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**SUBSTITUTE SENATE BILL 5118**

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**State of Washington**

**68th Legislature**

**2024 Regular Session**

**By** Senate Housing (originally sponsored by Senators Kuderer, Wellman, Frame, Hunt, Keiser, Lias, Lovelett, Nobles, and Randall)

READ FIRST TIME 01/25/24.

1 AN ACT Relating to modifying the multifamily property tax  
2 exemption to promote development of long-term affordable housing;  
3 amending RCW 84.14.010, 84.14.020, 84.14.021, 84.14.040, 84.14.070,  
4 84.14.100, and 84.14.110; and creating a new section.

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

6 **Sec. 1.** RCW 84.14.010 and 2021 c 187 s 2 are each amended to  
7 read as follows:

8 The definitions in this section apply throughout this chapter  
9 unless the context clearly requires otherwise.

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

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

20 (3) "City" means ~~((either (a) a city or town with a population of~~  
21 ~~at least fifteen thousand, (b) the largest city or town, if there is~~

1 ~~no city or town with a population of at least fifteen thousand,~~  
2 ~~located in a county planning under the growth management act, (c) a~~  
3 ~~city or town with a population of at least five thousand located in a~~  
4 ~~county subject to the provisions of RCW 36.70A.215, or (d) any city~~  
5 ~~that otherwise does not meet the qualifications under (a) through (c)~~  
6 ~~of this subsection, until December 31, 2031, that complies with RCW~~  
7 ~~84.14.020(1)(a)(iii) or 84.14.021(1)(b)) any city or town, including~~  
8 ~~a code city.~~

9 (4) "Conversion" means either the conversion of an existing  
10 residential building, in whole or in part, or the conversion of a  
11 nonresidential building, in whole or in part, to multiple-unit  
12 housing under this chapter.

13 (5) "County" means a county with an unincorporated population of  
14 at least 170,000.

15 ((+5)) (6) "Governing authority" means the local legislative  
16 authority of a city or a county having jurisdiction over the property  
17 for which an exemption may be applied for under this chapter.

18 ((+6)) (7) "Growth management act" means chapter 36.70A RCW.

19 ((+7)) (8) "Household" means a single person, family, or  
20 unrelated persons living together.

21 ((+8)) (9) "Low-income household" means a single person, family,  
22 or unrelated persons living together whose adjusted income is at or  
23 below eighty percent of the area median ((family)) income adjusted  
24 for family size, for the county, city, or metropolitan statistical  
25 area, where the project is located, as reported by the United States  
26 department of housing and urban development.

27 ((+9)) (10) "Moderate-income household" means a single person,  
28 family, or unrelated persons living together whose adjusted income is  
29 more than eighty percent but is at or below one hundred fifteen  
30 percent of the area median ((family)) income adjusted for family  
31 size, for the county, city, or metropolitan statistical area, where  
32 the project is located, as reported by the United States department  
33 of housing and urban development.

34 ((+10)) (11) "Multiple-unit housing" means a building or a group  
35 of buildings having four or more dwelling units not designed or used  
36 as transient accommodations and not including hotels and motels.  
37 Multifamily units may result from new construction or rehabilitated  
38 or conversion of vacant, underutilized, or substandard residential or  
39 nonresidential buildings to multifamily housing.

40 ((+11)) (12) "Owner" means the property owner of record.

1       (~~(12)~~) (13) "Permanent residential occupancy" means multiunit  
2 housing that provides either rental or owner occupancy on a  
3 nontransient basis. This includes owner-occupied or rental  
4 accommodation that is leased for a period of at least one month. This  
5 excludes hotels and motels that predominately offer rental  
6 accommodation on a daily or weekly basis.

7       (~~(13)~~) (14) "Rehabilitation improvements" means modifications  
8 to existing residential or nonresidential structures, that are vacant  
9 or underutilized for twelve months or longer, that are made to  
10 achieve a condition of substantial compliance with existing building  
11 codes or modification to existing occupied structures which increase  
12 the number of multifamily housing units.

13       (~~(14)~~) (15) "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       (~~(15)~~) (16) "Rural county" means a county with a population  
20 between fifty thousand and seventy-one thousand and bordering Puget  
21 Sound.

22       (~~(16)~~) (17) "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       (~~(17)~~) (18) "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. 2.** RCW 84.14.020 and 2021 c 187 s 3 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~~  
5 ~~tax exemption eligibility are submitted under this chapter before~~  
6 ~~July 22, 2007, the value is exempt for ((ten)) 10 successive years~~  
7 ~~beginning January 1 of the year immediately following the calendar~~  
8 ~~year of issuance of the certificate;~~

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~~  
13 ~~year immediately following the calendar year of issuance of the~~  
14 ~~certificate;~~

15 ~~((B))~~ (ii) For ~~((twelve))~~ 12 successive years beginning January  
16 1st of the year immediately following the calendar year of issuance  
17 of the certificate, if the property otherwise qualifies for the  
18 exemption under this chapter and meets the conditions in this  
19 subsection (1) (a) ~~((B))~~. For the property to qualify for the  
20 ~~((twelve))~~ 12-year exemption under this subsection, the applicant  
21 must commit to renting or selling at least ~~((twenty))~~ 20 percent of  
22 the multifamily housing living units net square footage as affordable  
23 housing units to a mix of low and moderate-income households,  
24 ensuring that the number of bedrooms for the designated affordable  
25 dwelling units is proportional to the number of bedrooms provided at  
26 the property as market rate units, and the property must satisfy that  
27 commitment and any additional affordability and income eligibility  
28 conditions adopted by the local government under this chapter. In the  
29 case of projects intended exclusively for owner occupancy, the  
30 authorizing authority must require the applicant to record a covenant  
31 or deed restriction that defines the affordability requirements and  
32 their duration and the minimum requirement of this subsection  
33 (1) (a) ~~((B))~~ may be satisfied solely through housing affordable  
34 to moderate-income households; ~~((or~~

35 ~~(C))~~ (iii) For 20 successive years beginning January 1st of the  
36 year immediately following the calendar year of issuance of the  
37 certificate, if the property otherwise qualifies for the exemption  
38 under this chapter and meets the conditions in this subsection (1) (a)  
39 ~~((ii)(C))~~ (iii). For the property to qualify for the 20-year  
40 exemption under this subsection, the project must be located within

1 (~~one mile of~~) a residential targeted area that includes areas with  
2 high capacity transit of at least 15 minute scheduled frequency, in a  
3 city that has implemented(~~, as of July 25, 2021,~~) a mandatory  
4 inclusionary zoning requirement for affordable housing that ensures  
5 affordability of housing units for a period of at least 99 years  
6 (~~and that has a population of no more than 65,000 as measured on~~  
7 ~~July 25, 2021~~). To qualify for the exemption provided in this  
8 subsection (1)(a)(~~(ii)(C)~~) (iii), the applicant must commit to  
9 renting at least 20 percent of the (~~dwelling~~) living units net  
10 square footage as affordable housing units to low-income households  
11 for a term of at least 99 years, ensuring that the number of bedrooms  
12 for the designated affordable dwelling units is proportional to the  
13 number of bedrooms provided at the property as market rate units, and  
14 the property must satisfy that commitment and all required  
15 affordability and income eligibility conditions adopted by the local  
16 government under this chapter. A city must require the applicant to  
17 record a covenant or deed restriction that ensures the continuing  
18 rental of units subject to these affordability requirements  
19 consistent with the conditions in this subsection (1)(a)(~~(ii)(C)~~)  
20 (iii) for a period of no less than 99 years. The covenant or deed  
21 restriction must also address criteria and policies to maintain  
22 public benefit if the property is converted to a use other than which  
23 continues to provide for permanently affordable low-income housing  
24 consistent with this subsection (1)(a)(~~(ii)(C)~~) (iii); and  
25 (~~(iii)~~) (iv) Until December 31, 2026, (~~for a city as defined~~  
26 ~~in RCW 84.14.010(3)(d),~~) for 12 successive years beginning January  
27 1st of the year immediately following the calendar year of issuance  
28 of the certificate, if the property otherwise qualifies for the  
29 exemption under this chapter and meets the conditions in this  
30 subsection (1)(a)(~~(iii)~~) (iv). For the property to qualify for the  
31 12-year exemption under this subsection, the applicant must commit to  
32 renting or selling at least 20 percent of the multifamily housing  
33 living units net square footage as affordable housing units to low  
34 and moderate-income households, ensuring that the number of bedrooms  
35 for the designated affordable dwelling units is proportional to the  
36 number of bedrooms provided at the property as market rate units, and  
37 the 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~~) project must (~~be~~  
40 ~~zoned to~~) have an average minimum density equivalent to 15 dwelling

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

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

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

23 (ii) The exemptions provided in (a)(ii) and (iii) of this  
24 subsection include the value of the new housing constructed and that  
25 portion of the land value determined by multiplying the land value by  
26 the percentage of square footage of affordable housing constructed in  
27 comparison to the total square footage of housing for a qualifying  
28 project. The exemptions do not include the value of nonhousing-  
29 related improvements not qualifying under this chapter.

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

37 (3) In the case of rehabilitation of existing buildings or  
38 conversion of nonresidential buildings to multiple-unit housing, the  
39 exemption does not include the value of improvements constructed  
40 prior to the submission of the application required under this

1 chapter unless such improvements are integral to the use of the  
2 building for multiple-unit housing purposes. The incentive provided  
3 by this chapter is in addition to any other incentives, tax credits,  
4 grants, or other incentives provided by law.

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

12 (5) At the conclusion of the exemption period, the value of the  
13 new housing construction, conversion, or rehabilitation improvements  
14 must be considered as new construction for the purposes of chapters  
15 84.55 and 36.21 RCW as though the property was not exempt under this  
16 chapter.

17 (6) For properties that qualified for, satisfied the conditions  
18 of, and utilized the exemption under subsection (1)(a) (~~((ii)(A) or~~  
19 ~~(B))~~) (i) or (ii) of this section, following the initial exemption  
20 period (~~(or the extension period authorized in subsection (1)(c) of~~  
21 ~~this section)~~), the exemption period may be extended for an  
22 additional 12 years for projects that are within 18 months of  
23 expiration contingent on city or county approval. For the property to  
24 qualify for an extension under this subsection (6), the applicant  
25 must meet at a minimum the locally adopted requirements for the  
26 property to qualify for an exemption under subsection (1)(a)  
27 (~~((ii)(B))~~) (i) or (ii) of this section as applicable at the time of  
28 the extension application, and the applicant commits to renting or  
29 selling at least 20 percent of the multifamily housing living units  
30 net square footage as affordable housing units for low-income  
31 households.

32 (7) At the end of both the (~~tenth~~) 10th and (~~eleventh~~) 11th  
33 years of an extension, for (~~twelve~~) 12-year extensions of the  
34 exemption, applicants must provide tenants of rent-restricted units  
35 with notification of intent to provide the tenant with rental  
36 relocation assistance as provided in subsection (8) of this section.

37 (8) (a) Except as provided in (b) of this subsection, for any 12-  
38 year exemption authorized under subsection (1)(a)(ii) (~~(B)~~) or  
39 (~~(iii)~~) (iv) of this section after July 25, 2021, or for any 12-  
40 year exemption extension authorized under subsection (6) of this

1 section, at the expiration of the exemption the applicant must  
2 provide tenant relocation assistance in an amount equal to one  
3 month's rent to a qualified tenant within the final month of the  
4 qualified tenant's lease. To be eligible for tenant relocation  
5 assistance under this subsection, the tenant must occupy an income-  
6 restricted unit at the time the exemption expires and must qualify as  
7 a low-income household under this chapter at the time relocation  
8 assistance is sought.

9 (b) If affordability requirements consistent, at a minimum, with  
10 those required under subsection (1)(a)(ii)~~((B))~~ or ~~((iii))~~ (iv)  
11 of this section remain in place for the unit after the expiration of  
12 the exemption, relocation assistance in an amount equal to one  
13 month's rent must be provided to a qualified tenant within the final  
14 month of a qualified tenant's lease who occupies an income-restricted  
15 unit at the time those additional affordability requirements cease to  
16 apply to the unit.

17 (9) Annual household incomes of tenants within income-restricted  
18 units may increase to up to 150 percent of the established unit  
19 income limit without eviction or penalty at lease renewal.

20 (10) To calculate square footage for living units in each project  
21 as required under this section, the following procedure must be  
22 applied:

23 (a) Each living unit must be measured to the inside finished  
24 surface of the exterior wall and to the inside surface of walls  
25 separating living units from other living units and common areas.  
26 These calculations are to establish the net living area of all units  
27 in a project qualifying under this chapter.

28 (b) Each individual unit's net square footage must then be  
29 calculated as a percentage of all living units' net square footage in  
30 the project.

31 (11) For the purpose of defining bedroom parity under subsection  
32 (1)(a)(ii), (iii), or (iv) of this section, market rate units with  
33 three or more bedrooms must be considered equivalent to three-bedroom  
34 affordable dwelling units.

35 (12) No new exemptions may be provided under this section  
36 beginning on or after January 1, 2032. No extensions may be granted  
37 under subsection (6) of this section on or after January 1, 2046.

38 **Sec. 3.** RCW 84.14.021 and 2021 c 187 s 7 are each amended to  
39 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: For 20 successive  
4 years beginning January 1st of the year immediately following the  
5 calendar year of issuance of the certificate, if the property  
6 otherwise qualifies for the exemption under this chapter and meets  
7 the conditions in this section. For the property to qualify for the  
8 20-year exemption under this section, at least 25 percent of the  
9 units must be built by or sold to a qualified nonprofit or local  
10 government that will assure permanent affordable homeownership. The  
11 remaining 75 percent of units may be rented or sold at market rates.

12 (b) Until December 31, 2031, (~~for a city as defined in RCW~~  
13 ~~84.14.010(3)(d),~~) in any city the value of new housing construction,  
14 conversion, and rehabilitation improvements qualifying under this  
15 chapter is exempt from ad valorem property taxation, as follows: For  
16 20 successive years beginning January 1st of the year immediately  
17 following the calendar year of issuance of the certificate, if the  
18 property otherwise qualifies for the exemption under this chapter and  
19 meets the conditions in this section. For the property to qualify for  
20 the 20-year exemption under this section, at least 25 percent of the  
21 units must be sold to a qualified nonprofit or local government  
22 partner that will assure permanent affordable homeownership. The  
23 remaining 75 percent of units may be rented or sold at market rates.  
24 The ((area)) project must ((~~be zoned to~~)) have an average minimum  
25 density equivalent to 15 dwelling units or more per ((~~gross~~)) net  
26 acre, or for cities with a population over 20,000, the area must be  
27 zoned to have an average minimum density equivalent to 25 dwelling  
28 units or more per gross acre.

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

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

37 (4) The exemptions in this section do not include the value of  
38 ((~~land or~~)) nonhousing-related improvements not qualifying under this  
39 chapter. The exemptions in this section include the value of the new  
40 housing constructed and that portion of the land value determined by

1 multiplying the overall land value by the percentage of square  
2 footage of affordable housing constructed in comparison to the total  
3 square footage of housing for a qualifying project.

4 (5) At the conclusion of the exemption period, the value of the  
5 new housing construction, conversion, or rehabilitation improvements  
6 must be considered as new construction for the purposes of chapters  
7 84.55 and 36.21 RCW as though the property was not exempt under this  
8 chapter.

9 (6) For purposes of this section, "permanently affordable  
10 homeownership" means homeownership that, in addition to meeting the  
11 definition of "affordable housing" in RCW 43.185A.010, is:

12 (a) Sponsored by a nonprofit organization or governmental entity;

13 (b) Subject to a ground lease or deed restriction that includes:

14 (i) A resale restriction designed to provide affordability for  
15 future low and moderate-income homebuyers;

16 (ii) A right of first refusal for the sponsor organization to  
17 purchase the home at resale; and

18 (iii) A requirement that the sponsor must approve any  
19 refinancing, including home equity lines of credit; and

20 (c) Sponsored by a nonprofit organization or governmental entity  
21 and the sponsor organization:

22 (i) Executes a new ground lease or deed restriction with a  
23 duration of at least 99 years at the initial sale and with each  
24 successive sale; and

25 (ii) Supports homeowners and enforces the ground lease or deed  
26 restriction.

27 (7) The department of commerce must develop a template for  
28 permanent affordability for home or condo ownership through deed  
29 restrictions that can be used by a city or local government to ensure  
30 compliance with this section.

31 (8) No new exemptions may be provided under this section  
32 beginning on or after January 1, 2032.

33 **Sec. 4.** RCW 84.14.040 and 2021 c 187 s 4 are each amended to  
34 read as follows:

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

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

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

6 (c) The providing of additional housing opportunity, including  
7 affordable housing, in the area, as determined by the governing  
8 authority, will assist in achieving one or more of the stated  
9 purposes of this chapter;

10 (d) If the residential targeted area is designated by a county,  
11 the area must be located in an unincorporated area of the county that  
12 is within an urban growth area under RCW 36.70A.110 and the area must  
13 be: (i) In a rural county, served by a sewer system and designated by  
14 a county prior to January 1, 2013; ~~((or))~~ (ii) in a county ~~((that~~  
15 ~~includes a campus of an institution of higher education, as defined~~  
16 ~~in RCW 28B.92.030, where at least one thousand two hundred students~~  
17 ~~live on campus during the academic year))~~ with a population greater  
18 than 275,000; ~~((and))~~ or (iii) until July 15, ~~((2024))~~ 2026, in a  
19 county seeking to promote transit supportive densities and efficient  
20 land use in an area that is located within a designated urban growth  
21 area and within .25 miles of a corridor where bus service is  
22 scheduled at least every thirty minutes for no less than 10 hours per  
23 weekday and is in service or is planned for service to begin within  
24 five years of designation; and

25 (e) For a residential targeted area designated by a county after  
26 July 25, 2021, the county governing authority must conduct an  
27 evaluation of the risk of potential displacement of residents  
28 currently living in the area if the tax incentives authorized in this  
29 chapter were to be used in the area. The county may use an existing  
30 analysis if one exists. An area may not be designated as a  
31 residential targeted area unless: (i) The evaluation finds that the  
32 risk of displacement is minimal; or (ii) the governing authority  
33 mitigates the risk of displacement with locally adopted mitigation  
34 measures such as, but not limited to, ensuring that those directly or  
35 indirectly displaced have a first right of refusal to occupy the  
36 newly created dwelling units receiving an exemption under this  
37 chapter, including the affordable units if they otherwise meet the  
38 qualifications.

39 (2) For the purpose of designating a residential targeted area or  
40 areas, the governing authority may adopt a resolution of intention to

1 so designate an area as generally described in the resolution. The  
2 resolution must state the time and place of a hearing to be held by  
3 the governing authority to consider the designation of the area and  
4 may include such other information pertaining to the designation of  
5 the area as the governing authority determines to be appropriate to  
6 apprise the public of the action intended.

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

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

21 (5) After designation of a residential targeted area, the  
22 governing authority must adopt and implement standards and guidelines  
23 to be utilized in considering applications and making the  
24 determinations required under RCW 84.14.060. The standards and  
25 guidelines must establish basic requirements for both new  
26 construction and rehabilitation, which must include:

27 (a) Application process and procedures;

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

29 (c) Requirements that address demolition of existing structures  
30 and site utilization; and

31 (d) Building requirements that may include elements addressing  
32 parking, height, density, environmental impact, and compatibility  
33 with the existing surrounding property and such other amenities as  
34 will attract and keep permanent residents and that will properly  
35 enhance the livability of the residential targeted area in which they  
36 are to be located.

37 (6) (a) The governing authority may adopt and implement, either as  
38 conditions to eight-year exemptions or as conditions to an extended  
39 exemption period under RCW 84.14.020(1)(a) (ii) (~~((B))~~) or (~~((C))~~)  
40 (iii), or as conditions to any combination of exemptions authorized

1 under this chapter, more stringent income eligibility, rent, or sale  
2 price limits, including limits that apply to a higher percentage of  
3 units, than the minimum conditions for an extended exemption period  
4 under RCW 84.14.020(1)(a)(ii) ~~((B))~~ or ~~((C))~~ (iii).

5 (b) Additionally, a governing authority may adopt and implement  
6 as a contractual prerequisite to any exemption granted pursuant to  
7 RCW 84.14.020:

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

12 (ii) Payroll record requirements consistent with RCW  
13 39.12.120(1);

14 (iii) Apprenticeship utilization requirements consistent with RCW  
15 39.04.310; and

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

18 ~~(7) ((For any multiunit housing located in an unincorporated area  
19 of a county, a property owner seeking tax incentives under this  
20 chapter must commit to renting or selling at least twenty percent of  
21 the multifamily housing units as affordable housing units to low and  
22 moderate-income households. In the case of multiunit housing intended  
23 exclusively for owner occupancy, the minimum requirement of this  
24 subsection (7) may be satisfied solely through housing affordable to  
25 moderate-income households.~~

26 ~~(8))~~ Nothing in this section prevents a governing authority from  
27 adopting and implementing additional requirements to any exemption  
28 granted under RCW 84.14.020.

29 **Sec. 5.** RCW 84.14.070 and 2012 c 194 s 7 are each amended to  
30 read as follows:

31 (1) The governing authority or an administrative official or  
32 commission authorized by the governing authority must approve or deny  
33 an application filed under this chapter within ninety days after  
34 receipt of the application.

35 (2) If the application is approved, the city or county must issue  
36 the owner of the property a conditional certificate of acceptance of  
37 tax exemption. The certificate must contain a statement by a duly  
38 authorized administrative official of the governing authority that  
39 the property has complied with the required findings indicated in RCW

1 84.14.060. This certificate must be sent to the county assessor upon  
2 issuance.

3 (3) If the application is denied by the authorized administrative  
4 official or commission authorized by the governing authority, the  
5 deciding administrative official or commission must state in writing  
6 the reasons for denial and send the notice to the applicant at the  
7 applicant's last known address within ten days of the denial.

8 (4) Upon denial by a duly authorized administrative official or  
9 commission, an applicant may appeal the denial to the governing  
10 authority within thirty days after receipt of the denial. The appeal  
11 before the governing authority must be based upon the record made  
12 before the administrative official with the burden of proof on the  
13 applicant to show that there was no substantial evidence to support  
14 the administrative official's decision. The decision of the governing  
15 body in denying or approving the application is final.

16 **Sec. 6.** RCW 84.14.100 and 2021 c 187 s 5 are each amended to  
17 read as follows:

18 (1) Thirty days after the anniversary of the date of the  
19 certificate of tax exemption and each year for the tax exemption  
20 period, the owner of the rehabilitated or newly constructed property,  
21 or the qualified nonprofit or local government that will assure  
22 permanent affordable homeownership for at least 25 percent of the  
23 units for properties receiving an exemption under RCW 84.14.021, must  
24 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 April 1st of each year,  
2 beginning in 2007, to the department of commerce. A city or county  
3 must be in compliance with the reporting requirements of this section  
4 to offer certificates of tax exemption for multiunit housing  
5 authorized in this chapter. The report must include the following  
6 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 household income and household size for each of  
16 the affordable units receiving a tax exemption and a summary of these  
17 figures for the city or county; (~~and~~)

18 (g) The value of the tax exemption for each project receiving a  
19 tax exemption and the total value of tax exemptions granted; and

20 (h) Contracts executed, amended, or extended under RCW  
21 84.14.030(6) during the previous year.

22 (3) (a) The department of commerce must adopt and implement a  
23 program to effectively audit or review that the owner or operator of  
24 each property for which a certificate of tax exemption has been  
25 issued, except for those properties receiving an exemption that are  
26 owned or operated by a nonprofit or for those properties receiving an  
27 exemption from a city or county that operates an independent audit or  
28 review program, is offering the number of units at rents as committed  
29 to in the approved application for an exemption and that the tenants  
30 are being properly screened to be qualified for an income-restricted  
31 unit. The audit or review program must be adopted in consultation  
32 with local governments and other stakeholders and may be based on  
33 auditing a percentage of income-restricted units or properties  
34 annually. A private owner or operator of a property for which a  
35 certificate of tax exemption has been issued under this chapter, must  
36 be audited at least once every five years.

37 (b) If the review or audit required under (a) of this subsection  
38 for a given property finds that the owner or operator is not offering  
39 the number of units at rents as committed to in the approved  
40 application or is not properly screening tenants for income-

1 restricted units, the department of commerce must notify the city or  
2 county and the city or county must impose and collect a sliding scale  
3 penalty not to exceed an amount calculated by subtracting the amount  
4 of rents that would have been collected had the owner or operator  
5 complied with their commitment from the amount of rents collected by  
6 the owner or operator for the income-restricted units, with  
7 consideration of the severity of the noncompliance. If a subsequent  
8 review or audit required under (a) of this subsection for a given  
9 property finds continued substantial noncompliance with the program  
10 requirements, the exemption certificate must be canceled pursuant to  
11 RCW 84.14.110.

12 (c) The department of commerce may impose and collect a fee, not  
13 to exceed the costs of the audit or review, from the owner or  
14 operator of any property subject to an audit or review required under  
15 (a) of this subsection.

16 (d) The department of commerce may develop rules necessary for  
17 the implementation of this section.

18 (4) The department of commerce must provide guidance to cities  
19 and counties, which issue certificates of tax exemption for multiunit  
20 housing that conform to the requirements of this chapter, on best  
21 practices in managing and reporting for the exemption programs  
22 authorized under this chapter, including guidance for cities and  
23 counties to collect and report demographic information for tenants of  
24 units receiving a tax exemption under this chapter.

25 (5) This section expires January 1, 2058.

26 **Sec. 7.** RCW 84.14.110 and 2012 c 194 s 10 are each amended to  
27 read as follows:

28 (1) If improvements have been exempted under this chapter, the  
29 improvements continue to be exempted for the applicable period under  
30 RCW 84.14.020, so long as they are not converted to another use and  
31 continue to satisfy all applicable conditions. If the owner intends  
32 to convert the multifamily development to another use, or if  
33 applicable, if the owner intends to discontinue compliance with the  
34 affordable housing requirements as described in RCW 84.14.020 or any  
35 other condition to exemption, the owner must notify the assessor  
36 within sixty days of the change in use or intended discontinuance.  
37 If, after a certificate of tax exemption has been filed with the  
38 county assessor, the authorized representative of the governing  
39 authority discovers that a portion of the property is changed or will



1 be changed to a use that is other than residential or that housing or  
2 amenities no longer meet the requirements, including, if applicable,  
3 affordable housing requirements, as previously approved or agreed  
4 upon by contract between the city or county and the owner and that  
5 the multifamily housing, or a portion of the housing, no longer  
6 qualifies for the exemption, the tax exemption must be canceled and  
7 the following must occur:

8 (a) Additional real property tax must be imposed upon the value  
9 of the nonqualifying improvements in the amount that would normally  
10 be imposed, plus a penalty must be imposed amounting to twenty  
11 percent. This additional tax is calculated based upon the difference  
12 between the property tax paid and the property tax that would have  
13 been paid if it had included the value of the nonqualifying  
14 improvements dated back to the date that the improvements were  
15 converted to a nonmultifamily use;

16 (b) The tax must include interest upon the amounts of the  
17 additional tax at the same statutory rate charged on delinquent  
18 property taxes from the dates on which the additional tax could have  
19 been paid without penalty if the improvements had been assessed at a  
20 value without regard to this chapter; ~~((and))~~

21 (c) The additional tax owed together with interest and penalty  
22 must become a lien on the land and attach at the time the property or  
23 portion of the property is removed from multifamily use or the  
24 amenities no longer meet applicable requirements, and has priority to  
25 and must be fully paid and satisfied before a recognizance, mortgage,  
26 judgment, debt, obligation, or responsibility to or with which the  
27 land may become charged or liable. The lien may be foreclosed upon  
28 expiration of the same period after delinquency and in the same  
29 manner provided by law for foreclosure of liens for delinquent real  
30 property taxes. An additional tax unpaid on its due date is  
31 delinquent. From the date of delinquency until paid, interest must be  
32 charged at the same rate applied by law to delinquent ad valorem  
33 property taxes; and

34 (d) If the owner of an income-restricted unit intended solely for  
35 owner occupancy sells that unit at market rate and a penalty applies,  
36 the city or county may assign the highest penalty to the owner who  
37 caused the project to be out of compliance and assign a lesser or no  
38 penalty to the other owners.

39 (2) Upon a determination that a tax exemption is to be canceled  
40 for a reason stated in this section, the governing authority or

1 authorized representative must notify the record owner of the  
2 property as shown by the tax rolls by mail, return receipt requested,  
3 of the determination to cancel the exemption. The owner may appeal  
4 the determination to the governing authority or authorized  
5 representative, within thirty days by filing a notice of appeal with  
6 the clerk of the governing authority, which notice must specify the  
7 factual and legal basis on which the determination of cancellation is  
8 alleged to be erroneous. The governing authority or a hearing  
9 examiner or other official authorized by the governing authority may  
10 hear the appeal. At the hearing, all affected parties may be heard  
11 and all competent evidence received. After the hearing, the deciding  
12 body or officer must either affirm, modify, or repeal the decision of  
13 cancellation of exemption based on the evidence received. An  
14 aggrieved party may appeal the decision of the deciding body or  
15 officer to the superior court under RCW 34.05.510 through 34.05.598.

16 (3) Upon determination by the governing authority or authorized  
17 representative to terminate an exemption, the county officials having  
18 possession of the assessment and tax rolls must correct the rolls in  
19 the manner provided for omitted property under RCW 84.40.080. The  
20 county assessor must make such a valuation of the property and  
21 improvements as is necessary to permit the correction of the rolls.  
22 The value of the new housing construction, conversion, and  
23 rehabilitation improvements added to the rolls is considered as new  
24 construction for the purposes of chapter 84.55 RCW. The owner may  
25 appeal the valuation to the county board of equalization under  
26 chapter 84.48 RCW and according to the provisions of RCW 84.40.038.  
27 If there has been a failure to comply with this chapter, the property  
28 must be listed as an omitted assessment for assessment years  
29 beginning January 1 of the calendar year in which the noncompliance  
30 first occurred, but the listing as an omitted assessment may not be  
31 for a period more than three calendar years preceding the year in  
32 which the failure to comply was discovered.

33 NEW SECTION. **Sec. 8.** RCW 82.32.805 and 82.32.808 do not apply  
34 to this act.

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