
HOUSE BILL 2422

State of Washington

68th Legislature

2024 Regular Session

By Representatives Corry and Walen

Read first time 01/18/24. Referred to Committee on Finance.

1 AN ACT Relating to expanding affordable housing incentives
2 available to rural counties; amending RCW 84.14.010, 84.14.020,
3 84.14.021, 84.14.030, and 84.14.060; and creating new sections.

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

5 **Sec. 1.** RCW 84.14.010 and 2021 c 187 s 2 are each amended to
6 read as follows:

7 The definitions in this section apply throughout this chapter
8 unless the context clearly requires otherwise.

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

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

19 (3) "City" means either (a) a city or town with a population of
20 at least fifteen thousand, (b) the largest city or town, if there is
21 no city or town with a population of at least fifteen thousand,

1 located in a county planning under the growth management act, (c) a
2 city or town with a population of at least five thousand located in a
3 county subject to the provisions of RCW 36.70A.215, or (d) any city
4 that otherwise does not meet the qualifications under (a) through (c)
5 of this subsection, until December 31, 2031, that complies with RCW
6 84.14.020(1)(a)(iii) or 84.14.021(1)(b).

7 (4) (~~"County"~~) Except as provided in RCW 84.14.020(1)(a)(iv)
8 and 84.14.021(1)(c), "county" means a county with an unincorporated
9 population of at least 170,000.

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

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

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

16 (8) "Low-income household" means a single person, family, or
17 unrelated persons living together whose adjusted income is at or
18 below eighty percent of the median family income adjusted for family
19 size, for the county, city, or metropolitan statistical area, where
20 the project is located, as reported by the United States department
21 of housing and urban development.

22 (9) "Moderate-income household" means a single person, family, or
23 unrelated persons living together whose adjusted income is more than
24 eighty percent but is at or below one hundred fifteen percent of the
25 median family income adjusted for family size, for the county, city,
26 or metropolitan statistical area, where the project is located, as
27 reported by the United States department of housing and urban
28 development.

29 (10) "Multiple-unit housing" means a building or a group of
30 buildings having four or more dwelling units not designed or used as
31 transient accommodations and not including hotels and motels.
32 Multifamily units may result from new construction or rehabilitated
33 or conversion of vacant, underutilized, or substandard buildings to
34 multifamily housing.

35 (11) "Owner" means the property owner of record.

36 (12) "Permanent residential occupancy" means multiunit housing
37 that provides either rental or owner occupancy on a nontransient
38 basis. This includes owner-occupied or rental accommodation that is
39 leased for a period of at least one month. This excludes hotels and

1 motels that predominately offer rental accommodation on a daily or
2 weekly basis.

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

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

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

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

19 (17) "Urban center" means a compact identifiable district where
20 urban residents may obtain a variety of products and services. An
21 urban center must contain:

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

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

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

30 **Sec. 2.** RCW 84.14.020 and 2021 c 187 s 3 are each amended to
31 read as follows:

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

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

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, the value is exempt:

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

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

21 (C) For 20 successive years beginning January 1st of the year
22 immediately following the calendar year of issuance of the
23 certificate, if the property otherwise qualifies for the exemption
24 under this chapter and meets the conditions in this subsection
25 (1)(a)(ii)(C). For the property to qualify for the 20-year exemption
26 under this subsection, the project must be located within one mile of
27 high capacity transit of at least 15 minute scheduled frequency, in a
28 city that has implemented, as of July 25, 2021, a mandatory
29 inclusionary zoning requirement for affordable housing that ensures
30 affordability of housing units for a period of at least 99 years and
31 that has a population of no more than 65,000 as measured on July 25,
32 2021. To qualify for the exemption provided in this subsection
33 (1)(a)(ii)(C), the applicant must commit to renting at least 20
34 percent of the dwelling units as affordable to low-income households
35 for a term of at least 99 years, and the property must satisfy that
36 commitment and all required affordability and income eligibility
37 conditions adopted by the local government under this chapter. A city
38 must require the applicant to record a covenant or deed restriction
39 that ensures the continuing rental of units subject to these
40 affordability requirements consistent with the conditions in this

1 subsection (1)(a)(ii)(C) for a period of no less than 99 years. The
2 covenant or deed restriction must also address criteria and policies
3 to maintain public benefit if the property is converted to a use
4 other than which continues to provide for permanently affordable low-
5 income housing consistent with this subsection (1)(a)(ii)(C); ~~((and))~~

6 (iii) Until December 31, 2026, for a city as defined in RCW
7 84.14.010(3)(d), for 12 successive years beginning January 1st of the
8 year immediately following the calendar year of issuance of the
9 certificate, if the property otherwise qualifies for the exemption
10 under this chapter and meets the conditions in this subsection
11 (1)(a)(iii). For the property to qualify for the 12-year exemption
12 under this subsection, the applicant must commit to renting or
13 selling at least 20 percent of the multifamily housing units as
14 affordable housing units to low and moderate-income households, the
15 property must satisfy that commitment and any additional
16 affordability and income eligibility conditions adopted by the local
17 government under this chapter, and the area must be zoned to have an
18 average minimum density equivalent to 15 dwelling units or more per
19 gross acre, or for cities with a population over 20,000, the area
20 must be zoned to have an average minimum density equivalent to 25
21 dwelling units or more per gross acre. In the case of projects
22 intended exclusively for owner occupancy, the minimum requirement of
23 this subsection (1)(a)(iii) may be satisfied solely through housing
24 affordable to low-income or moderate-income households; and

25 (iv) Until December 31, 2035, for any county, for 12 successive
26 years beginning January 1st of the year immediately following the
27 calendar year of issuance of the certificate. For the property to
28 qualify for the 12-year exemption under this subsection, the
29 applicant must commit to renting or selling at least 20 percent of
30 the multifamily housing units as affordable housing units to low-
31 income and moderate-income households, and the density of the
32 development must be 15 dwelling units or more per gross acre. For
33 purposes of this subsection, "any county" means a county of any size
34 that cannot designate a residential targeted area for any reason.

35 (b) The exemptions provided in (a)(i) through ~~((+iii))~~ (iv) of
36 this subsection do not include the value of land or nonhousing-
37 related improvements not qualifying under this chapter.

38 (c) For properties receiving an exemption as provided in
39 (a)(ii)(B) of this subsection that are in compliance with existing
40 contracts and where the certificate of tax exemption is set to expire

1 after June 11, 2020, but before December 31, 2021, the exemption is
2 extended until December 31, 2021, provided that the property must
3 satisfy any eligibility criteria or limitations provided in this
4 chapter as a condition to the existing exemption for a given property
5 continue to be met. For all properties eligible to receive an
6 extension pursuant to this subsection (1)(c), the city or county that
7 issued the initial certificate of tax exemption, as required in RCW
8 84.14.090, must notify the county assessor and the applicant of the
9 extension of the certificate of tax exemption.

10 (2) When a local government adopts guidelines pursuant to RCW
11 84.14.030(2) and includes conditions that must be satisfied with
12 respect to individual dwelling units, rather than with respect to the
13 multiple-unit housing as a whole or some minimum portion thereof, the
14 exemption may, at the local government's discretion, be limited to
15 the value of the qualifying improvements allocable to those dwelling
16 units that meet the local guidelines.

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

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

30 (5) At the conclusion of the exemption period, the value of the
31 new housing construction, conversion, or rehabilitation improvements
32 must be considered as new construction for the purposes of chapters
33 84.55 and 36.21 RCW as though the property was not exempt under this
34 chapter.

35 (6) For properties that qualified for, satisfied the conditions
36 of, and utilized the exemption under subsection (1)(a)(ii)(A) or (B)
37 of this section, following the initial exemption period or the
38 extension period authorized in subsection (1)(c) of this section, the
39 exemption period may be extended for an additional 12 years for
40 projects that are within 18 months of expiration contingent on city

1 or county approval. For the property to qualify for an extension
2 under this subsection (6), the applicant must meet at a minimum the
3 locally adopted requirements for the property to qualify for an
4 exemption under subsection (1)(a)(ii)(B) of this section as
5 applicable at the time of the extension application, and the
6 applicant commits to renting or selling at least 20 percent of the
7 multifamily housing units as affordable housing units for low-income
8 households.

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

14 (8)(a) Except as provided in (b) of this subsection, for any 12-
15 year exemption authorized under subsection (1)(a)(ii)(B) or (iii) of
16 this section after July 25, 2021, or for any 12-year exemption
17 extension authorized under subsection (6) of this section, at the
18 expiration of the exemption the applicant must provide tenant
19 relocation assistance in an amount equal to one month's rent to a
20 qualified tenant within the final month of the qualified tenant's
21 lease. To be eligible for tenant relocation assistance under this
22 subsection, the tenant must occupy an income-restricted unit at the
23 time the exemption expires and must qualify as a low-income household
24 under this chapter at the time relocation assistance is sought.

25 (b) If affordability requirements consistent, at a minimum, with
26 those required under subsection (1)(a)(ii)(B) or (iii) of this
27 section remain in place for the unit after the expiration of the
28 exemption, relocation assistance in an amount equal to one month's
29 rent must be provided to a qualified tenant within the final month of
30 a qualified tenant's lease who occupies an income-restricted unit at
31 the time those additional affordability requirements cease to apply
32 to the unit.

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

36 **Sec. 3.** RCW 84.14.021 and 2021 c 187 s 7 are each amended to
37 read as follows:

38 (1)(a) The value of new housing construction, conversion, and
39 rehabilitation improvements qualifying under this chapter is exempt

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

10 (b) Until December 31, 2031, for a city as defined in RCW
11 84.14.010(3)(d), in any city the value of new housing construction,
12 conversion, and rehabilitation improvements qualifying under this
13 chapter is exempt from ad valorem property taxation, as follows: For
14 20 successive years beginning January 1st of the year immediately
15 following the calendar year of issuance of the certificate, if the
16 property otherwise qualifies for the exemption under this chapter and
17 meets the conditions in this section. For the property to qualify for
18 the 20-year exemption under this section, at least 25 percent of the
19 units must be sold to a qualified nonprofit or local government
20 partner that will assure permanent affordable homeownership. The
21 remaining 75 percent of units may be rented or sold at market rates.
22 The area must be zoned to have an average minimum density equivalent
23 to 15 dwelling units or more per gross acre, or for cities with a
24 population over 20,000, the area must be zoned to have an average
25 minimum density equivalent to 25 dwelling units or more per gross
26 acre.

27 (c) Until December 31, 2031, in any county, the value of new
28 housing construction, conversion, and rehabilitation improvements
29 qualifying under this chapter is exempt from ad valorem property
30 taxation, as follows: For 20 successive years beginning January 1st
31 of the year immediately following the calendar year of issuance of
32 the certificate, if the property otherwise qualifies for the
33 exemption under this chapter and meets the conditions in this
34 section. For the property to qualify for the 20-year exemption under
35 this section, at least 25 percent of the units must be sold to a
36 qualified nonprofit or local government partner that will assure
37 permanent affordable homeownership. The remaining 75 percent of units
38 may be rented or sold at market rates. For purposes of this
39 subsection, "any county" means a county of any size that cannot
40 designate a residential targeted area for any reason.

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

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

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

12 (5) At the conclusion of the exemption period, the value of the
13 new housing construction, conversion, or rehabilitation improvements
14 must be considered as new construction for the purposes of chapters
15 84.55 and 36.21 RCW as though the property was not exempt under this
16 chapter.

17 (6) For purposes of this section, "permanently affordable
18 homeownership" means homeownership that, in addition to meeting the
19 definition of "affordable housing" in RCW 43.185A.010, is:

20 (a) Sponsored by a nonprofit organization or governmental entity;

21 (b) Subject to a ground lease or deed restriction that includes:

22 (i) A resale restriction designed to provide affordability for
23 future low and moderate-income homebuyers;

24 (ii) A right of first refusal for the sponsor organization to
25 purchase the home at resale; and

26 (iii) A requirement that the sponsor must approve any
27 refinancing, including home equity lines of credit; and

28 (c) Sponsored by a nonprofit organization or governmental entity
29 and the sponsor organization:

30 (i) Executes a new ground lease or deed restriction with a
31 duration of at least 99 years at the initial sale and with each
32 successive sale; and

33 (ii) Supports homeowners and enforces the ground lease or deed
34 restriction.

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

39 (8) No new exemptions may be provided under this section
40 beginning on or after January 1, 2032.

1 **Sec. 4.** RCW 84.14.030 and 2021 c 187 s 9 are each amended to
2 read as follows:

3 An owner of property making application under this chapter must
4 meet the following requirements:

5 (1) The new or rehabilitated multiple-unit housing must be
6 located in a residential targeted area as designated by the city or
7 county. This subsection does not apply to applicants filing for
8 exemption under RCW 84.14.020(1)(a)(iv) or 84.14.021(1)(c);

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

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

23 (4) New construction multifamily housing and rehabilitation
24 improvements must be completed within three years from the date of
25 approval of the application, plus any extension authorized under RCW
26 84.14.090(5);

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

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

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

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

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

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

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

13 (d) The owner has complied with all standards and guidelines
14 adopted by the city or county under this chapter; and

15 (e) The site is located in a residential targeted area of an
16 urban center or urban growth area that has been designated by the
17 governing authority in accordance with procedures and guidelines
18 indicated in RCW 84.14.040. This subsection (1)(e) does not apply to
19 applicants filing for exemption under RCW 84.14.020(1)(a)(iv) or
20 84.14.021(1)(c).

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

24 (3) An application may not be approved for a residential targeted
25 area in a rural county on or after January 1, 2020. This subsection
26 does not apply to applicants filing for exemption under RCW
27 84.14.020(1)(a)(iv) or 84.14.021(1)(c).

28 NEW SECTION. **Sec. 6.** (1) This section is the tax preference
29 performance statement for section 2, chapter . . ., Laws of 2024
30 (section 2 of this act). This performance statement is only intended
31 to be used for subsequent evaluation of the tax preferences. It is
32 not intended to create a private right of action by any party or be
33 used to determine eligibility for preferential tax treatment.

34 (2) The tax preference performance statement in section 3,
35 chapter 187, Laws of 2021 applies to the expansion of the tax
36 preference in section 2 of this act.

37 NEW SECTION. **Sec. 7.** (1) This section is the tax preference
38 performance statement for section 3, chapter . . ., Laws of 2024

1 (section 3 of this act). This performance statement is only intended
2 to be used for subsequent evaluation of the tax preferences. It is
3 not intended to create a private right of action by any party or be
4 used to determine eligibility for preferential tax treatment.

5 (2) The tax preference performance statement in section 7,
6 chapter 187, Laws of 2021 applies to the expansion of the tax
7 preference in section 3 of this act.

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