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**SUBSTITUTE SENATE BILL 6347**

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**State of Washington**

**65th Legislature**

**2018 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Wagoner, Fortunato, Honeyford, Palumbo, Mullet, and Rivers)

READ FIRST TIME 02/06/18.

1 AN ACT Relating to expanding the property tax exemption for new  
2 and rehabilitated multiple-unit dwellings in urban centers; amending  
3 RCW 84.14.010; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** This section is the tax preference  
6 performance statement for the tax preference contained in section 2,  
7 chapter . . . , Laws of 2018 (section 2 of this act). This performance  
8 statement is only intended to be used for subsequent evaluation of  
9 the tax preference. It is not intended to create a private right of  
10 action by any party or be used to determine eligibility for  
11 preferential tax treatment.

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

15 (2) It is the legislature's specific public policy objective to  
16 incentivize developers to construct new multifamily housing thereby  
17 increasing the number of affordable housing units for low to  
18 moderate-income residents in certain urban growth areas.

19 (3) The legislature intends to extend the expiration date of the  
20 tax preference in this act, if a review finds that at least twenty

1 percent of the new housing is developed and occupied by households  
2 earning:

3 (a) At or below eighty percent of the area median income, at the  
4 time of occupancy, adjusted for family size for the county in which  
5 the project is located; or

6 (b) When the housing is intended exclusively for owner occupancy,  
7 up to one hundred fifteen percent of the area median income, at the  
8 time of sale, adjusted for family size for the county in which the  
9 project is located.

10 (4) In order to obtain the data necessary to perform the review  
11 in subsection (3) of this section, the joint legislative audit and  
12 review committee may refer to data provided by cities or towns in  
13 which persons are utilizing this tax preference, the office of  
14 financial management, the department of commerce, the United States  
15 department of housing and urban development, and any other data  
16 sources, as needed by the joint legislative audit and review  
17 committee.

18 **Sec. 2.** RCW 84.14.010 and 2017 c 52 s 16 are each amended to  
19 read as follows:

20 The definitions in this section apply throughout this chapter  
21 unless the context clearly requires otherwise.

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

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

32 (3)(a) Until July 1, 2021, "city" means any city or town. The  
33 date in this subsection (3)(a) applies to applications submitted  
34 under this chapter on or before the date provided in this subsection  
35 (3)(a).

36 (b) Beginning July 1, 2021, "city" means either ((+a)) (i) a  
37 city or town with a population of at least fifteen thousand, ((+b))  
38 (ii) the largest city or town, if there is no city or town with a  
39 population of at least fifteen thousand, located in a county planning

1 under the growth management act, or ~~((e))~~ (iii) a city or town with  
2 a population of at least five thousand located in a county subject to  
3 the provisions of RCW 36.70A.215.

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

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

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

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

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

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

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

37 (11) "Multiple-unit housing" means a building having four or more  
38 dwelling units not designed or used as transient accommodations and  
39 not including hotels and motels. Multifamily units may result from

1 new construction or rehabilitated or conversion of vacant,  
2 underutilized, or substandard buildings to multifamily housing.

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

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

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

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

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

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

26 (18) "Urban center" means a compact identifiable district where  
27 urban residents may obtain a variety of products and services. An  
28 urban center must contain:

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

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

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

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