
HOUSE BILL 1843

State of Washington

64th Legislature

2015 Regular Session

By Representatives Morris, Lytton, and Tarleton

Read first time 01/30/15. Referred to Committee on Technology & Economic Development.

1 AN ACT Relating to creating a residential energy efficiency
2 incentive pilot program; and adding a new chapter to Title 84 RCW.

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

4 NEW SECTION. **Sec. 1.** (1) The legislature finds that increased
5 energy efficiency investments in Washington's residential building
6 stock will achieve significant reductions in energy consumption,
7 create sustained cost savings on utility bills for building
8 occupants, and increase the overall health and safety of communities
9 where energy efficiency projects occur. A residential energy
10 efficiency incentive pilot program provides a unique opportunity to
11 collect important data on the actual costs and benefits of energy
12 efficiency retrofits among various residential building types. The
13 data collected from this pilot program will be used to inform future
14 decisions relating to energy efficiency investments in the
15 residential building stock in Washington.

16 (2)(a) This section is the tax preference performance statement
17 for the tax preference contained in this chapter. This performance
18 statement is only intended to be used for subsequent evaluation of
19 the tax preference. It is not intended to create a private right of
20 action by any party or be used to determine eligibility for
21 preferential tax treatment.

1 (b) The legislature categorizes this tax preference as one
2 intended to induce certain designated behavior by taxpayers, as
3 indicated in RCW 82.32.808(2)(a).

4 (c) It is the legislature's specific public policy objective to
5 encourage the implementation of energy efficiency retrofit projects
6 by low and moderate-income owners of single-family residences and
7 owners of multifamily housing who rent to low and moderate-income
8 occupants. It is the legislature's intent to allow local
9 jurisdictions to exempt property tax levied by participating local
10 jurisdictions for qualifying taxpayers.

11 (d) If a review finds participating jurisdictions are increasing
12 the number of energy efficiency retrofits occurring in targeted
13 communities; and that those retrofits are meeting the modeled energy
14 savings within a five percent margin of error; and that the energy
15 savings is contributing to overall utility cost savings, then the
16 legislature intends to extend the expiration date of the tax
17 preference.

18 (e) In order to obtain the data necessary to perform the review
19 in (d) of this subsection (2), the joint legislative audit and review
20 committee may refer to:

- 21 (i) The taxpayer applications required in section 4 of this act;
- 22 (ii) The annual surveys required in section 7 of this act;
- 23 (iii) The department of commerce; and
- 24 (iv) Any other data sources needed by the joint legislative audit
25 and review committee.

26 NEW SECTION. **Sec. 2.** The definitions in this section apply
27 throughout this chapter unless the context clearly requires
28 otherwise.

29 (1) "Affordable housing" means residential housing that is rented
30 by a person or household whose monthly housing costs, including
31 utilities other than telephone, do not exceed thirty percent of the
32 household's monthly income. For the purposes of housing intended for
33 owner occupancy, "affordable housing" means residential housing that
34 is within the means of low or moderate-income households.

35 (2) "Approved energy modeling technique" means a predictive tool
36 that is currently in use and commonly relied upon in the energy-
37 auditing marketplace, and is deemed appropriate for a given building
38 type by the department of commerce and the local governing body for
39 making eligibility determinations under this chapter.

1 (3) "Approved green building certification" means a certification
2 that is currently in use and commonly relied upon in the green
3 building marketplace, and is deemed appropriate for a given building
4 type by the department of commerce and the local governing body for
5 making eligibility determinations under this chapter.

6 (4) "Eligible retrofit project" or "project" means an
7 installation or modification that is designed to reduce energy
8 consumption in a qualified single-family or multiple family
9 residential property. The term includes, but is not limited to:
10 Insulation; storm windows and doors; automatic energy control
11 systems; heating, ventilating, or air conditioning and distribution
12 system modifications or replacements in buildings or central plants;
13 caulking and weather stripping; energy recovery systems; geothermal
14 heat pumps; and day lighting systems.

15 (5) "Eligible structure" means a building in which an eligible
16 retrofit project is undertaken or a building that is newly
17 constructed located within a participating local jurisdiction.

18 (6) "Governing authority" means the local legislative authority
19 of a city or a county having jurisdiction over the property for which
20 an exemption may be applied for under this chapter.

21 (7) "Household" means a single person, family, or unrelated
22 persons living together.

23 (8) "Local jurisdiction" means a city or a county.

24 (9) "Low-income household" means a single person, family, or
25 unrelated persons living together whose adjusted income is at or
26 below eighty percent of the median family income adjusted for family
27 size, for the county where the project is located, as reported by the
28 United States department of housing and urban development.

29 (10) "Moderate-income household" means a single person, family,
30 or unrelated persons living together whose adjusted income is more
31 than eighty percent but is at or below one hundred fifteen percent of
32 the median family income adjusted for family size, for the county
33 where the project is located, as reported by the United States
34 department of housing and urban development.

35 (11) "Multiple family building" means a building having four or
36 more dwelling units not designed or used as transient accommodations
37 and not including hotels and motels. Multifamily units may result
38 from new construction or rehabilitated or conversion of vacant,
39 underutilized, or substandard buildings to multifamily housing.

1 (12) "Net-zero energy building" means a building with net energy
2 consumption of zero over a typical year as determined by the
3 department of commerce.

4 (13) "New construction" means construction of a residential
5 building that is not otherwise defined in the state building code as
6 an addition, alteration, or repair.

7 (14) "Owner" means the property owner of record.

8 (15) "Participating local jurisdiction" means a city or county
9 that, by legislative authority, has chosen to exempt property tax for
10 qualifying taxpayers, in accordance with the terms of this chapter.

11 (16) "Preexisting" means a single-family residence or multiple
12 family building that is fully operational before the commencement of
13 the eligible project.

14 (17) "Single-family residence" means a building with two or fewer
15 dwelling units, including duplexes and single-family homes, with or
16 without accessory dwelling units.

17 (18) "Taxpayer" means a low or moderate-income owner of a single-
18 family residence, or an owner of a multiple family building.

19 NEW SECTION. **Sec. 3.** (1) A residential energy efficiency
20 incentive pilot program is created that authorizes a local
21 jurisdiction to exempt qualifying low and moderate-income owners of
22 single-family residences and qualifying owners of multiple family
23 buildings, as determined under this chapter, from property taxation
24 levied by the participating local jurisdiction.

25 (2) The total assessed value of property for an eligible
26 structure is exempt from property taxation levied by the
27 participating local jurisdiction, as follows:

28 (a) For four successive years beginning January 1st of the year
29 immediately following the calendar year of issuance of a certificate
30 under section 5 of this act if the eligible structure is a:

31 (i) Preexisting single-family residence and an eligible retrofit
32 project is expected to reduce cumulative energy consumption at least
33 twenty percent compared to consumption during the previous calendar
34 year;

35 (ii) Preexisting multiple family building and an eligible
36 retrofit project is expected to reduce cumulative energy consumption
37 at least fifteen percent compared to consumption during the previous
38 calendar year; or

1 (iii) Newly constructed multiple family building and the new
2 construction meets the requirements of green building certification
3 and sells or rents at least ten percent of the total housing units as
4 affordable housing to low and moderate-income households during the
5 tax-exempted period specified in this section.

6 (b) For six successive years beginning January 1st of the year
7 immediately following the calendar year of issuance of a certificate
8 under section 5 of this act if the eligible structure is a:

9 (i) Preexisting single-family residence and an eligible retrofit
10 project is expected to reduce cumulative energy consumption at least
11 twenty-five percent compared to consumption during the previous
12 calendar year; or

13 (ii) Preexisting multiple family building and an eligible
14 retrofit project is expected to reduce cumulative energy consumption
15 at least twenty percent compared to consumption during the previous
16 calendar year.

17 (c) For eight successive years beginning January 1st of the year
18 immediately following the calendar year of issuance of a certificate
19 under section 5 of this act if the eligible structure is a:

20 (i) Preexisting single-family residence and an eligible retrofit
21 project is expected to reduce cumulative energy consumption at least
22 thirty percent compared to consumption during the previous calendar
23 year;

24 (ii) Preexisting multiple family building and an eligible
25 retrofit project is expected to reduce cumulative energy consumption
26 at least twenty-five percent compared to consumption during the
27 previous calendar year; or

28 (iii) Newly constructed multiple family building and the new
29 construction qualifies as a net-zero energy building and sells or
30 rents at least ten percent of the total housing units as affordable
31 housing units to low and moderate-income households during the tax-
32 exempted period specified in this section.

33 (3) A taxpayer who owns a preexisting multiple family building
34 and receives an exemption for an eligible retrofit project under this
35 chapter qualifies for four additional years of tax exemption status
36 if the taxpayer rents or sells at least twenty percent of the
37 multifamily housing units as affordable housing units to low and
38 moderate-income households during the tax-exempted period specified
39 in this section.

1 (4) In the case of eligible retrofit projects performed in
2 preexisting buildings, the exemption does not apply if the eligible
3 project commenced prior to the approval of the application required
4 under this chapter.

5 (5) Except as otherwise provided, the tax exemption provided by
6 this chapter is in addition to any other incentives, tax credits, or
7 grants, provided by law.

8 (6) At the conclusion of the exemption period, the new or
9 rehabilitated housing cost must be considered as new construction for
10 the purposes of chapter 84.55 RCW.

11 (7) A taxpayer may not claim the tax exemption provided in this
12 chapter while the taxpayer is claiming the tax exemption in RCW
13 82.08.998 or participating in the program provided in chapter 70.164
14 RCW.

15 NEW SECTION. **Sec. 4.** A taxpayer seeking a tax exemption under
16 this chapter must complete the following procedures:

17 (1) The taxpayer must apply to the participating local
18 jurisdiction on forms adopted by the governing authority. The
19 application must contain the following:

20 (a) Information setting forth the grounds supporting the
21 requested tax exemption including information indicated on the
22 application form or in the guidelines;

23 (b) A statement that the applicant is aware of the potential tax
24 liability involved when the property ceases to be eligible for the
25 tax exemption provided under this chapter; and

26 (c) For a preexisting building, the monthly energy consumption
27 and cost of energy consumed during the past twelve calendar months
28 prior to the date the application is submitted.

29 (2) The applicant must verify the application by oath or
30 affirmation.

31 (3) The application must be accompanied by an application fee, if
32 required by a local jurisdiction under this chapter. The governing
33 authority may allow the applicant to revise an application before
34 final action by the governing authority.

35 (4) The applicant must enter into a contract with the
36 participating local jurisdiction, or an administrative official or
37 commission authorized by the governing authority, under which the
38 applicant has agreed to the implementation of the eligible retrofit

1 project on terms and conditions satisfactory to the governing
2 authority.

3 NEW SECTION. **Sec. 5.** (1) The governing authority or an
4 administrative official or commission authorized by the governing
5 authority must approve or deny an application filed under this
6 chapter within ninety days after receipt of the application.

7 (2) If the application is approved, the participating local
8 jurisdiction must issue to the owner of the property a conditional
9 certificate of acceptance of tax exemption. The certificate must
10 contain a statement by a duly authorized administrative official of
11 the governing authority that the property has complied with the
12 required findings indicated in this chapter.

13 (3) If the application is denied by the authorized administrative
14 official or commission authorized by the governing authority, the
15 deciding administrative official or commission must state in writing
16 the reasons for denial and send the notice to the applicant at the
17 applicant's last known address within ten days of the denial.

18 (4) Upon denial by a duly authorized administrative official or
19 commission, an applicant may appeal the denial to the governing
20 authority within thirty days after receipt of the denial. The appeal
21 before the governing authority must be based upon the record made
22 before the administrative official with the burden of proof on the
23 applicant to show that there was no substantial evidence to support
24 the administrative official's decision. The decision of the governing
25 body in denying or approving the application is final.

26 NEW SECTION. **Sec. 6.** The governing authority may establish an
27 application fee. This fee may not exceed an amount determined to be
28 required to cover the cost to be incurred by the governing authority
29 and the assessor in administering this chapter. The application fee
30 must be paid at the time the application for tax exemption is filed.
31 If the application is approved, the governing authority shall pay the
32 application fee to the county assessor for deposit in the county
33 current expense fund, after first deducting that portion of the fee
34 attributable to its own administrative costs in processing the
35 application. If the application is denied, the governing authority
36 may retain that portion of the application fee attributable to its
37 own administrative costs and refund the balance to the applicant.

1 NEW SECTION. **Sec. 7.** (1) On April 1st of each year beginning
2 after the first twelve months of exemption under this chapter, a
3 taxpayer who receives a tax exemption under this chapter must file
4 with the local jurisdiction the following:

5 (a) The monthly energy consumption and cost of energy consumed
6 during the previous twelve calendar months;

7 (b) A statement of the amount of rehabilitation or construction
8 expenditures associated with the eligible retrofit project or new
9 construction made with respect to each housing unit and the composite
10 expenditures made in the rehabilitation or construction associated
11 with the eligible retrofit project or new construction of the entire
12 property;

13 (c) A description of changes or improvements constructed in
14 association with the eligible retrofit project or new construction
15 after issuance of the certificate of tax exemption;

16 (d) If applicable, a statement that the building meets the
17 affordable housing requirements as described in this chapter; and

18 (e) Any additional information requested by the city or county in
19 regards to the units receiving a tax exemption.

20 (2) All participating local jurisdictions that issue certificates
21 of tax exemption provided in this chapter must submit an annual
22 report by December 31st of each year, beginning the first year the
23 exemption is offered by the jurisdiction, to the department of
24 commerce. The report must include the following information:

25 (a) The number of tax exemption applicants;

26 (b) The number of tax exemption participants;

27 (c) The total number and type of units approved for the
28 exemption;

29 (d) The actual eligible retrofit project or new construction cost
30 performed in each unit;

31 (e) The average and total taxpayer savings from the tax
32 exemptions granted;

33 (f) If feasible, the overall change in energy consumption in the
34 local jurisdiction during the previous twelve-month period as a
35 result of the pilot program;

36 (g) The change in energy consumption for each eligible retrofit
37 project during the past twelve months, including both anticipated
38 reductions in energy consumption modeled by an approved energy
39 modeling technique and actual change in energy consumption and energy
40 billing; and

1 (h) If applicable, a statement that the building meets the
2 affordable housing requirements as described in this chapter.

3 NEW SECTION. **Sec. 8.** (1) The department of commerce must create
4 a list of approved energy modeling techniques that may be used to
5 determine projected reductions in energy consumption for eligible
6 retrofit projects under this chapter. This list must include at least
7 three recognized energy modeling techniques and must include energy
8 modeling techniques that are applicable to single and multifamily
9 housing.

10 (2) The department of commerce must create a list of approved
11 third-party green building certifications for newly constructed
12 multiple family buildings in order to determine eligibility under
13 this chapter.

14 (3) By December 31, 2019, and in compliance with RCW 43.01.036,
15 the department of commerce must submit to the appropriate committees
16 of the legislature a report on the pilot program that includes:

17 (a) A list of all participating local jurisdictions;

18 (b) The total number of tax exemptions granted for each
19 participating jurisdiction;

20 (c) The total number and type of buildings that implemented
21 eligible retrofit projects or obtained green building certification
22 in each jurisdiction;

23 (d) The difference in energy consumption for each project,
24 including both anticipated reductions in energy consumption modeled
25 by an approved energy modeling technique and actual difference in
26 energy consumption and energy billing;

27 (e) The taxpayer savings for each approved eligible retrofit and
28 new construction project and the total taxpayer savings for all tax
29 exemptions granted; and

30 (f) If feasible, the net change in energy consumption for all
31 participating local jurisdictions as a result of the pilot program.

32 NEW SECTION. **Sec. 9.** No new application for a tax exemption
33 under this chapter may be accepted as of the date that is six years
34 after the effective date of section 4 of this act.

1 NEW SECTION. **Sec. 10.** Sections 1 through 9 of this act
2 constitute a new chapter in Title 84 RCW.

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