
BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: H-4496.2/02 2nd draft

ATTY/TYPIST: JM:ads

BRIEF DESCRIPTION:

2 **2ESB 5872** - H COMM AMD
3 By Committee on Finance

4

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

7 "Sec. 1. RCW 84.14.010 and 2000 c 242 s 1 are each amended to read
8 as follows:

9 Unless the context clearly requires otherwise, the definitions in
10 this section apply throughout this chapter.

11 (1) "City" means either (a) a city or town with a population of at
12 least ((fifty)) thirty thousand or (b) the largest city or town, if
13 there is no city or town with a population of at least ((fifty)) thirty
14 thousand, located in a county planning under the growth management act.

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

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

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

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

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

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

1 (8) "Residential targeted area" means an area within an urban
2 center that has been designated by the governing authority as a
3 residential targeted area in accordance with this chapter.

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

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

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

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

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

18 **Sec. 2.** RCW 84.14.020 and 1999 c 132 s 1 are each amended to read
19 as follows:

20 (1) The value of new housing construction, conversion, and
21 rehabilitation improvements qualifying under this chapter is exempt
22 from ad valorem property taxation, for ten successive years beginning
23 January 1 of the year immediately following the calendar year of
24 issuance of the certificate of tax exemption eligibility. However, the
25 exemption does not include the value of land or nonhousing-related
26 improvements not qualifying under this chapter. When a local
27 government adopts guidelines pursuant to RCW 84.14.030(2) and the
28 qualifying dwelling units are each on separate parcels for the purpose
29 of property taxation, the exemption may, at the local government's
30 discretion, be limited to those dwelling units that meet the local
31 guidelines.

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

37 (3) This chapter does not apply to increases in assessed valuation
38 made by the assessor on nonqualifying portions of building and value of

1 land nor to increases made by lawful order of a county board of
2 equalization, the department of revenue, or a county, to a class of
3 property throughout the county or specific area of the county to
4 achieve the uniformity of assessment or appraisal required by law.

5 (4) At the conclusion of the ten-year exemption period, the new or
6 rehabilitated housing cost shall be considered as new construction for
7 the purposes of chapter 84.55 RCW.

8 **Sec. 3.** RCW 84.14.110 and 2001 c 185 s 1 are each amended to read
9 as follows:

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

24 (a) Additional real property tax must be imposed upon the value of
25 the nonqualifying improvements in the amount that would normally be
26 imposed, plus a penalty must be imposed amounting to twenty percent.
27 This additional tax is calculated based upon the difference between the
28 property tax paid and the property tax that would have been paid if it
29 had included the value of the nonqualifying improvements dated back to
30 the date that the improvements were converted to a nonmultifamily use;

31 (b) The tax must include interest upon the amounts of the
32 additional tax at the same statutory rate charged on delinquent
33 property taxes from the dates on which the additional tax could have
34 been paid without penalty if the improvements had been assessed at a
35 value without regard to this chapter; and

36 (c) The additional tax owed together with interest and penalty must
37 become a lien on the land and attach at the time the property or
38 portion of the property is removed from multifamily use or the

1 amenities no longer meet applicable requirements, and has priority to
2 and must be fully paid and satisfied before a recognizance, mortgage,
3 judgment, debt, obligation, or responsibility to or with which the land
4 may become charged or liable. The lien may be foreclosed upon
5 expiration of the same period after delinquency and in the same manner
6 provided by law for foreclosure of liens for delinquent real property
7 taxes. An additional tax unpaid on its due date is delinquent. From
8 the date of delinquency until paid, interest must be charged at the
9 same rate applied by law to delinquent ad valorem property taxes.

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

26 (3) Upon determination by the governing authority or authorized
27 representative to terminate an exemption, the county officials having
28 possession of the assessment and tax rolls shall correct the rolls in
29 the manner provided for omitted property under RCW 84.40.080. The
30 county assessor shall make such a valuation of the property and
31 improvements as is necessary to permit the correction of the rolls.
32 The value of the new housing construction, conversion, and
33 rehabilitation improvements added to the rolls shall be considered as
34 new construction for the purposes of chapter 84.55 RCW. The owner may
35 appeal the valuation to the county board of equalization under chapter
36 84.48 RCW and according to the provisions of RCW 84.40.038. If there
37 has been a failure to comply with this chapter, the property must be
38 listed as an omitted assessment for assessment years beginning January
39 1 of the calendar year in which the noncompliance first occurred, but

1 the listing as an omitted assessment may not be for a period more than
2 three calendar years preceding the year in which the failure to comply
3 was discovered."

4 Correct the title.

EFFECT: Reduces the minimum city population cap from 50,000 to 30,000 for the multifamily housing property tax exemption program. Counts the cost of the rehabilitation or construction as new construction when calculating the maximum district property tax amount at the time the property is no longer exempt.

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