

CERTIFICATION OF ENROLLMENT

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1910

Chapter 430, Laws of 2007

(partial veto)

60th Legislature
2007 Regular Session

AFFORDABLE HOUSING--PROPERTY TAX EXEMPTIONS

EFFECTIVE DATE: 07/22/07

Passed by the House April 14, 2007
Yeas 63 Nays 31

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 9, 2007
Yeas 41 Nays 2

BRAD OWEN

President of the Senate

Approved May 11, 2007, 10:55 a.m., with
the exception of section 12 which is
vetoed.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk
of the House of Representatives of
the State of Washington, do hereby
certify that the attached is
**ENGROSSED SECOND SUBSTITUTE HOUSE
BILL 1910** as passed by the House
of Representatives and the Senate
on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

May 11, 2007

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1910

AS AMENDED BY THE SENATE

Passed Legislature - 2007 Regular Session

State of Washington 60th Legislature 2007 Regular Session

By House Committee on Finance (originally sponsored by
Representatives Ormsby, Fromhold, Miloscia, Dunshee, Kenney,
Appleton, Darneille, Hasegawa and Morrell)

READ FIRST TIME 03/05/07.

1 AN ACT Relating to tax incentives for certain multiple-unit
2 dwellings in urban centers that provide affordable housing; amending
3 RCW 84.14.005, 84.14.007, 84.14.010, 84.14.020, 84.14.030, 84.14.040,
4 84.14.050, 84.14.060, 84.14.090, 84.14.100, and 84.14.110; and
5 declaring an emergency.

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

7 **Sec. 1.** RCW 84.14.005 and 1995 c 375 s 1 are each amended to read
8 as follows:

9 The legislature finds:

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

16 (2) That the development of additional and desirable residential
17 units, including affordable housing units, in these urban centers that
18 will attract and maintain a significant increase in the number of
19 permanent residents in these areas will help to alleviate the

1 detrimental conditions and social liability that tend to exist in the
2 absence of a viable mixed income residential population and will help
3 to achieve the planning goals mandated by the growth management act
4 under RCW 36.70A.020; and

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

13 **Sec. 2.** RCW 84.14.007 and 1995 c 375 s 2 are each amended to read
14 as follows:

15 It is the purpose of this chapter to encourage increased
16 residential opportunities, including affordable housing opportunities,
17 in cities that are required to plan or choose to plan under the growth
18 management act within urban centers where the (~~legislative body~~)
19 governing authority of the affected city has found there is
20 insufficient housing opportunities, including affordable housing
21 opportunities. It is further the purpose of this chapter to stimulate
22 the construction of new multifamily housing and the rehabilitation of
23 existing vacant and underutilized buildings for multifamily housing in
24 urban centers having insufficient housing opportunities that will
25 increase and improve residential opportunities, including affordable
26 housing opportunities, within these urban centers. To achieve these
27 purposes, this chapter provides for special valuations in residentially
28 deficient urban centers for eligible improvements associated with
29 multiunit housing (~~in residentially deficient urban centers~~), which
30 includes affordable housing.

31 **Sec. 3.** RCW 84.14.010 and 2002 c 146 s 1 are each amended to read
32 as follows:

33 Unless the context clearly requires otherwise, the definitions in
34 this section apply throughout this chapter.

35 (1) "City" means either (a) a city or town with a population of at
36 least (~~thirty~~) fifteen thousand (~~or~~), (b) the largest city or town,

1 if there is no city or town with a population of at least (~~thirty~~)
2 fifteen thousand, located in a county planning under the growth
3 management act, or (c) a city or town with a population of at least
4 five thousand located in a county subject to the provisions of RCW
5 36.70A.215.

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

12 (3) "Household" means a single person, family, or unrelated persons
13 living together.

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

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

32 (6) "High cost area" means a county where the third quarter median
33 house price for the previous year as reported by the Washington center
34 for real estate research at Washington State University is equal to or
35 greater than one hundred thirty percent of the statewide median house
36 price published during the same time period.

37 (7) "Governing authority" means the local legislative authority of

1 a city having jurisdiction over the property for which an exemption may
2 be applied for under this chapter.

3 ~~((+3))~~ (8) "Growth management act" means chapter 36.70A RCW.

4 ~~((+4))~~ (9) "Multiple-unit housing" means a building having four or
5 more dwelling units not designed or used as transient accommodations
6 and not including hotels and motels. Multifamily units may result from
7 new construction or rehabilitated or conversion of vacant,
8 underutilized, or substandard buildings to multifamily housing.

9 ~~((+5))~~ (10) "Owner" means the property owner of record.

10 ~~((+6))~~ (11) "Permanent residential occupancy" means multiunit
11 housing that provides either rental or owner occupancy on a
12 nontransient basis. This includes owner-occupied or rental
13 accommodation that is leased for a period of at least one month. This
14 excludes hotels and motels that predominately offer rental
15 accommodation on a daily or weekly basis.

16 ~~((+7))~~ (12) "Rehabilitation improvements" means modifications to
17 existing structures, that are vacant for twelve months or longer, that
18 are made to achieve a condition of substantial compliance with existing
19 building codes or modification to existing occupied structures which
20 increase the number of multifamily housing units.

21 ~~((+8))~~ (13) "Residential targeted area" means an area within an
22 urban center that has been designated by the governing authority as a
23 residential targeted area in accordance with this chapter.

24 ~~((+9))~~ (14) "Substantial compliance" means compliance with local
25 building or housing code requirements that are typically required for
26 rehabilitation as opposed to new construction.

27 ~~((+10))~~ (15) "Urban center" means a compact identifiable district
28 where urban residents may obtain a variety of products and services.
29 An urban center must contain:

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

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

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

1 **Sec. 4.** RCW 84.14.020 and 2002 c 146 s 2 are each amended to read
2 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:

6 (i) For properties for which applications for certificates of tax
7 exemption eligibility are submitted under chapter 84.14 RCW before the
8 effective date of this act, the value is exempt for ten successive
9 years beginning January 1 of the year immediately following the
10 calendar year of issuance of the certificate ((of tax exemption
11 eligibility. However, the exemption does not include the value of land
12 or nonhousing-related improvements not qualifying under this chapter));
13 and

14 (ii) For properties for which applications for certificates of tax
15 exemption eligibility are submitted under chapter 84.14 RCW on or after
16 the effective date of this act, the value is exempt:

17 (A) For eight successive years beginning January 1st of the year
18 immediately following the calendar year of issuance of the certificate;
19 or

20 (B) For twelve successive years beginning January 1st of the year
21 immediately following the calendar year of issuance of the certificate,
22 if the property otherwise qualifies for the exemption under chapter
23 84.14 RCW and meets the conditions in this subsection (1)(a)(ii)(B).
24 For the property to qualify for the twelve-year exemption under this
25 subsection, the applicant must commit to renting or selling at least
26 twenty percent of the multifamily housing units as affordable housing
27 units to low and moderate-income households, and the property must
28 satisfy that commitment and any additional affordability and income
29 eligibility conditions adopted by the local government under this
30 chapter. In the case of projects intended exclusively for owner
31 occupancy, the minimum requirement of this subsection (1)(a)(ii)(B) may
32 be satisfied solely through housing affordable to moderate-income
33 households.

34 (b) The exemptions provided in (a)(i) and (ii) of this subsection
35 do not include the value of land or nonhousing-related improvements not
36 qualifying under this chapter.

37 (2) When a local government adopts guidelines pursuant to RCW
38 84.14.030(2) and ~~((the qualifying dwelling units are each on separate~~

1 ~~parcels for the purpose of property taxation))~~ includes conditions that
2 must be satisfied with respect to individual dwelling units, rather
3 than with respect to the multiple-unit housing as a whole or some
4 minimum portion thereof, the exemption may, at the local government's
5 discretion, be limited to the value of the qualifying improvements
6 allocable to those dwelling units that meet the local guidelines.

7 ~~((+2))~~ (3) In the case of rehabilitation of existing buildings,
8 the exemption does not include the value of improvements constructed
9 prior to the submission of the application required under this chapter.
10 The incentive provided by this chapter is in addition to any other
11 incentives, tax credits, grants, or other incentives provided by law.

12 ~~((+3))~~ (4) This chapter does not apply to increases in assessed
13 valuation made by the assessor on nonqualifying portions of building
14 and value of land nor to increases made by lawful order of a county
15 board of equalization, the department of revenue, or a county, to a
16 class of property throughout the county or specific area of the county
17 to achieve the uniformity of assessment or appraisal required by law.

18 ~~((+4))~~ (5) At the conclusion of the ~~((ten-year))~~ exemption period,
19 the new or rehabilitated housing cost shall be considered as new
20 construction for the purposes of chapter 84.55 RCW.

21 **Sec. 5.** RCW 84.14.030 and 2005 c 80 s 1 are each amended to read
22 as follows:

23 An owner of property making application under this chapter must
24 meet the following requirements:

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

27 (2) The multiple-unit housing must meet ~~((the))~~ guidelines as
28 adopted by the governing authority that may include height, density,
29 public benefit features, number and size of proposed development,
30 parking, ~~((low income or moderate))~~ income limits for occupancy
31 ~~((requirements))~~, limits on rents or sale prices, and other adopted
32 requirements indicated necessary by the city. The required amenities
33 should be relative to the size of the project and tax benefit to be
34 obtained;

35 (3) The new, converted, or rehabilitated multiple-unit housing must
36 provide for a minimum of fifty percent of the space for permanent
37 residential occupancy. In the case of existing occupied multifamily

1 development, the multifamily housing must also provide for a minimum of
2 four additional multifamily units. Existing multifamily vacant housing
3 that has been vacant for twelve months or more does not have to provide
4 additional multifamily units;

5 (4) New construction multifamily housing and rehabilitation
6 improvements must be completed within three years from the date of
7 approval of the application;

8 (5) Property proposed to be rehabilitated must fail to comply with
9 one or more standards of the applicable state or local building or
10 housing codes on or after July 23, 1995. If the property proposed to
11 be rehabilitated is not vacant, an applicant shall provide each
12 existing tenant housing of comparable size, quality, and price and a
13 reasonable opportunity to relocate; and

14 (6) The applicant must enter into a contract with the city approved
15 by the governing ((body)) authority, or an administrative official or
16 commission authorized by the governing authority, under which the
17 applicant has agreed to the implementation of the development on terms
18 and conditions satisfactory to the governing authority.

19 **Sec. 6.** RCW 84.14.040 and 1995 c 375 s 7 are each amended to read
20 as follows:

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

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

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

30 (c) The providing of additional housing opportunity, including
31 affordable housing, in the area, as determined by the governing
32 authority, will assist in achieving one or more of the stated purposes
33 of this chapter.

34 (2) For the purpose of designating a residential targeted area or
35 areas, the governing authority may adopt a resolution of intention to
36 so designate an area as generally described in the resolution. The
37 resolution must state the time and place of a hearing to be held by the

1 governing authority to consider the designation of the area and may
2 include such other information pertaining to the designation of the
3 area as the governing authority determines to be appropriate to apprise
4 the public of the action intended.

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

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

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

24 (a) Application process and procedures(~~(. These guidelines may~~
25 ~~include the following:)~~);

26 (~~(a)~~) (b) Requirements that address demolition of existing
27 structures and site utilization; and

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

34 (6) The governing authority may adopt and implement, either as
35 conditions to eight-year exemptions or as conditions to an extended
36 exemption period under RCW 84.14.020(2), or both, more stringent income
37 eligibility, rent, or sale price limits, including limits that apply to

1 a higher percentage of units, than the minimum conditions for an
2 extended exemption period under RCW 84.14.020(2).

3 **Sec. 7.** RCW 84.14.050 and 1999 c 132 s 2 are each amended to read
4 as follows:

5 An owner of property seeking tax incentives under this chapter must
6 complete the following procedures:

7 (1) In the case of rehabilitation or where demolition or new
8 construction is required, the owner shall secure from the governing
9 authority or duly authorized (~~agent~~) representative, before
10 commencement of rehabilitation improvements or new construction,
11 verification of property noncompliance with applicable building and
12 housing codes;

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

16 (a) Information setting forth the grounds supporting the requested
17 exemption including information indicated on the application form or in
18 the guidelines;

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

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

24 (3) The applicant must verify the application by oath or
25 affirmation; and

26 (4) The application must be accompanied by the application fee, if
27 any, required under RCW 84.14.080. The governing authority may permit
28 the applicant to revise an application before final action by the
29 governing authority.

30 **Sec. 8.** RCW 84.14.060 and 1995 c 375 s 9 are each amended to read
31 as follows:

32 The duly authorized administrative official or committee of the
33 city may approve the application if it finds that:

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

1 (2) If applicable, the proposed multiunit housing project meets the
2 affordable housing requirements as described in RCW 84.14.020;

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

6 ~~((3))~~ (4) The owner has complied with all standards and
7 guidelines adopted by the city under this chapter; and

8 ~~((4))~~ (5) The site is located in a residential targeted area of
9 an urban center that has been designated by the governing authority in
10 accordance with procedures and guidelines indicated in RCW 84.14.040.

11 **Sec. 9.** RCW 84.14.090 and 1995 c 375 s 12 are each amended to read
12 as follows:

13 (1) Upon completion of rehabilitation or new construction for which
14 an application for a limited tax exemption under this chapter has been
15 approved and after issuance of the certificate of occupancy, the owner
16 shall file with the city the following:

17 (a) A statement of the amount of rehabilitation or construction
18 expenditures made with respect to each housing unit and the composite
19 expenditures made in the rehabilitation or construction of the entire
20 property;

21 (b) A description of the work that has been completed and a
22 statement that the rehabilitation improvements or new construction on
23 the owner's property qualify the property for limited exemption under
24 this chapter; ~~((and))~~

25 (c) If applicable, a statement that the project meets the
26 affordable housing requirements as described in RCW 84.14.020; and

27 (d) A statement that the work has been completed within three years
28 of the issuance of the conditional certificate of tax exemption.

29 (2) Within thirty days after receipt of the statements required
30 under subsection (1) of this section, the authorized representative of
31 the city shall determine whether the work completed, and the
32 affordability of the units, is consistent with the application and the
33 contract approved by the ~~((governing authority))~~ city and is qualified
34 for a limited tax exemption under this chapter. The city shall also
35 determine which specific improvements completed meet the requirements
36 and required findings.

1 (3) If the rehabilitation, conversion, or construction is completed
2 within three years of the date the application for a limited tax
3 exemption is filed under this chapter, or within an authorized
4 extension of this time limit, and the authorized representative of the
5 city determines that improvements were constructed consistent with the
6 application and other applicable requirements, including if applicable,
7 affordable housing requirements, and the owner's property is qualified
8 for a limited tax exemption under this chapter, the city shall file the
9 certificate of tax exemption with the county assessor within ten days
10 of the expiration of the thirty-day period provided under subsection
11 (2) of this section.

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

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

18 (b) The improvements were not constructed consistent with the
19 application or other applicable requirements; ~~((or))~~

20 (c) If applicable, the affordable housing requirements as described
21 in RCW 84.14.020 were not met; or

22 (d) The owner's property is otherwise not qualified for limited
23 exemption under this chapter.

24 (5) If the authorized representative of the city finds that
25 construction or rehabilitation of multiple-unit housing was not
26 completed within the required time period due to circumstances beyond
27 the control of the owner and that the owner has been acting and could
28 reasonably be expected to act in good faith and with due diligence, the
29 governing authority or the city official authorized by the governing
30 authority may extend the deadline for completion of construction or
31 rehabilitation for a period not to exceed twenty-four consecutive
32 months.

33 (6) The governing authority may provide by ordinance for an appeal
34 of a decision by the deciding officer or authority that an owner is not
35 entitled to a certificate of tax exemption to the governing authority,
36 a hearing examiner, or other city officer authorized by the governing
37 authority to hear the appeal in accordance with such reasonable
38 procedures and time periods as provided by ordinance of the governing

1 authority. The owner may appeal a decision by the deciding officer or
2 authority that is not subject to local appeal or a decision by the
3 local appeal authority that the owner is not entitled to a certificate
4 of tax exemption in superior court under RCW 34.05.510 through
5 34.05.598, if the appeal is filed within thirty days of notification by
6 the city to the owner of the decision being challenged.

7 **Sec. 10.** RCW 84.14.100 and 1995 c 375 s 13 are each amended to
8 read as follows:

9 (1) Thirty days after the anniversary of the date of the
10 certificate of tax exemption and each year for ((a period of ten
11 years)) the tax exemption period, the owner of the rehabilitated or
12 newly constructed property shall file with a designated ((agent))
13 authorized representative of the city an annual report indicating the
14 following:

15 ((+1)) (a) A statement of occupancy and vacancy of the
16 rehabilitated or newly constructed property during the twelve months
17 ending with the anniversary date;

18 ((+2)) (b) A certification by the owner that the property has not
19 changed use and, if applicable, that the property has been in
20 compliance with the affordable housing requirements as described in RCW
21 84.14.020 since the date of the certificate approved by the city; ((and

22 +3)) (c) A description of changes or improvements constructed
23 after issuance of the certificate of tax exemption; and

24 (d) Any additional information requested by the city in regards to
25 the units receiving a tax exemption.

26 (2) All cities, which issue certificates of tax exemption for
27 multiunit housing that conform to the requirements of this chapter,
28 shall report annually by December 31st of each year, beginning in 2007,
29 to the department of community, trade, and economic development. The
30 report must include the following information:

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

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

33 (c) The number and type of units produced or to be produced meeting
34 affordable housing requirements;

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

36 (e) The total monthly rent or total sale amount of each unit
37 produced;

1 (f) The income of each renter household at the time of initial
2 occupancy and the income of each initial purchaser of owner-occupied
3 units at the time of purchase for each of the units receiving a tax
4 exemption and a summary of these figures for the city; and
5 (g) The value of the tax exemption for each project receiving a tax
6 exemption and the total value of tax exemptions granted.

7 **Sec. 11.** RCW 84.14.110 and 2002 c 146 s 3 are each amended to read
8 as follows:

9 (1) If improvements have been exempted under this chapter, the
10 improvements continue to be exempted ~~((and))~~ for the applicable period
11 under RCW 84.14.020, so long as they are not ~~((be))~~ converted to
12 another use ~~((for at least ten years from date of issuance of the~~
13 ~~certificate of tax exemption))~~ and continue to satisfy all applicable
14 conditions. If the owner intends to convert the multifamily
15 development to another use, or if applicable, if the owner intends to
16 discontinue compliance with the affordable housing requirements as
17 described in RCW 84.14.020 or any other condition to exemption, the
18 owner shall notify the assessor within sixty days of the change in use
19 or intended discontinuance. If, after a certificate of tax exemption
20 has been filed with the county assessor, the ~~((city or assessor or~~
21 ~~agent))~~ authorized representative of the governing authority discovers
22 that a portion of the property is changed or will be changed to a use
23 that is other than residential or that housing or amenities no longer
24 meet the requirements, including, if applicable, affordable housing
25 requirements, as previously approved or agreed upon by contract between
26 the ~~((governing authority))~~ city and the owner and that the multifamily
27 housing, or a portion of the housing, no longer qualifies for the
28 exemption, the tax exemption must be canceled and the following must
29 occur:

30 (a) Additional real property tax must be imposed upon the value of
31 the nonqualifying improvements in the amount that would normally be
32 imposed, plus a penalty must be imposed amounting to twenty percent.
33 This additional tax is calculated based upon the difference between the
34 property tax paid and the property tax that would have been paid if it
35 had included the value of the nonqualifying improvements dated back to
36 the date that the improvements were converted to a nonmultifamily use;

1 (b) The tax must include interest upon the amounts of the
2 additional tax at the same statutory rate charged on delinquent
3 property taxes from the dates on which the additional tax could have
4 been paid without penalty if the improvements had been assessed at a
5 value without regard to this chapter; and

6 (c) The additional tax owed together with interest and penalty must
7 become a lien on the land and attach at the time the property or
8 portion of the property is removed from multifamily use or the
9 amenities no longer meet applicable requirements, and has priority to
10 and must be fully paid and satisfied before a recognizance, mortgage,
11 judgment, debt, obligation, or responsibility to or with which the land
12 may become charged or liable. The lien may be foreclosed upon
13 expiration of the same period after delinquency and in the same manner
14 provided by law for foreclosure of liens for delinquent real property
15 taxes. An additional tax unpaid on its due date is delinquent. From
16 the date of delinquency until paid, interest must be charged at the
17 same rate applied by law to delinquent ad valorem property taxes.

18 (2) Upon a determination that a tax exemption is to be canceled for
19 a reason stated in this section, the governing authority or authorized
20 representative shall notify the record owner of the property as shown
21 by the tax rolls by mail, return receipt requested, of the
22 determination to cancel the exemption. The owner may appeal the
23 determination to the governing authority or authorized representative,
24 within thirty days by filing a notice of appeal with the clerk of the
25 governing authority, which notice must specify the factual and legal
26 basis on which the determination of cancellation is alleged to be
27 erroneous. The governing authority or a hearing examiner or other
28 official authorized by the governing authority may hear the appeal. At
29 the hearing, all affected parties may be heard and all competent
30 evidence received. After the hearing, the deciding body or officer
31 shall either affirm, modify, or repeal the decision of cancellation of
32 exemption based on the evidence received. An aggrieved party may
33 appeal the decision of the deciding body or officer to the superior
34 court under RCW 34.05.510 through 34.05.598.

35 (3) Upon determination by the governing authority or authorized
36 representative to terminate an exemption, the county officials having
37 possession of the assessment and tax rolls shall correct the rolls in
38 the manner provided for omitted property under RCW 84.40.080. The

1 county assessor shall make such a valuation of the property and
2 improvements as is necessary to permit the correction of the rolls.
3 The value of the new housing construction, conversion, and
4 rehabilitation improvements added to the rolls shall be considered as
5 new construction for the purposes of chapter 84.55 RCW. The owner may
6 appeal the valuation to the county board of equalization under chapter
7 84.48 RCW and according to the provisions of RCW 84.40.038. If there
8 has been a failure to comply with this chapter, the property must be
9 listed as an omitted assessment for assessment years beginning January
10 1 of the calendar year in which the noncompliance first occurred, but
11 the listing as an omitted assessment may not be for a period more than
12 three calendar years preceding the year in which the failure to comply
13 was discovered.

14 ****NEW SECTION. Sec. 12. This act is necessary for the immediate***
15 ***preservation of the public peace, health, or safety, or support of the***
16 ***state government and its existing public institutions, and takes effect***
17 ***immediately.***

**Sec. 12 was vetoed. See message at end of chapter.*

Passed by the House April 14, 2007.

Passed by the Senate April 9, 2007.

Approved by the Governor May 11, 2007, with the exception of
certain items that were vetoed.

Filed in Office of Secretary of State May 11, 2007.

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

"I am returning, without my approval as to Section 12, Engrossed
Second Substitute House Bill 1910 entitled:

"AN ACT Relating to tax incentives for certain multiple-unit
dwellings in urban centers that provide affordable housing."

This bill lowers the population requirement for a city to be eligible
to offer property tax exemptions for certain multi-unit housing
projects and requires cities that issue property tax exemptions for
multi-unit housing projects to report data annually to the Department
of Community, Trade and Economic Development.

I have concerns about this bill. It expands the multi-unit housing
project property tax exemption to as many as forty-three additional
cities with no evidence of the effectiveness of the exemption in
increasing affordable housing. It also allows cities to grant a
property tax exemption that affects counties without consultation. I
request that the cities include the counties in this important
decision making. Section 10 requires cities using the exemption
program to report information on exemptions granted to the Department
of Community, Trade, and Economic Development annually starting
December 31, 2007. I am asking the Department of Community, Trade,
and Economic Development to analyze the reports on the use of the
property tax exemption and evaluate its use and effects as well as
assess the need for legislation to alter the exemption program.
Section 12 is an emergency clause which would allow the bill to

become effective immediately. This is not essential to the bill's proper and timely implementation.

For these reasons, I have vetoed Section 12 of Engrossed Second Substitute House Bill 1910.

With the exception of Section 12, Engrossed Second Substitute House Bill 1910 is approved."