

Seismic Safety Sub-Committee (SSSC)

Casey Hanell | State Geologist and Director | Washington Geologic Survey

Tax Incentive Study for Unreinforced Masonry (URM) Retrofits

Photo by John Skelton



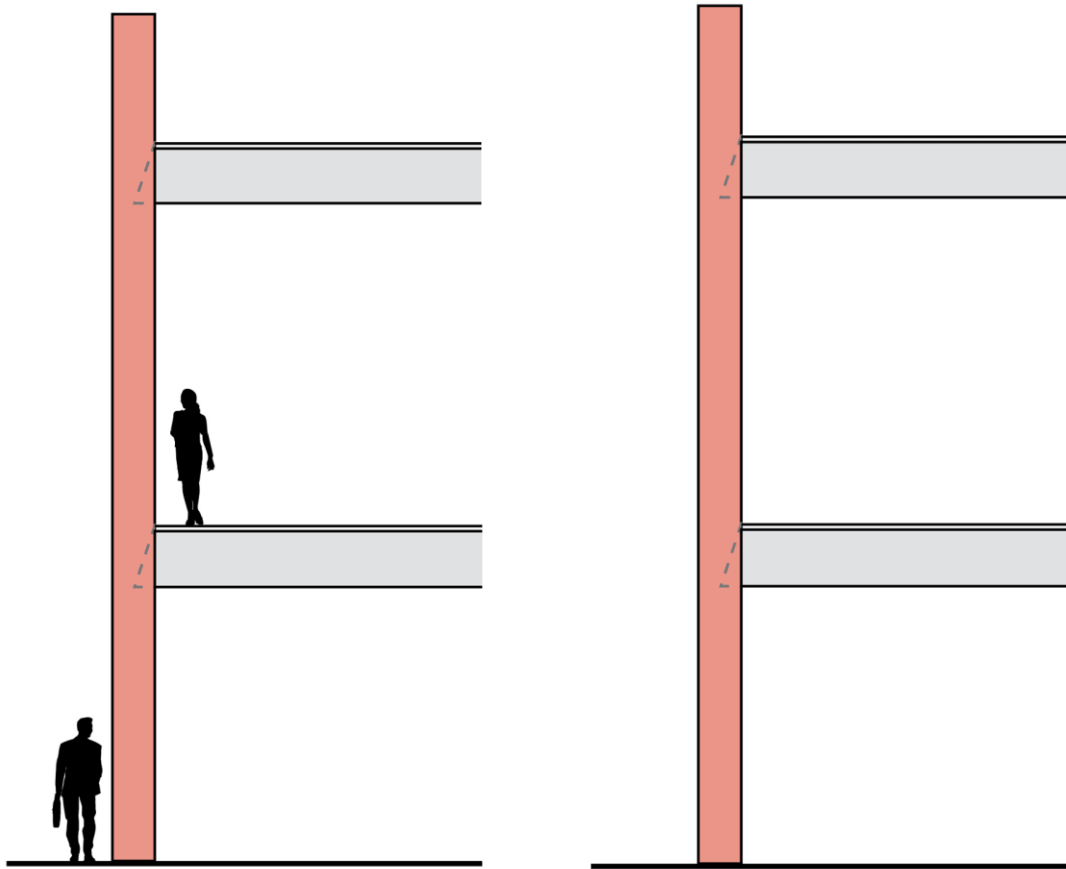
Amanda Hertzfeld
URM Program Manager
Dept. of Construction & Inspections
City of Seattle



Maximilian Dixon
Hazards & Outreach Program Supervisor
Emergency Management Division
Washington State

December 12, 2024

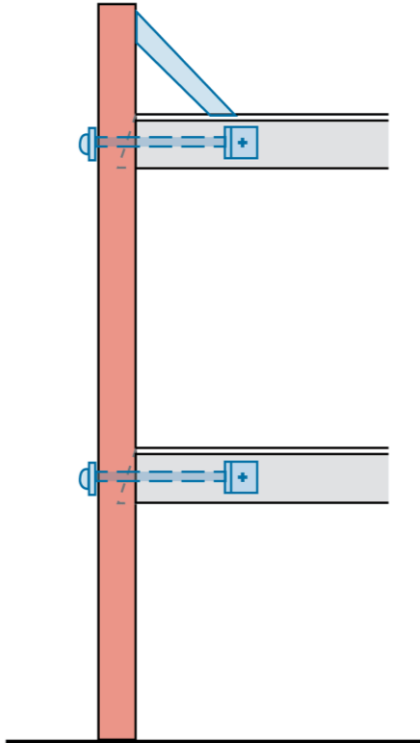
URMs are dangerous in an earthquake



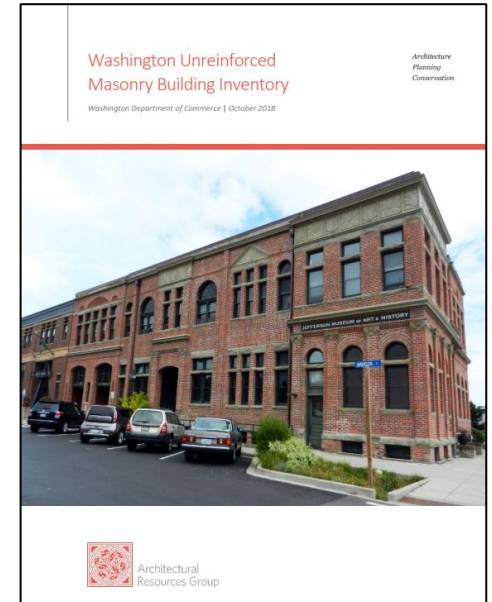
Courtesy of the Seattle Times



We know how to retrofit URMs, but it's expensive



- It will cost ~\$2.07 billion to seismically retrofit Seattle's 1,100 URMs.
- Statewide retrofit costs: \$10.6- \$70 billion
 - There are URMs in cities across WA, an estimated 5,000- 33,000.
 - WA EMD and Dept. of Archeology and Historic Preservation (DAHP) are working to further the statewide inventory of these buildings.
 - Everett (2023)
 - Tacoma (2024)
- Retrofit costs fall solely on the building owner. Benefits are community-wide.



Benefits of Retrofits

- Community-wide
 - Lives saved
 - Reduction in economic disruption
 - Reduction in future carbon emissions
 - Affordable housing
 - Cultural and historic preservation

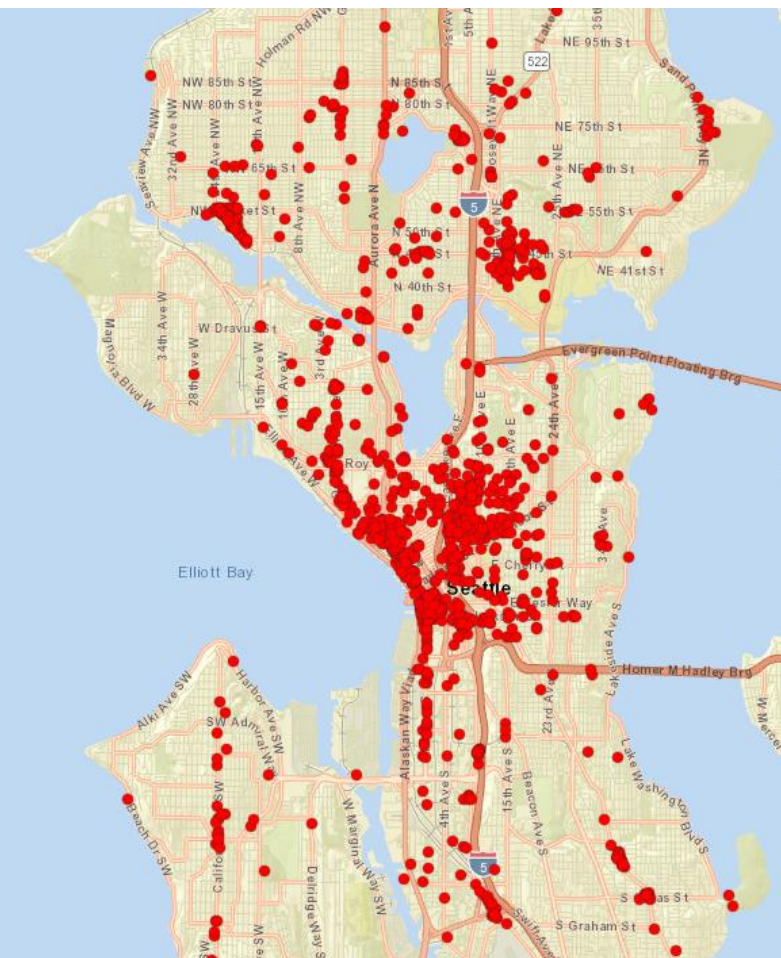
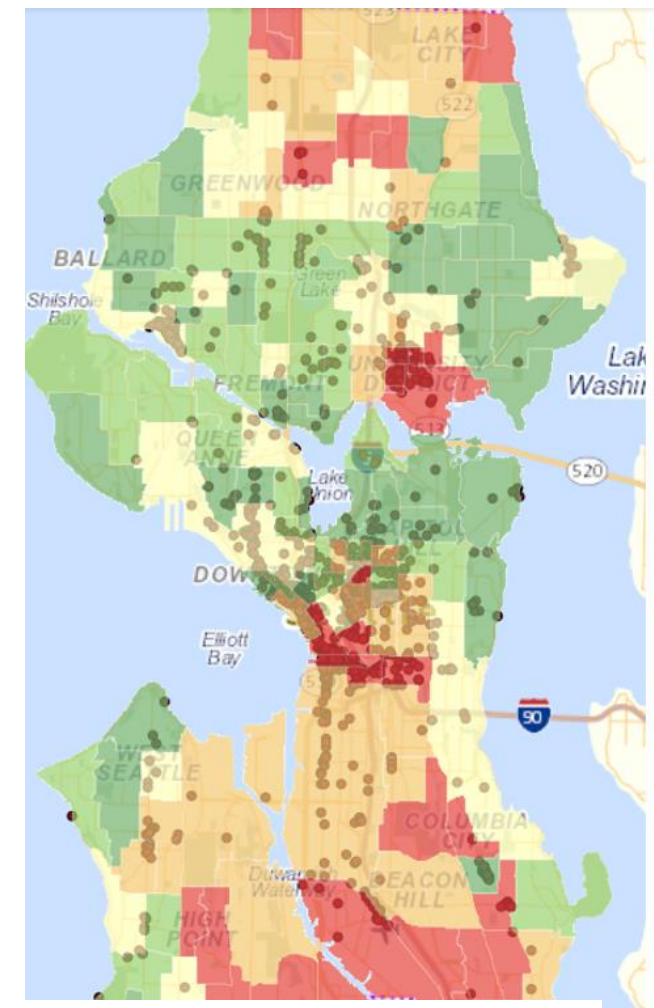


Retrofitting URMs is an equity issue

Higher density of URMs in underserved communities.

Due to age, typically more affordable commercial and residential spaces.

Underserved communities will be disproportionately impacted in an earthquake.

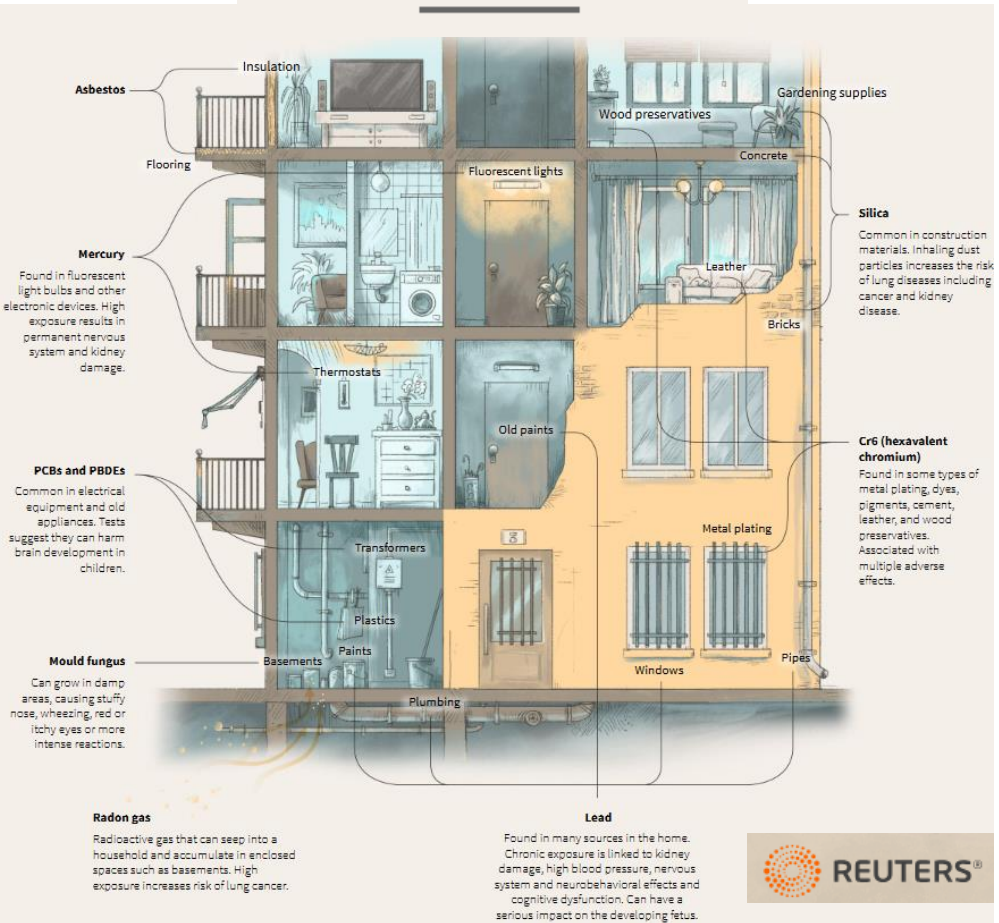


URM Buildings



Retrofitting will save lives & reduce future carbon emissions

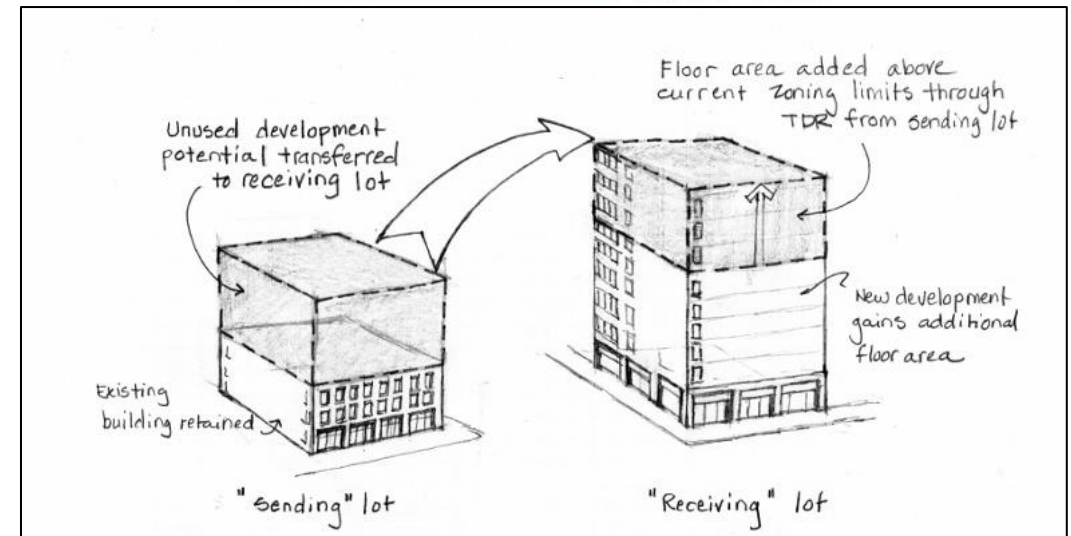
Toxins unleashed



Carbon Emissions and Earthquake-Generated Debris			
Earthquake	Debris (tons)	Carbon generated (1 ton debris = 200 metric tons of carbon)	Social costs of GHG (1 ton of carbon= \$190)
2011 Christchurch	9 million	1.8 billion	\$342 billion
2023 Turkey	210 million	42 billion	\$7.98 trillion

Exploring Funding for URM Retrofits

- Permit fee reductions
- Transfer of Development Rights
 - EXPAND
- Federal grants
 - Individual buildings
 - Retrofit Reimbursement Program
 - Finance Incentive Development
- State Grants
 - Office of Superintendent of Public Instruction
 - School Seismic Safety Grants
- **Tax Incentive Programs**



State Seismic Safety Sub-Committee

- URM Working Group
 - Two Priorities 2024
 1. URM Inventory (DAHP, EMD)
 2. Tax Incentive Study
 - Legislative Working Session
 - January 2025

Participants:

- Emergency Management Division
- Department of Archeology and Historic Preservation
- WA Geologic Survey
- Office of Insurance Commissioner
- Department of Commerce
- Structural Engineers of WA
- Earthquake Engineering Research Association (EERI)
- City of Seattle
- City of Tacoma

Lessons Learned from SB 5557 (2019)

- “An Act relating to seismic hazard risk reduction”
- Proposed property tax exemption for ten years or longer, to recover full costs of seismic retrofiting.
- Involvement from county assessors and private sector investment stakeholders is key to success.
- Analysis of impacts to varying sizes of counties is needed.
- Senate Bill Report recommends a study.

S-0924.1 _____
SENATE BILL 5557
State of Washington 66th Legislature 2019 Regular Session
By Senators Liias, Hunt, Van De Wege, Das, Kuderer, and Takko
Read first time 01/23/19. Referred to Committee on Local Government.

1 AN ACT Relating to seismic hazard risk re
2 sections to chapter 70.86 RCW; adding a new sect
3 RCW; adding a new section to chapter 19.27 RCW;
4 to chapter 38.52 RCW; creating new sections; and
5 dates.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF W

7 NEW SECTION. Sec. 1. The legislature fi
8 state has the second highest earthquake risk in
9 The seven hundred mile cascadia subduction zone r
10 threat to the Pacific Northwest, capable of gene
11 zero or higher earthquake and tsunami. The r
12 estimate ten thousand fatalities and direct econ
13 than eighty billion dollars combined for Washin
14 addition to the cascadia subduction zone off
15 mainland is littered with active crustal faults
16 hazards. The histories and hazards of many of th
17 being uncovered. The legislature finds that deve
18 is prepared for these impending natural disaster
19 mitigate the damage they can cause to its people
20 and long-term survival.

P. 1

SENATE BILL REPORT
SB 5557

As Reported by Senate Committee On:
Local Government, February 14, 2019

Title: An act relating to seismic hazard risk reduction.

Brief Description: Concerning seismic hazard risk reduction.

Sponsors: Senators Liias, Hunt, Van De Wege, Das, Kuderer and Takko.

Brief History:
Committee Activity: Local Government: 2/07/19, 2/14/19 [DPS-WM, w/oRec].

Brief Summary of First Substitute Bill

- Creates a functional recovery task force to determine criteria and implementation measures necessary for the adoption of a functional recovery standard to apply to all emergency services buildings and state-owned buildings, and establishes incentives and measures towards seismic hazard risk reduction.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 5557 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators Takko, Chair; Salomon, Vice Chair; Short, Ranking Member; Lovelett.

Minority Report: That it be referred without recommendation.
Signed by Senator Honeyford.

Staff: Greg Vogel (786-7413)

Background: Resilient Washington Subcabinet Report. On November 4, 2016, the Governor issued Directive 16-19, establishing a Resilient Washington Subcabinet. Through this subcabinet, the Washington Military Department's Emergency Management Division was directed to assess the state's strategy in creating a resilient Washington with regard to the hazards posed by earthquakes and tsunamis. Workgroups consisting of key stakeholders and

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

Senate Bill Report - 1 - SB 5557

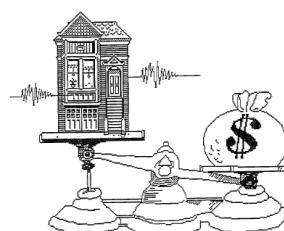

Seismic Safety Sub-Committee Recommendations for Tax Incentive Study

- Modifications to State Special Valuation Tax
- Current Use Taxation
- Property Tax
- Sales Tax
- Business & Occupation Tax
- Valuation Assessment Zones
- Tax Exempt Entities

FEDERAL EMERGENCY MANAGEMENT AGENCY FEMA-254/August 1994

Seismic Retrofit Incentive Programs

A Handbook for Local Governments

23-05 FINAL REPORT:
2023 TAX PREFERENCE PERFORMANCE
REVIEWS

Rehabilitated Historic Properties

LEGISLATIVE AUDITOR'S CONCLUSION:
Property owners saved \$56.8 million over the past 10 years, primarily in King County and for commercial properties. While preference use has declined, use increased 6% between 2020 and 2022.

November 2023

Executive Summary

Tax exemption for rehabilitated historic properties

The 1985 Legislature enacted a special property tax valuation for rehabilitated historic properties. Owners of qualifying properties may deduct rehabilitation¹ costs from the taxable value of the property for ten years if the costs are at least 25% of the assessed structure's value. The preference applies to both state and local property taxes. The 2020 Legislature enacted two seven-year extensions of the special valuation. Extensions are available only in cities with populations under 20,000 that are located in *distressed counties*².

Estimated Biennial Beneficiary Savings	\$22.7 million (2025-27 biennium)
Tax Type	Property Tax
	RCW 84.26.070

The preference achieves the stated public policy objective

In 2020, the Legislature stated the preference was intended to promote historic property revitalization and set a January 1, 2031, expiration date for new applicants. It indicated its intent to extend the expiration date if the number of taxpayers claiming the preference increases.

Objectives (stated)	Results
To promote historic property revitalization.	Met. Property owners in 19 counties used the preference and rehabilitated 1,046 historic properties from 2013 to 2022.

Recommendations

¹Repairing or altering a property so that it preserves significant architectural or cultural features.
²Counties with three-year average unemployment rates at least 20% above the state average.

23-05 Final Report | Rehabilitated Historic Properties 1

79th OREGON LEGISLATIVE ASSEMBLY—2017 Regular Session

Enrolled Senate Bill 311

Sponsored by Senator ROBILAN, Representative BOONE, Representatives MARSH, MCKEOWN (Presession filed.)

CHAPTER _____

AN ACT

Relating to property tax exemption for seismic retrofitting costs; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

SECTION 1. (1) As used in sections 1 to 5 of this 2017 Act:

(a)(A) "Eligible costs" means costs that are:

- Directly related to the work necessary to seismically retrofit eligible property; and
- Incurred after an application relating to the retrofitting has been approved under section 2 of this 2017 Act.

(B) "Eligible costs" includes, but is not limited to:

- All costs directly related to structural seismic retrofitting, including, but not limited to, the necessary costs of demolition and restoration of similar architectural finishes, electrical systems, plumbing and mechanical systems necessary for access; and
- Architectural and engineering fees, and fees for testing, insurance and project management, related to the seismic retrofitting.

(C) "Eligible costs" does not include:

- Costs associated with refurbishing or remodeling that are intended to enhance the aesthetics, functionality or marketability of the improvements but do not extend the seismic life safety of the improvements; or
- Costs for abatement of hazardous materials, including, but not limited to, asbestos, or for relocation or loss of rent during the seismic retrofitting.

(b) "Eligible property" means improvements built before January 1, 1995, that constitute a commercial, industrial or multifamily building.

(2) The governing body of a city or county may adopt an ordinance or resolution providing for exemption or partial exemption from ad valorem property taxation of eligible property that will be seismically retrofitted.

(3)(a) An ordinance or resolution adopted under this section must specify the eligibility requirements for the exemption or partial exemption.

(b) Notwithstanding paragraph (a) of this subsection, property is not eligible for an exemption or partial exemption pursuant to this section if, at the time an application for the property is filed under section 2 of this 2017 Act, the property is:

- Subject to assessment under ORS 308.505 to 308.681; or
- State-appraised industrial property as defined in ORS 306.126.

(4)(a) An ordinance or resolution adopted under this section must specify the period, not to exceed 15 years, for which the exemption or partial exemption may be granted.

Enrolled Senate Bill 311 (SB 311-B) Page 1

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MEMORANDUM

To: Amanda Hertzfeld
City of Seattle

From: Ellen Miron, ellen@tjp.us

Date: March 14, 2024

Regarding: Current Use Taxation, historic properties & URM

Rising land values in King County and other counties in Washington have put a strain on efforts at historic preservation. In King County in particular, land is taxed for its potential development, not based on the current use of the land. This puts pressure on the owners of smaller historic buildings or potential landmarks. Also, as the need for seismic retrofit increases, economic solutions for retrofitting unreinforced masonry buildings are necessary.

There is a tax program available that acknowledges that historic properties provide a public benefit and could be taxed at a lower rate. In addition the public safety provided by retrofitting buildings provides a public benefit. In King County the program is called the Public Benefit Rating System (PBR) and is one county's solution to Current Use Taxation. However, the program currently only applies to the open land area and not the land under the historic building.

The idea of Current Use Taxation for open space in Washington State was precipitated by rising land values and pressures on agricultural and forest lands for development, thus endangering both ecological and cultural resources. The Open Space Taxation Act was put into place in 1970 and made provisions mostly for agricultural properties, but also allowed that cultural resources and historic sites were of importance.¹

Rising land values and property tax burdens mean that owners of historic sites have difficult choices to make about how to treat their buildings. Incentives offered for designated sites often do not make up for the pressures of rising land values, or needs for seismic retrofits and other energy upgrades. See the attached King County tax assessor letter for the designated landmark at 3670 Woodland Park Avenue N. In this letter the assessor argues that because the City of Seattle Landmarks Board and the hearing examiner have allowed the

¹ https://dc.wa.gov/sites/default/files/legacy/Docs/Plans/Prop_Tax/OpenSpace.pdf

Funding URM Retrofits

Report to City of Seattle from National Development Council

May 2019



NDC 50 YEARS

ECORNorthwest pfm

Seattle's Budget Proviso Development

- Total Cost: \$400,000
- Study managed by: Department of Commerce
- Includes development of policy recommendations and impact analysis
- January 14 Legislative Working Session with the Committee on Innovation, Community & Economic Development, & Veterans

1. WA Association of Cities
2. WA Association of Counties
3. WA Association of County Officials
4. Building Owners and Managers Association (BOMA)- Greater Seattle
5. WA Association of Building Officials (WABO)
6. City of Seattle
7. City of Tacoma
8. Downtown Tacoma Partnership
9. City of Olympia Emergency Management
10. Downtown Everett Association
11. Ellensburg Downtown Association
12. Kittitas Valley Fire and Rescue
13. Spokane Preservation Associates
14. WA Trust for Historic Preservation
15. Association for Preservation Technology- PNW Chapter
16. Historic Seattle
17. 4Culture
18. Masonry Institute of WA
19. Masons of Washington
20. Bricklayers and Allied Craftworkers Local 1 WA/AK
21. American Institute of Architects (AIA)- WA Chapter
22. Structural Engineers Association of WA (SEAW)
23. WA State Seismic Safety Subcommittee of the Emergency Management Council
24. WA State Emergency Management Association (WSEMA)
25. WA Association of Education Service Districts (AESD)

Questions?

Amanda Hertzfeld

URM Program Manager

City of Seattle

Amanda.Hertzfeld@seattle.gov

