

E2SSB 5287 - H COMM AMD
By Committee on Finance

ADOPTED AS AMENDED 04/10/2021

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

3 **"Sec. 1.** RCW 84.14.005 and 2007 c 430 s 1 are each amended to
4 read as follows:

5 (1) The legislature finds:

6 ~~((1))~~ (a) That in many of Washington's urban centers there is
7 insufficient availability of desirable and convenient residential
8 units, including affordable housing units, to meet the needs of a
9 growing number of the public who would live in these urban centers if
10 these desirable, convenient, attractive, affordable, and livable
11 places to live were available;

12 ~~((2))~~ (b) That the development of additional and desirable
13 residential units, including affordable housing units, in these urban
14 centers that will attract and maintain a significant increase in the
15 number of permanent residents in these areas will help to alleviate
16 the detrimental conditions and social liability that tend to exist in
17 the absence of a viable mixed income residential population and will
18 help to achieve the planning goals mandated by the growth management
19 act under RCW 36.70A.020; and

20 ~~((3))~~ (c) That planning solutions to solve the problems of
21 urban sprawl often lack incentive and implementation techniques
22 needed to encourage residential redevelopment in those urban centers
23 lacking a sufficient variety of residential opportunities, and it is
24 in the public interest and will benefit, provide, and promote the
25 public health, safety, and welfare to stimulate new or enhanced
26 residential opportunities, including affordable housing
27 opportunities, within urban centers through a tax incentive as
28 provided by this chapter.

29 (2) Therefore, the legislature intends to achieve multiple goals
30 by incentivizing the development of multiple-unit housing including
31 creating additional affordable housing, encouraging urban development
32 and density, increasing market rate workforce housing, developing

1 permanently affordable housing opportunities, promoting economic
2 investment and recovery, and creating family-wage jobs.

3 **Sec. 2.** RCW 84.14.010 and 2017 c 52 s 16 are each amended to
4 read as follows:

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

7 (1) "Affordable housing" means residential housing that is rented
8 by a person or household whose monthly housing costs, including
9 utilities other than telephone, do not exceed thirty percent of the
10 household's monthly income. For the purposes of housing intended for
11 owner occupancy, "affordable housing" means residential housing that
12 is within the means of low or moderate-income households.

13 (2) "Campus facilities master plan" means the area that is
14 defined by the University of Washington as necessary for the future
15 growth and development of its campus facilities for campuses
16 authorized under RCW 28B.45.020.

17 (3) "City" means either (a) a city or town with a population of
18 at least fifteen thousand, (b) the largest city or town, if there is
19 no city or town with a population of at least fifteen thousand,
20 located in a county planning under the growth management act, ~~((or))~~
21 (c) a city or town with a population of at least five thousand
22 located in a county subject to the provisions of RCW 36.70A.215, or
23 (d) any city that otherwise does not meet the qualifications under
24 (a) through (c) of this subsection, until December 31, 2031, that
25 complies with RCW 84.14.020(1)(a)(iii) or section 7(1)(b) of this
26 act.

27 (4) "County" means a county with an unincorporated population of
28 at least ~~((three hundred fifty thousand))~~ 170,000.

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

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

33 ~~((("High cost area" means a county where the third quarter~~
34 ~~median house price for the previous year as reported by the~~
35 ~~Washington center for real estate research at Washington State~~
36 ~~University is equal to or greater than one hundred thirty percent of~~
37 ~~the statewide median house price published during the same time~~
38 ~~period.~~

1 ~~(8))~~ "Household" means a single person, family, or unrelated
2 persons living together.

3 ~~((9))~~ (8) "Low-income household" means a single person, family,
4 or unrelated persons living together whose adjusted income is at or
5 below eighty percent of the median family income adjusted for family
6 size, for the county, city, or metropolitan statistical area, where
7 the project is located, as reported by the United States department
8 of housing and urban development. ~~((For cities located in high-cost
9 areas, "low-income household" means a household that has an income at
10 or below one hundred percent of the median family income adjusted for
11 family size, for the county where the project is located.~~

12 ~~(10))~~ (9) "Moderate-income household" means a single person,
13 family, or unrelated persons living together whose adjusted income is
14 more than eighty percent but is at or below one hundred fifteen
15 percent of the median family income adjusted for family size, for the
16 county, city, or metropolitan statistical area, where the project is
17 located, as reported by the United States department of housing and
18 urban development. ~~((For cities located in high-cost areas,
19 "moderate-income household" means a household that has an income that
20 is more than one hundred percent, but at or below one hundred fifty
21 percent, of the median family income adjusted for family size, for
22 the county where the project is located.~~

23 ~~(11))~~ (10) "Multiple-unit housing" means a building or a group
24 of buildings having four or more dwelling units not designed or used
25 as transient accommodations and not including hotels and motels.
26 Multifamily units may result from new construction or rehabilitated
27 or conversion of vacant, underutilized, or substandard buildings to
28 multifamily housing.

29 ~~((12))~~ (11) "Owner" means the property owner of record.

30 ~~((13))~~ (12) "Permanent residential occupancy" means multiunit
31 housing that provides either rental or owner occupancy on a
32 nontransient basis. This includes owner-occupied or rental
33 accommodation that is leased for a period of at least one month. This
34 excludes hotels and motels that predominately offer rental
35 accommodation on a daily or weekly basis.

36 ~~((14))~~ (13) "Rehabilitation improvements" means modifications
37 to existing structures, that are vacant for twelve months or longer,
38 that are made to achieve a condition of substantial compliance with
39 existing building codes or modification to existing occupied
40 structures which increase the number of multifamily housing units.

1 (~~(15)~~) (14) "Residential targeted area" means an area within an
2 urban center or urban growth area that has been designated by the
3 governing authority as a residential targeted area in accordance with
4 this chapter. With respect to designations after July 1, 2007,
5 "residential targeted area" may not include a campus facilities
6 master plan.

7 (~~(16)~~) (15) "Rural county" means a county with a population
8 between fifty thousand and seventy-one thousand and bordering Puget
9 Sound.

10 (~~(17)~~) (16) "Substantial compliance" means compliance with
11 local building or housing code requirements that are typically
12 required for rehabilitation as opposed to new construction.

13 (~~(18)~~) (17) "Urban center" means a compact identifiable
14 district where urban residents may obtain a variety of products and
15 services. An urban center must contain:

16 (a) Several existing or previous, or both, business
17 establishments that may include but are not limited to shops,
18 offices, banks, restaurants, governmental agencies;

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

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

24 **Sec. 3.** RCW 84.14.020 and 2020 c 237 s 2 are each amended to
25 read as follows:

26 (1)(a) The value of new housing construction, conversion, and
27 rehabilitation improvements qualifying under this chapter is exempt
28 from ad valorem property taxation, as follows:

29 (i) For properties for which applications for certificates of tax
30 exemption eligibility are submitted under this chapter before July
31 22, 2007, the value is exempt for ten successive years beginning
32 January 1 of the year immediately following the calendar year of
33 issuance of the certificate; (~~and~~)

34 (ii) For properties for which applications for certificates of
35 tax exemption eligibility are submitted under this chapter on or
36 after July 22, 2007, the value is exempt:

37 (A) For eight successive years beginning January 1st of the year
38 immediately following the calendar year of issuance of the
39 certificate; (~~or~~)

1 (B) For twelve successive years beginning January 1st of the year
2 immediately following the calendar year of issuance of the
3 certificate, if the property otherwise qualifies for the exemption
4 under this chapter and meets the conditions in this subsection
5 (1)(a)(ii)(B). For the property to qualify for the twelve-year
6 exemption under this subsection, the applicant must commit to renting
7 or selling at least twenty percent of the multifamily housing units
8 as affordable housing units to low and moderate-income households,
9 and the property must satisfy that commitment and any additional
10 affordability and income eligibility conditions adopted by the local
11 government under this chapter. In the case of projects intended
12 exclusively for owner occupancy, the minimum requirement of this
13 subsection (1)(a)(ii)(B) may be satisfied solely through housing
14 affordable to moderate-income households; or

15 (C) For 20 successive years beginning January 1st of the year
16 immediately following the calendar year of issuance of the
17 certificate, if the property otherwise qualifies for the exemption
18 under this chapter and meets the conditions in this subsection
19 (1)(a)(ii)(C). For the property to qualify for the 20-year exemption
20 under this subsection, the project must be located within one mile of
21 high capacity transit of at least 15 minute scheduled frequency, in a
22 city that has implemented, as of the effective date of this section,
23 a mandatory inclusionary zoning requirement for affordable housing
24 that ensures affordability of housing units for a period of at least
25 99 years and that has a population of no more than 65,000 as measured
26 on the effective date of this section. To qualify for the exemption
27 provided in this subsection (1)(a)(ii)(C), the applicant must commit
28 to renting at least 20 percent of the dwelling units as affordable to
29 low-income households for a term of at least 99 years, and the
30 property must satisfy that commitment and all required affordability
31 and income eligibility conditions adopted by the local government
32 under this chapter. A city must require the applicant to record a
33 covenant or deed restriction that ensures the continuing rental of
34 units subject to these affordability requirements consistent with the
35 conditions in this subsection (1)(a)(ii)(C) for a period of no less
36 than 99 years. The covenant or deed restriction must also address
37 criteria and policies to maintain public benefit if the property is
38 converted to a use other than which continues to provide for
39 permanently affordable low-income housing consistent with this
40 subsection (1)(a)(ii)(C); and

1 (iii) Until December 31, 2026, for a city as defined in RCW
2 84.14.010(3)(d), for 12 successive years beginning January 1st of the
3 year immediately following the calendar year of issuance of the
4 certificate, if the property otherwise qualifies for the exemption
5 under this chapter and meets the conditions in this subsection
6 (1)(a)(iii). For the property to qualify for the 12-year exemption
7 under this subsection, the applicant must commit to renting or
8 selling at least 20 percent of the multifamily housing units as
9 affordable housing units to low and moderate-income households, the
10 property must satisfy that commitment and any additional
11 affordability and income eligibility conditions adopted by the local
12 government under this chapter, and the area must be zoned to have an
13 average minimum density equivalent to 15 dwelling units or more per
14 gross acre, or for cities with a population over 20,000, the area
15 must be zoned to have an average minimum density equivalent to 25
16 dwelling units or more per gross acre. In the case of projects
17 intended exclusively for owner occupancy, the minimum requirement of
18 this subsection (1)(a)(iii) may be satisfied solely through housing
19 affordable to low-income or moderate-income households.

20 (b) The exemptions provided in (a)(i) (~~(and (ii))~~) through (iii)
21 of this subsection do not include the value of land or nonhousing-
22 related improvements not qualifying under this chapter.

23 (c) For properties receiving an exemption as provided in
24 (a)(ii)(B) of this subsection that are in compliance with existing
25 contracts and where the certificate of tax exemption is set to expire
26 after June 11, 2020, but before December 31, 2021, the exemption is
27 extended until December 31, 2021, provided that the property must
28 satisfy any eligibility criteria or limitations provided in this
29 chapter as a condition to the existing exemption for a given property
30 continue to be met. For all properties eligible to receive an
31 extension pursuant to this subsection (1)(c), the city or county that
32 issued the initial certificate of tax exemption, as required in RCW
33 84.14.090, must notify the county assessor and the applicant of the
34 extension of the certificate of tax exemption.

35 (2) When a local government adopts guidelines pursuant to RCW
36 84.14.030(2) and includes conditions that must be satisfied with
37 respect to individual dwelling units, rather than with respect to the
38 multiple-unit housing as a whole or some minimum portion thereof, the
39 exemption may, at the local government's discretion, be limited to

1 the value of the qualifying improvements allocable to those dwelling
2 units that meet the local guidelines.

3 (3) In the case of rehabilitation of existing buildings, the
4 exemption does not include the value of improvements constructed
5 prior to the submission of the application required under this
6 chapter. The incentive provided by this chapter is in addition to any
7 other incentives, tax credits, grants, or other incentives provided
8 by law.

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

16 (5) At the conclusion of the exemption period, the ~~((new or~~
17 ~~rehabilitated housing cost shall))~~ value of the new housing
18 construction, conversion, or rehabilitation improvements must be
19 considered as new construction for the purposes of ((chapter 84.55
20 RCW)) chapters 84.55 and 36.21 RCW as though the property was not
21 exempt under this chapter.

22 (6) For properties that qualified for, satisfied the conditions
23 of, and utilized the exemption under subsection (1)(a)(ii)(A) or (B)
24 of this section, following the initial exemption period or the
25 extension period authorized in subsection (1)(c) of this section, the
26 exemption period may be extended for an additional 12 years for
27 projects that are within 18 months of expiration contingent on city
28 or county approval. For the property to qualify for an extension
29 under this subsection (6), the applicant must meet at a minimum the
30 locally adopted requirements for the property to qualify for an
31 exemption under subsection (1)(a)(ii)(B) of this section as
32 applicable at the time of the extension application, and the
33 applicant commits to renting or selling at least 20 percent of the
34 multifamily housing units as affordable housing units for low-income
35 households.

36 (7) At the end of both the tenth and eleventh years of an
37 extension, for twelve-year extensions of the exemption, applicants
38 must provide tenants of rent-restricted units with notification of
39 intent to provide the tenant with rental relocation assistance as
40 provided in subsection (8) of this section.

1 (8) (a) Except as provided in (b) of this subsection, for any 12-
2 year exemption authorized under subsection (1) (a) (ii) (B) or (iii) of
3 this section after the effective date of this section, or for any 12-
4 year exemption extension authorized under subsection (6) of this
5 section, at the expiration of the exemption the applicant must
6 provide tenant relocation assistance in an amount equal to one
7 month's rent to a qualified tenant within the final month of the
8 qualified tenant's lease. To be eligible for tenant relocation
9 assistance under this subsection, the tenant must occupy an income-
10 restricted unit at the time the exemption expires and must qualify as
11 a low-income household under this chapter at the time relocation
12 assistance is sought.

13 (b) If affordability requirements consistent, at a minimum, with
14 those required under subsection (1) (a) (ii) (B) or (iii) of this
15 section remain in place for the unit after the expiration of the
16 exemption, relocation assistance in an amount equal to one month's
17 rent must be provided to a qualified tenant within the final month of
18 a qualified tenant's lease who occupies an income-restricted unit at
19 the time those additional affordability requirements cease to apply
20 to the unit.

21 (9) No new exemptions may be provided under this section
22 beginning on or after January 1, 2032. No extensions may be granted
23 under subsection (6) of this section on or after January 1, 2046.

24 **Sec. 4.** RCW 84.14.040 and 2014 c 96 s 4 are each amended to read
25 as follows:

26 (1) The following criteria must be met before an area may be
27 designated as a residential targeted area:

28 (a) The area must be within an urban center, as determined by the
29 governing authority;

30 (b) The area must lack, as determined by the governing authority,
31 sufficient available, desirable, and convenient residential housing,
32 including affordable housing, to meet the needs of the public who
33 would be likely to live in the urban center, if the affordable,
34 desirable, attractive, and livable places to live were available;

35 (c) The providing of additional housing opportunity, including
36 affordable housing, in the area, as determined by the governing
37 authority, will assist in achieving one or more of the stated
38 purposes of this chapter; (~~and~~)

1 (d) If the residential targeted area is designated by a county,
2 the area must be located in an unincorporated area of the county that
3 is within an urban growth area under RCW 36.70A.110 and the area must
4 be: (i) In a rural county, served by a sewer system and designated by
5 a county prior to January 1, 2013; or (ii) in a county that includes
6 a campus of an institution of higher education, as defined in RCW
7 28B.92.030, where at least one thousand two hundred students live on
8 campus during the academic year; and (iii) until July 15, 2024, in a
9 county seeking to promote transit supportive densities and efficient
10 land use in an area that is located within a designated urban growth
11 area and within .25 miles of a corridor where bus service is
12 scheduled at least every thirty minutes for no less than 10 hours per
13 weekday and is in service or is planned for service to begin within
14 five years of designation; and

15 (e) For a residential targeted area designated by a county after
16 the effective date of this section, the county governing authority
17 must conduct an evaluation of the risk of potential displacement of
18 residents currently living in the area if the tax incentives
19 authorized in this chapter were to be used in the area. The county
20 may use an existing analysis if one exists. An area may not be
21 designated as a residential targeted area unless: (i) The evaluation
22 finds that the risk of displacement is minimal; or (ii) the governing
23 authority mitigates the risk of displacement with locally adopted
24 mitigation measures such as, but not limited to, ensuring that those
25 directly or indirectly displaced have a first right of refusal to
26 occupy the newly created dwelling units receiving an exemption under
27 this chapter, including the affordable units if they otherwise meet
28 the qualifications.

29 (2) For the purpose of designating a residential targeted area or
30 areas, the governing authority may adopt a resolution of intention to
31 so designate an area as generally described in the resolution. The
32 resolution must state the time and place of a hearing to be held by
33 the governing authority to consider the designation of the area and
34 may include such other information pertaining to the designation of
35 the area as the governing authority determines to be appropriate to
36 apprise the public of the action intended.

37 (3) The governing authority must give notice of a hearing held
38 under this chapter by publication of the notice once each week for
39 two consecutive weeks, not less than seven days, nor more than thirty
40 days before the date of the hearing in a paper having a general

1 circulation in the city or county where the proposed residential
2 targeted area is located. The notice must state the time, date,
3 place, and purpose of the hearing and generally identify the area
4 proposed to be designated as a residential targeted area.

5 (4) Following the hearing, or a continuance of the hearing, the
6 governing authority may designate all or a portion of the area
7 described in the resolution of intent as a residential targeted area
8 if it finds, in its sole discretion, that the criteria in subsections
9 (1) through (3) of this section have been met.

10 (5) After designation of a residential targeted area, the
11 governing authority must adopt and implement standards and guidelines
12 to be utilized in considering applications and making the
13 determinations required under RCW 84.14.060. The standards and
14 guidelines must establish basic requirements for both new
15 construction and rehabilitation, which must include:

16 (a) Application process and procedures;

17 (b) Income and rent standards for affordable units;

18 (c) Requirements that address demolition of existing structures
19 and site utilization; and

20 ~~((e))~~ (d) Building requirements that may include elements
21 addressing parking, height, density, environmental impact, and
22 compatibility with the existing surrounding property and such other
23 amenities as will attract and keep permanent residents and that will
24 properly enhance the livability of the residential targeted area in
25 which they are to be located.

26 (6) (a) The governing authority may adopt and implement, either as
27 conditions to eight-year exemptions or as conditions to an extended
28 exemption period under RCW 84.14.020(1)(a)(ii) (B) or (C), or
29 ~~((both))~~ as conditions to any combination of exemptions authorized
30 under this chapter, more stringent income eligibility, rent, or sale
31 price limits, including limits that apply to a higher percentage of
32 units, than the minimum conditions for an extended exemption period
33 under RCW 84.14.020(1)(a)(ii) (B) or (C).

34 (b) Additionally, a governing authority may adopt and implement
35 as a contractual prerequisite to any exemption granted pursuant to
36 RCW 84.14.020:

37 (i) A requirement that applicants pay at least the prevailing
38 rate of hourly wage established under chapter 39.12 RCW for journey
39 level and apprentice workers on residential and commercial
40 construction;

1 (ii) Payroll record requirements consistent with RCW
2 39.12.120(1);

3 (iii) Apprenticeship utilization requirements consistent with RCW
4 39.04.310; and

5 (iv) A contracting inclusion plan developed in consultation with
6 the office of minority and women's business enterprises.

7 (7) For any multiunit housing located in an unincorporated area
8 of a county, a property owner seeking tax incentives under this
9 chapter must commit to renting or selling at least twenty percent of
10 the multifamily housing units as affordable housing units to low and
11 moderate-income households. In the case of multiunit housing intended
12 exclusively for owner occupancy, the minimum requirement of this
13 subsection ((+6+)) (7) may be satisfied solely through housing
14 affordable to moderate-income households.

15 (8) Nothing in this section prevents a governing authority from
16 adopting and implementing additional requirements to any exemption
17 granted under RCW 84.14.020.

18 **Sec. 5.** RCW 84.14.100 and 2012 c 194 s 9 are each amended to
19 read as follows:

20 (1) Thirty days after the anniversary of the date of the
21 certificate of tax exemption and each year for the tax exemption
22 period, the owner of the rehabilitated or newly constructed property,
23 or the qualified nonprofit or local government that will assure
24 permanent affordable homeownership for at least 25 percent of the
25 units for properties receiving an exemption under section 7 of this
26 act, must file with a designated authorized representative of the
27 city or county an annual report indicating the following:

28 (a) A statement of occupancy and vacancy of the rehabilitated or
29 newly constructed property during the twelve months ending with the
30 anniversary date;

31 (b) A certification by the owner that the property has not
32 changed use and, if applicable, that the property has been in
33 compliance with the affordable housing requirements as described in
34 RCW 84.14.020 since the date of the certificate approved by the city
35 or county;

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

38 (d) Any additional information requested by the city or county in
39 regards to the units receiving a tax exemption.

1 (2) All cities or counties, which issue certificates of tax
2 exemption for multiunit housing that conform to the requirements of
3 this chapter, must report annually by (~~December 31st~~) April 1st of
4 each year, beginning in 2007, to the department of commerce. A city
5 or county must be in compliance with the reporting requirements of
6 this section to offer certificates of tax exemption for multiunit
7 housing authorized in this chapter. The report must include the
8 following information:

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

10 (b) The total number and type of units produced or to be
11 produced;

12 (c) The number, size, and type of units produced or to be
13 produced meeting affordable housing requirements;

14 (d) The actual development cost of each unit produced;

15 (e) The total monthly rent or total sale amount of each unit
16 produced;

17 (f) The annual household income (~~of each renter household at the~~
18 ~~time of initial occupancy and the income of each initial purchaser of~~
19 ~~owner-occupied units at the time of purchase~~) and household size for
20 each of the affordable units receiving a tax exemption and a summary
21 of these figures for the city or county; and

22 (g) The value of the tax exemption for each project receiving a
23 tax exemption and the total value of tax exemptions granted.

24 (3) The department of commerce must provide guidance to cities
25 and counties, which issue certificates of tax exemption for multiunit
26 housing that conform to the requirements of this chapter, on best
27 practices in managing and reporting for the exemption programs
28 authorized under this chapter, including guidance for cities and
29 counties to collect and report demographic information for tenants of
30 units receiving a tax exemption under this chapter.

31 (4) This section expires January 1, 2058.

32 NEW SECTION. **Sec. 6.** (1) This section is the tax preference
33 performance statement for the tax preferences contained in section 3,
34 chapter . . ., Laws of 2021 (section 3 of this act). This performance
35 statement is only intended to be used for subsequent evaluation of
36 the tax preferences. It is not intended to create a private right of
37 action by any party or be used to determine eligibility for
38 preferential tax treatment.

1 (2) The legislature categorizes these tax preferences as ones
2 intended to induce certain designated behavior by taxpayers, as
3 indicated in RCW 82.32.808(2) (a).

4 (3) It is the legislature's specific public policy objective to:

5 (a) Incentivize developers to construct or rehabilitate
6 multifamily housing;

7 (b) Incentivize local governments and multifamily housing owners
8 to maintain or expand existing income-restricted unit stock that have
9 been incentivized through the tax exemption provided under chapter
10 84.14 RCW via new authority to renew the property tax abatement in
11 exchange for continued or additional affordability; and

12 (c) Further encourage multifamily construction in cities and
13 certain unincorporated urban growth areas by expanding access to the
14 multifamily tax exemption program to a broader set of jurisdictions.

15 (4) It is the legislature's intent to provide the value of new
16 housing construction, conversion, and rehabilitation improvements
17 qualifying under chapter 84.14 RCW an exemption from ad valorem
18 property taxation for eight to 12 years or more, as provided for in
19 RCW 84.14.020, in order to provide incentives to developers to
20 construct or rehabilitate multifamily housing thereby increasing the
21 number of affordable housing units, or preserving the state's stock
22 of income-restricted units, for low-income to moderate-income
23 residents in certain urban growth areas.

24 (5) The legislature intends to extend the expiration date of the
25 tax preferences in section 3, chapter . . ., Laws of 2021 (section 3
26 of this act), if a review finds that:

27 (a) Projects receiving an initial eight-year or 12-year exemption
28 regularly enter into subsequent 12-year extensions in exchange for
29 continued or increased income restrictions on affordable units; and

30 (b) At least 20 percent of the new housing is developed and
31 occupied by households earning:

32 (i) At or below 80 percent of the area median income, at the time
33 of occupancy, adjusted for family size for the county in which the
34 project is located; or

35 (ii) Where the housing is intended exclusively for owner
36 occupancy, up to 115 percent of the area median income, at the time
37 of sale, adjusted for family size for the county in which the project
38 is located.

39 (6) In order to obtain the data necessary to perform the review
40 in subsection (4) of this section, the joint legislative audit and

1 review committee must refer to the annual reports compiled by the
2 department of commerce under RCW 84.14.100 and may refer to data
3 provided by counties or cities in which persons are utilizing the
4 preferences, the office of financial management, the department of
5 commerce, the United States department of housing and urban
6 development, and any other data sources, as needed by the joint
7 legislative audit and review committee.

8 NEW SECTION. **Sec. 7.** A new section is added to chapter 84.14
9 RCW to read as follows:

10 (1)(a) The value of new housing construction, conversion, and
11 rehabilitation improvements qualifying under this chapter is exempt
12 from ad valorem property taxation, as follows: For 20 successive
13 years beginning January 1st of the year immediately following the
14 calendar year of issuance of the certificate, if the property
15 otherwise qualifies for the exemption under this chapter and meets
16 the conditions in this section. For the property to qualify for the
17 20-year exemption under this section, at least 25 percent of the
18 units must be built by or sold to a qualified nonprofit or local
19 government that will assure permanent affordable homeownership. The
20 remaining 75 percent of units may be rented or sold at market rates.

21 (b) Until December 31, 2031, for a city as defined in RCW
22 84.14.010(3)(d), in any city the value of new housing construction,
23 conversion, and rehabilitation improvements qualifying under this
24 chapter is exempt from ad valorem property taxation, as follows: For
25 20 successive years beginning January 1st of the year immediately
26 following the calendar year of issuance of the certificate, if the
27 property otherwise qualifies for the exemption under this chapter and
28 meets the conditions in this section. For the property to qualify for
29 the 20-year exemption under this section, at least 25 percent of the
30 units must be sold to a qualified nonprofit or local government
31 partner that will assure permanent affordable homeownership. The
32 remaining 75 percent of units may be rented or sold at market rates.
33 The area must be zoned to have an average minimum density equivalent
34 to 15 dwelling units or more per gross acre, or for cities with a
35 population over 20,000, the area must be zoned to have an average
36 minimum density equivalent to 25 dwelling units or more per gross
37 acre.

38 (2) Permanently affordable homeownership units or permanently
39 affordable rental units must be sold or rented to households earning

1 no more than 80 percent of the average median income for the city or
2 local jurisdiction in which the unit is located.

3 (3) A local jurisdiction may assign and collect an administration
4 fee at each point of sale to cover the administrative costs for
5 oversight of the program to maintain permanently affordable housing
6 units consistent with this section.

7 (4) The exemptions in this section do not include the value of
8 land or nonhousing-related improvements not qualifying under this
9 chapter.

10 (5) At the conclusion of the exemption period, the value of the
11 new housing construction, conversion, or rehabilitation improvements
12 must be considered as new construction for the purposes of chapters
13 84.55 and 36.21 RCW as though the property was not exempt under this
14 chapter.

15 (6) For purposes of this section, "permanently affordable
16 homeownership" means homeownership that, in addition to meeting the
17 definition of "affordable housing" in RCW 43.185A.010, is:

18 (a) Sponsored by a nonprofit organization or governmental entity;

19 (b) Subject to a ground lease or deed restriction that includes:

20 (i) A resale restriction designed to provide affordability for
21 future low and moderate-income homebuyers;

22 (ii) A right of first refusal for the sponsor organization to
23 purchase the home at resale; and

24 (iii) A requirement that the sponsor must approve any
25 refinancing, including home equity lines of credit; and

26 (c) Sponsored by a nonprofit organization or governmental entity
27 and the sponsor organization:

28 (i) Executes a new ground lease or deed restriction with a
29 duration of at least 99 years at the initial sale and with each
30 successive sale; and

31 (ii) Supports homeowners and enforces the ground lease or deed
32 restriction.

33 (7) The department of commerce must develop a template for
34 permanent affordability for home or condo ownership through deed
35 restrictions that can be used by a city or local government to ensure
36 compliance with this section.

37 (8) No new exemptions may be provided under this section
38 beginning on or after January 1, 2032.

1 NEW SECTION. **Sec. 8.** (1) This section is the tax preference
2 performance statement for the tax preference contained in section 7,
3 chapter . . . , Laws of 2021 (section 7 of this act). This performance
4 statement is only intended to be used for subsequent evaluation of
5 the tax preferences. It is not intended to create a private right of
6 action by any party or be used to determine eligibility for
7 preferential tax treatment.

8 (2) The legislature categorizes these tax preferences as ones
9 intended to induce certain designated behavior by taxpayers, as
10 indicated in RCW 82.32.808(2) (a).

11 (3) It is the legislature's specific public policy objective to
12 incentivize developers to construct or rehabilitate permanently
13 affordable homeownership units.

14 (4) It is the legislature's intent to provide the value of new
15 housing construction, conversion, and rehabilitation improvements
16 qualifying under chapter 84.14 RCW an exemption from ad valorem
17 property taxation for 20 years, as provided for in section 7 of this
18 act, in order to provide incentives to developers to construct or
19 rehabilitate multifamily housing thereby increasing the number of
20 permanently affordable homeownership units.

21 (5) The legislature intends to extend the expiration date of the
22 tax preferences in section 7, chapter . . . , Laws of 2021 (section 7
23 of this act), if a review finds that:

24 (a) The number of local governments utilizing the permanently
25 affordable homeownership tax exemption program authorized in section
26 7 of this act increases over time;

27 (b) The number of permanently affordable homeownership units
28 increases; and

29 (c) The income level of those households benefiting from the
30 permanently affordable homeownership units is consistent with the
31 requirements of section 7 of this act.

32 (6) In order to obtain the data necessary to perform the review
33 in subsection (5) of this section, the joint legislative audit and
34 review committee must refer to the annual reports compiled by the
35 department of commerce under RCW 84.14.100 and may refer to data
36 provided by counties or cities in which persons are utilizing the
37 preferences, the office of financial management, the department of
38 commerce, the United States department of housing and urban
39 development, and any other data sources, as needed by the joint
40 legislative audit and review committee.

1 **Sec. 9.** RCW 84.14.030 and 2012 c 194 s 3 are each amended to
2 read as follows:

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

5 (1) The new or rehabilitated multiple-unit housing must be
6 located in a residential targeted area as designated by the city or
7 county;

8 (2) The multiple-unit housing must meet guidelines as adopted by
9 the governing authority that may include height, density, public
10 benefit features, number and size of proposed development, parking,
11 income limits for occupancy, limits on rents or sale prices, and
12 other adopted requirements indicated necessary by the city or county.
13 The required amenities should be relative to the size of the project
14 and tax benefit to be obtained;

15 (3) The new, converted, or rehabilitated multiple-unit housing
16 must provide for a minimum of fifty percent of the space for
17 permanent residential occupancy. In the case of existing occupied
18 multifamily development, the multifamily housing must also provide
19 for a minimum of four additional multifamily units. Existing
20 multifamily vacant housing that has been vacant for twelve months or
21 more does not have to provide additional multifamily units;

22 (4) New construction multifamily housing and rehabilitation
23 improvements must be completed within three years from the date of
24 approval of the application, plus any extension authorized under RCW
25 84.14.090(5);

26 (5) Property proposed to be rehabilitated must fail to comply
27 with one or more standards of the applicable state or local building
28 or housing codes on or after July 23, 1995. If the property proposed
29 to be rehabilitated is not vacant, an applicant must provide each
30 existing tenant housing of comparable size, quality, and price and a
31 reasonable opportunity to relocate; and

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

38 **Sec. 10.** RCW 84.14.090 and 2012 c 194 s 8 are each amended to
39 read as follows:

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

5 (a) A statement of the amount of rehabilitation or construction
6 expenditures made with respect to each housing unit and the composite
7 expenditures made in the rehabilitation or construction of the entire
8 property;

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

13 (c) If applicable, a statement that the project meets the
14 affordable housing requirements as described in RCW 84.14.020; and

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

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

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

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

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

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

6 (c) If applicable, the affordable housing requirements as
7 described in RCW 84.14.020 were not met; or

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

10 (5) If the authorized representative of the city or county finds
11 that construction or rehabilitation of multiple-unit housing was not
12 completed within the required time period due to circumstances beyond
13 the control of the owner and that the owner has been acting and could
14 reasonably be expected to act in good faith and with due diligence,
15 the governing authority or the city or county official authorized by
16 the governing authority may extend the deadline for completion of
17 construction or rehabilitation for a period not to exceed twenty-four
18 consecutive months. For preliminary or final applications submitted
19 on or before February 15, 2020, with any outstanding application
20 requirements, such as obtaining a temporary certificate of occupancy,
21 the city or county may choose to extend the deadline for completion
22 for an additional five years. The five-year extension begins
23 immediately following the completion of any outstanding applications
24 or previously authorized extensions, whichever is later.

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

38 Correct the title.

EFFECT: (1) Authorizes a 20 year tax exemption program for properties that commit to renting at least 20 percent of units as affordable to low-income households for at least 99 years, if the property is within one mile of high-capacity transit of at least 15 minute scheduled frequency, in a city with a mandatory inclusionary zoning requirement for affordable housing which ensures affordability of housing units for a period of at least 99 years and which has a population of no more than 65,000. Authorizes local jurisdictions to adopt more stringent requirements for the exemption program.

(2) Extends until December 31, 2026, the authorization for any city not otherwise eligible to offer an exemption under the program to offer the 12-year exemption, provided that certain density requirements are met. Provides that for projects intended exclusively for owner occupancy, the affordability requirements provided in RCW 84.14.020 may be met with affordability for low-income or moderate-income households.

(3) Clarifies that if affordability requirements consistent with the requirements of the program remain in place after the expiration of the exemption, relocation assistance must be provided at the time that any such additional affordability requirements cease to apply.

(4) Provides that until July 15, 2024, a residential targeted area designated by a non-rural county must be in a county seeking to promote transit supportive densities and efficient land use and be in an area that is located in an urban growth area and within one-quarter of a mile of certain bus service.

(5) Requires a county to conduct an evaluation of the risk of potential displacement prior to designating any new residential targeted area. Provides that the analysis must find that the risk of displacement is minimal, or the county must mitigate the risk.

(6) Clarifies that a local jurisdiction may adopt additional requirements, as a contractual prerequisite or otherwise, to exemptions granted under RCW 84.14.020.

(7) Specifies that for properties receiving an exemption under the permanently affordable homeownership exemption program, any required reporting must be completed by the qualified nonprofit or local government that will assure permanent affordable homeownership. Requires the Department of Commerce to provide guidance to cities and counties on best practices in managing and reporting for the exemption programs, including guidance for collecting and reporting demographic information. Provides that the reporting requirements expire January 1, 2058.

(8) Extends until December 31, 2031 the authorization for any city not otherwise eligible to offer an exemption under the program to offer the permanently affordable homeownership exemption, provided that certain density requirements are met. Removes an unused definition of permanently affordable rental. Provides that no new exemption under the permanently affordable homeownership exemption program may be provided on or after January 1, 2032 and specifies a tax preference performance statement for the program.

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