

SSB 6347 - H COMM AMD

By Committee on Community Development, Housing & Tribal Affairs

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** This section is the tax preference
4 performance statement for the tax preferences contained in
5 chapter . . . , Laws of 2018 (this act). This performance statement is
6 only intended to be used for subsequent evaluation of the tax
7 preferences. It is not intended to create a private right of action
8 by any party or be used to determine eligibility for preferential tax
9 treatment.

10 (1) The legislature categorizes these tax preferences as ones
11 intended to induce certain designated behavior by taxpayers, as
12 indicated in RCW 82.32.808(2)(a).

13 (2) It is the legislature's specific public policy objective to
14 incentivize developers to construct new multifamily housing and to
15 increase the number of affordable housing units for low to moderate-
16 income residents in certain urban growth areas.

17 (3) The legislature intends to extend the expiration date of the
18 tax preferences in this act, if a review finds that for properties
19 applying under RCW 84.14.020(1)(a)(ii) (B) or (C), at least twenty
20 percent of the new housing is developed for and occupied by
21 households earning:

22 (a) At or below sixty percent of the area median income, at the
23 time of occupancy, adjusted for family size for the county in which
24 the project is located;

25 (b) At or below eighty percent of the area median income, at the
26 time of occupancy, adjusted for family size for the county in which
27 the project is located; or

28 (c) When the housing is intended exclusively for owner occupancy,
29 up to one hundred fifteen percent of the area median income, at the
30 time of sale, adjusted for family size for the county in which the
31 project is located.

1 (4) In order to obtain the data necessary to perform the review
2 in subsection (3) of this section, the joint legislative audit and
3 review committee may refer to data provided by cities or towns in
4 which persons are utilizing these tax preferences, the office of
5 financial management, the department of commerce, the United States
6 department of housing and urban development, and any other data
7 sources, as needed by the joint legislative audit and review
8 committee.

9 **Sec. 2.** RCW 84.14.010 and 2017 c 52 s 16 are each amended to
10 read as follows:

11 The definitions in this section apply throughout this chapter
12 unless the context clearly requires otherwise.

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

19 (2) "Campus facilities master plan" means the area that is
20 defined by the University of Washington as necessary for the future
21 growth and development of its campus facilities for campuses
22 authorized under RCW 28B.45.020.

23 (3)(a) Until July 1, 2023, "city" means either (i) a city or town
24 with a population of at least fifteen thousand, (ii) the largest city
25 or town, if there is no city or town with a population of at least
26 fifteen thousand, located in a county planning under the growth
27 management act, or (iii) a city or town with a population of at least
28 five thousand located in a county subject to the provisions of RCW
29 36.70A.215, except as otherwise provided in RCW 84.14.020(1)(a)(ii)
30 (B) and (C).

31 (b) Beginning July 1, 2023, "city" means either ((+a+)) (i) a
32 city or town with a population of at least fifteen thousand, ((+b+))
33 (ii) the largest city or town, if there is no city or town with a
34 population of at least fifteen thousand, located in a county planning
35 under the growth management act, or ((+e+)) (iii) a city or town with
36 a population of at least five thousand located in a county subject to
37 the provisions of RCW 36.70A.215.

38 (4) "County" means a county with an unincorporated population of
39 at least three hundred fifty thousand.

1 (5) "Governing authority" means the local legislative authority
2 of a city or a county having jurisdiction over the property for which
3 an exemption may be applied for under this chapter.

4 (6) "Growth management act" means chapter 36.70A RCW.

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

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

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

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

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

37 (12) "Owner" means the property owner of record.

38 (13) "Permanent residential occupancy" means multiunit housing
39 that provides either rental or owner occupancy on a nontransient
40 basis. This includes owner-occupied or rental accommodation that is

1 leased for a period of at least one month. This excludes hotels and
2 motels that predominately offer rental accommodation on a daily or
3 weekly basis.

4 (14) "Rehabilitation improvements" means modifications to
5 existing structures, that are vacant for twelve months or longer,
6 that are made to achieve a condition of substantial compliance with
7 existing building codes or modification to existing occupied
8 structures which increase the number of multifamily housing units.

9 (15) "Residential targeted area" means an area within an urban
10 center or urban growth area that has been designated by the governing
11 authority as a residential targeted area in accordance with this
12 chapter. With respect to designations after July 1, 2007,
13 "residential targeted area" may not include a campus facilities
14 master plan.

15 (16) "Rural county" means a county with a population between
16 fifty thousand and seventy-one thousand and bordering Puget Sound.

17 (17) "Substantial compliance" means compliance with local
18 building or housing code requirements that are typically required for
19 rehabilitation as opposed to new construction.

20 (18) "Urban center" means a compact identifiable district where
21 urban residents may obtain a variety of products and services. An
22 urban center must contain:

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

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

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

31 **Sec. 3.** RCW 84.14.020 and 2007 c 430 s 4 are each amended to
32 read as follows:

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

36 (i) For properties for which applications for certificates of tax
37 exemption eligibility are submitted under this chapter (~~(84.14-RCW)~~)
38 before July 22, 2007, the value is exempt for ten successive years

1 beginning January 1st of the year immediately following the calendar
2 year of issuance of the certificate; and

3 (ii) For properties for which applications for certificates of
4 tax exemption eligibility are submitted under this chapter ((~~84.14~~
5 RCW)) on or after July 22, 2007, the value is exempt:

6 (A) For eight successive years beginning January 1st of the year
7 immediately following the calendar year of issuance of the
8 certificate; or

9 (B)(I) For twelve successive years beginning January 1st of the
10 year immediately following the calendar year of issuance of the
11 certificate, if the property otherwise qualifies for the exemption
12 under this chapter ((~~84.14~~ RCW)) and meets the conditions in this
13 subsection (1)(a)(ii)(B). For the property to qualify for the twelve-
14 year exemption under this subsection, the applicant must commit to
15 renting or selling at least twenty percent of the multifamily housing
16 units as affordable housing units to low and moderate-income
17 households, and the property must satisfy that commitment and any
18 additional affordability and income eligibility conditions adopted by
19 the local government under this chapter. In the case of projects
20 intended exclusively for owner occupancy, the minimum requirement of
21 this subsection (1)(a)(ii)(B) may be satisfied solely through housing
22 affordable to moderate-income households.

23 (II) Until July 1, 2023, property qualifying for the twelve-year
24 exemption under this subsection (1)(a)(ii)(B), where the applicant
25 has committed to renting or selling at least twenty percent of the
26 multifamily housing units as affordable housing units to low-income
27 households, includes property located in a city or town with a
28 population of less than fifteen thousand.

29 (C) Until July 1, 2023, for fifteen successive years beginning
30 January 1st of the year immediately following the calendar year of
31 issuance of the certificate, if the property is intended for rental,
32 is located in a city or town with a population of less than fifteen
33 thousand, otherwise qualifies for the exemption under this chapter,
34 and meets the conditions in this subsection (1)(a)(ii)(C). For the
35 property to qualify for the fifteen-year exemption under this
36 subsection, the applicant must commit to renting at least twenty
37 percent of the multifamily housing units as affordable housing units
38 to households whose adjusted income is at or below sixty percent of
39 the median family income adjusted for family size, for the county
40 where the project is located, as reported by the United States

1 department of housing and urban development; the property must be
2 financed by the Washington state housing finance commission under a
3 program using bonds exempt from federal income tax; and the property
4 must satisfy any additional affordability and income eligibility
5 conditions adopted by the local government under this chapter.

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

9 (2) When a local government adopts guidelines pursuant to RCW
10 84.14.030(2) and includes conditions that must be satisfied with
11 respect to individual dwelling units, rather than with respect to the
12 multiple-unit housing as a whole or some minimum portion thereof, the
13 exemption may, at the local government's discretion, be limited to
14 the value of the qualifying improvements allocable to those dwelling
15 units that meet the local guidelines.

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

22 (4) This chapter does not apply to increases in assessed
23 valuation made by the assessor on nonqualifying portions of building
24 and value of land nor to increases made by lawful order of a county
25 board of equalization, the department of revenue, or a county, to a
26 class of property throughout the county or specific area of the
27 county to achieve the uniformity of assessment or appraisal required
28 by law.

29 (5) At the conclusion of the exemption period, the new or
30 rehabilitated housing cost (~~shall~~) must be considered as new
31 construction for the purposes of chapter 84.55 RCW."

32 Correct the title.

EFFECT: (1) Eliminates eligibility for qualifying projects in any city until July 1, 2021, under the Multifamily Property Exemption program.

(2) Allows projects located in any city with a population of under 15,000 that provide housing for households with adjusted incomes at or below 80% of the median family income to qualify for the 12-year Multifamily Property Tax Exemption until July 1, 2023.

(3) Creates a new 15-year tax preference under the Multifamily Property Tax Exemption program for projects located in cities with a

population of under 15,000 that provide housing for households with adjusted incomes at or below 60% of the median family income.

(4) Creates expiration dates for the expanded 12-year and the new 15-year tax preference of July 1, 2023.

(5) Makes changes to the tax preference performance statement to reflect the new 15-year preference for cities with a population of under 15,000 and adds an additional section to the bill.

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