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**SENATE BILL 5553**

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**State of Washington                      69th Legislature                      2025 Regular Session**

**By** Senators Salomon, Shewmake, Lias, Nobles, and Slatter

Read first time 01/28/25. Referred to Committee on Ways & Means.

1            AN ACT Relating to providing a sales and use tax incentive for  
2 multifamily affordable housing; and amending RCW 82.59.007,  
3 82.59.020, 82.59.030, 82.59.040, 82.59.070, 82.59.130, and 82.59.140.

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

5            **Sec. 1.** RCW 82.59.007 and 2024 c 332 s 2 are each amended to  
6 read as follows:

7            (1) It is the purpose of this chapter to encourage the  
8 redevelopment of underutilized commercial property in targeted urban  
9 areas, thereby increasing affordable housing, employment  
10 opportunities, and helping accomplish the other planning goals of  
11 Washington cities. The legislative authorities of cities to which  
12 this chapter applies may authorize a sales and use tax deferral for  
13 an investment project within the city if the legislative authority of  
14 the city finds that there are significant areas of underutilized  
15 commercial property and a lack of affordable housing in areas  
16 proximate to the land.

17            (2) It is further the purpose of this chapter to stimulate the  
18 construction of new multifamily affordable housing in areas having  
19 insufficient housing thereby increasing housing opportunities,  
20 including affordable housing opportunities, and helping accomplish  
21 the planning goals of Washington cities. The legislative authorities

1 of cities to which this chapter applies may authorize a sales and use  
2 tax deferral for an investment project within the city if the  
3 legislative authority of the city finds that there are significant  
4 housing needs in the area proximate to the land.

5 (3) If a conditional recipient maintains the property for  
6 qualifying purposes for at least 10 years, deferred sales and use  
7 taxes need not be repaid.

8 **Sec. 2.** RCW 82.59.020 and 2024 c 332 s 4 are each amended to  
9 read as follows:

10 (1) For the purpose of creating a sales and use tax deferral  
11 program for conversion of a commercial building or construction of  
12 new multifamily housing to provide affordable housing under this  
13 chapter, the governing authority must adopt a resolution of intention  
14 to create a sales and use tax deferral program as generally described  
15 in the resolution. The resolution must state the time and place of a  
16 hearing to be held by the governing authority to consider the  
17 creation of the tax deferral program and may include such other  
18 information pertaining to the creation of the deferral program as the  
19 governing authority determines to be appropriate to apprise the  
20 public of the action intended. However, the resolution must provide  
21 information pertaining to:

- 22 (a) The application process;
- 23 (b) The approval process;
- 24 (c) The appeals process for applications denied approval; and
- 25 (d) Additional requirements, conditions, and obligations that  
26 must be followed postapproval of an application.

27 (2) The governing authority must give notice of a hearing held  
28 under this chapter by publication of the notice once each week for  
29 two consecutive weeks, not less than seven days, nor more than 30  
30 days before the date of the hearing in a paper having a general  
31 circulation in the city. The notice must state the time, date, place,  
32 and purpose of the hearing.

33 (3) Following the hearing or a continuance of the hearing, the  
34 governing authority may authorize the creation of the program.

35 **Sec. 3.** RCW 82.59.030 and 2024 c 332 s 5 are each amended to  
36 read as follows:

37 An owner of (~~(underutilized commercial)~~) the property seeking a  
38 sales and use tax deferral for conversion of ((a)) an underutilized

1 commercial building or construction of new multifamily housing to  
2 provide affordable housing under this chapter on an investment  
3 project must complete the following procedures:

4 (1) The owner must apply to the city on forms adopted by the  
5 governing authority. The application must contain the following:

6 (a) Information setting forth the grounds supporting the  
7 requested deferral including information indicated on the application  
8 form or in the guidelines;

9 (b) A description of the investment project and site plan, and  
10 other information requested;

11 (c) A statement of the expected number of affordable housing  
12 units to be created;

13 (d) A statement that the applicant is aware of the potential tax  
14 liability involved if the investment project ceases to be used for  
15 eligible uses under this chapter;

16 (e) A statement that the applicant is aware that the investment  
17 project must be completed within three years from the date of  
18 approval of the application;

19 (f) A statement that the applicant is aware that the governing  
20 authority or the city official authorized by the governing authority  
21 may extend the deadline for completion of construction or  
22 rehabilitation for a period not to exceed 24 consecutive months; and

23 (g) A statement that the applicant would not have built in this  
24 location but for the availability of the tax deferral under this  
25 chapter;

26 (2) The applicant must verify the application by oath or  
27 affirmation; and

28 (3) The application must be accompanied by the application fee,  
29 if any, required under this chapter. The duly authorized  
30 administrative official or committee of the city may permit the  
31 applicant to revise an application before final action by the duly  
32 authorized administrative official or committee of the city.

33 **Sec. 4.** RCW 82.59.040 and 2024 c 332 s 6 are each amended to  
34 read as follows:

35 The duly authorized administrative official or committee of the  
36 city may approve the application and grant a conditional certificate  
37 of program approval if it finds that:

38 (1)(a) The investment project is set aside primarily for  
39 multifamily housing units and the applicant commits to renting or

1 selling at least 10 percent of the units as affordable housing to  
2 low-income households. In a mixed-use project, only the ground floor  
3 of a building may be used for commercial purposes with the remainder  
4 dedicated to multifamily housing units; and

5 (b) The applicant commits to any additional affordability and  
6 income eligibility conditions adopted by the local government under  
7 this chapter not otherwise inconsistent with this chapter;

8 (2) The investment project is, or will be, at the time of  
9 completion, in conformance with all local plans and regulations that  
10 apply at the time the application is approved;

11 (3) ~~((The))~~ For conversion of an underutilized commercial  
12 building, the investment project will occur on land that constitutes,  
13 at the time of application, underutilized commercial property;

14 (4) The area where the investment project will occur is located  
15 within an area zoned for residential or mixed uses;

16 (5) For construction of new multifamily housing, the investment  
17 project has a conditional certificate of acceptance of tax exemption  
18 for the tax exemptions under RCW 84.14.021 and 84.14.020(1)(a)  
19 (ii)(B) and (C) and (iii);

20 (6) The terms and conditions of the implementation of the  
21 development meets the requirements of this chapter and any  
22 requirements of the city that are not otherwise inconsistent with  
23 this chapter;

24 ~~((+6))~~ (7) The land where the investment project will occur was  
25 not acquired through a condemnation proceeding under Title 8 RCW; and

26 ~~((+7))~~ (8) All other requirements of this chapter have been  
27 satisfied as well as any other requirements of the city that are not  
28 otherwise inconsistent with this chapter.

29 **Sec. 5.** RCW 82.59.070 and 2024 c 332 s 9 are each amended to  
30 read as follows:

31 (1) Within 30 days of the issuance of a certificate of occupancy  
32 for an eligible investment project, the conditional recipient must  
33 file with the city the following:

34 (a) A description of the work that has been completed and a  
35 statement that the eligible investment project qualifies the property  
36 for a sales and use tax deferral under this chapter;

37 (b) A statement of the new affordable housing to be offered as a  
38 result of the conversion of underutilized commercial property to  
39 multifamily housing or construction of new multifamily housing; and

1 (c) A statement that the work has been completed within three  
2 years of the issuance of the conditional certificate of program  
3 approval.

4 (2) Within 30 days after receipt of the statements required under  
5 subsection (1) of this section, the city must determine and notify  
6 the conditional recipient as to whether the work completed and the  
7 affordable housing to be offered are consistent with the application  
8 and the contract approved by the city, and the investment project  
9 continues to qualify for a tax deferral under this chapter. The  
10 conditional recipient must notify the department within 30 days from  
11 receiving the city's determination to report the project is  
12 operationally complete so the department can certify the project and  
13 determine the qualifying deferred taxes. The department must  
14 determine the amount of sales and use taxes qualifying for the  
15 deferral. If the department determines that purchases were not  
16 eligible for deferral it must assess interest, but not penalties, on  
17 the nonqualifying amounts.

18 (3) The city must notify the conditional recipient within 30 days  
19 that a tax deferral under this chapter is denied if the city  
20 determines that:

21 (a) The work was not completed within three years of the  
22 application date;

23 (b) The work was not constructed consistent with the application  
24 or other applicable requirements;

25 (c) The affordable housing units to be offered are not consistent  
26 with the application and criteria of this chapter; or

27 (d) The owner's property is otherwise not qualified for a sales  
28 and use tax deferral under this chapter.

29 (4) If the city finds that the work was not completed within the  
30 required time period due to circumstances beyond the control of the  
31 conditional recipient and that the conditional recipient has been  
32 acting and could reasonably be expected to act in good faith and with  
33 due diligence, the governing authority may extend the deadline for  
34 completion of the work for a period not to exceed 24 consecutive  
35 months, and must notify the department of the extension.

36 (5) The city's governing authority may enact an ordinance to  
37 provide a process for a conditional recipient to appeal a decision by  
38 the city that the conditional recipient is not entitled to a deferral  
39 of sales and use taxes. The conditional recipient may appeal a  
40 decision by the city to deny a deferral of sales and use taxes in

1 superior court under RCW 34.05.510 through 34.05.598, if the appeal  
2 is filed within 30 days of notification by the city to the  
3 conditional recipient.

4 (6) A city denying a conditional recipient of a sales and use tax  
5 deferral under subsection (3) of this section must notify the  
6 department and taxes deferred under this chapter are immediately due  
7 and payable, subject to any appeal by the conditional recipient. The  
8 department must assess interest at the rate provided for delinquent  
9 taxes, but not penalties, retroactively to the date of deferral. A  
10 debt for deferred taxes will not be extinguished by insolvency or  
11 other failure of the recipient.

12 **Sec. 6.** RCW 82.59.130 and 2024 c 332 s 15 are each amended to  
13 read as follows:

14 (1) This section is the tax preference performance statement for  
15 the tax preference contained in chapter 332, Laws of 2024, and  
16 chapter . . . , Laws of 2025 (this act). This performance statement is  
17 only intended to be used for subsequent evaluation of the tax  
18 preference. It is not intended to create a private right of action by  
19 any party or to be used to determine eligibility for preferential tax  
20 treatment.

21 (2) The legislature categorizes this tax preference as one  
22 intended to induce certain designated behavior by taxpayers, as  
23 indicated in RCW 82.32.808(2) (a).

24 (3) It is the legislature's specific public policy objective to  
25 expand affordable housing options for low-income households,  
26 specifically in urban areas where there is underutilized commercial  
27 property and in areas having insufficient housing supply.

28 (4) (a) To measure the effectiveness of the tax preference in  
29 chapter 332, Laws of 2024, the joint legislative audit and review  
30 committee must evaluate the number of increased housing units on  
31 underutilized commercial property and in areas having insufficient  
32 housing supply. If a review finds that the number of affordable  
33 housing units has not increased, then the legislature intends to  
34 repeal this tax preference.

35 (b) The review must be provided to the fiscal committees of the  
36 legislature by December 31, 2032.

37 (5) In order to obtain the data necessary to perform the review  
38 in subsection (4) of this section, the joint legislative audit and

1 review committee may refer to any available data source, including  
2 data collected by the department under RCW 82.59.080.

3 **Sec. 7.** RCW 82.59.140 and 2024 c 332 s 16 are each amended to  
4 read as follows:

5 (1) An owner of underutilized commercial property claiming a  
6 sales and use tax deferral under this chapter may also apply for the  
7 multiple-unit housing property tax exemption program under chapter  
8 84.14 RCW. For applicants receiving the property tax exemption under  
9 chapter 84.14 RCW, the amount of affordable housing units required  
10 for eligibility under this chapter is in addition to the  
11 affordability conditions in chapter 84.14 RCW.

12 (2) An owner of property claiming a sales and use tax deferral  
13 under this chapter for new construction of multifamily housing must  
14 also apply for the multiple-unit housing property tax exemption  
15 program under RCW 84.14.021 and 84.14.020(1)(a)(ii)(B) and (C) and  
16 (iii). For applicants receiving the property tax exemption under  
17 chapter 84.14 RCW, the amount of affordable housing units required  
18 for eligibility under this chapter is in addition to the  
19 affordability conditions in chapter 84.14 RCW.

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