
HOUSE BILL 2620

State of Washington

66th Legislature

2020 Regular Session

By Representatives Walen, Barkis, Fitzgibbon, Chapman, Boehnke, Duerr, MacEwen, Gildon, Ortiz-Self, Lekanoff, Senn, and Leavitt; by request of Office of the Governor

Read first time 01/16/20. Referred to Committee on Finance.

1 AN ACT Relating to expanding the property tax exemption for new
2 and rehabilitated multiple-unit dwellings in urban growth areas;
3 amending RCW 84.14.007, 84.14.010, 84.14.020, 84.14.040, 84.14.060,
4 and 84.14.100; and creating a new section.

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

6 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
7 performance statement for the tax preferences contained in section 4,
8 chapter . . ., Laws of 2020 (section 4 of this act). This performance
9 statement is only intended to be used for subsequent evaluation of
10 the tax preferences. It is not intended to create a private right of
11 action by any party or be used to determine eligibility for
12 preferential tax treatment.

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

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

17 (a) Incentivize developers to construct or rehabilitate
18 multifamily housing;

19 (b) Incentivize local governments and multifamily housing owners
20 to maintain or expand existing income-restricted unit stock that have
21 been incentivized through the tax exemption provided under chapter

1 84.14 RCW via new authority to renew the property tax abatement in
2 exchange for continued or additional affordability; and

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

6 (4) It is the legislature's intent to provide the value of new
7 housing construction, conversion, and rehabilitation improvements
8 qualifying under chapter 84.14 RCW an exemption from ad valorem
9 property taxation for eight to twelve years or more, as provided for
10 in RCW 84.14.020, in order to provide incentives to developers to
11 construct or rehabilitate multifamily housing thereby increasing the
12 number of affordable housing units, or preserving the state's stock
13 of income-restricted units, for low-income to moderate-income
14 residents in certain urban growth areas.

15 (5) The legislature intends to extend the expiration date of the
16 tax preferences in section 4, chapter . . ., Laws of 2020 (section 4
17 of this act), if a review finds that:

18 (a) Projects receiving an initial eight-year or twelve-year
19 exemption regularly enter into subsequent twelve-year extensions in
20 exchange for continued or increased income restrictions on affordable
21 units; and

22 (b) At least twenty percent of the new housing is developed and
23 occupied by households earning:

24 (i) At or below eighty percent of the area median income, at the
25 time of occupancy, adjusted for family size for the county in which
26 the project is located; or

27 (ii) Where the housing is intended exclusively for owner
28 occupancy, up to one hundred fifteen percent of the area median
29 income, at the time of sale, adjusted for family size for the county
30 in which the project is located.

31 (6) In order to obtain the data necessary to perform the review
32 in subsection (4) of this section, the joint legislative audit and
33 review committee must refer to the annual reports compiled by the
34 department of commerce under RCW 84.14.100 and may refer to data
35 provided by counties or cities in which persons are utilizing the
36 preferences, the office of financial management, the department of
37 commerce, the United States department of housing and urban
38 development, and any other data sources, as needed by the joint
39 legislative audit and review committee.

1 **Sec. 2.** RCW 84.14.007 and 2014 c 96 s 2 are each amended to read
2 as follows:

3 It is the purpose of this chapter to encourage increased
4 residential opportunities, including affordable housing
5 opportunities, in residential targeted areas of cities (~~(that are~~
6 ~~required to plan or choose to plan under the growth management act~~
7 ~~within urban centers)) where the governing authority of the affected
8 city has found there is insufficient housing opportunities, including
9 affordable housing opportunities. It is further the purpose of this
10 chapter to stimulate the construction of new multifamily housing and
11 the rehabilitation of existing vacant and underutilized buildings for
12 multifamily housing in (~~urban centers~~) residential targeted areas
13 having insufficient housing opportunities that will increase and
14 improve residential opportunities, including affordable housing
15 opportunities(~~(, within these urban centers))~~). To achieve these
16 purposes, this chapter provides for special valuations in
17 (~~residentially deficient urban centers~~) designated residential
18 targeted areas for eligible improvements associated with multiunit
19 housing, which includes affordable housing. It is an additional
20 purpose of this chapter to allow unincorporated areas of (~~rural~~)
21 counties that are within urban growth areas to stimulate housing
22 opportunities (~~(and for certain counties to stimulate housing~~
23 ~~opportunities near college campuses)~~), to incentivize redevelopment
24 of areas in urban growth areas to promote transit supportive
25 densities and more efficient land use, and to promote dense, transit-
26 oriented, walkable college communities near college campuses.~~

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

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

31 (1) "Affordable housing" means residential housing (~~(that is~~
32 ~~rented by a person or household whose)~~) for rental occupancy which,
33 as long as the housing is occupied by low-income households, requires
34 payment of monthly housing costs, including utilities other than
35 telephone, (~~(do not exceed))~~ of no more than thirty percent of the
36 household's monthly income. For the purposes of housing intended for
37 owner occupancy, "affordable housing" means residential housing that
38 is within the means of low or moderate-income households.

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

5 (3) "City" means (~~(either (a) a city or town with a population of~~
6 ~~at least fifteen thousand, (b) the largest city or town, if there is~~
7 ~~no city or town with a population of at least fifteen thousand,~~
8 ~~located in a county planning under the growth management act, or (c)~~
9 ~~a city or town with a population of at least five thousand located in~~
10 ~~a county subject to the provisions of RCW 36.70A.215)) any city or~~

11 town.

12 (4) "County" means (~~(a county with an unincorporated population~~
13 ~~of at least three hundred fifty thousand)) all counties fully~~

14 planning under RCW 36.70A.040.

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

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

19 (7) "High cost area" means a county where the third quarter
20 median house price for the previous year as reported by the
21 Washington center for real estate research at Washington State
22 University is equal to or greater than one hundred thirty percent of
23 the statewide median house price published during the same time
24 period.

25 (8) "Household" means a single person, family, or unrelated
26 persons living together.

27 (9) "Low-income household" means a single person, family, or
28 unrelated persons living together whose adjusted income is at or
29 below eighty percent of the median family income adjusted for family
30 size, for the county where the project is located, as reported by the
31 United States department of housing and urban development. For cities
32 located in high-cost areas, "low-income household" means a household
33 that has an income at or below one hundred percent of the median
34 family income adjusted for family size, for the county where the
35 project is located.

36 (10) "Moderate-income household" means a single person, family,
37 or unrelated persons living together whose adjusted income is more
38 than eighty percent but is at or below one hundred fifteen percent of
39 the median family income adjusted for family size, for the county
40 where the project is located, as reported by the United States

1 department of housing and urban development. For cities located in
2 high-cost areas, "moderate-income household" means a household that
3 has an income that is more than one hundred percent, but at or below
4 one hundred fifty percent, of the median family income adjusted for
5 family size, for the county where the project is located.

6 (11) "Multiple-unit housing" means a building having four or more
7 dwelling units not designed or used as transient accommodations and
8 not including hotels and motels. Multifamily units may result from
9 new construction or (~~rehabilitated~~) rehabilitation or conversion of
10 vacant, underutilized, or substandard buildings to multifamily
11 housing.

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

13 (13) "Permanent residential occupancy" means multiunit housing
14 that provides either rental or owner occupancy on a nontransient
15 basis. This includes owner-occupied or rental accommodation that is
16 leased for a period of at least one month. This excludes hotels and
17 motels that predominately offer rental accommodation on a daily or
18 weekly basis.

19 (14) "Rehabilitation improvements" means modifications to
20 existing structures, that are vacant for twelve months or longer,
21 that are made to achieve a condition of substantial compliance with
22 existing building codes or modification to existing occupied
23 structures which increase the number of multifamily housing units.

24 (15) "Residential targeted area" means an area within an urban
25 center or urban growth area that: (a) (i) Is zoned to have an average
26 minimum density of fifteen dwelling units or more per gross acre; or
27 (ii) for cities with a population over twenty thousand, is zoned to
28 have an average minimum density of twenty-five dwelling units or more
29 per gross acre; and (b) has been designated by the governing
30 authority as a residential targeted area in accordance with this
31 chapter. With respect to designations after July 1, 2007,
32 "residential targeted area" may not include a campus facilities
33 master plan.

34 (~~(16) ("Rural county" means a county with a population between~~
35 ~~fifty thousand and seventy-one thousand and bordering Puget Sound.~~

36 ~~(17))~~ "Substantial compliance" means compliance with local
37 building or housing code requirements that are typically required for
38 rehabilitation as opposed to new construction.

1 (~~(18)~~) (17) "Urban center" means a compact identifiable
2 district where urban residents may obtain a variety of products and
3 services. An urban center must contain:

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

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

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

12 **Sec. 4.** RCW 84.14.020 and 2007 c 430 s 4 are each amended to
13 read as follows:

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

17 (i) For properties for which applications for certificates of tax
18 exemption eligibility are submitted under this chapter (~~(84.14-RCW)~~)
19 before July 22, 2007, the value is exempt for ten successive years
20 beginning January 1 of the year immediately following the calendar
21 year of issuance of the certificate; and

22 (ii) For properties for which applications for certificates of
23 tax exemption eligibility are submitted under this chapter (~~(84.14~~
24 ~~RCW)~~) on or after July 22, 2007, the value is exempt:

25 (A) For eight successive years beginning January 1st of the year
26 immediately following the calendar year of issuance of the
27 certificate; or

28 (B) For twelve successive years beginning January 1st of the year
29 immediately following the calendar year of issuance of the
30 certificate, if the property otherwise qualifies for the exemption
31 under this chapter (~~(84.14-RCW)~~) and meets the conditions in this
32 subsection (1)(a)(ii)(B). For the property to qualify for the twelve-
33 year exemption under this subsection, the applicant must commit to
34 renting or selling at least twenty percent of the multifamily housing
35 units as affordable housing units to low and moderate-income
36 households, and the property must satisfy that commitment and any
37 additional affordability and income eligibility conditions adopted by
38 the local government under this chapter. In the case of projects
39 intended exclusively for owner occupancy, the minimum requirement of

1 this subsection (1)(a)(ii)(B) may be satisfied solely through housing
2 affordable to moderate-income households.

3 (b) The exemptions provided in (a)(i) and (ii) of this subsection
4 do not include the value of land or nonhousing-related improvements
5 not qualifying under this chapter.

6 (2) When a local government adopts guidelines pursuant to RCW
7 84.14.030(2) and includes conditions that must be satisfied with
8 respect to individual dwelling units, rather than with respect to the
9 multiple-unit housing as a whole or some minimum portion thereof, the
10 exemption may, at the local government's discretion, be limited to
11 the value of the qualifying improvements allocable to those dwelling
12 units that meet the local guidelines.

13 (3) In the case of rehabilitation of existing buildings, the
14 exemption does not include the value of improvements constructed
15 prior to the submission of the application required under this
16 chapter. The incentive provided by this chapter is in addition to any
17 other incentives, tax credits, grants, or other incentives provided
18 by law.

19 (4) This chapter does not apply to increases in assessed
20 valuation made by the assessor on nonqualifying portions of building
21 and value of land nor to increases made by lawful order of a county
22 board of equalization, the department of revenue, or a county, to a
23 class of property throughout the county or specific area of the
24 county to achieve the uniformity of assessment or appraisal required
25 by law.

26 (5) At the conclusion of the exemption period, the new or
27 rehabilitated housing cost (~~shall~~) must be considered as new
28 construction for the purposes of chapter 84.55 RCW unless it
29 qualifies for an extension as provided under subsection (6) or (7) of
30 this section.

31 (6) For properties that qualified for, satisfied the conditions
32 of, and utilized the exemption under subsection (1)(a)(ii)(A) of this
33 section, following the initial eight-year exemption period, the
34 exemption period may be extended for an additional twelve years,
35 provided that the local government adopts qualifying guidelines for
36 such an extension, and the applicant meets at a minimum the locally
37 adopted requirements for the property to qualify for an exemption
38 under subsection (1)(a)(ii)(B) of this section.

39 (7) For properties that qualified for, satisfied the conditions
40 of, and utilized the exemption under subsection (1)(a)(ii)(B) of this

1 section, following the initial twelve-year exemption period, the
2 exemption period may be extended for an additional twelve years,
3 provided that the local government adopts qualifying guidelines for
4 such an extension. The local government may adopt and implement more
5 stringent requirements, including limits that apply to a higher
6 percentage of units than the minimum conditions required for the
7 exemption as provided under subsection (1)(a)(ii)(B) of this section
8 in order to qualify for an extension. For the property to qualify for
9 an extension under this subsection (7), the applicant must meet at a
10 minimum the locally adopted requirements for the property to qualify
11 for an exemption under subsection (1)(a)(ii)(B) of this section.

12 **Sec. 5.** RCW 84.14.040 and 2014 c 96 s 4 are each amended to read
13 as follows:

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

16 (a) The area must be within a city, or for a county, within an
17 urban center, as determined by the governing authority, and must be
18 zoned to have an average minimum density of fifteen dwelling units or
19 more per gross acre, or for cities with a population over twenty
20 thousand, be zoned to have an average minimum density of twenty-five
21 dwelling units or more per gross acre;

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

27 (c) The providing of additional housing opportunity, including
28 affordable housing, in the area, as determined by the governing
29 authority, will assist in achieving one or more of the stated
30 purposes of this chapter; and

31 (d) If the residential targeted area is designated by a county,
32 the area must be located in an unincorporated area of the county that
33 is within an urban growth area under RCW 36.70A.110 and the area must
34 be: (i) In a (~~rural~~) county, served by a sewer system and
35 designated by a county prior to January 1, 2013; (~~or~~) (ii) in a
36 county that includes a campus of an institution of higher education,
37 as defined in RCW 28B.92.030, where at least one thousand two hundred
38 students live on campus during the academic year; or (iii) until July
39 1, 2024, in a county seeking to promote transit supportive densities

1 and efficient land use in an area that is located within a designated
2 urban growth area and within one-quarter of a mile of a corridor
3 where bus service is scheduled at least every fifteen minutes for no
4 less than ten hours per weekday and is in service or is planned for
5 service to begin within five years of designation.

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

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

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

27 (5) After designation of a residential targeted area, the
28 governing authority must adopt and implement standards and guidelines
29 to be utilized in considering applications and making the
30 determinations required under RCW 84.14.060. The standards and
31 guidelines must establish basic requirements for both new
32 construction and rehabilitation, which must include:

33 (a) Application process and procedures;

34 (b) Requirements that address demolition of existing structures
35 and site utilization; and

36 (c) Building requirements that may include elements addressing
37 parking, height, density, environmental impact, and compatibility
38 with the existing surrounding property and such other amenities as
39 will attract and keep permanent residents and that will properly

1 enhance the livability of the residential targeted area in which they
2 are to be located.

3 (6) The governing authority may adopt and implement, either as
4 conditions to eight-year exemptions or as conditions to an extended
5 exemption period under RCW 84.14.020(1)(a)(ii)(B), or both, more
6 stringent income eligibility, rent, or sale price limits, including
7 limits that apply to a higher percentage of units, than the minimum
8 conditions for an extended exemption period under RCW
9 84.14.020(1)(a)(ii)(B). For any multiunit housing located in an
10 unincorporated area of a county, a property owner seeking tax
11 incentives under this chapter must commit to renting or selling at
12 least twenty percent of the multifamily housing units as affordable
13 housing units to low and moderate-income households. In the case of
14 multiunit housing intended exclusively for owner occupancy, the
15 minimum requirement of this subsection (6) may be satisfied solely
16 through housing affordable to moderate-income households.

17 (7) After designation of a residential targeted area, the
18 governing authority must notify the county assessor's office of the
19 county in which the residential targeted area is located and the
20 department of commerce of the intention to offer the tax exemption
21 provided under this chapter with a projected fiscal impact and
22 potential expiration date.

23 **Sec. 6.** RCW 84.14.060 and 2014 c 96 s 5 are each amended to read
24 as follows:

25 (1) The duly authorized administrative official or committee of
26 the city or county may approve the application if it finds that:

27 (a) A minimum of four new units are being constructed or in the
28 case of occupied rehabilitation or conversion a minimum of four
29 additional multifamily units are being developed;

30 (b) If applicable, the proposed multiunit housing project meets
31 the affordable housing requirements as described in RCW 84.14.020;

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

35 (d) The owner has complied with all standards and guidelines
36 adopted by the city or county under this chapter, including
37 jurisdiction-specific income and rent standards; (~~and~~)

38 (e) The site is located in a residential targeted area of an
39 urban center or urban growth area that has been designated by the

1 governing authority in accordance with procedures and guidelines
2 indicated in RCW 84.14.040; and

3 (f) The city or county has conducted an analysis of the project's
4 profitability with and without a property tax exemption.

5 (2) An application may not be approved after July 1, 2007, if any
6 part of the proposed project site is within a campus facilities
7 master plan, except as provided in RCW 84.14.040(1)(d).

8 ~~((3) An application may not be approved for a residential~~
9 ~~targeted area in a rural county on or after January 1, 2020.))~~

10 **Sec. 7.** RCW 84.14.100 and 2012 c 194 s 9 are each amended to
11 read as follows:

12 (1) Thirty days after the anniversary of the date of the
13 certificate of tax exemption and each year for the tax exemption
14 period, the owner of the rehabilitated or newly constructed property
15 must file with a designated authorized representative of the city or
16 county an annual report indicating the following:

17 (a) A statement of occupancy and vacancy of the rehabilitated or
18 newly constructed property during the twelve months ending with the
19 anniversary date;

20 (b) A certification by the owner that the property has not
21 changed use and, if applicable, that the property has been in
22 compliance with the affordable housing requirements as described in
23 RCW 84.14.020 since the date of the certificate approved by the city
24 or county;

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

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

29 (2) All cities or counties, which issue certificates of tax
30 exemption for multiunit housing that conform to the requirements of
31 this chapter, must report annually by ~~((December 31st of each))~~ June
32 30th of the following year, beginning in ~~((2007))~~ 2020, to the
33 department of commerce. The report must include the following
34 information:

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

36 (b) The total number and type of units produced or to be
37 produced;

38 (c) The number and type of units produced or to be produced
39 meeting affordable housing requirements;

- 1 (d) The actual development cost of each unit produced;
- 2 (e) The total monthly rent or total sale amount of each unit
3 produced;
- 4 (f) ((The)) For affordable units, the income and household size
5 of each renter household at the time of initial occupancy and the
6 income of each initial purchaser of owner-occupied units at the time
7 of purchase for each of the units receiving a tax exemption and a
8 summary of these figures for the city or county; and
- 9 (g) The value of the tax exemption for each project receiving a
10 tax exemption and the total value of tax exemptions granted.

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