
SECOND ENGROSSED SENATE BILL 5872

State of Washington

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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 exempt
9 from ad valorem property taxation, for ten successive years beginning
10 January 1 of the year immediately following the calendar year of
11 issuance of the certificate of tax exemption eligibility. However, the
12 exemption does not include the value of land or nonhousing-related
13 improvements not qualifying under this chapter. When a governing
14 authority adopts guidelines pursuant to RCW 84.14.030(2) and the
15 qualifying dwelling units are or will be segregated into separate tax
16 parcels for sale as condominiums or another form of individual
17 ownership, the exemption may, at the local governing authority's
18 discretion, be limited to those dwelling units that meet the local low-
19 income or moderate-income occupancy requirements.

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

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

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

14 An owner of property making application under this chapter must
15 meet the following requirements:

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

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

30 (3) The new, converted, or rehabilitated multiple-unit housing must
31 provide for a minimum of fifty percent of the space for permanent
32 residential occupancy. In the case of existing occupied multifamily
33 development, the multifamily housing must also provide for a minimum of
34 four additional multifamily units. Existing multifamily vacant housing
35 that has been vacant for twelve months or more does not have to provide
36 additional multifamily units;

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

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

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

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

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

32 (a) Additional real property tax must be imposed upon the value of
33 the nonqualifying improvements in the amount that would normally be
34 imposed, plus a penalty must be imposed amounting to twenty percent.
35 This additional tax is calculated based upon the difference between the
36 property tax paid and the property tax that would have been paid if it
37 had included the value of the nonqualifying improvements dated back to
38 the date that the improvements were converted to a nonmultifamily use;

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

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

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

34 (3) Upon determination by the governing authority or authorized
35 representative to terminate an exemption, the county officials having
36 possession of the assessment and tax rolls shall correct the rolls in
37 the manner provided for omitted property under RCW 84.40.080. The
38 county assessor shall make such a valuation of the property and
39 improvements as is necessary to permit the correction of the rolls.

1 The owner may appeal the valuation to the county board of equalization
2 under chapter 84.48 RCW. If there has been a failure to comply with
3 this chapter, the property must be listed as an omitted assessment for
4 assessment years beginning January 1 of the calendar year in which the
5 noncompliance first occurred, but the listing as an omitted assessment
6 may not be for a period more than three calendar years preceding the
7 year in which the failure to comply was discovered.

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