
HOUSE BILL 2746

State of Washington

66th Legislature

2020 Regular Session

By Representatives Ramel, Macri, Lekanoff, Morgan, Fey, Davis, Duerr, Tharinger, Robinson, and Pollet

Read first time 01/20/20. Referred to Committee on Finance.

1 AN ACT Relating to affordable housing incentives; and amending
2 RCW 84.14.005, 84.14.020, 84.14.040, 84.14.060, and 84.14.100.

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

4 **Sec. 1.** RCW 84.14.005 and 2007 c 430 s 1 are each amended to
5 read as follows:

6 The legislature finds((÷

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

13 ~~(2) That the development of additional and desirable residential~~
14 ~~units, including affordable housing units, in these urban centers~~
15 ~~that will attract and maintain a significant increase in the number~~
16 ~~of permanent residents in these areas will help to alleviate the~~
17 ~~detrimental conditions and social liability that tend to exist in the~~
18 ~~absence of a viable mixed income residential population and will help~~
19 ~~to achieve the planning goals mandated by the growth management act~~
20 ~~under RCW 36.70A.020; and~~

1 ~~(3) That planning solutions to solve the problems of urban sprawl~~
2 ~~often lack incentive and implementation techniques needed to~~
3 ~~encourage residential redevelopment in those urban centers lacking a~~
4 ~~sufficient variety of residential opportunities, and it is in the~~
5 ~~public interest and will benefit, provide, and promote the public~~
6 ~~health, safety, and welfare to stimulate new or enhanced residential~~
7 ~~opportunities, including affordable housing opportunities, within~~
8 ~~urban centers through a tax incentive as provided by this chapter.)~~
9 that the shortage of affordable housing continues to be a significant
10 concern across the state of Washington. The legislature further finds
11 that financial incentives to encourage affordable multifamily housing
12 developments consistent with the legislature's intent have not
13 adequately addressed the growing need for more affordable housing
14 units. The legislature finds that continuing tax incentives for
15 multifamily housing development projects should maximize
16 opportunities to create additional affordable housing units
17 throughout the state.

18 **Sec. 2.** RCW 84.14.020 and 2007 c 430 s 4 are each amended to
19 read as follows:

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

23 (i) For properties for which applications for certificates of tax
24 exemption eligibility are submitted under this chapter (~~(84.14 RCW)~~)
25 before July 22, 2007, the value is exempt for ten successive years
26 beginning January 1 of the year immediately following the calendar
27 year of issuance of the certificate; (~~and~~)

28 (ii) For properties for which applications for certificates of
29 tax exemption eligibility are submitted under this chapter (~~(84.14~~
30 ~~RCW)~~) on or after July 22, 2007, but before July 1, 2020, the value
31 is exempt:

32 (A) For eight successive years beginning January 1st of the year
33 immediately following the calendar year of issuance of the
34 certificate; or

35 (B) For twelve successive years beginning January 1st of the year
36 immediately following the calendar year of issuance of the
37 certificate, if the property otherwise qualifies for the exemption
38 under this chapter (~~(84.14 RCW)~~) and meets the conditions in this
39 subsection (1)(a)(ii)(B). For the property to qualify for the twelve-

1 year exemption under this subsection, the applicant must commit to
2 renting or selling at least twenty percent of the multifamily housing
3 units as affordable housing units to low and moderate-income
4 households, and the property must satisfy that commitment and any
5 additional affordability and income eligibility conditions adopted by
6 the local government under this chapter. In the case of projects
7 intended exclusively for owner occupancy, the minimum requirement of
8 this subsection (1)(a)(ii)(B) may be satisfied solely through housing
9 affordable to moderate-income households; and

10 (iii) For properties for which applications for certificates of
11 tax exemption eligibility are submitted under this chapter on or
12 after July 1, 2020, the value is exempt:

13 (A) For eight successive years beginning January 1st of the year
14 immediately following the calendar year of issuance of the
15 certificate, if the property otherwise qualifies for the exemption
16 under this chapter and meets the conditions in this subsection
17 (1)(a)(iii)(A). For the property to qualify for the eight-year
18 exemption under this subsection, the applicant must commit to renting
19 or selling at least fifteen percent of the multifamily housing units
20 as affordable housing units to low and moderate-income households,
21 and ten percent of those affordable housing units must contain at
22 least two bedrooms. The property also must satisfy any additional
23 affordability and income eligibility conditions adopted by the local
24 government under this chapter; or

25 (B) For twelve successive years beginning January 1st of the year
26 immediately following the calendar year of issuance of the
27 certificate, if the property otherwise qualifies for the exemption
28 under this chapter and meets the conditions in this subsection
29 (1)(a)(iii)(B). For the property to qualify for the twelve-year
30 exemption under this subsection, the applicant must commit to renting
31 or selling at least twenty-five percent of the multifamily housing
32 units as affordable housing units to low and moderate-income
33 households, and thirty-three percent of the affordable housing units
34 must contain at least two bedrooms. The property also must satisfy
35 any additional affordability and income eligibility conditions
36 adopted by the local government under this chapter.

37 (b) The exemptions provided in (a)(i) (~~and~~), (ii), and (iii) of
38 this subsection do not include the value of land or nonhousing-
39 related improvements not qualifying under this chapter.

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

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

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

21 (5) At the conclusion of the exemption period, the new or
22 rehabilitated housing cost shall be considered as new construction
23 for the purposes of chapter 84.55 RCW.

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

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

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

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

35 (c) The providing of additional housing opportunity, including
36 affordable housing, in the area, as determined by the governing
37 authority, will assist in achieving one or more of the stated
38 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 must
4 be: (i) In a rural county, served by a sewer system and designated by
5 a county prior to January 1, 2013; or (ii) in a county that includes
6 a campus of an institution of higher education, as defined in RCW
7 28B.92.030, where at least one thousand two hundred students live on
8 campus during the academic year.

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

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

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

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

- 36 (a) Application process and procedures;
37 (b) Income and rent standards for affordable units;
38 (c) Requirements that address demolition of existing structures
39 and site utilization; and

1 ~~((e))~~ (d) Building requirements that may include elements
2 addressing parking, height, density, environmental impact, and
3 compatibility with the existing surrounding property and such other
4 amenities as will attract and keep permanent residents and that will
5 properly enhance the livability of the residential targeted area in
6 which they 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 (iii)(B), or
10 both, more stringent income eligibility, rent, or sale price limits,
11 including limits that apply to a higher percentage of units, than the
12 minimum conditions for an extended exemption period under RCW
13 84.14.020(1)(a) (ii)(B) or (iii)(B).

14 (7) For any multiunit housing located in an unincorporated area
15 of a county, a property owner seeking tax incentives under this
16 chapter before July 1, 2020, must commit to renting or selling at
17 least twenty percent of the multifamily housing units as affordable
18 housing units to low and moderate-income households. ~~((In the case of~~
19 multiunit housing intended exclusively for owner occupancy, the
20 minimum requirement of this subsection (6) may be satisfied solely
21 through housing affordable to moderate-income households.))

22 (8) For any multiunit housing located in an unincorporated area
23 of a county, a property owner seeking tax incentives under this
24 chapter on or after July 1, 2020, must commit to renting or selling
25 at least twenty-five percent of the multifamily housing units as
26 affordable housing units to low and moderate-income households, and
27 thirty-three percent of those affordable housing units must contain
28 at least two bedrooms.

29 (9) In the case of multiunit housing intended exclusively for
30 owner occupancy, the minimum requirements of subsections (6), (7),
31 and (8) of this section may be satisfied solely through housing
32 affordable to moderate-income households.

33 **Sec. 4.** RCW 84.14.060 and 2014 c 96 s 5 are each amended to read
34 as follows:

35 (1) The duly authorized administrative official or committee of
36 the city or county may approve the application if it finds that:

37 (a) A minimum of four new units are being constructed or in the
38 case of occupied rehabilitation or conversion a minimum of four
39 additional multifamily units are being developed;

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

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

6 (d) The owner has complied with all standards and guidelines
7 adopted by the city or county under this chapter, including
8 jurisdiction-specific income and rent standards; (~~and~~)

9 (e) The site is located in a residential targeted area of an
10 urban center or urban growth area that has been designated by the
11 governing authority in accordance with procedures and guidelines
12 indicated in RCW 84.14.040; and

13 (f) The city or county has conducted an analysis of the project's
14 profitability with and without a property tax exemption.

15 (2) An application may not be approved after July 1, 2007, if any
16 part of the proposed project site is within a campus facilities
17 master plan, except as provided in RCW 84.14.040(1)(d).

18 (3) An application may not be approved for a residential targeted
19 area in a rural county on or after January 1, 2020.

20 **Sec. 5.** RCW 84.14.100 and 2012 c 194 s 9 are each amended to
21 read as follows:

22 (1) Thirty days after the anniversary of the date of the
23 certificate of tax exemption and each year for the tax exemption
24 period, the owner of the rehabilitated or newly constructed property
25 must file with a designated authorized representative of the city or
26 county an annual report indicating the following:

27 (a) A statement of occupancy and vacancy of the rehabilitated or
28 newly constructed property during the twelve months ending with the
29 anniversary date;

30 (b) A certification by the owner that the property has not
31 changed use and, if applicable, that the property has been in
32 compliance with the affordable housing requirements as described in
33 RCW 84.14.020 since the date of the certificate approved by the city
34 or county;

35 (c) A description of changes or improvements constructed after
36 issuance of the certificate of tax exemption; and

37 (d) Any additional information requested by the city or county in
38 regards to the units receiving a tax exemption.

1 (2) All cities or counties, which issue certificates of tax
2 exemption for multiunit housing that conform to the requirements of
3 this chapter, must report annually by December 31st of each year,
4 beginning in 2007, to the department of commerce. The report must
5 include the following information:

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

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

9 (c) The number, size, and type of units produced or to be
10 produced meeting affordable housing requirements;

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

12 (e) The total monthly rent or total sale amount of each unit
13 produced;

14 (f) The annual income and household size of each renter or owner
15 household (~~(at the time of initial occupancy and the income of each~~
16 ~~initial purchaser of owner-occupied units at the time of purchase))
17 for each of the units receiving a tax exemption and a summary of
18 these figures for the city or county; and~~

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

21 (3) By December 1, 2020, and annually thereafter, the department
22 of commerce must submit a report to the appropriate committees of the
23 legislature and the joint legislative audit and review committee on
24 city and county compliance with the reporting requirements under
25 subsection (2) of this section. The report may also include any
26 additional resources or authority needed by the department of
27 commerce to ensure city and county compliance.

28 (4) A work group to study and make recommendations on the
29 multifamily property tax exemption is hereby created.

30 (a) The work group membership must consist of:

31 (i) One representative from the department of commerce;

32 (ii) One representative from the department of revenue;

33 (iii) One representative from the Washington state housing
34 finance commission;

35 (iv) One representative from the association of Washington
36 cities;

37 (v) One representative from the Washington state association of
38 counties;

39 (vi) One representative from the Washington low income housing
40 alliance;

1 (vii) One representative from the building industry association
2 of Washington; and
3 (viii) One representative from a Washington association of
4 realtors.
5 (b) By December 1, 2020, the work group must submit a report to
6 the appropriate committees of the legislature and the joint
7 legislative audit and review committee. The report must:
8 (i) Identify any ambiguities in this chapter;
9 (ii) Provide an analysis of which ambiguities can be resolved
10 through guidance and which require statutory changes; and
11 (iii) Recommend changes to the exemption that would likely
12 increase the supply of affordable housing, including ways to mitigate
13 utility connection fees.

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