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**HOUSE BILL 2746**

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**State of Washington 66th Legislature 2020 Regular Session**

**By** Representatives Ramel, Macri, Lekanoff, Morgan, Fey, Davis, Duerr, Tharinger, Robinson, and Pollet

AN ACT Relating to affordable housing incentives; and amending RCW 84.14.005, 84.14.020, 84.14.040, 84.14.060, and 84.14.100.

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

**Sec.**  RCW 84.14.005 and 2007 c 430 s 1 are each amended to read as follows:

The legislature finds((~~:~~

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

~~(2) That the development of additional and desirable residential units, including affordable housing units, in these urban centers that will attract and maintain a significant increase in the number of permanent residents in these areas will help to alleviate the detrimental conditions and social liability that tend to exist in the absence of a viable mixed income residential population and will help to achieve the planning goals mandated by the growth management act under RCW 36.70A.020; and~~

~~(3) That planning solutions to solve the problems of urban sprawl often lack incentive and implementation techniques needed to encourage residential redevelopment in those urban centers lacking a sufficient variety of residential opportunities, and it is in the public interest and will benefit, provide, and promote the public health, safety, and welfare to stimulate new or enhanced residential opportunities, including affordable housing opportunities, within urban centers through a tax incentive as provided by this chapter.~~)) that the shortage of affordable housing continues to be a significant concern across the state of Washington. The legislature further finds that financial incentives to encourage affordable multifamily housing developments consistent with the legislature's intent have not adequately addressed the growing need for more affordable housing units. The legislature finds that continuing tax incentives for multifamily housing development projects should maximize opportunities to create additional affordable housing units throughout the state.

**Sec.**  RCW 84.14.020 and 2007 c 430 s 4 are each amended to read as follows:

(1)(a) The value of new housing construction, conversion, and rehabilitation improvements qualifying under this chapter is exempt from ad valorem property taxation, as follows:

(i) For properties for which applications for certificates of tax exemption eligibility are submitted under this chapter ((~~84.14 RCW~~)) before July 22, 2007, the value is exempt for ten successive years beginning January 1 of the year immediately following the calendar year of issuance of the certificate; ((~~and~~))

(ii) For properties for which applications for certificates of tax exemption eligibility are submitted under this chapter ((~~84.14 RCW~~)) on or after July 22, 2007, but before July 1, 2020, the value is exempt:

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

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

(iii) For properties for which applications for certificates of tax exemption eligibility are submitted under this chapter on or after July 1, 2020, the value is exempt:

(A) For eight successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate, if the property otherwise qualifies for the exemption under this chapter and meets the conditions in this subsection (1)(a)(iii)(A). For the property to qualify for the eight-year exemption under this subsection, the applicant must commit to renting or selling at least fifteen percent of the multifamily housing units as affordable housing units to low and moderate-income households, and ten percent of those affordable housing units must contain at least two bedrooms. The property also must satisfy any additional affordability and income eligibility conditions adopted by the local government under this chapter; or

(B) For twelve successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate, if the property otherwise qualifies for the exemption under this chapter and meets the conditions in this subsection (1)(a)(iii)(B). For the property to qualify for the twelve-year exemption under this subsection, the applicant must commit to renting or selling at least twenty-five percent of the multifamily housing units as affordable housing units to low and moderate-income households, and thirty-three percent of the affordable housing units must contain at least two bedrooms. The property also must satisfy any additional affordability and income eligibility conditions adopted by the local government under this chapter.

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

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

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

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

(5) At the conclusion of the exemption period, the new or rehabilitated housing cost shall be considered as new construction for the purposes of chapter 84.55 RCW.

**Sec.**  RCW 84.14.040 and 2014 c 96 s 4 are each amended to read as follows:

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

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

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

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

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

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

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

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

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

(a) Application process and procedures;

(b) Income and rent standards for affordable units;

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

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

(6) The governing authority may adopt and implement, either as conditions to eight‑year exemptions or as conditions to an extended exemption period under RCW 84.14.020(1)(a) (ii)(B) or (iii)(B), or both, more stringent income eligibility, rent, or sale price limits, including limits that apply to a higher percentage of units, than the minimum conditions for an extended exemption period under RCW 84.14.020(1)(a) (ii)(B) or (iii)(B).

(7) For any multiunit housing located in an unincorporated area of a county, a property owner seeking tax incentives under this chapter before July 1, 2020, must commit to renting or selling at least twenty percent of the multifamily housing units as affordable housing units to low and moderate-income households. ((~~In the case of multiunit housing intended exclusively for owner occupancy, the minimum requirement of this subsection (6) may be satisfied solely through housing affordable to moderate-income households.~~))

(8) For any multiunit housing located in an unincorporated area of a county, a property owner seeking tax incentives under this chapter on or after July 1, 2020, must commit to renting or selling at least twenty-five percent of the multifamily housing units as affordable housing units to low and moderate-income households, and thirty-three percent of those affordable housing units must contain at least two bedrooms.

(9) In the case of multiunit housing intended exclusively for owner occupancy, the minimum requirements of subsections (6), (7), and (8) of this section may be satisfied solely through housing affordable to moderate-income households.

**Sec.**  RCW 84.14.060 and 2014 c 96 s 5 are each amended to read as follows:

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

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

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

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

(d) The owner has complied with all standards and guidelines adopted by the city or county under this chapter, including jurisdiction-specific income and rent standards; ((~~and~~))

(e) The site is located in a residential targeted area of an urban center or urban growth area that has been designated by the governing authority in accordance with procedures and guidelines indicated in RCW 84.14.040; and

(f) The city or county has conducted an analysis of the project's profitability with and without a property tax exemption.

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

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

**Sec.**  RCW 84.14.100 and 2012 c 194 s 9 are each amended to read as follows:

(1) Thirty days after the anniversary of the date of the certificate of tax exemption and each year for the tax exemption period, the owner of the rehabilitated or newly constructed property must file with a designated authorized representative of the city or county an annual report indicating the following:

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

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

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

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

(2) All cities or counties, which issue certificates of tax exemption for multiunit housing that conform to the requirements of this chapter, must report annually by December 31st of each year, beginning in 2007, to the department of commerce. The report must include the following information:

(a) The number of tax exemption certificates granted;

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

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

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

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

(f) The annual income and household size of each renter or owner household ((~~at the time of initial occupancy and the income of each initial purchaser of owner~~‑~~occupied units at the time of purchase~~)) for each of the units receiving a tax exemption and a summary of these figures for the city or county; and

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

(3) By December 1, 2020, and annually thereafter, the department of commerce must submit a report to the appropriate committees of the legislature and the joint legislative audit and review committee on city and county compliance with the reporting requirements under subsection (2) of this section. The report may also include any additional resources or authority needed by the department of commerce to ensure city and county compliance.

(4) A work group to study and make recommendations on the multifamily property tax exemption is hereby created.

(a) The work group membership must consist of:

(i) One representative from the department of commerce;

(ii) One representative from the department of revenue;

(iii) One representative from the Washington state housing finance commission;

(iv) One representative from the association of Washington cities;

(v) One representative from the Washington state association of counties;

(vi) One representative from the Washington low income housing alliance;

(vii) One representative from the building industry association of Washington; and

(viii) One representative from a Washington association of realtors.

(b) By December 1, 2020, the work group must submit a report to the appropriate committees of the legislature and the joint legislative audit and review committee. The report must:

(i) Identify any ambiguities in this chapter;

(ii) Provide an analysis of which ambiguities can be resolved through guidance and which require statutory changes; and

(iii) Recommend changes to the exemption that would likely increase the supply of affordable housing, including ways to mitigate utility connection fees.

**--- END ---**