipality, contiguous municipalities, or a municipality and its suburban areas, by bus, rail, or subway, either separately or in combination, and establishments engaged in furnishing transportation to local scenic features. Also included are establishments primarily engaged in furnishing highway passenger transportation and establishments furnishing highway passenger terminal or maintenance facilities. Intercity bus lines are included in this major group, but interurban railways are classified in Major Group 40.

Industry Group 411: Local And Suburban Passenger Transportation

- 4111 [Local and Suburban Transit](#)
- 4119 [Local Passenger Transportation, Not Elsewhere Classified](#)

Industry Group 412: Taxicabs

- 4121 [Taxicabs](#)

Industry Group 413: Intercity And Rural Bus Transportation

- 4131 [Intercity and Rural Bus Transportation](#)

Industry Group 414: Bus Charter Service

- 4141 [Local Bus Charter Service](#)
- 4142 [Bus Charter Service, Except Local](#)

Industry Group 415: School Buses

- 4151 [School Buses](#)

Industry Group 417: Terminal And Service Facilities For Motor Vehicle

- 4173 [Terminal and Service Facilities for Motor Vehicle Passenger Transportation](#)

Major Group 42: Motor Freight Transportation And Warehousing

This major group includes establishments furnishing local or long-distance trucking or transfer services, or those engaged in the storage of farm products, furniture and other household goods, or commercial goods of any nature. The operation of terminal facilities for handling freight, with or without maintenance facilities, is also included. Establishments primarily engaged in the storage of natural gas are classified in Industry 4922. Field warehousing is classified in Services, Industry 7389. Establishments of the United States Postal Service are classified in Major Group 43.

Industry Group 421: Trucking And Courier Services, Except Air

- 4212 [Local Trucking Without Storage](#)
- 4213 [Trucking, Except Local](#)
- 4214 [Local Trucking With Storage](#)
- 4215 [Courier Services, Except by Air](#)

Industry Group 422: Public Warehousing And Storage

- 4221 [Farm Product Warehousing and Storage](#)
- 4222 [Refrigerated Warehousing and Storage](#)
- 4225 [General Warehousing and Storage](#)
- 4226 [Special Warehousing and Storage, Not Elsewhere Classified](#)

Industry Group 423: Terminal And Joint Terminal Maintenance

- 4231 [Terminal and Joint Terminal Maintenance Facilities for Motor Freight Transportation](#)

Major Group 45: Transportation By Air

This major group includes establishments engaged in furnishing domestic and foreign transportation by air and also those operating airports and flying fields and furnishing terminal services. Establishments primarily engaged in performing services which may incidentally use airplanes (e.g., crop dusting and aerial photography) are classified according to the service performed.

Industry Group 451: Air Transportation, Scheduled, And Air Courier

- 4512 [Air Transportation, Scheduled](#)
- 4513 [Air Courier Services](#)

Industry Group 452: Air Transportation, Nonscheduled

- 4522 [Air Transportation, Nonscheduled](#)

Industry Group 458: Airports, Flying Fields, And Airport Terminal

- 4581 [Airports, Flying Fields, and Airport Terminal Services](#)

Major Group 47: Transportation Services

This major group includes establishments furnishing services incidental to transportation, such as forwarding and packing services, and the arrangement of passenger and freight transportation.

Industry Group 472: Arrangement Of Passenger Transportation

- 4724 [Travel Agencies](#)
- 4725 [Tour Operators](#)
- 4729 [Arrangement of Passenger Transportation, Not Elsewhere Classified](#)

Industry Group 473: Arrangement Of Transportation Of Freight And Cargo

- 4731 [Arrangement of Transportation of Freight and Cargo](#)

Industry Group 474: Rental Of Railroad Cars

- 4741 [Rental of Railroad Cars](#)

Industry Group 478: Miscellaneous Services Incidental To Transportation

- 4783 [Packing and Crating](#)
- 4785 [Fixed Facilities and Inspection and Weighing Services for Motor Vehicle Transportation](#)
- 4789 [Transportation Services, Not Elsewhere Classified](#)

Major Group 48: Communications

This major group includes establishments furnishing point-to-point communications services, whether intended to be received aurally or visually; and radio and television broadcasting. This major group also includes establishments primarily engaged in providing paging and beeper services and those engaged in leasing telephone lines or other methods of telephone transmission, such as optical fiber lines and microwave or satellite facilities, and reselling the use of such methods to others. Establishments primarily engaged in furnishing telephone answering services are classified in Services, Industry 7389.

Industry Group 481: Telephone Communications

- 4812 [Radiotelephone Communications](#)
- 4813 [Telephone Communications, Except Radiotelephone](#)

Industry Group 482: Telegraph And Other Message Communications

- 4822 [Telegraph and Other Message Communications](#)

Industry Group 483: Radio And Television Broadcasting Stations

- 4832 [Radio Broadcasting Stations](#)
- 4833 [Television Broadcasting Stations](#)

Industry Group 484: Cable And Other Pay Television Services

- 4841 [Cable and Other Pay Television Services](#)

Industry Group 489: Communications Services, Not Elsewhere

- 4899 [Communications Services, Not Elsewhere Classified](#)