
SUBSTITUTE HOUSE BILL 2466

State of Washington

57th Legislature

2002 Regular Session

By House Committee on Finance (originally sponsored by Representatives Morell, Kirby, Edwards, Darneille, Van Luven, Anderson, Simpson, Talcott, Hunt, Esser, Ahern, Carrell, Jarrett, Bush, Boldt, Casada and Woods)

Read first time 02/11/2002. Referred to Committee on .

1 AN ACT Relating to the multiple-unit dwellings property tax
2 exemption; and amending RCW 84.14.010, 84.14.020, and 84.14.110.

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

4 **Sec. 1.** RCW 84.14.010 and 2000 c 242 s 1 are each amended to read
5 as follows:

6 Unless the context clearly requires otherwise, the definitions in
7 this section apply throughout this chapter.

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

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

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

16 (4) "Multiple-unit housing" means a building having four or more
17 dwelling units not designed or used as transient accommodations and not
18 including hotels and motels. Multifamily units may result from new

1 construction or rehabilitated or conversion of vacant, underutilized,
2 or substandard buildings to multifamily housing.

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

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

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

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

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

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

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

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

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

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

33 (1) The value of new housing construction, conversion, and
34 rehabilitation improvements qualifying under this chapter is exempt
35 from ad valorem property taxation, for ten successive years beginning
36 January 1 of the year immediately following the calendar year of
37 issuance of the certificate of tax exemption eligibility. However, the
38 exemption does not include the value of land or nonhousing-related

1 improvements not qualifying under this chapter. When a local
2 government adopts guidelines pursuant to RCW 84.14.030(2) and the
3 qualifying dwelling units are each on separate parcels for the purpose
4 of property taxation, the exemption may, at the local government's
5 discretion, be limited to those dwelling units that meet the local
6 guidelines.

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

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

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

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

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

37 (a) Additional real property tax must be imposed upon the value of
38 the nonqualifying improvements in the amount that would normally be

1 imposed, plus a penalty must be imposed amounting to twenty percent.
2 This additional tax is calculated based upon the difference between the
3 property tax paid and the property tax that would have been paid if it
4 had included the value of the nonqualifying improvements dated back to
5 the date that the improvements were converted to a nonmultifamily use;

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

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

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

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

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