
ENGROSSED SENATE BILL 5872

State of Washington

57th Legislature

2001 Regular Session

By Senators Prentice, Kohl-Welles, Kline and Fairley

Read first time 02/06/2001. Referred to Committee on Labor, Commerce & Financial Institutions.

1 AN ACT Relating to the property tax exemption for new or
2 rehabilitated multiple-unit dwellings; and amending RCW 84.14.020,
3 84.14.030, and 84.14.110.

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

5 **Sec. 1.** RCW 84.14.020 and 1999 c 132 s 1 are each amended to read
6 as follows:

7 (1) The value of new housing construction, conversion, and
8 rehabilitation improvements qualifying under this chapter is
9 exempt from ad valorem property taxation, for ten successive years
10 beginning January 1 of the year immediately following the calendar
11 year of issuance of the certificate of tax exemption eligibility.
12 However, the exemption does not include the value of land or
13 nonhousing-related improvements not qualifying under this
14 chapter. When a governing authority adopts guidelines pursuant to
15 RCW 84.14.030(2) and the qualifying dwelling units are
16 condominiums or townhouses, the exemption may, at the local
17 governing authority's discretion, be limited to those dwelling
18 units that meet the local low-income or moderate-income occupancy

1 requirements.

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

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

15 **Sec. 2.** RCW 84.14.030 and 1997 c 429 s 42 are each amended to read
16 as follows:

17 An owner of property making application under this chapter must
18 meet the following requirements:

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

21 (2) The multiple-unit housing must meet the guidelines as
22 adopted by the governing authority that may include height,
23 density, public benefit features, number and size of proposed
24 development, parking, low-income or moderate-income occupancy
25 requirements, and other adopted requirements indicated necessary
26 by the city. The required amenities should be relative to the size
27 of the project and tax benefit to be obtained. The governing
28 authority may also elect by guideline whether, in the case of
29 qualifying dwelling units are condominiums or townhouses, the
30 exemption will be limited to those dwelling units that meet the
31 local low-income or moderate-income occupancy requirements;

32 (3) The new, converted, or rehabilitated multiple-unit housing
33 must provide for a minimum of fifty percent of the space for
34 permanent residential occupancy. In the case of existing occupied
35 multifamily development, the multifamily housing must also provide
36 for a minimum of four additional multifamily units. Existing

1 multifamily vacant housing that has been vacant for twelve months
2 or more does not have to provide additional multifamily units;

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

6 (5) Property proposed to be rehabilitated must be vacant at
7 least twelve months before submitting an application and fail to
8 comply with one or more standards of the applicable state or local
9 building or housing codes on or after July 23, 1995; and

10 (6) The applicant must enter into a contract with the city
11 approved by the governing body under which the applicant has
12 agreed to the implementation of the development on terms and
13 conditions satisfactory to the governing authority.

14 **Sec. 3.** RCW 84.14.110 and 1995 c 375 s 14 are each amended to read
15 as follows:

16 (1) If improvements have been exempted under this chapter, the
17 improvements continue to be exempted and may not be converted to
18 another use for at least ten years from date of issuance of the
19 certificate of tax exemption. If the owner intends to convert the
20 multifamily development to another use or intends or anticipates
21 that the multifamily development may no longer qualify for the
22 exemption under this chapter or guidelines adopted by the
23 governing authority pursuant to RCW 84.14.030, the owner shall
24 notify the assessor and the governing authority within sixty days
25 of the change in use or other event terminating qualification for
26 the exemption. If, after a certificate of tax exemption has been
27 filed with the county assessor the city or assessor or agent
28 discovers that a portion of the property is changed or will be
29 changed to a use that is other than residential or that housing or
30 amenities no longer meet the requirements as previously approved
31 or agreed upon by contract between the governing authority and the
32 owner and that the multifamily housing, or a portion of the
33 housing, no longer qualifies for the exemption, the tax exemption
34 must be canceled and the following must occur:

35 (a) Additional real property tax must be imposed upon the value
36 of the nonqualifying improvements in the amount that would
37 normally be imposed, plus a penalty must be imposed amounting to

1 twenty percent. This additional tax is calculated based upon the
2 difference between the property tax paid and the property tax that
3 would have been paid if it had included the value of the
4 nonqualifying improvements dated back to the date that the
5 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
9 have been paid without penalty if the improvements had been
10 assessed at a value without regard to this chapter; and

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

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

1 aggrieved party may appeal the decision of the deciding body or
2 officer to the superior court under RCW 34.05.510 through
3 34.05.598.

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

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