
SUBSTITUTE SENATE BILL 5366

State of Washington

66th Legislature

2019 Regular Session

By Senate Ways & Means (originally sponsored by Senators Wagoner, Mullet, Rivers, Palumbo, Rolfes, Brown, Honeyford, Wilson, L., and Zeiger)

READ FIRST TIME 03/01/19.

1 AN ACT Relating to expanding the property tax exemption for new
2 and rehabilitated multiple-unit dwellings in urban centers; amending
3 RCW 84.14.010 and 84.14.040; and creating new sections.

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

5 NEW SECTION. **Sec. 1.** This section is the tax preference
6 performance statement for the tax preferences contained in sections 2
7 and 3, chapter . . ., Laws of 2019 (sections 2 and 3 of this act).
8 This performance statement is only intended to be used for subsequent
9 evaluation of the tax preferences. It is not intended to create a
10 private right of action by any party or be used to determine
11 eligibility for preferential tax treatment.

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

15 (2) It is the legislature's specific public policy objective to
16 incentivize developers to construct new multifamily housing thereby
17 increasing the number of affordable housing units for low to
18 moderate-income residents in certain urban growth areas.

19 (3) The legislature intends to extend the expiration date of the
20 tax preference in this act, if a review finds that at least twenty

1 percent of the new housing is developed and occupied by households
2 earning:

3 (a) At or below eighty percent of the area median income, at the
4 time of occupancy, adjusted for family size for the county in which
5 the project is located; or

6 (b) When the housing is intended exclusively for owner occupancy,
7 up to one hundred fifteen percent of the area median income, at the
8 time of sale, adjusted for family size for the county in which the
9 project is located.

10 (4) In order to obtain the data necessary to perform the review
11 in subsection (3) of this section, the joint legislative audit and
12 review committee may refer to data provided by cities or towns in
13 which persons are utilizing these tax preferences, the office of
14 financial management, the department of commerce, the United States
15 department of housing and urban development, and any other data
16 sources, as needed by the joint legislative audit and review
17 committee.

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

20 The definitions in this section apply throughout this chapter
21 unless the context clearly requires otherwise.

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

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

32 (3) "City" means either (a) a city or town with a population of
33 at least fifteen thousand, (b) the largest city or town, if there is
34 no city or town with a population of at least fifteen thousand,
35 located in a county planning under the growth management act, or (c)
36 a city or town with a population of at least five thousand located in
37 a county subject to the provisions of RCW 36.70A.215 and (d) from
38 July 1, 2022, to July 1, 2025, "city" includes any city or town that
39 does not otherwise qualify under (a) through (c) of this subsection.

1 The date in this subsection (3)(d) applies to applications submitted
2 under this chapter on or before the date provided in this subsection
3 (3)(d).

4 (4) (a) Except as provided in (b) of this subsection, "county"
5 means a county with an unincorporated population of at least three
6 hundred fifty thousand.

7 (b) From July 1, 2022, through July 1, 2025, "county" means any
8 county. The date in this subsection (4)(b) applies to applications
9 submitted under this chapter on or before the date provided in this
10 subsection (4)(b).

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

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

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

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

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

32 (10) "Moderate-income household" means a single person, family,
33 or unrelated persons living together whose adjusted income is more
34 than eighty percent but is at or below one hundred fifteen percent of
35 the median family income adjusted for family size, for the county
36 where the project is located, as reported by the United States
37 department of housing and urban development. For cities located in
38 high-cost areas, "moderate-income household" means a household that
39 has an income that is more than one hundred percent, but at or below

1 one hundred fifty percent, of the median family income adjusted for
2 family size, for the county where the project is located.

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

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

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

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

20 (15) "Residential targeted area" means an area within an urban
21 center or urban growth area that has been designated by the governing
22 authority as a residential targeted area in accordance with this
23 chapter. With respect to designations after July 1, 2007,
24 "residential targeted area" may not include a campus facilities
25 master plan.

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

28 (17) "Substantial compliance" means compliance with local
29 building or housing code requirements that are typically required for
30 rehabilitation as opposed to new construction.

31 (18) "Urban center" means a compact identifiable district where
32 urban residents may obtain a variety of products and services. An
33 urban center must contain:

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

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

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

4 **Sec. 3.** RCW 84.14.040 and 2014 c 96 s 4 are each amended to read
5 as follows:

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

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

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

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

19 (d) If the residential targeted area is designated by a county,
20 the area must be located in an unincorporated area of the county that
21 is within an urban growth area under RCW 36.70A.110 and (~~the area~~
22 ~~must be~~): (i) The area must be in a rural county, served by a sewer
23 system and designated by a county prior to January 1, 2013; ((or))
24 (ii) the area must be in a county that includes a campus of an
25 institution of higher education, as defined in RCW 28B.92.030, where
26 at least one thousand two hundred students live on campus during the
27 academic year; or (iii) from July 1, 2022, through July 1, 2025, the
28 area includes any part of the county that does not otherwise qualify
29 under (d) (i) or (ii) of this subsection (1).

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

38 (3) The governing authority must give notice of a hearing held
39 under this chapter by publication of the notice once each week for

1 two consecutive weeks, not less than seven days, nor more than thirty
2 days before the date of the hearing in a paper having a general
3 circulation in the city or county where the proposed residential
4 targeted area is located. The notice must state the time, date,
5 place, and purpose of the hearing and generally identify the area
6 proposed to be designated as a residential targeted area.

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

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

18 (a) Application process and procedures;

19 (b) Requirements that address demolition of existing structures
20 and site utilization; and

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

27 (6) The governing authority may adopt and implement, either as
28 conditions to eight-year exemptions or as conditions to an extended
29 exemption period under RCW 84.14.020(1)(a)(ii)(B), or both, more
30 stringent income eligibility, rent, or sale price limits, including
31 limits that apply to a higher percentage of units, than the minimum
32 conditions for an extended exemption period under RCW
33 84.14.020(1)(a)(ii)(B). For any multiunit housing located in an
34 unincorporated area of a county, a property owner seeking tax
35 incentives under this chapter must commit to renting or selling at
36 least twenty percent of the multifamily housing units as affordable
37 housing units to low and moderate-income households. In the case of
38 multiunit housing intended exclusively for owner occupancy, the
39 minimum requirement of this subsection (6) may be satisfied solely
40 through housing affordable to moderate-income households.

1 NEW SECTION. **Sec. 4.** The exemption in this act applies to taxes
2 levied for collection in 2022 and thereafter.

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