

2 **2SSB 5387 - H COMM AMD NOT ADOPTED 4/13/95**

3 By Committee on Trade & Economic Development

4

5 Strike everything after the enacting clause and insert the  
6 following:

7 "NEW SECTION. **Sec. 1.** The legislature finds:

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

13 (2) That the lack of these sufficient residential opportunities has  
14 resulted in an underutilization of these areas as a place to live by  
15 permanent residents and such absence of permanent residents has  
16 contributed to the existence of vandalism, juvenile delinquency, the  
17 proclivity by some to commit crimes, unreported crimes, and a  
18 perception by a large segment of the public that some urban centers are  
19 unsafe or undesirable areas to visit or to inhabit after normal working  
20 hours;

21 (3) That the development of additional and desirable residential  
22 units in these urban centers that will attract and maintain a  
23 significant increase in the number of permanent residents in these  
24 areas will help to alleviate the detrimental conditions and social  
25 liability that tend to exist in the absence of a viable residential  
26 population and will help to achieve the planning goals mandated by the  
27 growth management act under RCW 36.70A.020, including, but not limited  
28 to, the encouragement of development in urban areas where adequate  
29 public facilities and services exist or can be provided in an efficient  
30 manner, the reduction of sprawl, the efficient utilization of multimode  
31 transportation systems, and the increased availability of housing to  
32 all economic segments of the population of this state;

33 (4) That planning solutions to solve the problems of urban sprawl  
34 often lack incentive and implementation techniques needed to encourage  
35 residential redevelopment in those urban centers lacking sufficient  
36 residential opportunities, and it is in the public interest and will

1 benefit, provide, and promote the public health, safety, and welfare to  
2 stimulate new or enhanced residential opportunities within urban  
3 centers through a tax incentive as provided by this chapter; and

4 (5) That in order to maximize the purpose of this chapter to  
5 provide needed livable and attractive places to live in urban centers  
6 and to achieve the objectives of the growth management act, it is  
7 necessary to allow for the maximum participation by cities in  
8 determining where the greatest need for increased residential  
9 opportunity exists within urban centers and the location,  
10 configuration, and amenities of such residential redevelopment which  
11 will best meet the objectives of this chapter and the growth management  
12 plan of a city adopted in conformance with the growth management act.

13 NEW SECTION. **Sec. 2.** It is the purpose of this chapter to  
14 encourage increased residential opportunities for individuals of all  
15 income levels in cities with a population of at least one hundred fifty  
16 thousand that are required to plan or choose to plan under the growth  
17 management act within urban centers where the legislative body of the  
18 affected city has found there is insufficient housing opportunities,  
19 and that a particular residential development or redevelopment is  
20 needed to properly advance the intent and purposes of this chapter. It  
21 is further the purpose of this chapter to stimulate the construction of  
22 new multifamily housing and the rehabilitation of existing vacant and  
23 underutilized buildings for multifamily housing in urban centers having  
24 insufficient housing opportunities that will increase and improve  
25 residential opportunities within these urban centers and that will  
26 assist in reducing urban sprawl, locating housing close to work  
27 locations, promoting land use patterns that support and encourage the  
28 use of public transit or other alternatives to automobile use and in  
29 making these urban centers a place where more people can, and will,  
30 live. To achieve these purposes, this chapter provides for special  
31 valuations for eligible improvements associated with multiunit housing  
32 in residentially deficient urban centers.

33 NEW SECTION. **Sec. 3.** Unless the context clearly requires  
34 otherwise, the definitions in this section apply throughout this  
35 chapter.

36 (1) "City" means a city with a population of at least one hundred  
37 fifty thousand located in a county planning under the growth management

1 act.

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

5 (3) "Growth management act" means chapter 36.70A RCW.

6 (4) "Multiple-unit housing" or "multifamily housing" means a  
7 building having four or more dwelling units not designed or used as  
8 transient accommodations and not including hotels and motels.  
9 Multifamily units may result from new construction or rehabilitated or  
10 conversion of vacant, underutilized, or substandard buildings to  
11 multifamily housing. At least twenty percent of the units may be set  
12 aside for households that earn no more than fifty percent of the median  
13 income or forty percent of the units may be set aside for households  
14 who earn no more than sixty percent of the median income, adjusted for  
15 household size.

16 (5) "Owner" means the property owner of record.

17 (6) "Permanent residential occupancy" means multiunit housing that  
18 provides either rental or owner occupancy on a nontransient basis.  
19 This includes owner-occupied or rental accommodation that is leased for  
20 a period of at least one month. This excludes hotels and motels that  
21 predominately offer rental accommodation on a daily or weekly basis.

22 (7) "Public benefit features" means amenities, uses, and other  
23 features of benefit to the public as may be locally designated.  
24 Examples include, but are not limited to, plazas, public open spaces,  
25 sidewalk surfacing, midblock connections, light standards, street level  
26 awnings, canopies or other weather protection features, street level  
27 retail uses, street furniture, pedestrian amenities, miniparks, tot  
28 lots, daycare centers, common meeting rooms, and other public  
29 amenities.

30 (8) "Rehabilitation improvements" means modifications made to  
31 existing structures that have been vacant for at least twelve months  
32 and failed to comply with one or more standards of the applicable state  
33 or local building or housing codes on or after the effective date of  
34 this section.

35 (9) "Residential targeted area" means an area within an urban  
36 center that has been designated by the governing authority as a  
37 residential targeted area in accordance with this chapter.

38 (10) "Substantial compliance" means compliance with local building  
39 or housing code requirements that are typically required for

1 rehabilitation as opposed to new construction.

2 (11) "Urban center" means a compact identifiable district where  
3 urban residents may obtain a variety of products and services. An  
4 urban center must contain:

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

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

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

13 NEW SECTION. **Sec. 4.** The provisions of this chapter relating to  
14 special valuation apply only to locally designated residential targeted  
15 areas of those cities planning under the growth management act.

16 NEW SECTION. **Sec. 5.** (1) The appraised value of new housing  
17 construction, conversion, rehabilitation improvements, and public  
18 benefit features qualifying under this chapter is exempt from ad  
19 valorem property taxation, for ten successive years beginning January  
20 1 of the year immediately following the calendar year after issuance of  
21 the certificate of tax exemption eligibility. However, the exemption  
22 does not include the value of land or nonhousing-related improvements  
23 not qualifying under this chapter.

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

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

35 NEW SECTION. **Sec. 6.** An owner of property making application  
36 under this chapter must meet the following requirements:

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

3 (2) The multiple-unit housing must meet the guidelines as adopted  
4 by the governing authority that may include height, density, public  
5 benefit features, number and size of proposed development, parking,  
6 design, and other adopted requirements indicated necessary by the city.  
7 The required amenities should be relative to the size of the project  
8 and tax benefit to be obtained. The governing authority may determine  
9 design and other criteria necessary for the new or rehabilitated  
10 multihousing unit to attract and keep permanent residents and to  
11 properly enhance the appearance and livability of the residential  
12 targeted area in which it is to be located;

13 (3) The new, converted, or rehabilitated multiple-unit housing must  
14 provide for a minimum of fifty percent of the space for permanent  
15 residential occupancy. At least twenty percent of the units may be set  
16 aside for households that earn no more than fifty percent of the median  
17 income or forty percent of the units may be set aside for households  
18 who earn no more than sixty percent of the median income, adjusted for  
19 household size;

20 (4) New construction of multifamily housing and rehabilitation  
21 improvements must be completed within three years from the date of  
22 approval of the application;

23 (5) Property proposed to be rehabilitated must be vacant at least  
24 twelve months before submitting an application and fail to comply with  
25 one or more standards of the applicable state or local building or  
26 housing codes on or after the effective date of this section;

27 (6) The applicant must enter into a contract with the city approved  
28 by the governing body under which the applicant has agreed to the  
29 implementation of the development on terms and conditions satisfactory  
30 to the governing authority; and

31 (7) The applicant must not have received an exemption under this  
32 chapter for this multiunit housing project.

33 NEW SECTION. **Sec. 7.** (1) The following criteria must be met  
34 before an area may be designated as a residential targeted area:

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

37 (b) The area must lack, as determined by the governing authority,  
38 sufficient available, desirable, and convenient residential housing for

1 persons of all incomes to meet the needs of the public who would be  
2 likely to live in the urban center, if the desirable, attractive, and  
3 livable places to live were available; and

4 (c) The providing of additional housing opportunity in the area, as  
5 determined by the governing authority, will assist in achieving one or  
6 more of the stated purposes of this chapter.

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

15 (3) The governing authority shall give notice of a hearing held  
16 under this chapter by publication of the notice once each week for two  
17 consecutive weeks, not less than seven days, nor more than thirty days  
18 before the date of the hearing in a paper having a general circulation  
19 in the city where the proposed residential targeted area is located.  
20 The notice must state the time, date, place, and purpose of the hearing  
21 and generally identify the area proposed to be designated as a  
22 residential targeted area.

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

28 (5) After designation of a residential targeted area, the governing  
29 authority shall adopt standards and guidelines to be utilized in  
30 considering applications and making the determinations required under  
31 section 9 of this act. The standards and guidelines must establish  
32 basic requirements for both new construction and rehabilitation  
33 including application process and procedures. These guidelines may  
34 include the following:

35 (a) Requirements that address demolition of existing structures and  
36 site utilization;

37 (b) Building design requirements that may include elements  
38 addressing aesthetics, parking, height, density, environmental impact,  
39 public benefit features, and compatibility with the existing

1 surrounding property and such other amenities as will attract and keep  
2 permanent residents and that will properly enhance the appearance and  
3 livability of the residential targeted area in which they are to be  
4 located; and

5 (c) Provision for providing public benefit features and continued  
6 use of public facilities constructed.

7 NEW SECTION. **Sec. 8.** An owner of property seeking tax incentives  
8 under this chapter must complete the following procedures:

9 (1) In the case of rehabilitation or where demolition or new  
10 construction is required, the owner shall secure from the governing  
11 authority or duly authorized agent, before commencement of  
12 rehabilitation improvements or new construction, verification of  
13 property noncompliance with applicable building and housing codes;

14 (2) In the case of new and rehabilitated multifamily housing, the  
15 owner shall apply to the city on forms adopted by the governing  
16 authority. The application must contain the following:

17 (a) Information setting forth the grounds supporting the requested  
18 exemption including information indicated on the application form or in  
19 the guidelines;

20 (b) A description of the project and site plan, including location  
21 of public facilities, floor plan of units, and other information  
22 requested;

23 (c) A statement that the applicant is aware of the potential tax  
24 liability involved when the property ceases to be eligible for the  
25 incentive provided under this chapter;

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

28 (4) The application must be made on or before April 1 and must be  
29 accompanied by the application fee, if any, required under section 10  
30 of this act. The governing authority may permit the applicant to  
31 revise an application before final action by the governing authority.

32 NEW SECTION. **Sec. 9.** The duly authorized administrative official  
33 or committee of the city may approve the application if it finds that:

34 (1) The owner has agreed to include in the new construction or  
35 rehabilitation of housing one or more public benefit features;

36 (2) A minimum of four units are being constructed or rehabilitated;

37 (3) The proposed project is or will be, at the time of completion,

1 in conformance with all local plans and regulations that apply at the  
2 time the application is approved;

3 (4) The owner has complied with all standards and guidelines  
4 adopted by the city under this chapter; and

5 (5) The site is located in a residential targeted area of an urban  
6 center that has been designated by the governing authority in  
7 accordance with procedures and guidelines indicated in section 7 of  
8 this act.

9 NEW SECTION. **Sec. 10.** (1) The governing authority or an  
10 administrative official or commission authorized by the governing  
11 authority shall approve or deny an application filed under this chapter  
12 within ninety days after receipt of the application.

13 (2) If the application is approved, the city shall issue the owner  
14 of the property a conditional certificate of acceptance of tax  
15 exemption. The certificate must contain a statement by a duly  
16 authorized administrative official of the governing authority that the  
17 property has complied with the required findings indicated in section  
18 8 of this act.

19 (3) If the application is denied by the authorized administrative  
20 official or commission authorized by the governing authority, the  
21 deciding administrative official or commission shall state in writing  
22 the reasons for denial and send the notice to the applicant at the  
23 applicant's last known address within ten days of the denial.

24 (4) Upon denial by a duly authorized administrative official or  
25 commission, an applicant may appeal the denial to the governing  
26 authority within thirty days after receipt of the denial. The appeal  
27 before the governing authority will be based upon the record made  
28 before the administrative official with the burden of proof on the  
29 applicant to show that there was no substantial evidence to support the  
30 administrative official's decision. The decision of the governing body  
31 in denying or approving the application is final.

32 NEW SECTION. **Sec. 11.** The governing authority may establish an  
33 application fee. This fee may not exceed an amount determined to be  
34 required to cover the cost to be incurred by the governing authority  
35 and the assessor in administering this chapter. The application fee  
36 must be paid at the time the application for limited exemption is  
37 filed. If the application is approved, the governing authority shall



1 pay the application fee to the county assessor for deposit in the  
2 county current expense fund, after first deducting that portion of the  
3 fee attributable to its own administrative costs in processing the  
4 application. If the application is denied, the governing authority  
5 shall retain that portion of the application fee attributable to its  
6 own administrative costs and refund the balance to the applicant.

7 NEW SECTION. **Sec. 12.** (1) Upon completion of rehabilitation or  
8 new construction for which an application for limited exemption under  
9 this chapter has been approved and after issuance of the certificate of  
10 occupancy, the owner shall file with the city the following:

11 (a) A statement of the amount of rehabilitation or construction  
12 expenditures made with respect to each housing unit and the composite  
13 expenditures made in the rehabilitation or construction of the entire  
14 property;

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

19 (c) A statement that the work has been completed within three years  
20 of the issuance of the conditional certificate of tax exemption.

21 (2) Within thirty days after receipt of the statements required  
22 under subsection (1) of this section, the authorized representative of  
23 the city shall determine whether the work completed is consistent with  
24 the application and the contract approved by the governing authority  
25 and is qualified for limited exemption under this chapter. The city  
26 shall also determine which specific improvements completed meet the  
27 requirements and required findings.

28 (3) If the rehabilitation, conversion, or construction is completed  
29 within three years of the date the application for limited exemption is  
30 filed under this chapter, or within an authorized extension of this  
31 time limit, and the authorized representative of the city determines  
32 that improvements were constructed consistent with the application and  
33 other applicable requirements and the owner's property is qualified for  
34 limited exemption under this chapter, the city shall file the  
35 certificate of tax exemption with the county assessor within ten days  
36 of the expiration of the thirty-day period provided under subsection  
37 (2) of this section. The county assessor shall determine the appraised  
38 value of the improvements eligible for the tax exemption under this

1 chapter.

2 (4) The authorized representative of the city shall notify the  
3 applicant that a certificate of tax exemption is not going to be filed  
4 if the representative determines that:

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

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

10 (c) The owner's property is otherwise not qualified for limited  
11 exemption under this chapter.

12 (5) If the authorized representative of the city finds that  
13 construction or rehabilitation of multiple-unit housing was not  
14 completed within the required time period due to circumstances beyond  
15 the control of the owner and that the owner has been acting and could  
16 reasonably be expected to act in good faith and with due diligence, the  
17 governing authority or the city official authorized by the governing  
18 authority may extend the deadline for completion of construction or  
19 rehabilitation for a period not to exceed twenty-four consecutive  
20 months.

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

33 NEW SECTION. **Sec. 13.** (1) Within thirty days of the anniversary  
34 of the date of the certificate of tax exemption and each year for a  
35 period of ten years, the owner of the rehabilitated or newly  
36 constructed property shall file with a designated agent of the city an  
37 annual report indicating the following:

38 (a) A statement of occupancy and vacancy of the rehabilitated or

1 newly constructed property during the previous twelve months ending  
2 with the anniversary date;

3 (b) A certification by the owner that the property has not changed  
4 use since the date of the certificate approved by the city;

5 (c) A certification that all public amenities and improvements are  
6 still available for use by the public;

7 (d) A description of changes or improvements constructed after  
8 issuance of the certificate of tax exemption; and

9 (e) For applicable projects, a certification of income eligibility  
10 for low-income tenants inhabiting the rehabilitated or newly  
11 constructed housing units during the previous twelve months.

12 (2) The designated agent of the city shall forward a copy of the  
13 annual report to the county assessor.

14 NEW SECTION. **Sec. 14.** (1) If improvements have been exempted  
15 under this chapter, the improvements continue to be exempted and not be  
16 converted to another use for at least ten years from date of issuance  
17 of the certificate of tax exemption. If the owner intends to convert  
18 the multifamily development to another use, the owner shall notify the  
19 assessor within sixty days of the change in use. If, after a  
20 certificate of tax exemption has been filed with the county assessor  
21 the city or assessor or agent discovers that a portion of the property  
22 is changed or will be changed to a use that is other than residential  
23 or that housing or amenities no longer meet the requirements as  
24 previously approved or agreed upon by contract between the governing  
25 authority and the owner and that the multifamily housing, or a portion  
26 of the housing, no longer qualifies for the exemption, the tax  
27 exemption must be canceled and the following must occur:

28 (a) Additional real property tax must be imposed upon the value of  
29 the nonqualifying improvements in the amount that would normally be  
30 imposed, plus a penalty amounting to twenty percent. The tax shall be  
31 imposed on the value of the improvement at the time the tax exemption  
32 certificate was issued. This additional tax is calculated based upon  
33 the difference between the property tax paid and the property tax that  
34 would have been paid if it had included the value of the nonqualifying  
35 improvements dated back to the date that the improvements were  
36 converted to a nonmultifamily use;

37 (b) The tax must include interest upon the amounts of the  
38 additional tax at the same statutory rate charged on delinquent

1 property taxes from the dates on which the additional tax could have  
2 been paid without penalty if the improvements had been assessed at a  
3 value without regard to this chapter; and

4 (c) The additional tax owed together with interest and penalty must  
5 become a lien on the land and attach at the time the property or  
6 portion of the property is removed from multifamily use or the  
7 amenities no longer meet applicable requirements, and has priority to  
8 and must be fully paid and satisfied before a recognizance, mortgage,  
9 judgment, debt, obligation, or responsibility to or with which the land  
10 may become charged or liable. The lien may be foreclosed upon  
11 expiration of the same period after delinquency and in the same manner  
12 provided by law for foreclosure of liens for delinquent real property  
13 taxes. An additional tax unpaid on its due date is delinquent. From  
14 the date of delinquency until paid, interest must be charged at the  
15 same rate applied by law to delinquent ad valorem property taxes.

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

32 (3) Upon determination by the governing authority or authorized  
33 representative to terminate an exemption, the county officials having  
34 possession of the assessment and tax rolls shall correct the rolls in  
35 the manner provided for omitted property under RCW 84.40.080. The  
36 county assessor shall make such a valuation of the property and  
37 improvements as is necessary to permit the correction of the rolls.  
38 The owner may appeal the valuation to the county board of equalization  
39 under chapter 84.48 RCW. If there has been a failure to comply with

1 this chapter, the property must be listed as an omitted assessment for  
2 assessment years beginning January 1 of the calendar year in which the  
3 noncompliance first occurred, but the listing as an omitted assessment  
4 may not be for a period more than three calendar years preceding the  
5 year in which the failure to comply was discovered.

6 NEW SECTION. **Sec. 15.** If any provision of this act or its  
7 application to any person or circumstance is held invalid, the  
8 remainder of the act or the application of the provision to other  
9 persons or circumstances is not affected.

10 NEW SECTION. **Sec. 16.** Sections 1 through 15 of this act shall  
11 constitute a new chapter in Title 84 RCW."

12 **2SSB 5387** - H COMM AMD  
13 By Committee on Trade & Economic Development

14  
15 On page 1, line 2 of the title, after "centers;" strike the  
16 remainder of the title and insert "and adding a new chapter to Title 84  
17 RCW."

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