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**SUBSTITUTE SENATE BILL 5287**

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**State of Washington**

**67th Legislature**

**2021 Regular Session**

**By** Senate Housing & Local Government (originally sponsored by Senators Das, Kuderer, Conway, Keiser, Lias, Nguyen, Nobles, Pedersen, Randall, Salomon, and Wilson, C.)

READ FIRST TIME 02/12/21.

1 AN ACT Relating to affordable housing incentives; amending RCW  
2 84.14.005, 84.14.010, 84.14.020, 84.14.040, and 84.14.100; adding a  
3 new section to chapter 84.14 RCW; creating a new section; and  
4 providing an expiration date.

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

6 **Sec. 1.** RCW 84.14.005 and 2007 c 430 s 1 are each amended to  
7 read as follows:

8 (1) The legislature finds:

9 ~~((1))~~ (a) That in many of Washington's urban centers there is  
10 insufficient availability of desirable and convenient residential  
11 units, including affordable housing units, to meet the needs of a  
12 growing number of the public who would live in these urban centers if  
13 these desirable, convenient, attractive, affordable, and livable  
14 places to live were available;

15 ~~((2))~~ (b) That the development of additional and desirable  
16 residential units, including affordable housing units, in these urban  
17 centers that will attract and maintain a significant increase in the  
18 number of permanent residents in these areas will help to alleviate  
19 the detrimental conditions and social liability that tend to exist in  
20 the absence of a viable mixed income residential population and will

1 help to achieve the planning goals mandated by the growth management  
2 act under RCW 36.70A.020; and

3 ~~((3))~~ (c) That planning solutions to solve the problems of  
4 urban sprawl often lack incentive and implementation techniques  
5 needed to encourage residential redevelopment in those urban centers  
6 lacking a sufficient variety of residential opportunities, and it is  
7 in the public interest and will benefit, provide, and promote the  
8 public health, safety, and welfare to stimulate new or enhanced  
9 residential opportunities, including affordable housing  
10 opportunities, within urban centers through a tax incentive as  
11 provided by this chapter.

12 (2) Therefore, the legislature intends to achieve multiple goals  
13 by incentivizing the development of multiple-unit housing including  
14 creating additional affordable housing, encouraging urban development  
15 and density, increasing market rate workforce housing, developing  
16 permanently affordable housing opportunities, promoting economic  
17 investment and recovery, and creating family-wage jobs.

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))~~  
36 (c) a city or town with a population of at least five thousand  
37 located in a county subject to the provisions of RCW 36.70A.215, or  
38 (d) any city, until December 31, 2024, that complies with RCW  
39 84.14.020(1)(a)(iii) and section 7(1)(b) of this act.

1 (4) "County" means a county with an unincorporated population of  
2 at least (~~(three hundred fifty thousand)~~) 170,000.

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

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

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

13 ~~(8))~~ (8) "Household" means a single person, family, or unrelated  
14 persons living together.

15 ~~((9))~~ (8) "Low-income household" means a single person, family,  
16 or unrelated persons living together whose adjusted income is at or  
17 below eighty percent of the median family income adjusted for family  
18 size, for the county, city, or metropolitan statistical area, where  
19 the project is located, as reported by the United States department  
20 of housing and urban development. (~~For cities located in high-cost  
21 areas, "low-income household" means a household that has an income at  
22 or below one hundred percent of the median family income adjusted for  
23 family size, for the county where the project is located.~~

24 ~~(10))~~ (9) "Moderate-income household" means a single person,  
25 family, or unrelated persons living together whose adjusted income is  
26 more than eighty percent but is at or below one hundred fifteen  
27 percent of the median family income adjusted for family size, for the  
28 county, city, or metropolitan statistical area, where the project is  
29 located, as reported by the United States department of housing and  
30 urban development. (~~For cities located in high-cost areas,  
31 "moderate-income household" means a household that has an income that  
32 is more than one hundred percent, but at or below one hundred fifty  
33 percent, of the median family income adjusted for family size, for  
34 the county where the project is located.~~

35 ~~(11))~~ (10) "Multiple-unit housing" means a building or a group  
36 of buildings having four or more dwelling units not designed or used  
37 as transient accommodations and not including hotels and motels.  
38 Multifamily units may result from new construction or rehabilitated  
39 or conversion of vacant, underutilized, or substandard buildings to  
40 multifamily housing.

1           (~~(12)~~) (11) "Owner" means the property owner of record.  
2           (~~(13)~~) (12) "Permanent residential occupancy" means multiunit  
3 housing that provides either rental or owner occupancy on a  
4 nontransient basis. This includes owner-occupied or rental  
5 accommodation that is leased for a period of at least one month. This  
6 excludes hotels and motels that predominately offer rental  
7 accommodation on a daily or weekly basis.  
8           (~~(14)~~) (13) "Rehabilitation improvements" means modifications  
9 to existing structures, that are vacant for twelve months or longer,  
10 that are made to achieve a condition of substantial compliance with  
11 existing building codes or modification to existing occupied  
12 structures which increase the number of multifamily housing units.  
13           (~~(15)~~) (14) "Residential targeted area" means an area within an  
14 urban center or urban growth area that has been designated by the  
15 governing authority as a residential targeted area in accordance with  
16 this chapter. With respect to designations after July 1, 2007,  
17 "residential targeted area" may not include a campus facilities  
18 master plan.  
19           (~~(16)~~) (15) "Rural county" means a county with a population  
20 between fifty thousand and seventy-one thousand and bordering Puget  
21 Sound.  
22           (~~(17)~~) (16) "Substantial compliance" means compliance with  
23 local building or housing code requirements that are typically  
24 required for rehabilitation as opposed to new construction.  
25           (~~(18)~~) (17) "Urban center" means a compact identifiable  
26 district where urban residents may obtain a variety of products and  
27 services. An urban center must contain:  
28           (a) Several existing or previous, or both, business  
29 establishments that may include but are not limited to shops,  
30 offices, banks, restaurants, governmental agencies;  
31           (b) Adequate public facilities including streets, sidewalks,  
32 lighting, transit, domestic water, and sanitary sewer systems; and  
33           (c) A mixture of uses and activities that may include housing,  
34 recreation, and cultural activities in association with either  
35 commercial or office, or both, use.

36           **Sec. 3.** RCW 84.14.020 and 2020 c 237 s 2 are each amended to  
37 read as follows:

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

4 (i) For properties for which applications for certificates of tax  
5 exemption eligibility are submitted under this chapter before July  
6 22, 2007, the value is exempt for ten successive years beginning  
7 January 1 of the year immediately following the calendar year of  
8 issuance of the certificate; (~~and~~)

9 (ii) For properties for which applications for certificates of  
10 tax exemption eligibility are submitted under this chapter on or  
11 after July 22, 2007, the value is exempt:

12 (A) For eight successive years beginning January 1st of the year  
13 immediately following the calendar year of issuance of the  
14 certificate; or

15 (B) For twelve successive years beginning January 1st of the year  
16 immediately following the calendar year of issuance of the  
17 certificate, if the property otherwise qualifies for the exemption  
18 under this chapter and meets the conditions in this subsection  
19 (1) (a) (ii) (B). For the property to qualify for the twelve-year  
20 exemption under this subsection, the applicant must commit to renting  
21 or selling at least twenty percent of the multifamily housing units  
22 as affordable housing units to low and moderate-income households,  
23 and the property must satisfy that commitment and any additional  
24 affordability and income eligibility conditions adopted by the local  
25 government under this chapter. In the case of projects intended  
26 exclusively for owner occupancy, the minimum requirement of this  
27 subsection (1) (a) (ii) (B) may be satisfied solely through housing  
28 affordable to moderate-income households; and

29 (iii) Until December 31, 2024, for 12 successive years beginning  
30 January 1st of the year immediately following the calendar year of  
31 issuance of the certificate, if the property otherwise qualifies for  
32 the exemption under this chapter and meets the conditions in this  
33 subsection (1) (a) (iii). For the property to qualify for the 12-year  
34 exemption under this subsection, the applicant must commit to renting  
35 or selling at least 20 percent of the multifamily housing units as  
36 affordable housing units to low and moderate-income households, the  
37 property must satisfy that commitment and any additional  
38 affordability and income eligibility conditions adopted by the local  
39 government under this chapter, and the area must be zoned to have an  
40 average minimum density equivalent to 15 dwelling units or more per

1 gross acre, or for cities with a population over 20,000, the area  
2 must be zoned to have an average minimum density equivalent to 25  
3 dwelling units or more per gross acre. In the case of projects  
4 intended exclusively for owner occupancy, the minimum requirement of  
5 this subsection (1)(a)(iii) may be satisfied solely through housing  
6 affordable to moderate-income households.

7 (b) The exemptions provided in (a)(i) (~~and (ii)~~) through (iii)  
8 of this subsection do not include the value of land or nonhousing-  
9 related improvements not qualifying under this chapter.

10 (c) For properties receiving an exemption as provided in  
11 (a)(ii)(B) of this subsection that are in compliance with existing  
12 contracts and where the certificate of tax exemption is set to expire  
13 after June 11, 2020, but before December 31, 2021, the exemption is  
14 extended until December 31, 2021, provided that the property must  
15 satisfy any eligibility criteria or limitations provided in this  
16 chapter as a condition to the existing exemption for a given property  
17 continue to be met. For all properties eligible to receive an  
18 extension pursuant to this subsection (1)(c), the city or county that  
19 issued the initial certificate of tax exemption, as required in RCW  
20 84.14.090, must notify the county assessor and the applicant of the  
21 extension of the certificate of tax exemption.

22 (2) When a local government adopts guidelines pursuant to RCW  
23 84.14.030(2) and includes conditions that must be satisfied with  
24 respect to individual dwelling units, rather than with respect to the  
25 multiple-unit housing as a whole or some minimum portion thereof, the  
26 exemption may, at the local government's discretion, be limited to  
27 the value of the qualifying improvements allocable to those dwelling  
28 units that meet the local guidelines.

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

35 (4) This chapter does not apply to increases in assessed  
36 valuation made by the assessor on nonqualifying portions of building  
37 and value of land nor to increases made by lawful order of a county  
38 board of equalization, the department of revenue, or a county, to a  
39 class of property throughout the county or specific area of the

1 county to achieve the uniformity of assessment or appraisal required  
2 by law.

3 (5) At the conclusion of the exemption period, the ~~((new or  
4 rehabilitated housing cost shall))~~ value of the new housing  
5 construction, conversion, or rehabilitation improvements must be  
6 considered as new construction for the purposes of ((chapter 84.55  
7 RCW)) chapters 84.55 and 36.21 RCW as though the property was not  
8 exempt under this chapter, unless it qualifies for an extension as  
9 provided under subsection (6) of this section.

10 (6) For properties that qualified for, satisfied the conditions  
11 of, and utilized the exemption under subsection (1)(a)(ii)(A) or (B)  
12 of this section, following the initial exemption period or the  
13 extension period authorized in subsection (1)(c) of this section, the  
14 exemption period may be extended for projects that are within 18  
15 months of expiration and are approved by the city or county. For the  
16 property to qualify for an extension under this subsection (6), the  
17 applicant must meet at a minimum the locally adopted requirements for  
18 the property to qualify for an exemption under subsection  
19 (1)(a)(ii)(B) of this section, and the applicant commits to renting  
20 or selling at least 20 percent of the multifamily housing units as  
21 affordable housing units for low-income households.

22 (7) At the end of both the tenth and eleventh years of an  
23 extension, for twelfth year extensions of the exemption, applicants  
24 must provide tenants of rent-restricted units with notification of  
25 intent to provide the tenant with an option in subsection (8) of this  
26 section.

27 (8) By three months before the expiration of any exemption  
28 provided under this section, the applicant must provide at least one  
29 of the following options to tenants of the affordable units that were  
30 required as a condition of receiving the exemption:

31 (a) Continue to provide an affordable rent as was required under  
32 the exemption for as long as the tenant continues to occupy the unit;

33 (b) Offer reasonable assistance in a tenant's relocation to a new  
34 dwelling unit. The reasonable assistance must be sufficient for the  
35 tenant to find another dwelling unit of equal size in a reasonably  
36 close geographic area;

37 (c) Rent increases of no more than five percent per year over the  
38 course of four years, if the tenant decides to continue to occupy the  
39 unit; or

1 (d) Convert the dwelling unit into a condominium and sell the  
2 dwelling unit to the tenant as affordable housing at a rate such that  
3 payments on a 30-year mortgage shall not exceed the ability to pay at  
4 the designated average median income for the size of the unit as  
5 required under this chapter.

6 (9) No new exemptions may be provided under this section  
7 beginning on or after January 1, 2032. No extensions may be granted  
8 under subsection (6) of this section on or after January 1, 2046.

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

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

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

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

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

24 (d) If the residential targeted area is designated by a county,  
25 the area must be located in an unincorporated area of the county that  
26 is within an urban growth area under RCW 36.70A.110 and the area must  
27 be: (i) In a rural county, served by a sewer system and designated by  
28 a county prior to January 1, 2013; or (ii) in a county that includes  
29 a campus of an institution of higher education, as defined in RCW  
30 28B.92.030, where at least one thousand two hundred students live on  
31 campus during the academic year.

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



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

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

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

20 (a) Application process and procedures;

21 (b) Income and rent standards for affordable units;

22 (c) Requirements that address demolition of existing structures  
23 and site utilization; and

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

30 (6) (a) The governing authority may adopt and implement, either as  
31 conditions to eight-year exemptions or as conditions to an extended  
32 exemption period under RCW 84.14.020(1)(a)(ii)(B), or both, more  
33 stringent income eligibility, rent, or sale price limits, including  
34 limits that apply to a higher percentage of units, than the minimum  
35 conditions for an extended exemption period under RCW  
36 84.14.020(1)(a)(ii)(B).

37 (b) Additionally, a governing authority may adopt and implement  
38 as a contractual prerequisite to any exemption granted pursuant to  
39 RCW 84.14.020:

1 (i) A requirement that applicants pay at least the prevailing  
2 rate of hourly wage established under chapter 39.12 RCW for journey  
3 level and apprentice workers on residential and commercial  
4 construction;

5 (ii) Payroll record requirements consistent with RCW  
6 39.12.120(1);

7 (iii) Apprenticeship utilization requirements consistent with RCW  
8 39.04.310; and

9 (iv) A contracting inclusion plan developed in consultation with  
10 the office of minority and women's business enterprises.

11 (7) For any multiunit housing located in an unincorporated area  
12 of a county, a property owner seeking tax incentives under this  
13 chapter must commit to renting or selling at least twenty percent of  
14 the multifamily housing units as affordable housing units to low and  
15 moderate-income households. In the case of multiunit housing intended  
16 exclusively for owner occupancy, the minimum requirement of this  
17 subsection ((+6+)) (7) may be satisfied solely through housing  
18 affordable to moderate-income households.

19 **Sec. 5.** RCW 84.14.100 and 2012 c 194 s 9 are each amended to  
20 read as follows:

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

26 (a) A statement of occupancy and vacancy of the rehabilitated or  
27 newly constructed property during the twelve months ending with the  
28 anniversary date;

29 (b) A certification by the owner that the property has not  
30 changed use and, if applicable, that the property has been in  
31 compliance with the affordable housing requirements as described in  
32 RCW 84.14.020 since the date of the certificate approved by the city  
33 or county;

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

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

38 (2) All cities or counties, which issue certificates of tax  
39 exemption for multiunit housing that conform to the requirements of

1 this chapter, must report annually by (~~December 31st~~) April 1st of  
2 each year, beginning in 2007, to the department of commerce. A city  
3 or county must be in compliance with the reporting requirements of  
4 this section to offer certificates of tax exemption for multiunit  
5 housing authorized in this chapter. The report must include the  
6 following information:

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

8 (b) The total number and type of units produced or to be  
9 produced;

10 (c) The number, size, and type of units produced or to be  
11 produced meeting affordable housing requirements;

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

13 (e) The total monthly rent or total sale amount of each unit  
14 produced;

15 (f) The annual income and household size of each renter or owner  
16 household (~~at the time of initial occupancy and the income of each~~  
17 ~~initial purchaser of owner-occupied units at the time of purchase~~)  
18 for each of the units receiving a tax exemption and a summary of  
19 these figures for the city or county; and

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

22 (3) This section expires January 1, 2057.

23 NEW SECTION. **Sec. 6.** (1) This section is the tax preference  
24 performance statement for the tax preferences contained in section 3,  
25 chapter . . ., Laws of 2021 (section 3 of this act). This performance  
26 statement is only intended to be used for subsequent evaluation of  
27 the tax preferences. It is not intended to create a private right of  
28 action by any party or be used to determine eligibility for  
29 preferential tax treatment.

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

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

34 (a) Incentivize developers to construct or rehabilitate  
35 multifamily housing;

36 (b) Incentivize local governments and multifamily housing owners  
37 to maintain or expand existing income-restricted unit stock that have  
38 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 12 years or more, as provided for in  
10 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 3, chapter . . ., Laws of 2021 (section 3  
17 of this act), if a review finds that:

18 (a) Projects receiving an initial eight-year or 12-year exemption  
19 regularly enter into subsequent 12-year extensions in exchange for  
20 continued or increased income restrictions on affordable units; and

21 (b) At least 20 percent of the new housing is developed and  
22 occupied by households earning:

23 (i) At or below 80 percent of the area median income, at the time  
24 of occupancy, adjusted for family size for the county in which the  
25 project is located; or

26 (ii) Where the housing is intended exclusively for owner  
27 occupancy, up to 115 percent of the area median income, at the time  
28 of sale, adjusted for family size for the county in which the project  
29 is located.

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

1        NEW SECTION.    **Sec. 7.**    A new section is added to chapter 84.14

2    RCW to read as follows:

3        (1) (a) The value of new housing construction, conversion, and  
4    rehabilitation improvements qualifying under this chapter is exempt  
5    from ad valorem property taxation, as follows: For 20 successive  
6    years beginning January 1st of the year immediately following the  
7    calendar year of issuance of the certificate, if the property  
8    otherwise qualifies for the exemption under this chapter and meets  
9    the conditions in this section. For the property to qualify for the  
10   20-year exemption under this section, at least 25 percent of the  
11   units must be sold to a qualified nonprofit or local government  
12   partner that will assure permanent affordable homeownership. The  
13   remaining 75 percent of units may be rented or sold at market rates.

14        (b) Until December 31, 2024, in any city the value of new housing  
15   construction, conversion, and rehabilitation improvements qualifying  
16   under this chapter is exempt from ad valorem property taxation, as  
17   follows: For 20 successive years beginning January 1st of the year  
18   immediately following the calendar year of issuance of the  
19   certificate, if the property otherwise qualifies for the exemption  
20   under this chapter and meets the conditions in this section. For the  
21   property to qualify for the 20-year exemption under this section, at  
22   least 25 percent of the units must be sold to a qualified nonprofit  
23   or local government partner that will assure permanent affordable  
24   homeownership. The remaining 75 percent of units may be rented or  
25   sold at market rates. The area must be zoned to have an average  
26   minimum density equivalent to 15 dwelling units or more per gross  
27   acre, or for cities with a population over 20,000, the area must be  
28   zoned to have an average minimum density equivalent to 25 dwelling  
29   units or more per gross acre.

30        (2) Permanently affordable homeownership units or permanently  
31   affordable rental units must be sold or rented to households earning  
32   no more than 80 percent of the average median income for the city or  
33   local jurisdiction in which the unit is located.

34        (3) A local jurisdiction may assign and collect an administration  
35   fee at each point of sale to cover the administrative costs for  
36   oversight of the program to maintain permanently affordable housing  
37   units consistent with this section.

38        (4) The exemptions in this section do not include the value of  
39   land or nonhousing-related improvements not qualifying under this  
40   chapter.

1 (5) For purposes of this section:  
2 (a) "Permanently affordable homeownership" means homeownership  
3 that, in addition to meeting the definition of "affordable housing"  
4 in RCW 43.185A.010, is:  
5 (i) Sponsored by a nonprofit organization or governmental entity;  
6 (ii) Subject to a ground lease or deed restriction that includes:  
7 (A) A resale restriction designed to provide affordability for  
8 future low and moderate-income homebuyers;  
9 (B) A right of first refusal for the sponsor organization to  
10 purchase the home at resale; and  
11 (C) A requirement that the sponsor must approve any refinancing,  
12 including home equity lines of credit.  
13 (iii) Sponsored by a nonprofit organization or governmental  
14 entity and the sponsor organization:  
15 (A) Executes a new ground lease or deed restriction with a  
16 duration of at least 99 years at the initial sale and with each  
17 successive sale; and  
18 (B) Supports homeowners and enforces the ground lease or deed  
19 restriction.  
20 (b) "Permanently affordable rental" means a rental unit that is  
21 owned and managed by a housing authority, or nonprofit or local  
22 governmental agency for the purpose of ensuring affordable housing,  
23 with income restrictions that meet or exceed the requirements of this  
24 chapter.  
25 (6) The department of commerce must develop a template for  
26 permanent affordability for home or condo ownership through deed  
27 restrictions that can be used by a city or local government to ensure  
28 compliance with this section.

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