

CERTIFICATION OF ENROLLMENT

HOUSE BILL 1494

Chapter 164, Laws of 2025

69th Legislature
2025 Regular Session

MULTIFAMILY PROPERTY TAX EXEMPTION PROGRAM—MODIFICATION

EFFECTIVE DATE: July 27, 2025

Passed by the House March 5, 2025
Yeas 63 Nays 34

LAURIE JINKINS

**Speaker of the House of
Representatives**

Passed by the Senate April 15, 2025
Yeas 30 Nays 18

JOHN LOVICK

President of the Senate

Approved April 25, 2025 9:51 AM

BOB FERGUSON

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1494** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

April 25, 2025

**Secretary of State
State of Washington**

HOUSE BILL 1494

Passed Legislature - 2025 Regular Session

State of Washington

69th Legislature

2025 Regular Session

By Representatives Ramel, Donaghy, Nance, Walen, Duerr, Reed, Parshley, and Salahuddin

Read first time 01/21/25. Referred to Committee on Finance.

1 AN ACT Relating to the property tax exemptions for new and
2 rehabilitated multiple-unit dwellings in urban centers without
3 extending the expiration date of the exemptions or expanding the
4 exemptions to conversions of market rate residential buildings to
5 affordable housing; and amending RCW 84.14.010, 84.14.020, 84.14.021,
6 84.14.040, 84.14.060, 84.14.070, 84.14.100, and 84.14.110.

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

8 **Sec. 1.** RCW 84.14.010 and 2024 c 332 s 17 are each amended to
9 read as follows:

10 The definitions in this section apply throughout this chapter
11 unless the context clearly requires otherwise.

12 (1) "Affordable housing" means residential housing (~~that is~~
13 ~~rented by a person or household whose~~) with monthly (~~housing~~)
14 costs, including utilities other than telephone, that do not exceed
15 (~~thirty~~) 30 percent of the (~~household's~~) monthly income of a low-
16 income or moderate-income household. (~~For the purposes of housing~~
17 ~~intended for owner occupancy, "affordable housing" means residential~~
18 ~~housing that is within the means of low or moderate-income~~
19 ~~households.~~)

20 (2) "Campus facilities master plan" means the area that is
21 defined by the University of Washington as necessary for the future

1 growth and development of its campus facilities for campuses
2 authorized under RCW 28B.45.020.

3 (3) "City" means either (a) a city or town with a population of
4 at least (~~fifteen thousand~~) 15,000, (b) the largest city or town,
5 if there is no city or town with a population of at least (~~fifteen~~
6 ~~thousand~~) 15,000, located in a county planning under the growth
7 management act, (c) a city or town with a population of at least
8 (~~five thousand~~) 5,000 located in a county subject to the provisions
9 of RCW 36.70A.215, or (d) any city that otherwise does not meet the
10 qualifications under (a) through (c) of this subsection, until
11 December 31, 2031, that complies with RCW 84.14.020(1)(a)(iii) or
12 84.14.021(1)(b).

13 (4) "Conversion" means the conversion of a nonresidential
14 building, in whole or in part, to multiple-unit housing under this
15 chapter.

16 (5) "County" means a county with an unincorporated population of
17 at least 170,000.

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

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

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

24 (9) "Low-income household" means a single person, family, or
25 unrelated persons living together whose adjusted income is at or
26 below (~~eighty~~) 80 percent of the median family income adjusted for
27 family size, for the county, city, or metropolitan statistical area,
28 where the project is located, as reported by the United States
29 department of housing and urban development.

30 (10) "Moderate-income household" means a single person, family,
31 or unrelated persons living together whose adjusted income is more
32 than (~~eighty~~) 80 percent but is at or below (~~one hundred fifteen~~)
33 115 percent of the median family income adjusted for family size, for
34 the county, city, or metropolitan statistical area, where the project
35 is located, as reported by the United States department of housing
36 and urban development.

37 (11) "Multiple-unit housing" means a building or a group of
38 buildings having four or more dwelling units not designed or used as
39 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) "Owner" means the property owner of record.

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

10 (14) "Rehabilitation improvements" means modifications to
11 existing structures, that are vacant for (~~twelve~~) 12 months or
12 longer, that are made to achieve a condition of substantial
13 compliance with existing building codes or modification to existing
14 occupied structures which increase the number of multifamily housing
15 units.

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

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

24 ~~(17))~~ "Substantial compliance" means compliance with local
25 building or housing code requirements that are typically required for
26 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. 2.** RCW 84.14.020 and 2021 c 187 s 3 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~~) 10 successive years
7 beginning January 1st of the year immediately following the calendar
8 year of issuance of the certificate;

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;

15 (B) For (~~twelve~~) 12 successive years beginning January 1st of
16 the year 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~~) 12-year
20 exemption under this subsection, the applicant must commit to renting
21 or selling at least (~~twenty~~) 20 percent of the multifamily housing
22 units as affordable housing units to either low-income (~~and~~) or
23 moderate-income households, or both, and the property must satisfy
24 that commitment and any additional affordability and income
25 eligibility conditions adopted by the local government under this
26 chapter. In the case of projects intended exclusively for owner
27 occupancy, the local government must require the applicant to record
28 a covenant or deed restriction that ensures the affordability
29 requirements and other conditions of the exemption are met, and the
30 minimum requirement of this subsection (1) (a) (ii) (B) may be satisfied
31 solely through housing affordable to moderate-income households; or

32 (C) For 20 successive years beginning January 1st of the year
33 immediately following the calendar year of issuance of the
34 certificate, if the property otherwise qualifies for the exemption
35 under this chapter and meets the conditions in this subsection
36 (1) (a) (ii) (C). For the property to qualify for the 20-year exemption
37 under this subsection, the project must be located within one mile of
38 high capacity transit of at least 15 minute scheduled frequency, in a
39 city that has implemented (~~, as of July 25, 2021,~~) a mandatory
40 inclusionary zoning requirement for affordable housing that ensures

1 affordability of housing units for a period of at least 99 years and
2 that has a population of (~~no more than 65,000 as measured on July~~
3 ~~25, 2021~~) at least 15,000. To qualify for the exemption provided in
4 this subsection (1)(a)(ii)(C), the applicant must commit to renting
5 at least 20 percent of the dwelling units as affordable to low-income
6 households for a term of at least 99 years, and the property must
7 satisfy that commitment and all required affordability and income
8 eligibility conditions adopted by the local government under this
9 chapter. A city must require the applicant to record a covenant or
10 deed restriction that ensures the continuing rental of units subject
11 to these affordability requirements consistent with the conditions in
12 this subsection (1)(a)(ii)(C) for a period of no less than 99 years.
13 The covenant or deed restriction must also address criteria and
14 policies to maintain public benefit if the property is converted to a
15 use other than which continues to provide for permanently affordable
16 low-income housing consistent with this subsection (1)(a)(ii)(C); and
17 (iii) Until December 31, 2026, for a city as defined in RCW
18 84.14.010(3)(d), for 12 successive years beginning January 1st of the
19 year immediately following the calendar year of issuance of the
20 certificate, if the property otherwise qualifies for the exemption
21 under this chapter and meets the conditions in this subsection
22 (1)(a)(iii). For the property to qualify for the 12-year exemption
23 under this subsection, the applicant must commit to renting or
24 selling at least 20 percent of the multifamily housing units as
25 affordable housing units to either low-income (~~and~~) or moderate-
26 income households, or both, the property must satisfy that commitment
27 and any additional affordability and income eligibility conditions
28 adopted by the local government under this chapter, and the area must
29 be zoned to have an average minimum density equivalent to 15 dwelling
30 units or more per gross acre (~~(, or for cities with a population over~~
31 ~~20,000, the area must be zoned to have an average minimum density~~
32 ~~equivalent to 25 dwelling units or more per gross acre)). In the case~~
33 of projects intended exclusively for owner occupancy, the minimum
34 requirement of this subsection (1)(a)(iii) may be satisfied solely
35 through housing affordable to either low-income or moderate-income
36 households, or both.

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

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

13 (d) A county subject to the criteria for a residential targeted
14 area in RCW 84.14.040(1)(d)(ii) may not approve a certificate of tax
15 exemption eligibility for the eight-year exemption authorized under
16 (a)(ii)(A) of this subsection (1).

17 (2) When a local government adopts guidelines pursuant to RCW
18 84.14.030(2) and includes conditions that must be satisfied with
19 respect to individual dwelling units, rather than with respect to the
20 multiple-unit housing as a whole or some minimum portion thereof, the
21 exemption may, at the local government's discretion, be limited to
22 the value of the qualifying improvements allocable to those dwelling
23 units that meet the local guidelines.

24 (3) In the case of rehabilitation of existing buildings, the
25 exemption does not include the value of improvements constructed
26 prior to the submission of the application required under this
27 chapter. The incentive provided by this chapter is in addition to any
28 other incentives, tax credits, grants, or other incentives provided
29 by law.

30 (4) This chapter does not apply to increases in assessed
31 valuation made by the assessor on nonqualifying portions of building
32 and value of land nor to increases made by lawful order of a county
33 board of equalization, the department of revenue, or a county, to a
34 class of property throughout the county or specific area of the
35 county to achieve the uniformity of assessment or appraisal required
36 by law.

37 (5) At the conclusion of the exemption period, the value of the
38 new housing construction, conversion, or rehabilitation improvements
39 must be considered as new construction for the purposes of chapters

1 84.55 and 36.21 RCW as though the property was not exempt under this
2 chapter.

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

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

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

33 (b) If affordability requirements consistent, at a minimum, with
34 those required under subsection (1)(a)(ii)(B) or (iii) of this
35 section remain in place for the unit after the expiration of the
36 exemption, relocation assistance in an amount equal to one month's
37 rent must be provided to a qualified tenant within the final month of
38 a qualified tenant's lease who occupies an income-restricted unit at
39 the time those additional affordability requirements cease to apply
40 to the unit.

1 (9) For compliance with the affordability requirements of
2 subsection (1)(a)(ii)(B) or (C) or (a)(iii) of this section, a low-
3 income or moderate-income household that initially qualifies for an
4 income-restricted rental unit may continue to qualify as low-income
5 or moderate-income until their adjusted household income exceeds 150
6 percent of the established income limit.

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

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

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

23 (b) Until December 31, 2031, for a city as defined in RCW
24 84.14.010(3)(d), in any city the value of new housing construction,
25 conversion, and rehabilitation improvements qualifying under this
26 chapter is exempt from ad valorem property taxation, as follows: For
27 20 successive years beginning January 1st of the year immediately
28 following the calendar year of issuance of the certificate, if the
29 property otherwise qualifies for the exemption under this chapter and
30 meets the conditions in this section. For the property to qualify for
31 the 20-year exemption under this section, at least 25 percent of the
32 units must be sold to a qualified nonprofit or local government
33 partner that will assure permanent affordable homeownership. The
34 remaining 75 percent of units may be rented or sold at market rates.
35 The area must be zoned to have an average minimum density equivalent
36 to 15 dwelling units or more per gross acre(~~(, or for cities with a~~
37 ~~population over 20,000, the area must be zoned to have an average~~
38 ~~minimum density equivalent to 25 dwelling units or more per gross~~
39 ~~acre)).~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 **Sec. 4.** RCW 84.14.040 and 2021 c 187 s 4 are each amended to
4 read as follows:

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

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

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

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

18 (d) If the residential targeted area is designated by a county,
19 the area must be located in an unincorporated area of the county that
20 is within an urban growth area under RCW 36.70A.110 and the area must
21 be: (i) In a ~~((rural county, served by a sewer system and designated~~
22 ~~by a county prior to January 1, 2013; or (ii) in a)~~ county that
23 includes a campus of an institution of higher education, as defined
24 in RCW 28B.92.030, where at least ~~((one thousand two hundred))~~ 1,200
25 students live on campus during the academic year; ~~((and (iii) until~~
26 ~~July 15, 2024,))~~ or (ii) in a county seeking to promote transit
27 supportive densities and efficient land use in an area that is
28 located within a designated urban growth area and within ~~((-.25))~~ 0.5
29 miles of a corridor where bus service is scheduled at least ~~((every~~
30 ~~thirty minutes for no less than 10 hours per weekday))~~ 10 times per
31 day in each direction and is in service or is planned for service to
32 begin within five years of designation in a transit development plan
33 as required under RCW 35.58.2795; ((and))

34 (e) For a residential targeted area designated by a county after
35 July 25, 2021, the county governing authority must conduct an
36 evaluation of the risk of potential displacement of residents
37 currently living in the area if the tax incentives authorized in this
38 chapter were to be used in the area. The county may use an existing
39 analysis if one exists. An area may not be designated as a

1 residential targeted area unless: (i) The evaluation finds that the
2 risk of displacement is minimal; or (ii) the governing authority
3 mitigates the risk of displacement with locally adopted mitigation
4 measures such as, but not limited to, ensuring that those directly or
5 indirectly displaced have a first right of refusal to occupy the
6 newly created dwelling units receiving an exemption under this
7 chapter, including the affordable units if they otherwise meet the
8 qualifications; and

9 (f) For a residential targeted area designated by a city after
10 the effective date of this section, the city must determine that
11 designation of the area is in compliance with the antidisplacement
12 requirements in RCW 36.70A.070(2).

13 (2) For the purpose of designating a residential targeted area or
14 areas, the governing authority may adopt a resolution of intention to
15 so designate an area as generally described in the resolution. The
16 resolution must state the time and place of a hearing to be held by
17 the governing authority to consider the designation of the area and
18 may include such other information pertaining to the designation of
19 the area as the governing authority determines to be appropriate to
20 apprise the public of the action intended.

21 (3) The governing authority must give notice of a hearing held
22 under this chapter by publication of the notice once each week for
23 two consecutive weeks, not less than seven days, nor more than
24 (~~thirty~~) 30 days before the date of the hearing in a paper having a
25 general circulation in the city or county where the proposed
26 residential targeted area is located. The notice must state the time,
27 date, place, and purpose of the hearing and generally identify the
28 area proposed to be designated as a residential targeted area. The
29 governing authority must send a copy of the notice to all taxing
30 districts in the proposed residential targeted area.

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

36 (5) After designation of a residential targeted area, the
37 governing authority must adopt and implement standards and guidelines
38 to be utilized in considering applications and making the
39 determinations required under RCW 84.14.060. The standards and

1 guidelines must establish basic requirements for both new
2 construction and rehabilitation, which must include:

3 (a) Application process and procedures;

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

5 (c) Requirements that address demolition of existing structures
6 and site utilization; and

7 (d) Building requirements that may include elements addressing
8 parking, height, density, environmental impact, and compatibility
9 with the existing surrounding property and such other amenities as
10 will attract and keep permanent residents and that will properly
11 enhance the livability of the residential targeted area in which they
12 are to be located.

13 (6) (a) The governing authority may adopt and implement, either as
14 conditions to eight-year exemptions or as conditions to an extended
15 exemption period under RCW 84.14.020(1)(a)(ii) (B) or (C), or as
16 conditions to any combination of exemptions authorized under this
17 chapter, more stringent income eligibility, rent, or sale price
18 limits, including limits that apply to a higher percentage of units,
19 than the minimum conditions for an extended exemption period under
20 RCW 84.14.020(1)(a)(ii) (B) or (C).

21 (b) Additionally, a governing authority may adopt and implement
22 as a contractual prerequisite to any exemption granted pursuant to
23 RCW 84.14.020:

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

28 (ii) Payroll record requirements consistent with RCW
29 39.12.120(1);

30 (iii) Apprenticeship utilization requirements consistent with RCW
31 39.04.310; and

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

34 (7) For any multiunit housing located in an unincorporated area
35 of a county, a property owner seeking tax incentives under this
36 chapter must commit to renting or selling at least ~~((twenty))~~ 20
37 percent of the multifamily housing units as affordable housing units
38 to ~~((low and))~~ either low-income or moderate-income households, or
39 both. In the case of multiunit housing intended exclusively for owner
40 occupancy, the minimum requirement of this subsection (7) may be

1 satisfied solely through housing affordable to moderate-income
2 households.

3 (8) Nothing in this section prevents a governing authority from
4 adopting and implementing additional requirements to any exemption
5 granted under RCW 84.14.020.

6 (9) Before changing any adopted standards, guidelines,
7 requirements, or conditions under subsections (5) and (6) of this
8 section, the governing authority must notify all taxing districts in
9 the residential targeted area of the proposed changes.

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

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

14 (a) A minimum of four new units are being constructed or in the
15 case of occupied rehabilitation or conversion a minimum of four
16 additional multifamily units are being developed;

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

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

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

24 (e) The site is located in a residential targeted area of an
25 urban center or urban growth area that has been designated by the
26 governing authority in accordance with procedures and guidelines
27 indicated in RCW 84.14.040.

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

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

33 **Sec. 6.** RCW 84.14.070 and 2012 c 194 s 7 are each amended to
34 read as follows:

35 (1) The governing authority or an administrative official or
36 commission authorized by the governing authority must approve or deny
37 an application filed under this chapter within ~~((ninety))~~ 90 days
38 after receipt of the application.

1 (2) If the application is approved, the city or county must issue
2 the owner of the property a conditional certificate of acceptance of
3 tax exemption and submit a copy of the certificate to the county
4 assessor. The certificate must contain a statement by a duly
5 authorized administrative official of the governing authority that
6 the property has complied with the required findings indicated in RCW
7 84.14.060.

8 (3) If the application is denied by the authorized administrative
9 official or commission authorized by the governing authority, the
10 deciding administrative official or commission must state in writing
11 the reasons for denial and send the notice to the applicant at the
12 applicant's last known address within (~~ten~~) 10 days of the denial.

13 (4) Upon denial by a duly authorized administrative official or
14 commission, an applicant may appeal the denial to the governing
15 authority within (~~thirty~~) 30 days after receipt of the denial. The
16 appeal before the governing authority must be based upon the record
17 made before the administrative official with the burden of proof on
18 the applicant to show that there was no substantial evidence to
19 support the administrative official's decision. The decision of the
20 governing body in denying or approving the application is final.

21 **Sec. 7.** RCW 84.14.100 and 2021 c 187 s 5 are each amended to
22 read as follows:

23 (1) Thirty days after the anniversary of the date of the
24 certificate of tax exemption and each year for the tax exemption
25 period, the owner of the rehabilitated or newly constructed property,
26 or the qualified nonprofit or local government that will assure
27 permanent affordable homeownership for at least 25 percent of the
28 units for properties receiving an exemption under RCW 84.14.021, must
29 file with a designated authorized representative of the city or
30 county an annual report indicating the following:

31 (a) A statement of occupancy and vacancy of the rehabilitated or
32 newly constructed property during the (~~twelve~~) 12 months ending
33 with the anniversary date;

34 (b) A certification by the owner that the property has not
35 changed use and, if applicable, that the property has been in
36 compliance with the affordable housing requirements as described in
37 RCW 84.14.020 since the date of the certificate approved by the city
38 or county;

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

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

5 (2) All cities or counties, which issue certificates of tax
6 exemption for multiunit housing that conform to the requirements of
7 this chapter, must report annually by April 1st of each year,
8 beginning in 2007, to the department of commerce. A city or county
9 must be in compliance with the reporting requirements of this section
10 to offer certificates of tax exemption for multiunit housing
11 authorized in this chapter. The report must include the following
12 information:

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

14 (b) The total number and type of units produced or to be
15 produced;

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

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

19 (e) The total monthly rent or total sale amount of each unit
20 produced;

21 (f) The annual household income and household size for each of
22 the affordable units receiving a tax exemption and a summary of these
23 figures for the city or county; ~~((and))~~

24 (g) An analysis of the affordable units produced or to be
25 produced, including unit size, number of bedrooms, and income
26 requirements, and how the units will support the existing and
27 projected housing needs identified under RCW 36.70A.070(2)(a); and

28 (h) The value of the tax exemption for each project receiving a
29 tax exemption and the total value of tax exemptions granted.

30 (3)(a) The department of commerce must adopt and implement a
31 program to effectively audit or review that the owner or operator of
32 each property for which a certificate of tax exemption has been
33 issued, except for those properties receiving an exemption that are
34 owned or operated by a nonprofit or for those properties receiving an
35 exemption from a city or county that operates an independent audit or
36 review program, is offering the number of units at rents as committed
37 to in the approved application for an exemption and that the tenants
38 are being properly screened to be qualified for an income-restricted
39 unit. The audit or review program must be adopted in consultation
40 with local governments and other stakeholders and may be based on

1 auditing a percentage of income-restricted units or properties
2 annually. A private owner or operator of a property for which a
3 certificate of tax exemption has been issued under this chapter, must
4 be audited at least once every five years.

5 (b) If the review or audit required under (a) of this subsection
6 for a given property finds that the owner or operator is not offering
7 the number of units at rents as committed to in the approved
8 application or is not properly screening tenants for income-
9 restricted units, the department of commerce must notify the city or
10 county and the city or county must impose and collect a sliding scale
11 penalty not to exceed an amount calculated by subtracting the amount
12 of rents that would have been collected had the owner or operator
13 complied with their commitment from the amount of rents collected by
14 the owner or operator for the income-restricted units, with
15 consideration of the severity of the noncompliance. If a subsequent
16 review or audit required under (a) of this subsection for a given
17 property finds continued substantial noncompliance with the program
18 requirements, the exemption certificate must be canceled pursuant to
19 RCW 84.14.110(1)(a).

20 (c) The department of commerce may impose and collect a fee, not
21 to exceed the costs of the audit or review, from the owner or
22 operator of any property subject to an audit or review required under
23 (a) of this subsection.

24 (4) The department of commerce must provide guidance to cities
25 and counties, which issue certificates of tax exemption for multiunit
26 housing that conform to the requirements of this chapter, on best
27 practices in managing and reporting for the exemption programs
28 authorized under this chapter, including guidance for cities and
29 counties to collect and report demographic information for tenants of
30 units receiving a tax exemption under this chapter.

31 (5) This section expires January 1, 2058.

32 **Sec. 8.** RCW 84.14.110 and 2012 c 194 s 10 are each amended to
33 read as follows:

34 (1) If improvements have been exempted under this chapter, the
35 improvements continue to be exempted for the applicable period under
36 RCW 84.14.020, so long as they are not converted to another use and
37 continue to satisfy all applicable conditions. If the owner intends
38 to convert the multifamily development to another use, or if
39 applicable, if the owner intends to discontinue compliance with the

1 affordable housing requirements as described in RCW 84.14.020 or any
2 other condition to exemption, the owner must notify the assessor
3 within ~~((sixty))~~ 60 days of the change in use or intended
4 discontinuance. If, after a certificate of tax exemption has been
5 filed with the county assessor, the authorized representative of the
6 governing authority discovers that a portion of the property is
7 changed or will be changed to a use that is other than residential or
8 that housing or amenities no longer meet the requirements, including,
9 if applicable, affordable housing requirements, as previously
10 approved or agreed upon by contract between the city or county and
11 the owner and that the multifamily housing, or a portion of the
12 housing, no longer qualifies for the exemption, ~~((the tax exemption
13 must be canceled and))~~ the following must occur:

14 (a) ~~((i))~~ (i) Additional real property tax must be imposed upon the
15 value of the nonqualifying improvements in the amount that would
16 normally be imposed, plus a penalty must be imposed amounting to
17 ~~((twenty))~~ 20 percent. This additional tax is calculated based upon
18 the difference between the property tax paid and the property tax
19 that would have been paid if it had included the value of the
20 nonqualifying improvements dated back to the date that the
21 improvements were converted to a nonmultifamily use;

22 ~~((b))~~ (ii) The tax must include interest upon the amounts of
23 the additional tax at the same statutory rate charged on delinquent
24 property taxes from the dates on which the additional tax could have
25 been paid without penalty if the improvements had been assessed at a
26 value without regard to this chapter; and

27 ~~((c))~~ (iii) The additional tax owed together with interest and
28 penalty must become a lien on the land and attach at the time the
29 property or portion of the property is removed from multifamily use
30 or the amenities no longer meet applicable requirements, and has
31 priority to and must be fully paid and satisfied before a
32 recognizance, mortgage, judgment, debt, obligation, or responsibility
33 to or with which the land may become charged or liable. The lien may
34 be foreclosed upon expiration of the same period after delinquency
35 and in the same manner provided by law for foreclosure of liens for
36 delinquent real property taxes. An additional tax unpaid on its due
37 date is delinquent. From the date of delinquency until paid, interest
38 must be charged at the same rate applied by law to delinquent ad
39 valorem property taxes;

1 (b) If the owner or operator is not offering the number of units
2 at rents as committed to in the approved application or is not
3 properly screening tenants for income-restricted units, the city or
4 county may impose and collect a sliding scale penalty not to exceed
5 an amount calculated by subtracting the amount of rents that would
6 have been collected had the owner or operator complied with their
7 commitment from the amount of rents collected by the owner or
8 operator for the income-restricted units, with consideration of the
9 severity of the noncompliance. If the owner or operator is
10 subsequently found to be in substantial noncompliance with the
11 program requirements, the exemption certificate must be canceled
12 pursuant to subsection (a) of this section; or

13 (c) If the owner of an income-restricted unit intended solely for
14 owner occupancy causes a project to be out of compliance with any
15 conditions of the exemption, a city or county may implement a sliding
16 fee penalty and assign the highest penalty to the owner who caused
17 the project to be out of compliance and assign a lesser or no penalty
18 to the other owners. A city or county may also cancel the exemption
19 for the noncompliant unit only.

20 (2) Upon a determination that a tax exemption is to be canceled
21 for a reason stated in this section, the governing authority or
22 authorized representative must notify the record owner of the
23 property as shown by the tax rolls by mail, return receipt requested,
24 of the determination to cancel the exemption. The owner may appeal
25 the determination to the governing authority or authorized
26 representative, within (~~thirty~~) 30 days by filing a notice of
27 appeal with the clerk of the governing authority, which notice must
28 specify the factual and legal basis on which the determination of
29 cancellation is alleged to be erroneous. The governing authority or a
30 hearing examiner or other official authorized by the governing
31 authority may hear the appeal. At the hearing, all affected parties
32 may be heard and all competent evidence received. After the hearing,
33 the deciding body or officer must either affirm, modify, or repeal
34 the decision of cancellation of exemption based on the evidence
35 received. An aggrieved party may appeal the decision of the deciding
36 body or officer to the superior court under RCW 34.05.510 through
37 34.05.598.

38 (3) Upon determination by the governing authority or authorized
39 representative to terminate an exemption, the county officials having
40 possession of the assessment and tax rolls must correct the rolls in

1 the manner provided for omitted property under RCW 84.40.080. The
2 county assessor must make such a valuation of the property and
3 improvements as is necessary to permit the correction of the rolls.
4 The value of the new housing construction, conversion, and
5 rehabilitation improvements added to the rolls is considered as new
6 construction for the purposes of chapter 84.55 RCW. The owner may
7 appeal the valuation to the county board of equalization under
8 chapter 84.48 RCW and according to the provisions of RCW 84.40.038.
9 If there has been a failure to comply with this chapter, the property
10 must be listed as an omitted assessment for assessment years
11 beginning January 1 of the calendar year in which the noncompliance
12 first occurred, but the listing as an omitted assessment may not be
13 for a period more than three calendar years preceding the year in
14 which the failure to comply was discovered.

Passed by the House March 5, 2025.

Passed by the Senate April 15, 2025.

Approved by the Governor April 25, 2025.

Filed in Office of Secretary of State April 25, 2025.

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