
HOUSE BILL 2904

State of Washington 65th Legislature 2018 Regular Session

By Representatives McBride and Appleton

Read first time 01/23/18. Referred to Committee on Finance.

1 AN ACT Relating to modifying the criteria for local designation
2 of residential targeted areas for new and rehabilitated multiple-unit
3 dwellings; amending RCW 84.14.010 and 84.14.040; creating a new
4 section; and providing an expiration date.

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

6 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
7 performance statement for the tax preferences contained in sections 2
8 and 3, chapter . . . , Laws of 2018 (sections 2 and 3 of this act).
9 This performance statement is only intended to be used for subsequent
10 evaluation of the tax preferences. It is not intended to create a
11 private right of action by any party or to be used to determine
12 eligibility for preferential tax treatment.

13 (2) The legislature categorizes these tax preferences as ones
14 intended to induce certain designated behavior by taxpayers and to
15 provide tax relief for certain businesses or individuals, as
16 indicated in RCW 82.32.808(2) (a) and (e).

17 (3) It is the legislature's specific public policy objective to
18 create an incentive for multifamily development and affordable
19 housing in urban areas. It is the legislature's intent to allow local
20 jurisdictions to exempt multifamily housing that incorporates a

1 viable mix of incomes in residential populations, in order to reduce
2 sprawl and achieve the goals of chapter 36.70A RCW.

3 (4) If a review finds that the creation of the tax preferences in
4 this act have resulted in increased multifamily housing that
5 incorporates a mixtures of incomes, then the legislature intends to
6 make the tax preferences permanent.

7 (5) In order to obtain the data necessary to perform the review
8 in subsection (4) of this section, the joint legislative audit and
9 review committee may refer to any data collected by the state related
10 to permitting, housing data from the office of financial management,
11 and affordable housing information from the department of commerce.

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

14 The definitions in this section apply throughout this chapter
15 unless the context clearly requires otherwise.

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

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

26 (3) "City" means either (a) a city or town with a population of
27 at least fifteen thousand, (b) the largest city or town, if there is
28 no city or town with a population of at least fifteen thousand,
29 located in a county planning under the growth management act, or (c)
30 a city or town with a population of at least five thousand located in
31 a county subject to the provisions of RCW 36.70A.215.

32 (4) "County" means a county with an unincorporated population of
33 at least (~~three hundred fifty~~) one hundred seventy thousand.

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

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

38 (7) "High cost area" means a county where the third quarter
39 median house price for the previous year as reported by the

1 Washington center for real estate research at Washington State
2 University is equal to or greater than one hundred thirty percent of
3 the statewide median house price published during the same time
4 period.

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

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

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

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

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

32 (13) "Permanent residential occupancy" means multiunit housing
33 that provides either rental or owner occupancy on a nontransient
34 basis. This includes owner-occupied or rental accommodation that is
35 leased for a period of at least one month. This excludes hotels and
36 motels that predominately offer rental accommodation on a daily or
37 weekly basis.

38 (14) "Rehabilitation improvements" means modifications to
39 existing structures, that are vacant for twelve months or longer,
40 that are made to achieve a condition of substantial compliance with

1 existing building codes or modification to existing occupied
2 structures which increase the number of multifamily housing units.

3 (15) "Residential targeted area" means an area within an urban
4 center or urban growth area that has been designated by the governing
5 authority as a residential targeted area in accordance with this
6 chapter. With respect to designations after July 1, 2007,
7 "residential targeted area" may not include a campus facilities
8 master plan.

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

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

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

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

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

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

25 **Sec. 3.** RCW 84.14.040 and 2014 c 96 s 4 are each amended to read
26 as follows:

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

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

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

36 (c) The providing of additional housing opportunity, including
37 affordable housing, in the area, as determined by the governing
38 authority, will assist in achieving one or more of the stated
39 purposes of this chapter; and

1 (d) If the residential targeted area is designated by a county,
2 the area must be located in an unincorporated area of the county that
3 is within an urban growth area under RCW 36.70A.110 (~~(and the area~~
4 ~~must be: (i) In a rural county, served by a sewer system and~~
5 ~~designated by a county prior to January 1, 2013;)~~) or ((~~(ii)~~)) in a
6 county that includes a campus of an institution of higher education,
7 as defined in RCW 28B.92.030, where at least one thousand two hundred
8 students live on campus during the academic year. If located in a
9 rural county, the area must be served by a sewer system and
10 designated by a county prior to January 1, 2013.

11 (2) For the purpose of designating a residential targeted area or
12 areas, the governing authority may adopt a resolution of intention to
13 so designate an area as generally described in the resolution. The
14 resolution must state the time and place of a hearing to be held by
15 the governing authority to consider the designation of the area and
16 may include such other information pertaining to the designation of
17 the area as the governing authority determines to be appropriate to
18 apprise the public of the action intended.

19 (3) The governing authority must give notice of a hearing held
20 under this chapter by publication of the notice once each week for
21 two consecutive weeks, not less than seven days, nor more than thirty
22 days before the date of the hearing in a paper having a general
23 circulation in the city or county where the proposed residential
24 targeted area is located. The notice must state the time, date,
25 place, and purpose of the hearing and generally identify the area
26 proposed to be designated as a residential targeted area.

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

32 (5) After designation of a residential targeted area, the
33 governing authority must adopt and implement standards and guidelines
34 to be utilized in considering applications and making the
35 determinations required under RCW 84.14.060. The standards and
36 guidelines must establish basic requirements for both new
37 construction and rehabilitation, which must include:

38 (a) Application process and procedures;

39 (b) Requirements that address demolition of existing structures
40 and site utilization; and

1 (c) Building requirements that may include elements addressing
2 parking, height, density, environmental impact, and compatibility
3 with the existing surrounding property and such other amenities as
4 will attract and keep permanent residents and that will properly
5 enhance the livability of the residential targeted area in which they
6 are to be located.

7 (6) The governing authority may adopt and implement, either as
8 conditions to eight-year exemptions or as conditions to an extended
9 exemption period under RCW 84.14.020(1)(a)(ii)(B), or both, more
10 stringent income eligibility, rent, or sale price limits, including
11 limits that apply to a higher percentage of units, than the minimum
12 conditions for an extended exemption period under RCW
13 84.14.020(1)(a)(ii)(B). For any multiunit housing located in an
14 unincorporated area of a county, a property owner seeking tax
15 incentives under this chapter must commit to renting or selling at
16 least twenty percent of the multifamily housing units as affordable
17 housing units to low and moderate-income households. In the case of
18 multiunit housing intended exclusively for owner occupancy, the
19 minimum requirement of this subsection (6) may be satisfied solely
20 through housing affordable to moderate-income households.

21 NEW SECTION. **Sec. 4.** This act expires January 1, 2029.

--- END ---