
ENGROSSED SECOND SUBSTITUTE SENATE BILL 5287

State of Washington

67th Legislature

2021 Regular Session

By Senate Ways & Means (originally sponsored by Senators Das, Kuderer, Conway, Keiser, Liias, Nguyen, Nobles, Pedersen, Randall, Salomon, and Wilson, C.)

READ FIRST TIME 02/22/21.

1 AN ACT Relating to affordable housing incentives; amending RCW
2 84.14.005, 84.14.010, 84.14.020, 84.14.040, 84.14.100, 84.14.030, and
3 84.14.090; adding a new section to chapter 84.14 RCW; creating a new
4 section; and providing an expiration date.

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

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

8 (1) The legislature finds:

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

15 ~~((2))~~ (b) That the development of additional and desirable
16 residential units, including affordable housing units, in these urban
17 centers that will attract and maintain a significant increase in the
18 number of permanent residents in these areas will help to alleviate
19 the detrimental conditions and social liability that tend to exist in
20 the absence of a viable mixed income residential population and will

1 help to achieve the planning goals mandated by the growth management
2 act under RCW 36.70A.020; and

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

12 (2) Therefore, the legislature intends to achieve multiple goals
13 by incentivizing the development of multiple-unit housing including
14 creating additional affordable housing, encouraging urban development
15 and density, increasing market rate workforce housing, developing
16 permanently affordable housing opportunities, promoting economic
17 investment and recovery, and creating family-wage jobs.

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) "City" means either (a) a city or town with a population of
33 at least fifteen thousand, (b) the largest city or town, if there is
34 no city or town with a population of at least fifteen thousand,
35 located in a county planning under the growth management act, ~~((e))~~
36 (c) a city or town with a population of at least five thousand
37 located in a county subject to the provisions of RCW 36.70A.215, or
38 (d) any city that otherwise does not meet the qualifications under
39 (a) through (c) of this subsection, until December 31, 2031, that

1 complies with RCW 84.14.020(1)(a)(iii) or section 7(1)(b) of this
2 act.

3 (4) "County" means a county with an unincorporated population of
4 at least (~~(three hundred fifty thousand)~~) 170,000.

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

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

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

15 ~~(8))~~ (8) "Household" means a single person, family, or unrelated
16 persons living together.

17 ~~((9))~~ (8) "Low-income household" means a single person, family,
18 or unrelated persons living together whose adjusted income is at or
19 below eighty percent of the median family income adjusted for family
20 size, for the county, city, or metropolitan statistical area, where
21 the project is located, as reported by the United States department
22 of housing and urban development. (~~For cities located in high-cost~~
23 ~~areas, "low-income household" means a household that has an income at~~
24 ~~or below one hundred percent of the median family income adjusted for~~
25 ~~family size, for the county where the project is located.~~

26 ~~(10))~~ (9) "Moderate-income household" means a single person,
27 family, or unrelated persons living together whose adjusted income is
28 more than eighty percent but is at or below one hundred fifteen
29 percent of the median family income adjusted for family size, for the
30 county, city, or metropolitan statistical area, where the project is
31 located, as reported by the United States department of housing and
32 urban development. (~~For cities located in high-cost areas,~~
33 ~~"moderate-income household" means a household that has an income that~~
34 ~~is more than one hundred percent, but at or below one hundred fifty~~
35 ~~percent, of the median family income adjusted for family size, for~~
36 ~~the county where the project is located.~~

37 ~~(11))~~ (10) "Multiple-unit housing" means a building or a group
38 of buildings having four or more dwelling units not designed or used
39 as transient accommodations and not including hotels and motels.
40 Multifamily units may result from new construction or rehabilitated

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

3 ~~((12))~~ (11) "Owner" means the property owner of record.

4 ~~((13))~~ (12) "Permanent residential occupancy" means multiunit
5 housing that provides either rental or owner occupancy on a
6 nontransient basis. This includes owner-occupied or rental
7 accommodation that is leased for a period of at least one month. This
8 excludes hotels and motels that predominately offer rental
9 accommodation on a daily or weekly basis.

10 ~~((14))~~ (13) "Rehabilitation improvements" means modifications
11 to 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))~~ (14) "Residential targeted area" means an area within an
16 urban center or urban growth area that has been designated by the
17 governing authority as a residential targeted area in accordance with
18 this chapter. With respect to designations after July 1, 2007,
19 "residential targeted area" may not include a campus facilities
20 master plan.

21 ~~((16))~~ (15) "Rural county" means a county with a population
22 between fifty thousand and seventy-one thousand and bordering Puget
23 Sound.

24 ~~((17))~~ (16) "Substantial compliance" means compliance with
25 local building or housing code requirements that are typically
26 required for rehabilitation as opposed to new construction.

27 ~~((18))~~ (17) "Urban center" means a compact identifiable
28 district where urban residents may obtain a variety of products and
29 services. An urban center must contain:

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

38 **Sec. 3.** RCW 84.14.020 and 2020 c 237 s 2 are each amended to
39 read as follows:

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

4 (i) For properties for which applications for certificates of tax
5 exemption eligibility are submitted under this chapter before July
6 22, 2007, the value is exempt for ten successive years beginning
7 January 1 of the year immediately following the calendar year of
8 issuance of the certificate; ~~((and))~~

9 (ii) For properties for which applications for certificates of
10 tax exemption eligibility are submitted under this chapter on or
11 after July 22, 2007, the value is exempt:

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

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

29 (iii) Until December 31, 2024, for a city as defined in RCW
30 84.14.010(3) (d), for 12 successive years beginning January 1st of the
31 year immediately following the calendar year of issuance of the
32 certificate, if the property otherwise qualifies for the exemption
33 under this chapter and meets the conditions in this subsection
34 (1) (a) (iii). For the property to qualify for the 12-year exemption
35 under this subsection, the applicant must commit to renting or
36 selling at least 20 percent of the multifamily housing units as
37 affordable housing units to low and moderate-income households, the
38 property must satisfy that commitment and any additional
39 affordability and income eligibility conditions adopted by the local
40 government under this chapter, and the area must be zoned to have an

1 average minimum density equivalent to 15 dwelling units or more per
2 gross acre, or for cities with a population over 20,000, the area
3 must be zoned to have an average minimum density equivalent to 25
4 dwelling units or more per gross acre. In the case of projects
5 intended exclusively for owner occupancy, the minimum requirement of
6 this subsection (1)(a)(iii) may be satisfied solely through housing
7 affordable to moderate-income households.

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

11 (c) For properties receiving an exemption as provided in
12 (a)(ii)(B) of this subsection that are in compliance with existing
13 contracts and where the certificate of tax exemption is set to expire
14 after June 11, 2020, but before December 31, 2021, the exemption is
15 extended until December 31, 2021, provided that the property must
16 satisfy any eligibility criteria or limitations provided in this
17 chapter as a condition to the existing exemption for a given property
18 continue to be met. For all properties eligible to receive an
19 extension pursuant to this subsection (1)(c), the city or county that
20 issued the initial certificate of tax exemption, as required in RCW
21 84.14.090, must notify the county assessor and the applicant of the
22 extension of the certificate of tax exemption.

23 (2) When a local government adopts guidelines pursuant to RCW
24 84.14.030(2) and includes conditions that must be satisfied with
25 respect to individual dwelling units, rather than with respect to the
26 multiple-unit housing as a whole or some minimum portion thereof, the
27 exemption may, at the local government's discretion, be limited to
28 the value of the qualifying improvements allocable to those dwelling
29 units that meet the local guidelines.

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

36 (4) This chapter does not apply to increases in assessed
37 valuation made by the assessor on nonqualifying portions of building
38 and value of land nor to increases made by lawful order of a county
39 board of equalization, the department of revenue, or a county, to a
40 class of property throughout the county or specific area of the

1 county to achieve the uniformity of assessment or appraisal required
2 by law.

3 (5) At the conclusion of the exemption period, the ~~((new or
4 rehabilitated housing cost shall))~~ value of the new housing
5 construction, conversion, or rehabilitation improvements must be
6 considered as new construction for the purposes of ((chapter 84.55
7 RCW)) chapters 84.55 and 36.21 RCW as though the property was not
8 exempt under this chapter.

9 (6) For properties that qualified for, satisfied the conditions
10 of, and utilized the exemption under subsection (1)(a)(ii)(A) or (B)
11 of this section, following the initial exemption period or the
12 extension period authorized in subsection (1)(c) of this section, the
13 exemption period may be extended for an additional 12 years for
14 projects that are within 18 months of expiration contingent on city
15 or county approval. For the property to qualify for an extension
16 under this subsection (6), the applicant must meet at a minimum the
17 locally adopted requirements for the property to qualify for an
18 exemption under subsection (1)(a)(ii)(B) of this section as
19 applicable at the time of the extension application, and the
20 applicant commits to renting or selling at least 20 percent of the
21 multifamily housing units as affordable housing units for low-income
22 households.

23 (7) At the end of both the tenth and eleventh years of an
24 extension, for twelve-year extensions of the exemption, applicants
25 must provide tenants of rent-restricted units with notification of
26 intent to provide the tenant with rental relocation assistance as
27 provided in subsection (8) of this section.

28 (8) For any 12-year exemption authorized under subsection
29 (1)(a)(ii)(B) or (iii) of this section after the effective date of
30 this section, or for any 12-year exemption extension authorized under
31 subsection (6) of this section, before the expiration of the
32 exemption the applicant must provide tenant relocation assistance in
33 an amount equal to one month's rent at the time the exemption expires
34 to a qualified tenant, unless affordability requirements consistent,
35 at a minimum, with those required under subsection (1)(a)(ii)(B) or
36 (iii) of this section remain in place on the unit after the
37 expiration of the exemption. To be eligible for tenant relocation
38 assistance under this subsection, the tenant must occupy an income-
39 restricted unit and qualify as a low-income household under this
40 chapter.

1 (9) No new exemptions may be provided under this section
2 beginning on or after January 1, 2032. No extensions may be granted
3 under subsection (6) of this section on or after January 1, 2046.

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

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

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

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

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

19 (d) If the residential targeted area is designated by a county,
20 the area must be located in an unincorporated area of the county that
21 is within an urban growth area under RCW 36.70A.110 and the area must
22 be: (i) In a rural county, served by a sewer system and designated by
23 a county prior to January 1, 2013; or (ii) in a county that includes
24 a campus of an institution of higher education, as defined in RCW
25 28B.92.030, where at least one thousand two hundred students live on
26 campus during the academic year.

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

35 (3) The governing authority must give notice of a hearing held
36 under this chapter by publication of the notice once each week for
37 two consecutive weeks, not less than seven days, nor more than thirty
38 days before the date of the hearing in a paper having a general
39 circulation in the city or county where the proposed residential

1 targeted area is located. The notice must state the time, date,
2 place, and purpose of the hearing and generally identify the area
3 proposed to be designated as a residential targeted area.

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

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

15 (a) Application process and procedures;

16 (b) Income and rent standards for affordable units;

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

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

25 (6) (a) The governing authority may adopt and implement, either as
26 conditions to eight-year exemptions or as conditions to an extended
27 exemption period under RCW 84.14.020(1)(a)(ii)(B), or both, more
28 stringent income eligibility, rent, or sale price limits, including
29 limits that apply to a higher percentage of units, than the minimum
30 conditions for an extended exemption period under RCW
31 84.14.020(1)(a)(ii)(B).

32 (b) Additionally, a governing authority may adopt and implement
33 as a contractual prerequisite to any exemption granted pursuant to
34 RCW 84.14.020:

35 (i) A requirement that applicants pay at least the prevailing
36 rate of hourly wage established under chapter 39.12 RCW for journey
37 level and apprentice workers on residential and commercial
38 construction;

39 (ii) Payroll record requirements consistent with RCW
40 39.12.120(1);

1 (iii) Apprenticeship utilization requirements consistent with RCW
2 39.04.310; and

3 (iv) A contracting inclusion plan developed in consultation with
4 the office of minority and women's business enterprises.

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

13 (8) Nothing in this section prevents a governing authority from
14 adopting and implementing additional requirements as a contractual
15 prerequisite to any exemption granted under RCW 84.14.020.

16 **Sec. 5.** RCW 84.14.100 and 2012 c 194 s 9 are each amended to
17 read as follows:

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

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

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

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

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

35 (2) All cities or counties, which issue certificates of tax
36 exemption for multiunit housing that conform to the requirements of
37 this chapter, must report annually by ~~((December 31st))~~ April 1st of
38 each year, beginning in 2007, to the department of commerce. A city
39 or county must be in compliance with the reporting requirements of

1 this section to offer certificates of tax exemption for multiunit
2 housing authorized in this chapter. The report must include the
3 following information:

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

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

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

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

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

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

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

19 (3) This section expires January 1, 2057.

20 NEW SECTION. **Sec. 6.** (1) This section is the tax preference
21 performance statement for the tax preferences contained in section 3,
22 chapter . . ., Laws of 2021 (section 3 of this act). This performance
23 statement is only intended to be used for subsequent evaluation of
24 the tax preferences. It is not intended to create a private right of
25 action by any party or be used to determine eligibility for
26 preferential tax treatment.

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

30 (3) It is the legislature's specific public policy objective to:

31 (a) Incentivize developers to construct or rehabilitate
32 multifamily housing;

33 (b) Incentivize local governments and multifamily housing owners
34 to maintain or expand existing income-restricted unit stock that have
35 been incentivized through the tax exemption provided under chapter
36 84.14 RCW via new authority to renew the property tax abatement in
37 exchange for continued or additional affordability; and

1 (c) Further encourage multifamily construction in cities and
2 certain unincorporated urban growth areas by expanding access to the
3 multifamily tax exemption program to a broader set of jurisdictions.

4 (4) It is the legislature's intent to provide the value of new
5 housing construction, conversion, and rehabilitation improvements
6 qualifying under chapter 84.14 RCW an exemption from ad valorem
7 property taxation for eight to 12 years or more, as provided for in
8 RCW 84.14.020, in order to provide incentives to developers to
9 construct or rehabilitate multifamily housing thereby increasing the
10 number of affordable housing units, or preserving the state's stock
11 of income-restricted units, for low-income to moderate-income
12 residents in certain urban growth areas.

13 (5) The legislature intends to extend the expiration date of the
14 tax preferences in section 3, chapter . . ., Laws of 2021 (section 3
15 of this act), if a review finds that:

16 (a) Projects receiving an initial eight-year or 12-year exemption
17 regularly enter into subsequent 12-year extensions in exchange for
18 continued or increased income restrictions on affordable units; and

19 (b) At least 20 percent of the new housing is developed and
20 occupied by households earning:

21 (i) At or below 80 percent of the area median income, at the time
22 of occupancy, adjusted for family size for the county in which the
23 project is located; or

24 (ii) Where the housing is intended exclusively for owner
25 occupancy, up to 115 percent of the area median income, at the time
26 of sale, adjusted for family size for the county in which the project
27 is located.

28 (6) In order to obtain the data necessary to perform the review
29 in subsection (4) of this section, the joint legislative audit and
30 review committee must refer to the annual reports compiled by the
31 department of commerce under RCW 84.14.100 and may refer to data
32 provided by counties or cities in which persons are utilizing the
33 preferences, the office of financial management, the department of
34 commerce, the United States department of housing and urban
35 development, and any other data sources, as needed by the joint
36 legislative audit and review committee.

37 NEW SECTION. **Sec. 7.** A new section is added to chapter 84.14
38 RCW to read as follows:

1 (1)(a) The value of new housing construction, conversion, and
2 rehabilitation improvements qualifying under this chapter is exempt
3 from ad valorem property taxation, as follows: For 20 successive
4 years beginning January 1st of the year immediately following the
5 calendar year of issuance of the certificate, if the property
6 otherwise qualifies for the exemption under this chapter and meets
7 the conditions in this section. For the property to qualify for the
8 20-year exemption under this section, at least 25 percent of the
9 units must be built by or sold to a qualified nonprofit or local
10 government that will assure permanent affordable homeownership. The
11 remaining 75 percent of units may be rented or sold at market rates.

12 (b) Until December 31, 2024, for a city as defined in RCW
13 84.14.010(3)(d), in any city the value of new housing construction,
14 conversion, and rehabilitation improvements qualifying under this
15 chapter is exempt from ad valorem property taxation, as follows: For
16 20 successive years beginning January 1st of the year immediately
17 following the calendar year of issuance of the certificate, if the
18 property otherwise qualifies for the exemption under this chapter and
19 meets the conditions in this section. For the property to qualify for
20 the 20-year exemption under this section, at least 25 percent of the
21 units must be sold to a qualified nonprofit or local government
22 partner that will assure permanent affordable homeownership. The
23 remaining 75 percent of units may be rented or sold at market rates.
24 The area must be zoned to have an average minimum density equivalent
25 to 15 dwelling units or more per gross acre, or for cities with a
26 population over 20,000, the area must be zoned to have an average
27 minimum density equivalent to 25 dwelling units or more per gross
28 acre.

29 (2) Permanently affordable homeownership units or permanently
30 affordable rental units must be sold or rented to households earning
31 no more than 80 percent of the average median income for the city or
32 local jurisdiction in which the unit is located.

33 (3) A local jurisdiction may assign and collect an administration
34 fee at each point of sale to cover the administrative costs for
35 oversight of the program to maintain permanently affordable housing
36 units consistent with this section.

37 (4) The exemptions in this section do not include the value of
38 land or nonhousing-related improvements not qualifying under this
39 chapter.

1 (5) At the conclusion of the exemption period, the value of the
2 new housing construction, conversion, or rehabilitation improvements
3 must be considered as new construction for the purposes of chapters
4 84.55 and 36.21 RCW as though the property was not exempt under this
5 chapter.

6 (6) For purposes of this section:

7 (a) "Permanently affordable homeownership" means homeownership
8 that, in addition to meeting the definition of "affordable housing"
9 in RCW 43.185A.010, is:

10 (i) Sponsored by a nonprofit organization or governmental entity;

11 (ii) Subject to a ground lease or deed restriction that includes:

12 (A) A resale restriction designed to provide affordability for
13 future low and moderate-income homebuyers;

14 (B) A right of first refusal for the sponsor organization to
15 purchase the home at resale; and

16 (C) A requirement that the sponsor must approve any refinancing,
17 including home equity lines of credit.

18 (iii) Sponsored by a nonprofit organization or governmental
19 entity and the sponsor organization:

20 (A) Executes a new ground lease or deed restriction with a
21 duration of at least 99 years at the initial sale and with each
22 successive sale; and

23 (B) Supports homeowners and enforces the ground lease or deed
24 restriction.

25 (b) "Permanently affordable rental" means a rental unit that is
26 owned and managed by a housing authority, or nonprofit or local
27 governmental agency for the purpose of ensuring affordable housing,
28 with income restrictions that meet or exceed the requirements of this
29 chapter.

30 (7) The department of commerce must develop a template for
31 permanent affordability for home or condo ownership through deed
32 restrictions that can be used by a city or local government to ensure
33 compliance with this section.

34 **Sec. 8.** RCW 84.14.030 and 2012 c 194 s 3 are each amended to
35 read as follows:

36 An owner of property making application under this chapter must
37 meet the following requirements:

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

4 (2) The multiple-unit housing must meet guidelines as adopted by
5 the governing authority that may include height, density, public
6 benefit features, number and size of proposed development, parking,
7 income limits for occupancy, limits on rents or sale prices, and
8 other adopted requirements indicated necessary by the city or county.
9 The required amenities should be relative to the size of the project
10 and tax benefit to be obtained;

11 (3) The new, converted, or rehabilitated multiple-unit housing
12 must provide for a minimum of fifty percent of the space for
13 permanent residential occupancy. In the case of existing occupied
14 multifamily development, the multifamily housing must also provide
15 for a minimum of four additional multifamily units. Existing
16 multifamily vacant housing that has been vacant for twelve months or
17 more does not have to provide additional multifamily units;

18 (4) New construction multifamily housing and rehabilitation
19 improvements must be completed within three years from the date of
20 approval of the application, plus any extension authorized under RCW
21 84.14.090(5);

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

28 (6) The applicant must enter into a contract with the city or
29 county approved by the governing authority, or an administrative
30 official or commission authorized by the governing authority, under
31 which the applicant has agreed to the implementation of the
32 development on terms and conditions satisfactory to the governing
33 authority.

34 **Sec. 9.** RCW 84.14.090 and 2012 c 194 s 8 are each amended to
35 read as follows:

36 (1) Upon completion of rehabilitation or new construction for
37 which an application for a limited tax exemption under this chapter
38 has been approved and after issuance of the certificate of occupancy,
39 the owner must file with the city or county the following:

1 (a) A statement of the amount of rehabilitation or construction
2 expenditures made with respect to each housing unit and the composite
3 expenditures made in the rehabilitation or construction of the entire
4 property;

5 (b) A description of the work that has been completed and a
6 statement that the rehabilitation improvements or new construction on
7 the owner's property qualify the property for limited exemption under
8 this chapter;

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

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

14 (2) Within thirty days after receipt of the statements required
15 under subsection (1) of this section, the authorized representative
16 of the city or county must determine whether the work completed, and
17 the affordability of the units, is consistent with the application
18 and the contract approved by the city or county and is qualified for
19 a limited tax exemption under this chapter. The city or county must
20 also determine which specific improvements completed meet the
21 requirements and required findings.

22 (3) If the rehabilitation, conversion, or construction is
23 completed within three years of the date the application for a
24 limited tax exemption is filed under this chapter, or within an
25 authorized extension of this time limit, and the authorized
26 representative of the city or county determines that improvements
27 were constructed consistent with the application and other applicable
28 requirements, including if applicable, affordable housing
29 requirements, and the owner's property is qualified for a limited tax
30 exemption under this chapter, the city or county must file the
31 certificate of tax exemption with the county assessor within ten days
32 of the expiration of the thirty-day period provided under subsection
33 (2) of this section.

34 (4) The authorized representative of the city or county must
35 notify the applicant that a certificate of tax exemption is not going
36 to be filed if the authorized representative determines that:

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

1 (b) The improvements were not constructed consistent with the
2 application or other applicable requirements;

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

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

7 (5) If the authorized representative of the city or county finds
8 that construction or rehabilitation of multiple-unit housing was not
9 completed within the required time period due to circumstances beyond
10 the control of the owner and that the owner has been acting and could
11 reasonably be expected to act in good faith and with due diligence,
12 the governing authority or the city or county official authorized by
13 the governing authority may extend the deadline for completion of
14 construction or rehabilitation for a period not to exceed twenty-four
15 consecutive months. For preliminary or final applications submitted
16 on or before February 15, 2020, with any outstanding application
17 requirements, such as obtaining a temporary certificate of occupancy,
18 the city or county may choose to extend the deadline for completion
19 for an additional five years. The five-year extension begins
20 immediately following the completion of any outstanding applications
21 or previously authorized extensions, whichever is later.

22 (6) The governing authority may provide by ordinance for an
23 appeal of a decision by the deciding officer or authority that an
24 owner is not entitled to a certificate of tax exemption to the
25 governing authority, a hearing examiner, or other city or county
26 officer authorized by the governing authority to hear the appeal in
27 accordance with such reasonable procedures and time periods as
28 provided by ordinance of the governing authority. The owner may
29 appeal a decision by the deciding officer or authority that is not
30 subject to local appeal or a decision by the local appeal authority
31 that the owner is not entitled to a certificate of tax exemption in
32 superior court under RCW 34.05.510 through 34.05.598, if the appeal
33 is filed within thirty days of notification by the city or county to
34 the owner of the decision being challenged.

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