

CERTIFICATION OF ENROLLMENT
SECOND SUBSTITUTE SENATE BILL 6330

Chapter 96, Laws of 2014

63rd Legislature
2014 Regular Session

PROPERTY TAX EXEMPTION--UNINCORPORATED URBAN GROWTH AREAS--RURAL
COUNTIES

EFFECTIVE DATE: 06/12/14

Passed by the Senate March 11, 2014
YEAS 49 NAYS 0

BRAD OWEN

President of the Senate

Passed by the House March 7, 2014
YEAS 94 NAYS 3

FRANK CHOPP

Speaker of the House of Representatives

Approved March 27, 2014, 10:55 a.m.

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE SENATE BILL 6330** as passed by the Senate and the House of Representatives on the dates hereon set forth.

HUNTER G. GOODMAN

Secretary

FILED

March 27, 2014

**Secretary of State
State of Washington**

SECOND SUBSTITUTE SENATE BILL 6330

AS AMENDED BY THE HOUSE

Passed Legislature - 2014 Regular Session

State of Washington 63rd Legislature 2014 Regular Session

By Senate Ways & Means (originally sponsored by Senator Sheldon)

READ FIRST TIME 02/11/14.

1 AN ACT Relating to promoting affordable housing in unincorporated
2 areas of rural counties within urban growth areas; amending RCW
3 84.14.007, 84.14.040, and 84.14.060; reenacting and amending RCW
4 84.14.010; and creating a new section.

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

6 NEW SECTION. **Sec. 1.** This section is the tax preference
7 performance statement for the tax preference contained in RCW 84.14.040
8 and 84.14.060. This performance statement is only intended to be used
9 for subsequent evaluation of the tax preference. It is not intended to
10 create a private right of action by any party or be used to determine
11 eligibility for preferential tax treatment.

12 (1) The legislature categorizes this tax preference as one intended
13 to induce certain designated behavior by taxpayers, as indicated in RCW
14 82.32.808(2)(a).

15 (2) It is the legislature's specific public policy objective to
16 stimulate the construction of new multifamily housing in urban growth
17 areas located in unincorporated areas of rural counties where housing
18 options, including affordable housing options, are severely limited.
19 It is the legislature's intent to provide the value of new housing

1 construction, conversion, and rehabilitation improvements qualifying
2 under chapter 84.14 RCW an exemption from ad valorem property taxation
3 for eight to twelve years, as provided for in RCW 84.14.020, in order
4 to provide incentives to developers to construct new multifamily
5 housing thereby increasing the number of affordable housing units for
6 low to moderate-income residents in certain rural counties.

7 (3) If a review finds that at least twenty percent of the new
8 housing is developed and occupied by households making at or below
9 eighty percent of the area median income, at the time of occupancy,
10 adjusted for family size for the county where the project is located or
11 where the housing is intended exclusively for owner occupancy, the
12 household may earn up to one hundred fifteen percent of the area median
13 income, at the time of sale, adjusted for family size for the county
14 where the project is located, then the legislature intends to extend
15 the expiration date of the tax preference.

16 (4) In order to obtain the data necessary to perform the review in
17 subsection (3) of this section, the joint legislative audit and review
18 committee may refer to data provided by counties in which beneficiaries
19 are utilizing the preference, the office of financial management, the
20 department of commerce, the United States department of housing and
21 urban development, and other data sources as needed by the joint
22 legislative audit and review committee.

23 **Sec. 2.** RCW 84.14.007 and 2012 c 194 s 1 are each amended to read
24 as follows:

25 It is the purpose of this chapter to encourage increased
26 residential opportunities, including affordable housing opportunities,
27 in cities that are required to plan or choose to plan under the growth
28 management act within urban centers where the governing authority of
29 the affected city has found there is insufficient housing
30 opportunities, including affordable housing opportunities. It is
31 further the purpose of this chapter to stimulate the construction of
32 new multifamily housing and the rehabilitation of existing vacant and
33 underutilized buildings for multifamily housing in urban centers having
34 insufficient housing opportunities that will increase and improve
35 residential opportunities, including affordable housing opportunities,
36 within these urban centers. To achieve these purposes, this chapter
37 provides for special valuations in residentially deficient urban

1 centers for eligible improvements associated with multiunit housing,
2 which includes affordable housing. It is an additional purpose of this
3 chapter to allow unincorporated areas of rural counties that are within
4 urban growth areas to stimulate housing opportunities and for certain
5 counties to stimulate housing opportunities near college campuses to
6 promote dense, transit-oriented, walkable college communities.

7 **Sec. 3.** RCW 84.14.010 and 2012 c 194 s 2 are each reenacted and
8 amended to read as follows:

9 (~~Unless the context clearly requires otherwise,~~) The definitions
10 in this section apply throughout this chapter unless the context
11 clearly requires otherwise.

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

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

22 (3) "City" means either (a) a city or town with a population of at
23 least fifteen thousand, (b) the largest city or town, if there is no
24 city or town with a population of at least fifteen thousand, located in
25 a county planning under the growth management act, or (c) a city or
26 town with a population of at least five thousand located in a county
27 subject to the provisions of RCW 36.70A.215.

28 (4) "County" means a county with an unincorporated population of at
29 least three hundred fifty thousand.

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

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

34 (7) "High cost area" means a county where the third quarter median
35 house price for the previous year as reported by the Washington center
36 for real estate research at Washington State University is equal to or

1 greater than one hundred thirty percent of the statewide median house
2 price published during the same time period.

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

5 (9) "Low-income household" means a single person, family, or
6 unrelated persons living together whose adjusted income is at or below
7 eighty percent of the median family income adjusted for family size,
8 for the county where the project is located, as reported by the United
9 States department of housing and urban development. For cities located
10 in high-cost areas, "low-income household" means a household that has
11 an income at or below one hundred percent of the median family income
12 adjusted for family size, for the county where the project is located.

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

23 (11) "Multiple-unit housing" means a building having four or more
24 dwelling units not designed or used as transient accommodations and not
25 including hotels and motels. Multifamily units may result from new
26 construction or rehabilitated or conversion of vacant, underutilized,
27 or substandard buildings to multifamily housing.

28 (12) "Owner" means the property owner of record.

29 (13) "Permanent residential occupancy" means multiunit housing that
30 provides either rental or owner occupancy on a nontransient basis.
31 This includes owner-occupied or rental accommodation that is leased for
32 a period of at least one month. This excludes hotels and motels that
33 predominately offer rental accommodation on a daily or weekly basis.

34 (14) "Rehabilitation improvements" means modifications to existing
35 structures, that are vacant for twelve months or longer, that are made
36 to achieve a condition of substantial compliance with existing building
37 codes or modification to existing occupied structures which increase
38 the number of multifamily housing units.

1 (15) "Residential targeted area" means an area within an urban
2 center or urban growth area that has been designated by the governing
3 authority as a residential targeted area in accordance with this
4 chapter. With respect to designations after July 1, 2007, "residential
5 targeted area" may not include a campus facilities master plan.

6 (16) "Rural county" means a county with a population between fifty
7 thousand and seventy-one thousand and bordering Puget Sound.

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

11 (~~(17)~~) (18) "Urban center" means a compact identifiable district
12 where urban residents may obtain a variety of products and services.
13 An urban center must contain:

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

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

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

22 **Sec. 4.** RCW 84.14.040 and 2012 c 194 s 4 are each amended to read
23 as follows:

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

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

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

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

1 (d) If the residential targeted area is designated by a county, the
2 area must be located in an unincorporated area of the county that is
3 within an urban growth area under RCW 36.70A.110 and the area must be:
4 (i) In a rural county, served by a sewer system and designated by a
5 county prior to January 1, 2013; or (ii) in a county that includes a
6 campus of an institution of higher education, as defined in RCW
7 28B.92.030, where at least one thousand two hundred students live on
8 campus during the academic year.

9 (2) For the purpose of designating a residential targeted area or
10 areas, the governing authority may adopt a resolution of intention to
11 so designate an area as generally described in the resolution. The
12 resolution must state the time and place of a hearing to be held by the
13 governing authority to consider the designation of the area and may
14 include such other information pertaining to the designation of the
15 area as the governing authority determines to be appropriate to apprise
16 the public of the action intended.

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

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

30 (5) After designation of a residential targeted area, the governing
31 authority must adopt and implement standards and guidelines to be
32 utilized in considering applications and making the determinations
33 required under RCW 84.14.060. The standards and guidelines must
34 establish basic requirements for both new construction and
35 rehabilitation, which must include:

36 (a) Application process and procedures;

37 (b) Requirements that address demolition of existing structures and
38 site utilization; and

1 (c) Building requirements that may include elements addressing
2 parking, height, density, environmental impact, and compatibility with
3 the existing surrounding property and such other amenities as will
4 attract and keep permanent residents and that will properly enhance the
5 livability of the residential targeted area in which they are to be
6 located.

7 (6) The governing authority may adopt and implement, either as
8 conditions to eight-year exemptions or as conditions to an extended
9 exemption period under RCW 84.14.020(1)(a)(ii)(B), or both, more
10 stringent income eligibility, rent, or sale price limits, including
11 limits that apply to a higher percentage of units, than the minimum
12 conditions for an extended exemption period under RCW
13 84.14.020(1)(a)(ii)(B). For any multiunit housing located in an
14 unincorporated area of a county, a property owner seeking tax
15 incentives under this chapter must commit to renting or selling at
16 least twenty percent of the multifamily housing units as affordable
17 housing units to low and moderate-income households. In the case of
18 multiunit housing intended exclusively for owner occupancy, the minimum
19 requirement of this subsection (6) may be satisfied solely through
20 housing affordable to moderate-income households.

21 **Sec. 5.** RCW 84.14.060 and 2012 c 194 s 6 are each amended to read
22 as follows:

23 (1) The duly authorized administrative official or committee of the
24 city or county may approve the application if it finds that:

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

28 (b) If applicable, the proposed multiunit housing project meets the
29 affordable housing requirements as described in RCW 84.14.020;

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

33 (d) The owner has complied with all standards and guidelines
34 adopted by the city or county under this chapter; and

35 (e) The site is located in a residential targeted area of an urban
36 center or urban growth area that has been designated by the governing

1 authority in accordance with procedures and guidelines indicated in RCW
2 84.14.040.

3 (2) An application may not be approved after July 1, 2007, if any
4 part of the proposed project site is within a campus facilities master
5 plan, except as provided in RCW 84.14.040(1)(d).

6 (3) An application may not be approved for a residential targeted
7 area in a rural county on or after January 1, 2020.

Passed by the Senate March 11, 2014.

Passed by the House March 7, 2014.

Approved by the Governor March 27, 2014.

Filed in Office of Secretary of State March 27, 2014.