
SUBSTITUTE HOUSE BILL 1598

State of Washington

54th Legislature

1995 Regular Session

By House Committee on Trade & Economic Development (originally sponsored by Representatives Mitchell, Ebersole, Conway, R. Fisher, Regala and Costa)

Read first time 02/28/95.

1 AN ACT Relating to taxation of new and rehabilitated multiple-unit
2 housing in urban centers; and adding a new chapter to Title 84 RCW.

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

4 NEW SECTION. **Sec. 1.** The legislature finds:

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

10 (2) That the lack of these sufficient residential opportunities has
11 resulted in an underutilization of these areas as a place to live by
12 permanent residents and such absence of permanent residents has
13 contributed to the existence of vandalism, juvenile delinquency, the
14 proclivity by some to commit crimes, unreported crimes, and a
15 perception by a large segment of the public that some urban centers are
16 unsafe or undesirable areas to visit or to inhabit after normal working
17 hours;

18 (3) That the development of additional and desirable residential
19 units in these urban centers that will attract and maintain a

1 significant increase in the number of permanent residents in these
2 areas will help to alleviate the detrimental conditions and social
3 liability that tend to exist in the absence of a viable residential
4 population and will help to achieve the planning goals mandated by the
5 growth management act under RCW 36.70A.020, including, but not limited
6 to, the encouragement of development in urban areas where adequate
7 public facilities and services exist or can be provided in an efficient
8 manner, the reduction of sprawl, the efficient utilization of multimode
9 transportation systems, and the increased availability of housing to
10 all economic segments of the population of this state;

11 (4) That planning solutions to solve the problems of urban sprawl
12 often lack incentive and implementation techniques needed to encourage
13 residential redevelopment in those urban centers lacking sufficient
14 residential opportunities, and it is in the public interest and will
15 benefit, provide, and promote the public health, safety, and welfare to
16 stimulate new or enhanced residential opportunities within urban
17 centers through a tax incentive as provided by this chapter; and

18 (5) That in order to maximize the purpose of this chapter to
19 provide needed livable and attractive places to live in urban centers
20 and to achieve the objectives of the growth management act, it is
21 necessary to allow for the maximum participation by cities in
22 determining where the greatest need for increased residential
23 opportunity exists within urban centers and the location,
24 configuration, and amenities of such residential redevelopment which
25 will best meet the objectives of this chapter and the growth management
26 plan of a city adopted in conformance with the growth management act.

27 NEW SECTION. **Sec. 2.** It is the purpose of this chapter to
28 encourage increased residential opportunities in cities where the
29 legislative body of the affected city has found there is insufficient
30 housing opportunities, and that a particular residential development or
31 redevelopment is needed to properly advance the intent and purposes of
32 this chapter. It is further the purpose of this chapter to stimulate
33 the construction of new multifamily housing and the rehabilitation of
34 existing vacant and underutilized buildings for multifamily housing in
35 urban centers having insufficient housing opportunities that will
36 increase and improve residential opportunities within these urban
37 centers and that will assist in reducing urban sprawl, locating housing
38 close to work locations, promoting land use patterns that support and

1 encourage the use of public transit or other alternatives to automobile
2 use and in making these urban centers a place where more people can,
3 and will, live. To achieve these purposes, this chapter provides for
4 special valuations for eligible improvements associated with multiunit
5 housing in residentially deficient urban centers.

6 NEW SECTION. **Sec. 3.** Unless the context clearly requires
7 otherwise, the definitions in this section apply throughout this
8 chapter.

9 (1) "City" means a city or town.

10 (2) "Governing authority" means the local legislative authority of
11 a city having jurisdiction over the property for which an exemption may
12 be applied for under this chapter.

13 (3) "Multiple-unit housing" means a building having four or more
14 dwelling units not designed or used as transient accommodations and not
15 including hotels and motels. Multifamily units may result from new
16 construction or rehabilitated or conversion of vacant, underutilized,
17 or substandard buildings to multifamily housing.

18 (4) "Owner" means the property owner of record.

19 (5) "Permanent residential occupancy" means multiunit housing that
20 provides either rental or owner occupancy on a nontransient basis.
21 This includes owner-occupied or rental accommodation that is leased for
22 a period of at least one month. This excludes hotels and motels that
23 predominately offer rental accommodation on a daily or weekly basis.

24 (6) "Public benefit features" means amenities, uses, and other
25 features of benefit to the public that includes, but are not limited to
26 plazas, public open spaces, sidewalk surfacing, midblock connections,
27 light standards, street level awnings, canopies or other weather
28 protection features, street level retail uses, street furniture,
29 pedestrian amenities, miniparks, tot lots, day care centers, common
30 meeting rooms, and other public amenities as may be designated by the
31 local governing authority.

32 (7) "Rehabilitation improvements" means modifications to vacant,
33 for twelve months or longer, existing structures which are made to
34 achieve a condition of substantial compliance with existing building
35 codes or modification to existing occupied structures which increase
36 the number of multifamily housing units.

1 (8) "Residential targeted area" means an area within an urban
2 center that has been designated by the governing authority as a
3 residential targeted area in accordance with this chapter.

4 (9) "Substantial compliance" means compliance with local building
5 or housing code requirements that are typically required for
6 rehabilitation as opposed to new construction.

7 (10) "Urban center" means a compact identifiable district where
8 urban residents may obtain a variety of products and services. An
9 urban center must contain:

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

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

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

18 NEW SECTION. **Sec. 4.** (1) The value of new housing construction,
19 conversion, rehabilitation improvements, and public benefit features
20 qualifying under this chapter is exempt from ad valorem property
21 taxation, for ten successive years beginning January 1 of the year
22 immediately following the calendar year after issuance of the
23 certificate of tax exemption eligibility. However, the exemption does
24 not include the value of land or nonhousing-related improvements not
25 qualifying under this chapter.

26 (2) In the case of rehabilitation of existing buildings, the
27 exemption does not include the value of improvements constructed prior
28 to the submission of the application required under this chapter. The
29 incentive provided by this chapter is in addition to any other
30 incentives, tax credits, grants, or other incentives provided by law.

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

1 NEW SECTION. **Sec. 5.** An owner of property making application
2 under this chapter must meet the following requirements:

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

5 (2) The multiple-unit housing must meet the guidelines as adopted
6 by the governing authority that may include height, density, public
7 benefit features, number and size of proposed development, parking,
8 design, and other adopted requirements indicated necessary by the city.
9 The required amenities should be relative to the size of the project
10 and tax benefit to be obtained. The governing authority may determine
11 design and other criteria necessary for the new or rehabilitated
12 multihousing unit to attract and keep permanent residents and to
13 properly enhance the appearance and livability of the residential
14 targeted area in which it is to be located;

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

25 (5) Property proposed to be rehabilitated must either or both: Be
26 vacant at least twelve months before submitting an application; or fail
27 to comply with one or more standards of the applicable state or local
28 building or housing codes on or after the effective date of this
29 section; and

30 (6) The applicant must enter into a contract with the city approved
31 by the governing body under which the applicant has agreed to the
32 implementation of the development on terms and conditions satisfactory
33 to the governing authority.

34 NEW SECTION. **Sec. 6.** (1) The following criteria must be met
35 before an area may be designated as a residential targeted area:

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

1 (b) The area must lack, as determined by the governing authority,
2 sufficient available, desirable, and convenient residential housing to
3 meet the needs of the public who would be likely to live in the urban
4 center, if the desirable, attractive, and livable places to live were
5 available; and

6 (c) The providing of additional housing opportunity in the area, as
7 determined by the governing authority, will assist in achieving one or
8 more of the stated purposes of this chapter.

9 (2) For the purpose of designating a residential targeted area or
10 areas, the governing authority may adopt a resolution of intention to
11 so designate an area as generally described in the resolution. The
12 resolution must state the time and place of a hearing to be held by the
13 governing authority to consider the designation of the area and may
14 include such other information pertaining to the designation of the
15 area as the governing authority determines to be appropriate to apprise
16 the public of the action intended.

17 (3) The governing authority shall give notice of a hearing held
18 under this chapter by publication of the notice once each week for two
19 consecutive weeks, not less than seven days, nor more than thirty days
20 before the date of the hearing in a paper having a general circulation
21 in the city where the proposed residential targeted area is located.
22 The notice must state the time, date, place, and purpose of the hearing
23 and generally identify the area proposed to be designated as a
24 residential targeted area.

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

30 (5) After designation of a residential targeted area, the governing
31 authority shall adopt standards and guidelines to be utilized in
32 considering applications and making the determinations required under
33 section 8 of this act. The standards and guidelines must establish
34 basic requirements for both new construction and rehabilitation
35 including application process and procedures. These guidelines may
36 include the following:

37 (a) Requirements that address demolition of existing structures and
38 site utilization;

1 (b) Building design requirements that may include elements
2 addressing aesthetics, parking, height, density, environmental impact,
3 public benefit features, and compatibility with the existing
4 surrounding property and such other amenities as will attract and keep
5 permanent residents and that will properly enhance the appearance and
6 livability of the residential targeted area in which they are to be
7 located; and

8 (c) Provision for providing public benefit features and continued
9 use of public facilities constructed.

10 NEW SECTION. **Sec. 7.** An owner of property seeking tax incentives
11 under this chapter must complete the following procedures:

12 (1) In the case of rehabilitation or where demolition or new
13 construction is required, the owner shall secure from the governing
14 authority or duly authorized agent, before commencement of
15 rehabilitation improvements or new construction, verification of
16 property noncompliance with applicable building and housing codes;

17 (2) In the case of new and rehabilitated multifamily housing, the
18 owner shall apply to the city on forms adopted by the governing
19 authority. The application must contain the following:

20 (a) Information setting forth the grounds supporting the requested
21 exemption including information indicated on the application form or in
22 the guidelines;

23 (b) A description of the project and site plan, including location
24 of public facilities, floor plan of units, and other information
25 requested;

26 (c) A statement that the applicant is aware of the potential tax
27 liability involved when the property ceases to be eligible for the
28 incentive provided under this chapter;

29 (3) The applicant must verify the application by oath or
30 affirmation; and

31 (4) The application must be made on or before April 1 of each year,
32 and must be accompanied by the application fee, if any, required under
33 section 9 of this act. The governing authority may permit the
34 applicant to revise an application before final action by the governing
35 authority.

36 NEW SECTION. **Sec. 8.** The duly authorized administrative official
37 or committee of the city may approve the application if it finds that:

1 (1) The owner has agreed to include in the new construction or
2 rehabilitation of housing one or more public benefit features;

3 (2) A minimum of four new units are being constructed or in the
4 case of occupied rehabilitation or conversion a minimum of four
5 additional multifamily units are being developed;

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

9 (4) The owner has complied with all standards and guidelines
10 adopted by the city under this chapter; and

11 (5) The site is located in a residential targeted area of an urban
12 center that has been designated by the governing authority in
13 accordance with procedures and guidelines indicated in section 6 of
14 this act.

15 NEW SECTION. **Sec. 9.** (1) The governing authority or an
16 administrative official or commission authorized by the governing
17 authority shall approve or deny an application filed under this chapter
18 within ninety days after receipt of the application.

19 (2) If the application is approved, the city shall issue the owner
20 of the property a conditional certificate of acceptance of tax
21 exemption. The certificate must contain a statement by a duly
22 authorized administrative official of the governing authority that the
23 property has complied with the required findings indicated in section
24 7 of this act.

25 (3) If the application is denied by the authorized administrative
26 official or commission authorized by the governing authority, the
27 deciding administrative official or commission shall state in writing
28 the reasons for denial and send the notice to the applicant at the
29 applicant's last known address within ten days of the denial.

30 (4) Upon denial by a duly authorized administrative official or
31 commission, an applicant may appeal the denial to the governing
32 authority within thirty days after receipt of the denial. The appeal
33 before the governing authority will be based upon the record made
34 before the administrative official with the burden of proof on the
35 applicant to show that there was no substantial evidence to support the
36 administrative official's decision. The decision of the governing body
37 in denying or approving the application is final.

1 NEW SECTION. **Sec. 10.** The governing authority may establish an
2 application fee. This fee may not exceed an amount determined to be
3 required to cover the cost to be incurred by the governing authority
4 and the assessor in administering this chapter. The application fee
5 must be paid at the time the application for limited exemption is
6 filed. If the application is approved, the governing authority shall
7 pay the application fee to the county assessor for deposit in the
8 county current expense fund, after first deducting that portion of the
9 fee attributable to its own administrative costs in processing the
10 application. If the application is denied, the governing authority
11 shall retain that portion of the application fee attributable to its
12 own administrative costs and refund the balance to the applicant.

13 NEW SECTION. **Sec. 11.** (1) Upon completion of rehabilitation or
14 new construction for which an application for limited exemption under
15 this chapter has been approved and after issuance of the certificate of
16 occupancy, the owner shall file with the city the following:

17 (a) A statement of the amount of rehabilitation or construction
18 expenditures made with respect to each housing unit and the composite
19 expenditures made in the rehabilitation or construction of the entire
20 property;

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

25 (c) A statement that the work has been completed within three years
26 of the issuance of the conditional certificate of tax exemption.

27 (2) Within thirty days after receipt of the statements required
28 under subsection (1) of this section, the authorized representative of
29 the city shall determine whether the work completed is consistent with
30 the application and the contract approved by the governing authority
31 and is qualified for limited exemption under this chapter. The city
32 shall also determine which specific improvements completed meet the
33 requirements and required findings.

34 (3) If the rehabilitation, conversion, or construction is completed
35 within three years of the date the application for limited exemption is
36 filed under this chapter, or within an authorized extension of this
37 time limit, and the authorized representative of the city determines
38 that improvements were constructed consistent with the application and

1 other applicable requirements and the owner's property is qualified for
2 limited exemption under this chapter, the city shall file the
3 certificate of tax exemption with the county assessor within ten days
4 of the expiration of the thirty-day period provided under subsection
5 (2) of this section.

6 (4) The authorized representative of the city shall notify the
7 applicant that a certificate of tax exemption is not going to be filed
8 if the representative determines that:

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

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

14 (c) The owner's property is otherwise not qualified for limited
15 exemption under this chapter.

16 (5) If the authorized representative of the city finds that
17 construction or rehabilitation of multiple-unit housing was not
18 completed within the required time period due to circumstances beyond
19 the control of the owner and that the owner has been acting and could
20 reasonably be expected to act in good faith and with due diligence, the
21 governing authority or the city official authorized by the governing
22 authority may extend the deadline for completion of construction or
23 rehabilitation for a period not to exceed twenty-four consecutive
24 months.

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

37 NEW SECTION. **Sec. 12.** Thirty days after the anniversary of the
38 date of the certificate of tax exemption and each year for a period of

1 ten years, the owner of the rehabilitated or newly constructed property
2 shall file with a designated agent of the city an annual report
3 indicating the following:

4 (1) A statement of occupancy and vacancy of the rehabilitated or
5 newly constructed property during the twelve months ending with the
6 anniversary date;

7 (2) A certification by the owner that the property has not changed
8 use since the date of the certificate approved by the city;

9 (3) A certification that all public amenities and improvements are
10 still available for use by the public;

11 (4) A description of changes or improvements constructed after
12 issuance of the certificate of tax exemption.

13 NEW SECTION. **Sec. 13.** (1) If improvements have been exempted
14 under this chapter, the improvements continue to be exempted and not be
15 converted to another use for at least ten years from date of issuance
16 of the certificate of tax exemption. If the owner intends to convert
17 the multifamily development to another use, the owner shall notify the
18 assessor within sixty days of the change in use. If, after a
19 certificate of tax exemption has been filed with the county assessor
20 the city or assessor or agent discovers that a portion of the property
21 is changed or will be changed to a use that is other than residential
22 or that housing or amenities no longer meet the requirements as
23 previously approved or agreed upon by contract between the governing
24 authority and the owner and that the multifamily housing, or a portion
25 of the housing, no longer qualifies for the exemption, the tax
26 exemption must be canceled and the following must occur:

27 (a) Additional real property tax must be imposed upon the value of
28 the nonqualifying improvements in the amount that would normally be
29 imposed, plus a penalty must be imposed amounting to twenty percent.
30 This additional tax is calculated based upon the difference between the
31 property tax paid and the property tax that would have been paid if it
32 had included the value of the nonqualifying improvements dated back to
33 the date that the improvements were converted to a nonmultifamily use;

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

1 (c) The additional tax owed together with interest and penalty must
2 become a lien on the land and attach at the time the property or
3 portion of the property is removed from multifamily use or the
4 amenities no longer meet applicable requirements, and has priority to
5 and must be fully paid and satisfied before a recognizance, mortgage,
6 judgment, debt, obligation, or responsibility to or with which the land
7 may become charged or liable. The lien may be foreclosed upon
8 expiration of the same period after delinquency and in the same manner
9 provided by law for foreclosure of liens for delinquent real property
10 taxes. An additional tax unpaid on its due date is delinquent. From
11 the date of delinquency until paid, interest must be charged at the
12 same rate applied by law to delinquent ad valorem property taxes.

13 (2) Upon a determination that a tax exemption is to be canceled for
14 a reason stated in this section, the governing authority shall notify
15 the record owner of the property as shown by the tax rolls by mail,
16 return receipt requested, of the determination to cancel the exemption.
17 The owner may appeal the determination to the governing authority
18 within thirty days by filing a notice of appeal with the clerk of the
19 governing authority, which notice must specify the factual and legal
20 basis on which the determination of cancellation is alleged to be
21 erroneous. The governing authority or a hearing examiner or other
22 official authorized by the governing authority may hear the appeal. At
23 the hearing, all interested parties may be heard and all competent
24 evidence received. After the hearing, the deciding body or officer
25 shall either affirm, modify, or repeal the decision of cancellation of
26 exemption based on the evidence received. An aggrieved party may
27 appeal the decision of the deciding body or officer to the superior
28 court under RCW 34.05.510 through 34.05.598.

29 (3) Upon determination by the governing authority or authorized
30 representative to terminate an exemption, the county officials having
31 possession of the assessment and tax rolls shall correct the rolls in
32 the manner provided for omitted property under RCW 84.40.080. The
33 county assessor shall make such a valuation of the property and
34 improvements as is necessary to permit the correction of the rolls.
35 The owner may appeal the valuation to the county board of equalization
36 under chapter 84.48 RCW. If there has been a failure to comply with
37 this chapter, the property must be listed as an omitted assessment for
38 assessment years beginning January 1 of the calendar year in which the
39 noncompliance first occurred.

1 NEW SECTION. **Sec. 14.** If any provision of this act or its
2 application to any person or circumstance is held invalid, the
3 remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

5 NEW SECTION. **Sec. 15.** Sections 1 through 14 of this act shall
6 constitute a new chapter in Title 84 RCW.

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