

2 **2SSB 5387 - H AMD 856 ADOPTED 4/13/95**

3 By Representative Mitchell

4

5 Strike everything after the enacting clause and insert the  
6 following:

7 "NEW SECTION. **Sec. 1.** The legislature finds:

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

13 (2) That the development of additional and desirable residential  
14 units in these urban centers that will attract and maintain a  
15 significant increase in the number of permanent residents in these  
16 areas will help to alleviate the detrimental conditions and social  
17 liability that tend to exist in the absence of a viable residential  
18 population and will help to achieve the planning goals mandated by the  
19 growth management act under RCW 36.70A.020; and

20 (3) That planning solutions to solve the problems of urban sprawl  
21 often lack incentive and implementation techniques needed to encourage  
22 residential redevelopment in those urban centers lacking sufficient  
23 residential opportunities, and it is in the public interest and will  
24 benefit, provide, and promote the public health, safety, and welfare to  
25 stimulate new or enhanced residential opportunities within urban  
26 centers through a tax incentive as provided by this chapter.

27 NEW SECTION. **Sec. 2.** It is the purpose of this chapter to  
28 encourage increased residential opportunities in cities that are  
29 required to plan or choose to plan under the growth management act  
30 within urban centers where the legislative body of the affected city  
31 has found there is insufficient housing opportunities. It is further  
32 the purpose of this chapter to stimulate the construction of new  
33 multifamily housing and the rehabilitation of existing vacant and  
34 underutilized buildings for multifamily housing in urban centers having  
35 insufficient housing opportunities that will increase and improve

1 residential opportunities within these urban centers. To achieve these  
2 purposes, this chapter provides for special valuations for eligible  
3 improvements associated with multiunit housing in residentially  
4 deficient urban centers.

5 NEW SECTION. **Sec. 3.** Unless the context clearly requires  
6 otherwise, the definitions in this section apply throughout this  
7 chapter.

8 (1) "City" means a city or town with a population of at least one  
9 hundred fifty thousand located in a county planning under the growth  
10 management act.

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

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

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

20 (5) "Owner" means the property owner of record.

21 (6) "Permanent residential occupancy" means multiunit housing that  
22 provides either rental or owner occupancy on a nontransient basis.  
23 This includes owner-occupied or rental accommodation that is leased for  
24 a period of at least one month. This excludes hotels and motels that  
25 predominately offer rental accommodation on a daily or weekly basis.

26 (7) "Rehabilitation improvements" means modifications to existing  
27 structures, that are vacant for twelve months or longer, that are made  
28 to achieve a condition of substantial compliance with existing building  
29 codes or modification to existing occupied structures which increase  
30 the number of multifamily housing units.

31 (8) "Residential targeted area" means an area within an urban  
32 center that has been designated by the governing authority as a  
33 residential targeted area in accordance with this chapter.

34 (9) "Substantial compliance" means compliance with local building  
35 or housing code requirements that are typically required for  
36 rehabilitation as opposed to new construction.

1 (10) "Urban center" means a compact identifiable district where  
2 urban residents may obtain a variety of products and services. An  
3 urban center must contain:

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

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

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

12 NEW SECTION. **Sec. 4.** The provisions of this chapter relating to  
13 special valuation apply only to locally designated residential targeted  
14 areas of those cities planning under the growth management act.

15 NEW SECTION. **Sec. 5.** (1) The value of new housing construction,  
16 conversion, and rehabilitation improvements qualifying under this  
17 chapter is exempt from ad valorem property taxation, for ten successive  
18 years beginning January 1 of the year immediately following the  
19 calendar year after issuance of the certificate of tax exemption  
20 eligibility. However, the exemption does not include the value of land  
21 or nonhousing-related improvements not qualifying under this chapter.

22 (2) In the case of rehabilitation of existing buildings, the  
23 exemption does not include the value of improvements constructed prior  
24 to the submission of the application required under this chapter. The  
25 incentive provided by this chapter is in addition to any other  
26 incentives, tax credits, grants, or other incentives provided by law.

27 (3) This chapter does not apply to increases in assessed valuation  
28 made by the assessor on nonqualifying portions of building and value of  
29 land nor to increases made by lawful order of a county board of  
30 equalization, the department of revenue, or a county, to a class of  
31 property throughout the county or specific area of the county to  
32 achieve the uniformity of assessment or appraisal required by law.

33 NEW SECTION. **Sec. 6.** An owner of property making application  
34 under this chapter must meet the following requirements:

35 (1) The new or rehabilitated multiple-unit housing must be located  
36 in a residential targeted area as designated by the city;

1 (2) The multiple-unit housing must meet the guidelines as adopted  
2 by the governing authority that may include height, density, public  
3 benefit features, number and size of proposed development, parking, and  
4 other adopted requirements indicated necessary by the city. The  
5 required amenities should be relative to the size of the project and  
6 tax benefit to be obtained;

7 (3) The new, converted, or rehabilitated multiple-unit housing must  
8 provide for a minimum of fifty percent of the space for permanent  
9 residential occupancy. In the case of existing occupied multifamily  
10 development, the multifamily housing must also provide for a minimum of  
11 four additional multifamily units. Existing multifamily vacant housing  
12 that has been vacant for twelve months or more does not have to provide  
13 additional multifamily units;

14 (4) New construction multifamily housing and rehabilitation  
15 improvements must be completed within three years from the date of  
16 approval of the application;

17 (5) Property proposed to be rehabilitated must be vacant at least  
18 twelve months before submitting an application and fail to comply with  
19 one or more standards of the applicable state or local building or  
20 housing codes on or after the effective date of this section; and

21 (6) The applicant must enter into a contract with the city approved  
22 by the governing body under which the applicant has agreed to the  
23 implementation of the development on terms and conditions satisfactory  
24 to the governing authority.

25 NEW SECTION. **Sec. 7.** (1) The following criteria must be met  
26 before an area may be designated as a residential targeted area:

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

29 (b) The area must lack, as determined by the governing authority,  
30 sufficient available, desirable, and convenient residential housing to  
31 meet the needs of the public who would be likely to live in the urban  
32 center, if the desirable, attractive, and livable places to live were  
33 available; and

34 (c) The providing of additional housing opportunity in the area, as  
35 determined by the governing authority, will assist in achieving one or  
36 more of the stated purposes of this chapter.

37 (2) For the purpose of designating a residential targeted area or  
38 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 the  
3 governing authority to consider the designation of the area and may  
4 include such other information pertaining to the designation of the  
5 area as the governing authority determines to be appropriate to apprise  
6 the public of the action intended.

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

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

20 (5) After designation of a residential targeted area, the governing  
21 authority shall adopt standards and guidelines to be utilized in  
22 considering applications and making the determinations required under  
23 section 9 of this act. The standards and guidelines must establish  
24 basic requirements for both new construction and rehabilitation  
25 including application process and procedures. These guidelines may  
26 include the following:

27 (a) Requirements that address demolition of existing structures and  
28 site utilization; and

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

35 NEW SECTION. **Sec. 8.** An owner of property seeking tax incentives  
36 under this chapter must complete the following procedures:

37 (1) In the case of rehabilitation or where demolition or new  
38 construction is required, the owner shall secure from the governing

1 authority or duly authorized agent, before commencement of  
2 rehabilitation improvements or new construction, verification of  
3 property noncompliance with applicable building and housing codes;

4 (2) In the case of new and rehabilitated multifamily housing, the  
5 owner shall apply to the city on forms adopted by the governing  
6 authority. The application must contain the following:

7 (a) Information setting forth the grounds supporting the requested  
8 exemption including information indicated on the application form or in  
9 the guidelines;

10 (b) A description of the project and site plan, including the floor  
11 plan of units and other information requested;

12 (c) A statement that the applicant is aware of the potential tax  
13 liability involved when the property ceases to be eligible for the  
14 incentive provided under this chapter;

15 (3) The applicant must verify the application by oath or  
16 affirmation; and

17 (4) The application must be made on or before April 1 of each year,  
18 and must be accompanied by the application fee, if any, required under  
19 section 10 of this act. The governing authority may permit the  
20 applicant to revise an application before final action by the governing  
21 authority.

22 NEW SECTION. **Sec. 9.** The duly authorized administrative official  
23 or committee of the city may approve the application if it finds that:

24 (1) A minimum of four new units are being constructed or in the  
25 case of occupied rehabilitation or conversion a minimum of four  
26 additional multifamily units are being developed;

27 (2) The proposed project is or will be, at the time of completion,  
28 in conformance with all local plans and regulations that apply at the  
29 time the application is approved;

30 (3) The owner has complied with all standards and guidelines  
31 adopted by the city under this chapter; and

32 (4) The site is located in a residential targeted area of an urban  
33 center that has been designated by the governing authority in  
34 accordance with procedures and guidelines indicated in section 7 of  
35 this act.

36 NEW SECTION. **Sec. 10.** (1) The governing authority or an  
37 administrative official or commission authorized by the governing

1 authority shall approve or deny an application filed under this chapter  
2 within ninety days after receipt of the application.

3 (2) If the application is approved, the city shall issue the owner  
4 of the property a conditional certificate of acceptance of tax  
5 exemption. The certificate must contain a statement by a duly  
6 authorized administrative official of the governing authority that the  
7 property has complied with the required findings indicated in section  
8 8 of this act.

9 (3) If the application is denied by the authorized administrative  
10 official or commission authorized by the governing authority, the  
11 deciding administrative official or commission shall state in writing  
12 the reasons for denial and send the notice to the applicant at the  
13 applicant's last known address within ten days of the denial.

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

22 NEW SECTION. **Sec. 11.** The governing authority may establish an  
23 application fee. This fee may not exceed an amount determined to be  
24 required to cover the cost to be incurred by the governing authority  
25 and the assessor in administering this chapter. The application fee  
26 must be paid at the time the application for limited exemption is  
27 filed. If the application is approved, the governing authority shall  
28 pay the application fee to the county assessor for deposit in the  
29 county current expense fund, after first deducting that portion of the  
30 fee attributable to its own administrative costs in processing the  
31 application. If the application is denied, the governing authority may  
32 retain that portion of the application fee attributable to its own  
33 administrative costs and refund the balance to the applicant.

34 NEW SECTION. **Sec. 12.** (1) Upon completion of rehabilitation or  
35 new construction for which an application for limited exemption under  
36 this chapter has been approved and after issuance of the certificate of  
37 occupancy, the owner shall file with the city the following:

1 (a) A statement of the amount of rehabilitation or construction  
2 expenditures made with respect to each housing unit and the composite  
3 expenditures made in the rehabilitation or construction of the entire  
4 property;

5 (b) A description of the work that has been completed and a  
6 statement that the rehabilitation improvements or new construction on  
7 the owner's property qualify the property for limited exemption under  
8 this chapter; and

9 (c) A statement that the work has been completed within three years  
10 of the issuance of the conditional certificate of tax exemption.

11 (2) Within thirty days after receipt of the statements required  
12 under subsection (1) of this section, the authorized representative of  
13 the city shall determine whether the work completed is consistent with  
14 the application and the contract approved by the governing authority  
15 and is qualified for limited exemption under this chapter. The city  
16 shall also determine which specific improvements completed meet the  
17 requirements and required findings.

18 (3) If the rehabilitation, conversion, or construction is completed  
19 within three years of the date the application for limited exemption is  
20 filed under this chapter, or within an authorized extension of this  
21 time limit, and the authorized representative of the city determines  
22 that improvements were constructed consistent with the application and  
23 other applicable requirements and the owner's property is qualified for  
24 limited exemption under this chapter, the city shall file the  
25 certificate of tax exemption with the county assessor within ten days  
26 of the expiration of the thirty-day period provided under subsection  
27 (2) of this section.

28 (4) The authorized representative of the city shall notify the  
29 applicant that a certificate of tax exemption is not going to be filed  
30 if the representative determines that:

31 (a) The rehabilitation or new construction was not completed within  
32 three years of the application date, or within any authorized extension  
33 of the time limit;

34 (b) The improvements were not constructed consistent with the  
35 application or other applicable requirements; or

36 (c) The owner's property is otherwise not qualified for limited  
37 exemption under this chapter.

38 (5) If the authorized representative of the city finds that  
39 construction or rehabilitation of multiple-unit housing was not



1 completed within the required time period due to circumstances beyond  
2 the control of the owner and that the owner has been acting and could  
3 reasonably be expected to act in good faith and with due diligence, the  
4 governing authority or the city official authorized by the governing  
5 authority may extend the deadline for completion of construction or  
6 rehabilitation for a period not to exceed twenty-four consecutive  
7 months.

8 (6) The governing authority may provide by ordinance for an appeal  
9 of a decision by the deciding officer or authority that an owner is not  
10 entitled to a certificate of tax exemption to the governing authority,  
11 a hearing examiner, or other city officer authorized by the governing  
12 authority to hear the appeal in accordance with such reasonable  
13 procedures and time periods as provided by ordinance of the governing  
14 authority. The owner may appeal a decision by the deciding officer or  
15 authority that is not subject to local appeal or a decision by the  
16 local appeal authority that the owner is not entitled to a certificate  
17 of tax exemption in superior court under RCW 34.05.510 through  
18 34.05.598, if the appeal is filed within thirty days of notification by  
19 the city to the owner of the decision being challenged.

20 NEW SECTION. **Sec. 13.** Thirty days after the anniversary of the  
21 date of the certificate of tax exemption and each year for a period of  
22 ten years, the owner of the rehabilitated or newly constructed property  
23 shall file with a designated agent of the city an annual report  
24 indicating the following:

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

28 (2) A certification by the owner that the property has not changed  
29 use since the date of the certificate approved by the city; and

30 (3) A description of changes or improvements constructed after  
31 issuance of the certificate of tax exemption.

32 NEW SECTION. **Sec. 14.** (1) If improvements have been exempted  
33 under this chapter, the improvements continue to be exempted and not be  
34 converted to another use for at least ten years from date of issuance  
35 of the certificate of tax exemption. If the owner intends to convert  
36 the multifamily development to another use, the owner shall notify the  
37 assessor within sixty days of the change in use. If, after a

1 certificate of tax exemption has been filed with the county assessor  
2 the city or assessor or agent discovers that a portion of the property  
3 is changed or will be changed to a use that is other than residential  
4 or that housing or amenities no longer meet the requirements as  
5 previously approved or agreed upon by contract between the governing  
6 authority and the owner and that the multifamily housing, or a portion  
7 of the housing, no longer qualifies for the exemption, the tax  
8 exemption must be canceled and the following must occur:

9 (a) Additional real property tax must be imposed upon the value of  
10 the nonqualifying improvements in the amount that would normally be  
11 imposed, plus a penalty must be imposed amounting to twenty percent.  
12 This additional tax is calculated based upon the difference between the  
13 property tax paid and the property tax that would have been paid if it  
14 had included the value of the nonqualifying improvements dated back to  
15 the date that the improvements were 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 must  
22 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 land  
27 may become charged or liable. The lien may be foreclosed upon  
28 expiration of the same period after delinquency and in the same manner  
29 provided by law for foreclosure of liens for delinquent real property  
30 taxes. An additional tax unpaid on its due date is delinquent. From  
31 the date of delinquency until paid, interest must be charged at the  
32 same rate applied by law to delinquent ad valorem property taxes.

33 (2) Upon a determination that a tax exemption is to be canceled for  
34 a reason stated in this section, the governing authority shall notify  
35 the record owner of the property as shown by the tax rolls by mail,  
36 return receipt requested, of the determination to cancel the exemption.  
37 The owner may appeal the determination to the governing authority  
38 within thirty days by filing a notice of appeal with the clerk of the  
39 governing authority, which notice must specify the factual and legal

1 basis on which the determination of cancellation is alleged to be  
2 erroneous. The governing authority or a hearing examiner or other  
3 official authorized by the governing authority may hear the appeal. At  
4 the hearing, all affected parties may be heard and all competent  
5 evidence received. After the hearing, the deciding body or officer  
6 shall either affirm, modify, or repeal the decision of cancellation of  
7 exemption based on the evidence received. An aggrieved party may  
8 appeal the decision of the deciding body or officer to the superior  
9 court under RCW 34.05.510 through 34.05.598.

10 (3) Upon determination by the governing authority or authorized  
11 representative to terminate an exemption, the county officials having  
12 possession of the assessment and tax rolls shall correct the rolls in  
13 the manner provided for omitted property under RCW 84.40.080. The  
14 county assessor shall make such a valuation of the property and  
15 improvements as is necessary to permit the correction of the rolls.  
16 The owner may appeal the valuation to the county board of equalization  
17 under chapter 84.48 RCW. If there has been a failure to comply with  
18 this chapter, the property must be listed as an omitted assessment for  
19 assessment years beginning January 1 of the calendar year in which the  
20 noncompliance first occurred, but the listing as an omitted assessment  
21 may not be for a period more than three calendar years preceding the  
22 year in which the failure to comply was discovered.

23 NEW SECTION. **Sec. 15.** If any provision of this act or its  
24 application to any person or circumstance is held invalid, the  
25 remainder of the act or the application of the provision to other  
26 persons or circumstances is not affected.

27 NEW SECTION. **Sec. 16.** Sections 1 through 15 of this act shall  
28 constitute a new chapter in Title 84 RCW."

29 Correct the title accordingly.

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