
SENATE BILL 5287

State of Washington

67th Legislature

2021 Regular Session

By Senators Das, Kuderer, Conway, Keiser, Lias, Nguyen, Nobles, Pedersen, Randall, Salomon, and Wilson, C.

Read first time 01/19/21. Referred to Committee on Housing & Local Government.

1 AN ACT Relating to affordable housing incentives; amending RCW
2 84.14.005, 84.14.010, 84.14.020, 84.14.040, 84.14.060, and 84.14.100;
3 adding a new section to chapter 84.14 RCW; creating a new section;
4 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))~~ any city or town ~~((with a~~
33 ~~population of at least fifteen thousand, (b) the largest city or~~
34 ~~town, if there is no city or town with a population of at least~~
35 ~~fifteen thousand, located in a county planning under the growth~~
36 ~~management act, or (c) a city or town with a population of at least~~
37 ~~five thousand located in a county subject to the provisions of RCW~~
38 ~~36.70A.215)).~~

1 (4) "County" means a county with an unincorporated population of
2 at least (~~(three hundred fifty thousand)~~) 350,000 or any county with
3 a population of at least 2,000,000.

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

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

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

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

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

26 (b) For cities located in high-cost areas, "low-income household"
27 means a household that has an income at or below 90 percent of the
28 median family income adjusted for family size, for the county or city
29 where the project is located, whichever is lower if both are
30 available.

31 (10) (a) "Moderate-income household" means, except as provided in
32 (b) of this subsection, a single person, family, or unrelated persons
33 living together whose adjusted income is more than eighty percent but
34 is at or below one hundred fifteen percent of the median family
35 income adjusted for family size, for the county or city where the
36 project is located, as reported by the United States department of
37 housing and urban development, whichever is lower if both are
38 available. For cities located in high-cost areas, "moderate-income
39 household" means a household that has an income that is more than one
40 hundred percent, but at or below one hundred fifty percent, of the

1 median family income adjusted for family size, for the county or city
2 where the project is located, whichever is lower if both are
3 available.

4 (b) For properties for which applications for certificates of tax
5 exemption eligibility are submitted under this chapter on or after
6 the effective date of this section, "moderate-income household" means
7 a single person, family, or unrelated persons living together whose
8 adjusted income is at or below 90 percent of the median family income
9 adjusted for family size, for the county or city where the project is
10 located, as reported by the United States department of housing and
11 urban development, whichever is lower if both are available. For
12 cities located in high-cost areas, "moderate-income household" means
13 a household that has an income that is at or below 100 percent of the
14 median family income adjusted for family size, for the county or city
15 where the project is located, whichever is lower if both are
16 available.

17 (11) "Multiple-unit housing" means a building or a group of
18 buildings having four or more dwelling units not designed or used as
19 transient accommodations and not including hotels and motels.
20 Multifamily units may result from new construction or rehabilitated
21 or conversion of vacant, underutilized, or substandard buildings to
22 multifamily housing.

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

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

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

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

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

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

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

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

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

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

17 (19) "Urban growth area" has the same meaning as provided in RCW
18 36.70A.030.

19 (20) "Very low-income household" means a single person, family,
20 or unrelated persons living together whose adjusted income is at or
21 below 70 percent of the median family income adjusted for family
22 size, for the county or city where the project is located, as
23 reported by the United States department of housing and urban
24 development, whichever is lower if both are available. For cities
25 located in high-cost areas, "very low-income household" means a
26 household that has an income at or below 80 percent of the median
27 family income adjusted for family size, for the county or city where
28 the project is located, whichever is lower if both are available.

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

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

34 (i) For properties for which applications for certificates of tax
35 exemption eligibility are submitted under this chapter before July
36 22, 2007, the value is exempt for ten successive years beginning
37 January 1 of the year immediately following the calendar year of
38 issuance of the certificate; ((and))

1 (ii) For properties for which applications for certificates of
2 tax exemption eligibility are submitted under this chapter on or
3 after July 22, 2007, but before the effective date of this section,
4 the value is exempt:

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

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

22 (iii) For properties for which applications for certificates of
23 tax exemption eligibility are submitted under this chapter on or
24 after the effective date of this section, the value is exempt:

25 (A) For eight successive years beginning January 1st of the year
26 immediately following the calendar year of issuance of the
27 certificate, if the property otherwise qualifies for the exemption
28 under this chapter and meets the conditions in this subsection
29 (1)(a)(iii)(A). For the property to qualify for the eight-year
30 exemption under this subsection, the property must satisfy any
31 additional affordability and income eligibility conditions adopted by
32 the local government under this chapter, and the applicant must
33 commit to renting or selling at least 15 percent of the multifamily
34 housing units as affordable housing units to any combination of the
35 following income levels and apartment sizes:

36 (I) Very low-income households for apartments with one or fewer
37 bedrooms;

38 (II) Low-income households for apartments with two bedrooms; or

39 (III) Moderate-income households for apartments with three or
40 more bedrooms; or

1 (B) For 12 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 and meets the conditions in this subsection
5 (1)(a)(iii)(B). For the property to qualify for the 12-year exemption
6 under this subsection, the property must satisfy any additional
7 affordability and income eligibility conditions adopted by the local
8 government under this chapter, and the applicant must commit to
9 renting or selling at least 25 percent of the multifamily housing
10 units as affordable housing units to any combination of the following
11 income levels and apartment sizes:

12 (I) Very low-income households for apartments with one or fewer
13 bedrooms;

14 (II) Low-income households for apartments with two bedrooms; or

15 (III) Moderate-income households for apartments with three or
16 more bedrooms.

17 (b) A governing authority may request, from the department of
18 commerce, a temporary exemption from the affordability requirements
19 of (a)(iii)(A) of this subsection. Requests must be made in a form
20 and manner as prescribed by the department of commerce. For
21 properties for which applications for certificates of tax exemption
22 are submitted under this chapter to a governing authority that has a
23 valid and approved exemption from the affordability requirements of
24 (a)(iii)(A) of this subsection, the exemption from the affordability
25 requirements of (a)(iii)(A) of this subsection is for the full eight
26 successive years of the property tax exemption for that property. A
27 governing authority may request a temporary exemption from the
28 affordability requirements of (a)(iii)(A) of this subsection:

29 (i) For the first two projects authorized after the effective
30 date of this section and subject to the requirements of (a)(iii)(A)
31 of this subsection; or

32 (ii) When the three-year rolling average vacancy rate for the
33 project is at or below one and one-half percent. The exemption
34 authorized in this subsection (1)(b)(ii) applies to all projects
35 authorized during the time that the three-year rolling average
36 vacancy rate is at or below one and one-half percent.

37 (c) For any properties applying to receive an exemption pursuant
38 to (a)(iii)(A) of this subsection and that will be exempt from
39 affordability requirements as provided in (b) of this subsection,
40 during the exemption period the applicant must commit to renting or

1 selling all units in the property at or below a rate that would be
2 considered affordable housing for a single person, family, or
3 unrelated persons living together whose adjusted income is at or
4 below 115 percent of the median family income adjusted for family
5 size, for the county or city where the project is located, as
6 reported by the United States department of housing and urban
7 development, whichever is lower if both are available.

8 (d) 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 (~~(e)~~) (e) 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) (~~(e)~~) (e), the city or
20 county that issued the initial certificate of tax exemption, as
21 required in RCW 84.14.090, must notify the county assessor and the
22 applicant of the extension of the certificate of tax exemption.

23 (2) (a) The affordability requirements provided in subsection (1)
24 of this section may be met, in part or in whole, with affordable
25 units that are required under the guidelines that a local government
26 has adopted pursuant to this chapter or that are required for any
27 other incentive or exemption program, provided that those units meet
28 the minimum requirements of subsection (1) of this section.

29 (b) If a local governing authority requires a mandatory
30 percentage of inclusionary or affordable housing and those
31 requirements may not be met with the affordable units required in
32 subsection (1) (a) (iii) (B) of this section, then the minimum
33 percentage of affordable units required in subsection (1) (a) (iii) (B)
34 of this section may be lowered by the local government by the
35 mandatory percentage required by the local governing authority,
36 percentage point for percentage point.

37 (3) When a local government adopts guidelines pursuant to RCW
38 84.14.030(2) and includes conditions that must be satisfied with
39 respect to individual dwelling units, rather than with respect to the
40 multiple-unit housing as a whole or some minimum portion thereof, the

1 exemption may, at the local government's discretion, be limited to
2 the value of the qualifying improvements allocable to those dwelling
3 units that meet the local guidelines.

4 ~~((3))~~ (4) In the case of rehabilitation of existing buildings,
5 the exemption does not include the value of improvements constructed
6 prior to the submission of the application required under this
7 chapter. The incentive provided by this chapter is in addition to any
8 other incentives, tax credits, grants, or other incentives provided
9 by law.

10 ~~((4))~~ (5) This chapter does not apply to increases in assessed
11 valuation made by the assessor on nonqualifying portions of building
12 and value of land nor to increases made by lawful order of a county
13 board of equalization, the department of revenue, or a county, to a
14 class of property throughout the county or specific area of the
15 county to achieve the uniformity of assessment or appraisal required
16 by law.

17 ~~((5))~~ (6) At the conclusion of the exemption period, the new or
18 rehabilitated housing cost shall be considered as new construction
19 for the purposes of chapter 84.55 RCW.

20 (7) For properties that qualified for, satisfied the conditions
21 of, and utilized the exemption under subsection (1)(a) or (e) of this
22 section, following the initial exemption period or the extension
23 period authorized in subsection (1)(e) of this section, the exemption
24 period may be extended for an additional 12 years, provided that the
25 local government adopts qualifying guidelines for such an extension,
26 the applicant meets at a minimum the locally adopted requirements for
27 the property to qualify for an exemption under subsection (1)(e) of
28 this section for which the exemption was initially granted, and the
29 applicant commits to renting or selling at least 25 percent of the
30 multifamily housing units as affordable housing units to any
31 combination of the following income levels and apartment sizes:

32 (a) Very low-income households for apartments with one or fewer
33 bedrooms;

34 (b) Low-income households for apartments with two bedrooms; or

35 (c) Moderate-income households for apartments with three or more
36 bedrooms.

37 (8)(a) At the end of both the sixth and seventh years of an
38 exemption, for eighth year exemptions, applicants must provide
39 tenants of rent-restricted units with notification of intent to apply

1 for an additional exemption period or to provide the tenant with an
2 option in subsection (9) of this section.

3 (b) At the end of both the tenth and eleventh years of an
4 exemption, for twelfth year exemptions, applicants must provide
5 tenants of rent-restricted units with notification of intent to apply
6 for an additional exemption period, or intent to provide the tenant
7 with an option in subsection (9) of this section.

8 (c) At the end of both the tenth and eleventh years of an
9 extension, for twelfth year extensions of the exemption, applicants
10 must provide tenants of rent-restricted units with notification of
11 intent to provide the tenant with an option in subsection (9) of this
12 section.

13 (9) By three months before the expiration of any exemption
14 provided under this section, the applicant must provide at least one
15 of the following options to tenants of the affordable units that were
16 required as a condition of receiving the exemption:

17 (a) Continue to provide an affordable rent as was required under
18 the exemption for as long as the tenant continues to occupy the unit;

19 (b) Offer reasonable assistance in a tenant's relocation to a new
20 dwelling unit. The reasonable assistance must be sufficient for the
21 tenant to find another dwelling unit of equal size in a reasonably
22 close geographic area;

23 (c) Rent increases of no more than five percent per year over the
24 course of four years, if the tenant decides to continue to occupy the
25 unit; or

26 (d) Convert the dwelling unit into a condominium and sell the
27 dwelling unit to the tenant as affordable housing at a rate such that
28 payments on a 30-year mortgage shall not exceed the ability to pay at
29 the designated average median income for the size of the unit as
30 required under this chapter.

31 (10) No new exemptions may be provided under this section
32 beginning on or after January 1, 2032. No extensions may be granted
33 under subsection (7) of this section on or after January 1, 2046.

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

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

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

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

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

10 (d) If the residential targeted area is designated by a county,
11 the area must be located in an unincorporated area of the county that
12 is within an urban growth area under RCW 36.70A.110 and the area must
13 be: (i) In a rural county, served by a sewer system and designated by
14 a county prior to January 1, 2013; or (ii) in a county that includes
15 a campus of an institution of higher education, as defined in RCW
16 28B.92.030, where at least one thousand two hundred students live on
17 campus during the academic year.

18 (2) For residential targeted areas designated after the effective
19 date of this section:

20 (a) The area must be zoned to have an average minimum density
21 equivalent to 15 dwelling units or more per gross acre, or for cities
22 with a population over 20,000, the area must be zoned to have an
23 average minimum density equivalent to 25 dwelling units or more per
24 gross acre; and

25 (b) The governing authority must conduct an evaluation of the
26 risk of potential displacement of residents currently living in the
27 area if the tax incentives authorized in this chapter were to be used
28 in the area. The city or county may use an existing analysis if one
29 exists. An area may not be designated as a residential targeted area
30 unless:

31 (i) The evaluation finds that the risk of displacement is
32 minimal; or

33 (ii) The governing authority mitigates the risk of displacement
34 with locally adopted mitigation measures.

35 (3) For any county with a population of at least 2,000,000, a
36 residential targeted area may only be designated in an urban growth
37 area within the county.

38 (4) For the purpose of designating a residential targeted area or
39 areas, the governing authority may adopt a resolution of intention to
40 so designate an area as generally described in the resolution. The

1 resolution must state the time and place of a hearing to be held by
2 the governing authority to consider the designation of the area and
3 may include such other information pertaining to the designation of
4 the area as the governing authority determines to be appropriate to
5 apprise the public of the action intended.

6 ~~((3))~~ (5) The governing authority must give notice of a hearing
7 held under this chapter by publication of the notice once each week
8 for two consecutive weeks, not less than seven days, nor more than
9 thirty days before the date of the hearing in a paper having a
10 general circulation in the city or county where the proposed
11 residential targeted area is located. The notice must state the time,
12 date, place, and purpose of the hearing and generally identify the
13 area proposed to be designated as a residential targeted area.

14 ~~((4))~~ (6) Following the hearing, or a continuance of the
15 hearing, the governing authority may designate all or a portion of
16 the area described in the resolution of intent as a residential
17 targeted area if it finds, in its sole discretion, that the criteria
18 in subsections (1) through ~~((3))~~ (5) of this section have been met.

19 ~~((5))~~ (7) After designation of a residential targeted area, the
20 governing authority must adopt and implement standards and guidelines
21 to be utilized in considering applications and making the
22 determinations required under RCW 84.14.060. The standards and
23 guidelines must establish basic requirements for both new
24 construction and rehabilitation, which must include:

25 (a) Application process and procedures;

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

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

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

35 ~~((6))~~ (8)(a) The governing authority may adopt and implement,
36 either as conditions to eight-year exemptions or as conditions to an
37 extended exemption period under RCW 84.14.020(1)(a)(ii)(B) or
38 (a)(iii)(B), or both, more stringent income eligibility, rent, or
39 sale price limits, including limits that apply to a higher percentage

1 of units, than the minimum conditions for an extended exemption
2 period under RCW 84.14.020(1) (a) (ii) (B) or (a) (iii) (B).

3 (b) Additionally, a governing authority may adopt and implement
4 as a contractual prerequisite to any exemption granted pursuant to
5 RCW 84.14.020:

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

10 (ii) Payroll record requirements consistent with RCW
11 39.12.120(1);

12 (iii) Apprenticeship utilization requirements consistent with RCW
13 39.04.310; and

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

16 (9)(a) For any multiunit housing located in an unincorporated
17 area of a county, a property owner seeking tax incentives under this
18 chapter, but before the effective date of this section, must commit
19 to renting or selling at least twenty percent of the multifamily
20 housing units as affordable housing units to low and moderate-income
21 households. In the case of multiunit housing intended exclusively for
22 owner occupancy, the minimum requirement of this subsection ((+6+))
23 (9) may be satisfied solely through housing affordable to moderate-
24 income households.

25 (b) For any multiunit housing located in an unincorporated area
26 of a county, a property owner seeking tax incentives under this
27 chapter, on or after the effective date of this section, must commit
28 to renting or selling at least 25 percent of the multifamily housing
29 units as affordable housing units to any combination of the following
30 income levels and apartment sizes:

31 (i) Very low-income households for apartments with one or fewer
32 bedrooms;

33 (ii) Low-income households for apartments with two bedrooms; or

34 (iii) Moderate-income households for apartments with three or
35 more bedrooms.

36 (10) The affordability requirements provided in this section may
37 be met, in part or in whole, with affordable units that are required
38 under guidelines that a local government has adopted pursuant to this
39 chapter or that are required for any other incentive or exemption

1 program, provided that those units meet the minimum requirements of
2 this section.

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

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

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

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

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

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

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

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

24 (2) The department of commerce must provide guidance to cities
25 and counties as to the appropriate form and manner of the required
26 profitability analysis.

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

30 (~~(3)~~) (4) An application may not be approved for a residential
31 targeted area in a rural county on or after January 1, 2020.

32 (5) For any application submitted prior to the effective date of
33 this section, but approved after that date, the eligibility
34 requirements and conditions at the time of application submission may
35 be used to determine eligibility under this chapter. For applications
36 approved pursuant to this subsection, the eligibility requirements
37 and conditions at the time of application submission apply to the
38 property for the duration of the exemption period.

1 **Sec. 6.** RCW 84.14.100 and 2012 c 194 s 9 are each amended to
2 read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (3) By December 1, 2021, and annually thereafter, the department
2 of commerce must submit a report to the appropriate committees of the
3 legislature and the joint legislative audit and review committee on
4 city and county compliance with the reporting requirements provided
5 in subsection (2) of this section. The report may also include any
6 additional resources or authority needed by the department of
7 commerce to ensure city and county compliance.

8 (4) The department of commerce must convene, and provide staff
9 support to, a work group to study and make recommendations on the
10 property tax exemptions authorized in this chapter.

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

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

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

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

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

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

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

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

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

26 (b) By December 1, 2021, the work group must submit a report to
27 the appropriate committees of the legislature and the joint
28 legislative audit and review committee. The report must:

29 (i) Identify any ambiguities in this chapter;

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

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

35 (iv) Examine whether tenants living in affordable units created
36 under this chapter are experiencing increases in rent due to
37 increases in city median income that significantly outpace the
38 tenants' income, and provide recommendations on how to address this
39 problem.

40 (5) This section expires January 1, 2057.

1 NEW SECTION. **Sec. 7.** (1) This section is the tax preference
2 performance statement for the tax preferences contained in section 3,
3 chapter . . . , Laws of 2021 (section 3 of this act). This performance
4 statement is only intended to be used for subsequent evaluation of
5 the tax preferences. It is not intended to create a private right of
6 action by any party or be used to determine eligibility for
7 preferential tax treatment.

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

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

12 (a) Incentivize developers to construct or rehabilitate
13 multifamily housing;

14 (b) Incentivize local governments and multifamily housing owners
15 to maintain or expand existing income-restricted unit stock that have
16 been incentivized through the tax exemption provided under chapter
17 84.14 RCW via new authority to renew the property tax abatement in
18 exchange for continued or additional affordability; and

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

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

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

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

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

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

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

8 (6) In order to obtain the data necessary to perform the review
9 in subsection (4) of this section, the joint legislative audit and
10 review committee must refer to the annual reports compiled by the
11 department of commerce under RCW 84.14.100 and may refer to data
12 provided by counties or cities in which persons are utilizing the
13 preferences, the office of financial management, the department of
14 commerce, the United States department of housing and urban
15 development, and any other data sources, as needed by the joint
16 legislative audit and review committee.

17 NEW SECTION. **Sec. 8.** A new section is added to chapter 84.14
18 RCW to read as follows:

19 (1) The value of new housing construction, conversion, and
20 rehabilitation improvements qualifying under this chapter is exempt
21 from ad valorem property taxation, as follows: For 20 successive
22 years beginning January 1st of the year immediately following the
23 calendar year of issuance of the certificate, if the property
24 otherwise qualifies for the exemption under this chapter and meets
25 the conditions in this section. For the property to qualify for the
26 20-year exemption under this section, at least 25 percent of the
27 units must be sold to a qualified nonprofit or local government
28 partner that will assure permanent affordable homeownership. The
29 remaining 75 percent of units may be rented or sold at market rates.

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

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

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

4 (5) For purposes of this section:

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

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

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

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

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

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

16 (iii) Sponsored by a nonprofit organization or governmental
17 entity and the sponsor organization:

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

21 (B) Supports homeowners and enforces the ground lease or deed
22 restriction.

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

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

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