
HOUSE BILL 2950

State of Washington

66th Legislature

2020 Regular Session

By Representatives Macri and Ramel

Read first time 02/24/20. Referred to Committee on Finance.

1 AN ACT Relating to addressing affordable housing needs through
2 the multifamily housing tax exemption by providing an extension of
3 the exemption until January 1, 2022, for certain properties currently
4 receiving a twelve-year exemption and by convening a work group;
5 amending RCW 84.14.020 and 84.14.100; and creating a new section.

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

7 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
8 performance statement for the tax preferences contained in section 2,
9 chapter . . ., Laws of 2020 (section 2 of this act). This performance
10 statement is only intended to be used for subsequent evaluation of
11 the tax preferences. It is not intended to create a private right of
12 action by any party or be used to determine eligibility for
13 preferential tax treatment.

14 (2) The legislature categorizes these tax preferences as ones
15 intended to induce certain designated behavior by taxpayers, as
16 indicated in RCW 82.32.808(2)(a).

17 (3) It is the legislature's specific public policy objective to
18 incentivize local governments and multifamily housing owners to
19 maintain or expand existing income-restricted unit stock that have
20 been incentivized through the tax exemption provided under chapter
21 84.14 RCW.

1 (4) It is the legislature's intent to provide the value of new
2 housing construction, conversion, and rehabilitation improvements
3 qualifying under chapter 84.14 RCW an exemption from ad valorem
4 property taxation for eight to twelve years or more, as provided for
5 in RCW 84.14.020, in order to provide incentives to developers to
6 construct or rehabilitate multifamily housing thereby increasing the
7 number of affordable housing units, or preserving the state's stock
8 of income-restricted units, for low-income to moderate-income
9 residents in certain urban growth areas.

10 (5) The legislature intends to extend the tax preferences in
11 section 2, chapter . . ., Laws of 2020 (section 2 of this act), if a
12 review finds that the stock of income-restricted units in the state
13 is preserved as a result of the extensions provided in RCW
14 84.14.020(1)(c).

15 (6) In order to obtain the data necessary to perform the review
16 in subsection (5) of this section, the joint legislative audit and
17 review committee must refer to the annual reports compiled by the
18 department of commerce under RCW 84.14.100 and may refer to data
19 provided by counties or cities in which persons are utilizing the
20 preferences, the office of financial management, the department of
21 commerce, the United States department of housing and urban
22 development, and any other data sources, as needed by the joint
23 legislative audit and review committee.

24 **Sec. 2.** RCW 84.14.020 and 2007 c 430 s 4 are each amended to
25 read as follows:

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

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

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

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

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

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

18 (c) For properties receiving an exemption as provided in
19 (a)(ii)(B) of this subsection where the certificate of tax exemption
20 is set to expire after the effective date of this section but before
21 January 1, 2022, the exemption is extended until January 1, 2022,
22 provided that any eligibility criteria or limitations provided in
23 this chapter as a condition to the existing exemption for a given
24 property continue to be met. For all properties eligible to receive
25 an extension pursuant to this subsection (1)(c), the city or county
26 that issued the initial certificate of tax exemption, as required in
27 RCW 84.14.090, must notify the county assessor and the applicant of
28 the extension of the certificate of tax exemption.

29 (2) When a local government adopts guidelines pursuant to RCW
30 84.14.030(2) and includes conditions that must be satisfied with
31 respect to individual dwelling units, rather than with respect to the
32 multiple-unit housing as a whole or some minimum portion thereof, the
33 exemption may, at the local government's discretion, be limited to
34 the value of the qualifying improvements allocable to those dwelling
35 units that meet the local guidelines.

36 (3) In the case of rehabilitation of existing buildings, the
37 exemption does not include the value of improvements constructed
38 prior to the submission of the application required under this
39 chapter. The incentive provided by this chapter is in addition to any

1 other incentives, tax credits, grants, or other incentives provided
2 by law.

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

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

13 **Sec. 3.** RCW 84.14.100 and 2012 c 194 s 9 are each amended to
14 read as follows:

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

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

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

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

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

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

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

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

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

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

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

6 (f) The income of each renter household at the time of initial
7 occupancy and the income of each initial purchaser of owner-occupied
8 units at the time of purchase for each of the units receiving a tax
9 exemption and a summary of these figures for the city or county; and

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

12 (3) The department of commerce must convene, and provide staff
13 support to, a work group to study and make recommendations on the
14 multifamily property tax exemption.

15 (a) The work group membership must consist of:

16 (i) One representative from the department of commerce;

17 (ii) One representative from the department of revenue;

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

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

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

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

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

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

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

33 (i) Identify any ambiguities in this chapter;

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

36 (iii) Recommend changes to the exemption that would likely
37 increase the supply of affordable housing, including ways to mitigate
38 utility connection fees; and

39 (iv) Examine whether tenants living in affordable units created
40 under this chapter are experiencing increases in rent due to

1 increases in city median income that significantly outpace the
2 tenants' income, and provide recommendations on how to address this
3 problem.

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