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**SUBSTITUTE HOUSE BILL 2950**

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**State of Washington**

**66th Legislature**

**2020 Regular Session**

**By** House Finance (originally sponsored by Representatives Macri and Ramel)

READ FIRST TIME 03/02/20.

1 AN ACT Relating to addressing affordable housing needs through  
2 the multifamily housing tax exemption by providing an extension of  
3 the exemption until January 1, 2022, for certain properties currently  
4 receiving a twelve-year exemption and by convening a work group;  
5 amending RCW 84.14.020 and 84.14.100; and creating a new section.

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

7 NEW SECTION. **Sec. 1.** (1) This section is the tax preference  
8 performance statement for the tax preferences contained in section 2,  
9 chapter . . ., Laws of 2020 (section 2 of this act). This performance  
10 statement is only intended to be used for subsequent evaluation of  
11 the tax preferences. It is not intended to create a private right of  
12 action by any party or be used to determine eligibility for  
13 preferential tax treatment.

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

17 (3) It is the legislature's specific public policy objective to  
18 incentivize local governments and multifamily housing owners to  
19 maintain or expand existing income-restricted unit stock that have  
20 been incentivized through the tax exemption provided under chapter  
21 84.14 RCW.

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

10 (5) The legislature intends to extend the tax preferences in  
11 section 2, chapter . . ., Laws of 2020 (section 2 of this act), if a  
12 review finds that the stock of income-restricted units in the state  
13 is preserved as a result of the extensions provided in RCW  
14 84.14.020(1)(c).

15 (6) In order to obtain the data necessary to perform the review  
16 in subsection (5) of this section, the joint legislative audit and  
17 review committee must refer to the annual reports compiled by the  
18 department of commerce under RCW 84.14.100 and may refer to data  
19 provided by counties or cities in which persons are utilizing the  
20 preferences, the office of financial management, the department of  
21 commerce, the United States department of housing and urban  
22 development, and any other data sources, as needed by the joint  
23 legislative audit and review committee.

24 **Sec. 2.** RCW 84.14.020 and 2007 c 430 s 4 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 (~~(84.14-RCW)~~)  
31 before July 22, 2007, the value is exempt for ten successive years  
32 beginning January 1 of the year immediately following the calendar  
33 year of issuance of the certificate; and

34 (ii) For properties for which applications for certificates of  
35 tax exemption eligibility are submitted under this chapter (~~(84.14~~  
36 ~~RCW)~~) on or 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 (~~(84.14-RCW)~~) and meets the conditions in this  
5 subsection (1)(a)(ii)(B). For the property to qualify for the twelve-  
6 year exemption under this subsection, the applicant must commit to  
7 renting or selling at least twenty percent of the multifamily housing  
8 units as affordable housing units to low and moderate-income  
9 households, and the property must satisfy that commitment and any  
10 additional affordability and income eligibility conditions adopted by  
11 the local government under this chapter. In the case of projects  
12 intended exclusively for owner occupancy, the minimum requirement of  
13 this subsection (1)(a)(ii)(B) may be satisfied solely through housing  
14 affordable to moderate-income households.

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

18 (c) For properties receiving an exemption as provided in  
19 (a)(ii)(B) of this subsection that are in compliance with existing  
20 contracts and where the certificate of tax exemption is set to expire  
21 after the effective date of this section but before December 31,  
22 2021, the exemption is extended until December 31, 2021, provided  
23 that the property must satisfy any eligibility criteria or  
24 limitations provided in this chapter as a condition to the existing  
25 exemption for a given property continue to be met. For all properties  
26 eligible to receive an extension pursuant to this subsection (1)(c),  
27 the city or county that issued the initial certificate of tax  
28 exemption, as required in RCW 84.14.090, must notify the county  
29 assessor and the applicant of the extension of the certificate of tax  
30 exemption.

31 (2) When a local government adopts guidelines pursuant to RCW  
32 84.14.030(2) and includes conditions that must be satisfied with  
33 respect to individual dwelling units, rather than with respect to the  
34 multiple-unit housing as a whole or some minimum portion thereof, the  
35 exemption may, at the local government's discretion, be limited to  
36 the value of the qualifying improvements allocable to those dwelling  
37 units that meet the local guidelines.

38 (3) In the case of rehabilitation of existing buildings, the  
39 exemption does not include the value of improvements constructed  
40 prior to the submission of the application required under this

1 chapter. The incentive provided by this chapter is in addition to any  
2 other incentives, tax credits, grants, or other incentives provided  
3 by law.

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

11 (5) At the conclusion of the exemption period, the new or  
12 rehabilitated housing cost shall be considered as new construction  
13 for the purposes of chapter 84.55 RCW.

14 **Sec. 3.** RCW 84.14.100 and 2012 c 194 s 9 are each amended to  
15 read as follows:

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

21 (a) A statement of occupancy and vacancy of the rehabilitated or  
22 newly constructed property during the twelve months ending with the  
23 anniversary date;

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

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

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

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

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

1 (b) The total number and type of units produced or to be  
2 produced;

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

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

6 (e) The total monthly rent or total sale amount of each unit  
7 produced;

8 (f) The income of each renter household at the time of initial  
9 occupancy and the income of each initial purchaser of owner-occupied  
10 units at the time of purchase for each of the units receiving a tax  
11 exemption and a summary of these figures for the city or county; and

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

14 (3) The department of commerce must contract with a nonprofit  
15 organization with experience in facilitating multi-sector policy and  
16 planning efforts to convene, and provide staff support to, a work  
17 group to study and make recommendations on the multifamily property  
18 tax exemption as provided in chapter 84.14 RCW. The work group must  
19 convene no later than July 1, 2020, and must hold at least four  
20 meetings prior to November 1, 2020.

21 (a) The work group membership must consist of:

22 (i) One representative from the department of commerce;

23 (ii) One representative from the department of revenue;

24 (iii) One representative from the Washington state housing  
25 finance commission;

26 (iv) One representative from the association of Washington  
27 cities;

28 (v) One representative from the Washington state association of  
29 counties;

30 (vi) One representative from the Washington low income housing  
31 alliance;

32 (vii) One representative from the housing development consortium  
33 of Seattle-King county;

34 (viii) One representative from the Spokane low income housing  
35 consortium;

36 (ix) One representative from the Washington multifamily housing  
37 association;

38 (x) One representative from the Washington state labor council;

39 (xi) One representative from the Washington building trades  
40 council;

1 (xii) One representative from a city with a population greater  
2 than five hundred thousand;

3 (xiii) One representative from a city with a population greater  
4 than fifty thousand, but less than five hundred thousand;

5 (xiv) One representative from a city with a population less than  
6 fifty thousand;

7 (xv) One representative from futurewise; and

8 (xvi) Two representatives from NAOIP, the commercial real estate  
9 development association, as follows:

10 (A) One representative must be a participant in the multifamily  
11 property tax exemption, as provided in chapter 84.14 RCW, in a city  
12 with a population greater than one hundred thousand; and

13 (B) One representative must be a participant in the multifamily  
14 property tax exemption, as provided in chapter 84.14 RCW, in a city  
15 with a population less than fifty thousand.

16 (b) By December 1, 2020, the work group must submit a report to  
17 the appropriate committees of the legislature and the joint  
18 legislative audit and review committee. The work group must provide  
19 opportunities for stakeholders to provide feedback on the report  
20 prior to submission. The report must:

21 (i) Identify reporting improvements needed for increased  
22 accountability and meeting program requirements, including a  
23 requirement of a public benefit analysis prior to project approval,  
24 consistency in reporting metrics, and information collected in  
25 reports. For the purpose of this subsection (3)(b)(i):

26 (A) "Affordability" means the difference between the market rent  
27 and the income-restricted rent for similar units within the  
28 participating housing development; and

29 (B) "Public benefit analysis" includes an affordability analysis  
30 and an examination of other measures local jurisdictions use that are  
31 replicable, including a profitability analysis;

32 (ii) Examine whether tenants living in affordable units created  
33 under this chapter are experiencing increases in rent due to  
34 increases in city median income that significantly outpace the  
35 tenants' income, and provide recommendations on how to address this  
36 problem;

37 (iii) Recommend which elements of the exemption be modified or  
38 maintained in order to assist counties and cities achieve the  
39 planning goals mandated by the growth management act, as provided in  
40 chapter 36.70A RCW; and

1       (iv) Recommend changes to the exemption that would:  
2       (A) Likely increase the supply of affordable housing including,  
3 but not limited to, a review of area median income requirements that  
4 lead to greater affordability, and the size of units;  
5       (B) Include tenant protections beyond affordability requirements;  
6       (C) Increase the supply of affordable housing while preserving  
7 workforce housing; and  
8       (D) Promote density in residential targeted areas, with  
9 consideration of how increased density impacts existing communities  
10 and affordability in those communities.

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