

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 2950

Chapter 237, Laws of 2020

(partial veto)

66th Legislature
2020 Regular Session

MULTIFAMILY HOUSING TAX EXEMPTION--EXTENSION

EFFECTIVE DATE: June 11, 2020

Passed by the House March 7, 2020
Yeas 93 Nays 4

LAURIE JINKINS

**Speaker of the House of
Representatives**

Passed by the Senate March 12, 2020
Yeas 42 Nays 7

CYRUS HABIB

President of the Senate

Approved March 31, 2020 10:59 AM with
the exception of section 3, which is
vetoed.

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the
House of Representatives of the
State of Washington, do hereby
certify that the attached is
SUBSTITUTE HOUSE BILL 2950 as
passed by the House of
Representatives and the Senate on
the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

March 31, 2020

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 2950

Passed Legislature - 2020 Regular Session

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.

**Sec. 3 was vetoed. See message at end of chapter.*

Passed by the House March 7, 2020.

Passed by the Senate March 12, 2020.

Approved by the Governor March 31, 2020, with the exception of certain items that were vetoed.

Filed in Office of Secretary of State March 31, 2020.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to Section 3, Substitute House Bill No. 2950 entitled:

"AN ACT Relating to addressing affordable housing needs through the multifamily housing tax exemption by providing an extension of the exemption until January 1, 2022, for certain properties currently receiving a twelve-year exemption and by convening a work group."

This bill extends the multifamily property tax exemption for certain properties through December 31, 2021. Section 3 directs the Department of Commerce to contract with a nonprofit facilitator to convene a work group to study and make recommendations on certain aspects of the multifamily property tax exemption program. The Department is also required to provide a follow-up report to the Legislature and the Joint Legislative Audit and Review Committee by December 1, 2020. However, the work required under Section 3 is not funded in the budget.

For these reasons I have vetoed Section 3 of Substitute House Bill No. 2950.

With the exception of Section 3, Substitute House Bill No. 2950 is approved."

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