

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1910**

60th Legislature  
2007 Regular Session

Passed by the House April 14, 2007  
Yeas 63 Nays 31

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**Speaker of the House of Representatives**

Passed by the Senate April 9, 2007  
Yeas 41 Nays 2

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1910** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1910

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AS AMENDED BY THE SENATE

Passed Legislature - 2007 Regular Session

State of Washington                      60th Legislature                      2007 Regular Session

By            House    Committee    on    Finance    (originally    sponsored    by  
Representatives    Ormsby,    Fromhold,    Miloscia,    Dunshee,    Kenney,  
Appleton, Darneille, Hasegawa and Morrell)

READ FIRST TIME 03/05/07.

1            AN ACT Relating to tax incentives for certain multiple-unit  
2 dwellings in urban centers that provide affordable housing; amending  
3 RCW 84.14.005, 84.14.007, 84.14.010, 84.14.020, 84.14.030, 84.14.040,  
4 84.14.050, 84.14.060, 84.14.090, 84.14.100, and 84.14.110; and  
5 declaring an emergency.

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

7            **Sec. 1.** RCW 84.14.005 and 1995 c 375 s 1 are each amended to read  
8 as follows:

9            The legislature finds:

10            (1) That in many of Washington's urban centers there is  
11 insufficient availability of desirable and convenient residential  
12 units, including affordable housing units, to meet the needs of a  
13 growing number of the public who would live in these urban centers if  
14 these desirable, convenient, attractive, affordable, and livable places  
15 to live were available;

16            (2) That the development of additional and desirable residential  
17 units, including affordable housing units, in these urban centers that  
18 will attract and maintain a significant increase in the number of  
19 permanent residents in these areas will help to alleviate the

1 detrimental conditions and social liability that tend to exist in the  
2 absence of a viable mixed income residential population and will help  
3 to achieve the planning goals mandated by the growth management act  
4 under RCW 36.70A.020; and

5 (3) That planning solutions to solve the problems of urban sprawl  
6 often lack incentive and implementation techniques needed to encourage  
7 residential redevelopment in those urban centers lacking a sufficient  
8 variety of residential opportunities, and it is in the public interest  
9 and will benefit, provide, and promote the public health, safety, and  
10 welfare to stimulate new or enhanced residential opportunities,  
11 including affordable housing opportunities, within urban centers  
12 through a tax incentive as provided by this chapter.

13 **Sec. 2.** RCW 84.14.007 and 1995 c 375 s 2 are each amended to read  
14 as follows:

15 It is the purpose of this chapter to encourage increased  
16 residential opportunities, including affordable housing opportunities,  
17 in cities that are required to plan or choose to plan under the growth  
18 management act within urban centers where the ~~((legislative body))~~  
19 governing authority of the affected city has found there is  
20 insufficient housing opportunities, including affordable housing  
21 opportunities. It is further the purpose of this chapter to stimulate  
22 the construction of new multifamily housing and the rehabilitation of  
23 existing vacant and underutilized buildings for multifamily housing in  
24 urban centers having insufficient housing opportunities that will  
25 increase and improve residential opportunities, including affordable  
26 housing opportunities, within these urban centers. To achieve these  
27 purposes, this chapter provides for special valuations in residentially  
28 deficient urban centers for eligible improvements associated with  
29 multiunit housing ~~((in residentially deficient urban centers))~~, which  
30 includes affordable housing.

31 **Sec. 3.** RCW 84.14.010 and 2002 c 146 s 1 are each amended to read  
32 as follows:

33 Unless the context clearly requires otherwise, the definitions in  
34 this section apply throughout this chapter.

35 (1) "City" means either (a) a city or town with a population of at  
36 least ~~((thirty))~~ fifteen thousand ~~((or))~~, (b) the largest city or town,

1 if there is no city or town with a population of at least (~~thirty~~)  
2 fifteen thousand, located in a county planning under the growth  
3 management act, or (c) a city or town with a population of at least  
4 five thousand located in a county subject to the provisions of RCW  
5 36.70A.215.

6 (2) "Affordable housing" means residential housing that is rented  
7 by a person or household whose monthly housing costs, including  
8 utilities other than telephone, do not exceed thirty percent of the  
9 household's monthly income. For the purposes of housing intended for  
10 owner occupancy, "affordable housing" means residential housing that is  
11 within the means of low or moderate-income households.

12 (3) "Household" means a single person, family, or unrelated persons  
13 living together.

14 (4) "Low-income household" means a single person, family, or  
15 unrelated persons living together whose adjusted income is at or below  
16 eighty percent of the median family income adjusted for family size,  
17 for the county where the project is located, as reported by the United  
18 States department of housing and urban development. For cities located  
19 in high-cost areas, "low-income household" means a household that has  
20 an income at or below one hundred percent of the median family income  
21 adjusted for family size, for the county where the project is located.

22 (5) "Moderate-income household" means a single person, family, or  
23 unrelated persons living together whose adjusted income is more than  
24 eighty percent but is at or below one hundred fifteen percent of the  
25 median family income adjusted for family size, for the county where the  
26 project is located, as reported by the United States department of  
27 housing and urban development. For cities located in high-cost areas,  
28 "moderate-income household" means a household that has an income that  
29 is more than one hundred percent, but at or below one hundred fifty  
30 percent, of the median family income adjusted for family size, for the  
31 county where the project is located.

32 (6) "High cost area" means a county where the third quarter median  
33 house price for the previous year as reported by the Washington center  
34 for real estate research at Washington State University is equal to or  
35 greater than one hundred thirty percent of the statewide median house  
36 price published during the same time period.

37 (7) "Governing authority" means the local legislative authority of

1 a city having jurisdiction over the property for which an exemption may  
2 be applied for under this chapter.

3 ~~((+3))~~ (8) "Growth management act" means chapter 36.70A RCW.

4 ~~((+4))~~ (9) "Multiple-unit housing" means a building having four or  
5 more dwelling units not designed or used as transient accommodations  
6 and not including hotels and motels. Multifamily units may result from  
7 new construction or rehabilitated or conversion of vacant,  
8 underutilized, or substandard buildings to multifamily housing.

9 ~~((+5))~~ (10) "Owner" means the property owner of record.

10 ~~((+6))~~ (11) "Permanent residential occupancy" means multiunit  
11 housing that provides either rental or owner occupancy on a  
12 nontransient basis. This includes owner-occupied or rental  
13 accommodation that is leased for a period of at least one month. This  
14 excludes hotels and motels that predominately offer rental  
15 accommodation on a daily or weekly basis.

16 ~~((+7))~~ (12) "Rehabilitation improvements" means modifications to  
17 existing structures, that are vacant for twelve months or longer, that  
18 are made to achieve a condition of substantial compliance with existing  
19 building codes or modification to existing occupied structures which  
20 increase the number of multifamily housing units.

21 ~~((+8))~~ (13) "Residential targeted area" means an area within an  
22 urban center that has been designated by the governing authority as a  
23 residential targeted area in accordance with this chapter.

24 ~~((+9))~~ (14) "Substantial compliance" means compliance with local  
25 building or housing code requirements that are typically required for  
26 rehabilitation as opposed to new construction.

27 ~~((+10))~~ (15) "Urban center" means a compact identifiable district  
28 where urban residents may obtain a variety of products and services.  
29 An urban center must contain:

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

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

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

1       **Sec. 4.** RCW 84.14.020 and 2002 c 146 s 2 are each amended to read  
2 as follows:

3       (1)(a) The value of new housing construction, conversion, and  
4 rehabilitation improvements qualifying under this chapter is exempt  
5 from ad valorem property taxation, as follows:

6       (i) For properties for which applications for certificates of tax  
7 exemption eligibility are submitted under chapter 84.14 RCW before the  
8 effective date of this act, the value is exempt for ten successive  
9 years beginning January 1 of the year immediately following the  
10 calendar year of issuance of the certificate ((of tax exemption  
11 eligibility. However, the exemption does not include the value of land  
12 or nonhousing-related improvements not qualifying under this chapter));  
13 and

14       (ii) For properties for which applications for certificates of tax  
15 exemption eligibility are submitted under chapter 84.14 RCW on or after  
16 the effective date of this act, the value is exempt:

17       (A) For eight successive years beginning January 1st of the year  
18 immediately following the calendar year of issuance of the certificate;  
19 or

20       (B) For twelve successive years beginning January 1st of the year  
21 immediately following the calendar year of issuance of the certificate,  
22 if the property otherwise qualifies for the exemption under chapter  
23 84.14 RCW and meets the conditions in this subsection (1)(a)(ii)(B).  
24 For the property to qualify for the twelve-year exemption under this  
25 subsection, the applicant must commit to renting or selling at least  
26 twenty percent of the multifamily housing units as affordable housing  
27 units to low and moderate-income households, and the property must  
28 satisfy that commitment and any additional affordability and income  
29 eligibility conditions adopted by the local government under this  
30 chapter. In the case of projects intended exclusively for owner  
31 occupancy, the minimum requirement of this subsection (1)(a)(ii)(B) may  
32 be satisfied solely through housing affordable to moderate-income  
33 households.

34       (b) The exemptions provided in (a)(i) and (ii) of this subsection  
35 do not include the value of land or nonhousing-related improvements not  
36 qualifying under this chapter.

37       (2) When a local government adopts guidelines pursuant to RCW  
38 84.14.030(2) and ~~((the qualifying dwelling units are each on separate~~

1 ~~parcels for the purpose of property taxation))~~ includes conditions that  
2 must be satisfied with respect to individual dwelling units, rather  
3 than with respect to the multiple-unit housing as a whole or some  
4 minimum portion thereof, the exemption may, at the local government's  
5 discretion, be limited to the value of the qualifying improvements  
6 allocable to those dwelling units that meet the local guidelines.

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

12 ((+3)) (4) This chapter does not apply to increases in assessed  
13 valuation made by the assessor on nonqualifying portions of building  
14 and value of land nor to increases made by lawful order of a county  
15 board of equalization, the department of revenue, or a county, to a  
16 class of property throughout the county or specific area of the county  
17 to achieve the uniformity of assessment or appraisal required by law.

18 ((+4)) (5) At the conclusion of the ((ten-year)) exemption period,  
19 the new or rehabilitated housing cost shall be considered as new  
20 construction for the purposes of chapter 84.55 RCW.

21 **Sec. 5.** RCW 84.14.030 and 2005 c 80 s 1 are each amended to read  
22 as follows:

23 An owner of property making application under this chapter must  
24 meet the following requirements:

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

27 (2) The multiple-unit housing must meet ((the)) guidelines as  
28 adopted by the governing authority that may include height, density,  
29 public benefit features, number and size of proposed development,  
30 parking, ((low income or moderate)) income limits for occupancy  
31 ((requirements)), limits on rents or sale prices, and other adopted  
32 requirements indicated necessary by the city. The required amenities  
33 should be relative to the size of the project and tax benefit to be  
34 obtained;

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

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

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

8 (5) Property proposed to be rehabilitated must fail to comply with  
9 one or more standards of the applicable state or local building or  
10 housing codes on or after July 23, 1995. If the property proposed to  
11 be rehabilitated is not vacant, an applicant shall provide each  
12 existing tenant housing of comparable size, quality, and price and a  
13 reasonable opportunity to relocate; and

14 (6) The applicant must enter into a contract with the city approved  
15 by the governing ((body)) authority, or an administrative official or  
16 commission authorized by the governing authority, under which the  
17 applicant has agreed to the implementation of the development on terms  
18 and conditions satisfactory to the governing authority.

19 **Sec. 6.** RCW 84.14.040 and 1995 c 375 s 7 are each amended to read  
20 as follows:

21 (1) The following criteria must be met before an area may be  
22 designated as a residential targeted area:

23 (a) The area must be within an urban center, as determined by the  
24 governing authority;

25 (b) The area must lack, as determined by the governing authority,  
26 sufficient available, desirable, and convenient residential housing,  
27 including affordable housing, to meet the needs of the public who would  
28 be likely to live in the urban center, if the affordable, desirable,  
29 attractive, and livable places to live were available; and

30 (c) The providing of additional housing opportunity, including  
31 affordable housing, in the area, as determined by the governing  
32 authority, will assist in achieving one or more of the stated purposes  
33 of this chapter.

34 (2) For the purpose of designating a residential targeted area or  
35 areas, the governing authority may adopt a resolution of intention to  
36 so designate an area as generally described in the resolution. The  
37 resolution must state the time and place of a hearing to be held by the



1 governing authority to consider the designation of the area and may  
2 include such other information pertaining to the designation of the  
3 area as the governing authority determines to be appropriate to apprise  
4 the public of the action intended.

5 (3) The governing authority shall give notice of a hearing held  
6 under this chapter by publication of the notice once each week for two  
7 consecutive weeks, not less than seven days, nor more than thirty days  
8 before the date of the hearing in a paper having a general circulation  
9 in the city where the proposed residential targeted area is located.  
10 The notice must state the time, date, place, and purpose of the hearing  
11 and generally identify the area proposed to be designated as a  
12 residential targeted area.

13 (4) Following the hearing, or a continuance of the hearing, the  
14 governing authority may designate all or a portion of the area  
15 described in the resolution of intent as a residential targeted area if  
16 it finds, in its sole discretion, that the criteria in subsections (1)  
17 through (3) of this section have been met.

18 (5) After designation of a residential targeted area, the governing  
19 authority (~~shall~~) must adopt and implement standards and guidelines  
20 to be utilized in considering applications and making the  
21 determinations required under RCW 84.14.060. The standards and  
22 guidelines must establish basic requirements for both new construction  
23 and rehabilitation (~~including~~), which must include:

24 (a) Application process and procedures(~~(. These guidelines may~~  
25 ~~include the following:)~~);

26 (~~(a)~~) (b) Requirements that address demolition of existing  
27 structures and site utilization; and

28 (~~(b)~~) (c) Building requirements that may include elements  
29 addressing parking, height, density, environmental impact, and  
30 compatibility with the existing surrounding property and such other  
31 amenities as will attract and keep permanent residents and that will  
32 properly enhance the livability of the residential targeted area in  
33 which they are to be located.

34 (6) The governing authority may adopt and implement, either as  
35 conditions to eight-year exemptions or as conditions to an extended  
36 exemption period under RCW 84.14.020(2), or both, more stringent income  
37 eligibility, rent, or sale price limits, including limits that apply to

1 a higher percentage of units, than the minimum conditions for an  
2 extended exemption period under RCW 84.14.020(2).

3 **Sec. 7.** RCW 84.14.050 and 1999 c 132 s 2 are each amended to read  
4 as follows:

5 An owner of property seeking tax incentives under this chapter must  
6 complete the following procedures:

7 (1) In the case of rehabilitation or where demolition or new  
8 construction is required, the owner shall secure from the governing  
9 authority or duly authorized (~~agent~~) representative, before  
10 commencement of rehabilitation improvements or new construction,  
11 verification of property noncompliance with applicable building and  
12 housing codes;

13 (2) In the case of new and rehabilitated multifamily housing, the  
14 owner shall apply to the city on forms adopted by the governing  
15 authority. The application must contain the following:

16 (a) Information setting forth the grounds supporting the requested  
17 exemption including information indicated on the application form or in  
18 the guidelines;

19 (b) A description of the project and site plan, including the floor  
20 plan of units and other information requested;

21 (c) A statement that the applicant is aware of the potential tax  
22 liability involved when the property ceases to be eligible for the  
23 incentive provided under this chapter;

24 (3) The applicant must verify the application by oath or  
25 affirmation; and

26 (4) The application must be accompanied by the application fee, if  
27 any, required under RCW 84.14.080. The governing authority may permit  
28 the applicant to revise an application before final action by the  
29 governing authority.

30 **Sec. 8.** RCW 84.14.060 and 1995 c 375 s 9 are each amended to read  
31 as follows:

32 The duly authorized administrative official or committee of the  
33 city may approve the application if it finds that:

34 (1) A minimum of four new units are being constructed or in the  
35 case of occupied rehabilitation or conversion a minimum of four  
36 additional multifamily units are being developed;

1       (2) If applicable, the proposed multiunit housing project meets the  
2 affordable housing requirements as described in RCW 84.14.020;

3       (3) The proposed project is or will be, at the time of completion,  
4 in conformance with all local plans and regulations that apply at the  
5 time the application is approved;

6       ~~((3))~~ (4) The owner has complied with all standards and  
7 guidelines adopted by the city under this chapter; and

8       ~~((4))~~ (5) The site is located in a residential targeted area of  
9 an urban center that has been designated by the governing authority in  
10 accordance with procedures and guidelines indicated in RCW 84.14.040.

11       **Sec. 9.** RCW 84.14.090 and 1995 c 375 s 12 are each amended to read  
12 as follows:

13       (1) Upon completion of rehabilitation or new construction for which  
14 an application for a limited tax exemption under this chapter has been  
15 approved and after issuance of the certificate of occupancy, the owner  
16 shall file with the city the following:

17       (a) A statement of the amount of rehabilitation or construction  
18 expenditures made with respect to each housing unit and the composite  
19 expenditures made in the rehabilitation or construction of the entire  
20 property;

21       (b) A description of the work that has been completed and a  
22 statement that the rehabilitation improvements or new construction on  
23 the owner's property qualify the property for limited exemption under  
24 this chapter; ~~((and))~~

25       (c) If applicable, a statement that the project meets the  
26 affordable housing requirements as described in RCW 84.14.020; and

27       (d) A statement that the work has been completed within three years  
28 of the issuance of the conditional certificate of tax exemption.

29       (2) Within thirty days after receipt of the statements required  
30 under subsection (1) of this section, the authorized representative of  
31 the city shall determine whether the work completed, and the  
32 affordability of the units, is consistent with the application and the  
33 contract approved by the ~~((governing authority))~~ city and is qualified  
34 for a limited tax exemption under this chapter. The city shall also  
35 determine which specific improvements completed meet the requirements  
36 and required findings.

1 (3) If the rehabilitation, conversion, or construction is completed  
2 within three years of the date the application for a limited tax  
3 exemption is filed under this chapter, or within an authorized  
4 extension of this time limit, and the authorized representative of the  
5 city determines that improvements were constructed consistent with the  
6 application and other applicable requirements, including if applicable,  
7 affordable housing requirements, and the owner's property is qualified  
8 for a limited tax exemption under this chapter, the city shall file the  
9 certificate of tax exemption with the county assessor within ten days  
10 of the expiration of the thirty-day period provided under subsection  
11 (2) of this section.

12 (4) The authorized representative of the city shall notify the  
13 applicant that a certificate of tax exemption is not going to be filed  
14 if the authorized representative determines that:

15 (a) The rehabilitation or new construction was not completed within  
16 three years of the application date, or within any authorized extension  
17 of the time limit;

18 (b) The improvements were not constructed consistent with the  
19 application or other applicable requirements; ~~((or))~~

20 (c) If applicable, the affordable housing requirements as described  
21 in RCW 84.14.020 were not met; or

22 (d) The owner's property is otherwise not qualified for limited  
23 exemption under this chapter.

24 (5) If the authorized representative of the city finds that  
25 construction or rehabilitation of multiple-unit housing was not  
26 completed within the required time period due to circumstances beyond  
27 the control of the owner and that the owner has been acting and could  
28 reasonably be expected to act in good faith and with due diligence, the  
29 governing authority or the city official authorized by the governing  
30 authority may extend the deadline for completion of construction or  
31 rehabilitation for a period not to exceed twenty-four consecutive  
32 months.

33 (6) The governing authority may provide by ordinance for an appeal  
34 of a decision by the deciding officer or authority that an owner is not  
35 entitled to a certificate of tax exemption to the governing authority,  
36 a hearing examiner, or other city officer authorized by the governing  
37 authority to hear the appeal in accordance with such reasonable  
38 procedures and time periods as provided by ordinance of the governing

1 authority. The owner may appeal a decision by the deciding officer or  
2 authority that is not subject to local appeal or a decision by the  
3 local appeal authority that the owner is not entitled to a certificate  
4 of tax exemption in superior court under RCW 34.05.510 through  
5 34.05.598, if the appeal is filed within thirty days of notification by  
6 the city to the owner of the decision being challenged.

7 **Sec. 10.** RCW 84.14.100 and 1995 c 375 s 13 are each amended to  
8 read as follows:

9 (1) Thirty days after the anniversary of the date of the  
10 certificate of tax exemption and each year for ((a period of ten  
11 years)) the tax exemption period, the owner of the rehabilitated or  
12 newly constructed property shall file with a designated ((agent))  
13 authorized representative of the city an annual report indicating the  
14 following:

15 ((+1)) (a) A statement of occupancy and vacancy of the  
16 rehabilitated or newly constructed property during the twelve months  
17 ending with the anniversary date;

18 ((+2)) (b) A certification by the owner that the property has not  
19 changed use and, if applicable, that the property has been in  
20 compliance with the affordable housing requirements as described in RCW  
21 84.14.020 since the date of the certificate approved by the city; ((and

22 +3)) (c) A description of changes or improvements constructed  
23 after issuance of the certificate of tax exemption; and

24 (d) Any additional information requested by the city in regards to  
25 the units receiving a tax exemption.

26 (2) All cities, which issue certificates of tax exemption for  
27 multiunit housing that conform to the requirements of this chapter,  
28 shall report annually by December 31st of each year, beginning in 2007,  
29 to the department of community, trade, and economic development. The  
30 report must include the following information:

31 (a) The number of tax exemption certificates granted;

32 (b) The total number and type of units produced or to be produced;

33 (c) The number and type of units produced or to be produced meeting  
34 affordable housing requirements;

35 (d) The actual development cost of each unit produced;

36 (e) The total monthly rent or total sale amount of each unit  
37 produced;

1       (f) The income of each renter household at the time of initial  
2 occupancy and the income of each initial purchaser of owner-occupied  
3 units at the time of purchase for each of the units receiving a tax  
4 exemption and a summary of these figures for the city; and

5       (g) The value of the tax exemption for each project receiving a tax  
6 exemption and the total value of tax exemptions granted.

7       **Sec. 11.** RCW 84.14.110 and 2002 c 146 s 3 are each amended to read  
8 as follows:

9       (1) If improvements have been exempted under this chapter, the  
10 improvements continue to be exempted ~~((and))~~ for the applicable period  
11 under RCW 84.14.020, so long as they are not ~~((be))~~ converted to  
12 another use ~~((for at least ten years from date of issuance of the~~  
13 ~~certificate of tax exemption))~~ and continue to satisfy all applicable  
14 conditions. If the owner intends to convert the multifamily  
15 development to another use, or if applicable, if the owner intends to  
16 discontinue compliance with the affordable housing requirements as  
17 described in RCW 84.14.020 or any other condition to exemption, the  
18 owner shall notify the assessor within sixty days of the change in use  
19 or intended discontinuance. If, after a certificate of tax exemption  
20 has been filed with the county assessor, the ~~((city or assessor or~~  
21 ~~agent))~~ authorized representative of the governing authority discovers  
22 that a portion of the property is changed or will be changed to a use  
23 that is other than residential or that housing or amenities no longer  
24 meet the requirements, including, if applicable, affordable housing  
25 requirements, as previously approved or agreed upon by contract between  
26 the ~~((governing authority))~~ city and the owner and that the multifamily  
27 housing, or a portion of the housing, no longer qualifies for the  
28 exemption, the tax exemption must be canceled and the following must  
29 occur:

30       (a) Additional real property tax must be imposed upon the value of  
31 the nonqualifying improvements in the amount that would normally be  
32 imposed, plus a penalty must be imposed amounting to twenty percent.  
33 This additional tax is calculated based upon the difference between the  
34 property tax paid and the property tax that would have been paid if it  
35 had included the value of the nonqualifying improvements dated back to  
36 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 or authorized  
20 representative shall notify the record owner of the property as shown  
21 by the tax rolls by mail, return receipt requested, of the  
22 determination to cancel the exemption. The owner may appeal the  
23 determination to the governing authority or authorized representative,  
24 within thirty days by filing a notice of appeal with the clerk of the  
25 governing authority, which notice must specify the factual and legal  
26 basis on which the determination of cancellation is alleged to be  
27 erroneous. The governing authority or a hearing examiner or other  
28 official authorized by the governing authority may hear the appeal. At  
29 the hearing, all affected parties may be heard and all competent  
30 evidence received. After the hearing, the deciding body or officer  
31 shall either affirm, modify, or repeal the decision of cancellation of  
32 exemption based on the evidence received. An aggrieved party may  
33 appeal the decision of the deciding body or officer to the superior  
34 court under RCW 34.05.510 through 34.05.598.

35 (3) Upon determination by the governing authority or authorized  
36 representative to terminate an exemption, the county officials having  
37 possession of the assessment and tax rolls shall correct the rolls in  
38 the manner provided for omitted property under RCW 84.40.080. The

1 county assessor shall make such a valuation of the property and  
2 improvements as is necessary to permit the correction of the rolls.  
3 The value of the new housing construction, conversion, and  
4 rehabilitation improvements added to the rolls shall be considered as  
5 new construction for the purposes of chapter 84.55 RCW. The owner may  
6 appeal the valuation to the county board of equalization under chapter  
7 84.48 RCW and according to the provisions of RCW 84.40.038. If there  
8 has been a failure to comply with this chapter, the property must be  
9 listed as an omitted assessment for assessment years beginning January  
10 1 of the calendar year in which the noncompliance first occurred, but  
11 the listing as an omitted assessment may not be for a period more than  
12 three calendar years preceding the year in which the failure to comply  
13 was discovered.

14 NEW SECTION. **Sec. 12.** This act is necessary for the immediate  
15 preservation of the public peace, health, or safety, or support of the  
16 state government and its existing public institutions, and takes effect  
17 immediately.

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