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SENATE BILL 5872

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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 have been  
16 segregated for the purpose of property taxation, the exemption  
17 may, at the local governing authority's discretion, be limited to  
18 those dwelling units that meet the local low-income or moderate-

1 income occupancy 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 that have been segregated for the  
30 purpose of property taxation, the exemption will be limited to  
31 those dwelling units that meet the local low-income or  
32 moderate-income occupancy requirements;

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

1 for a minimum of four additional multifamily units. Existing  
2 multifamily vacant housing that has been vacant for twelve months  
3 or more does not have to provide additional multifamily units;

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

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

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

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

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

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

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

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

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

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

1 cancellation of exemption based on the evidence received. An  
2 aggrieved party may appeal the decision of the deciding body or  
3 officer to the superior court under RCW 34.05.510 through  
4 34.05.598.

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

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