
SUBSTITUTE SENATE BILL 5363

State of Washington

66th Legislature

2019 Regular Session

By Senate Ways & Means (originally sponsored by Senators Palumbo, Wagoner, Hunt, Mullet, and Lias)

READ FIRST TIME 03/01/19.

1 AN ACT Relating to extending the property tax exemption for new
2 and rehabilitated multiple-unit dwellings in urban centers; amending
3 RCW 84.14.020, 84.14.007, and 84.14.040; creating a new section;
4 providing an effective date; and declaring an emergency.

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

6 **Sec. 1.** RCW 84.14.020 and 2007 c 430 s 4 are each amended to
7 read as follows:

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

11 (i) For properties for which applications for certificates of tax
12 exemption eligibility are submitted under this chapter (~~(84.14-RCW)~~)
13 before July 22, 2007, the value is exempt for ten successive years
14 beginning January 1st of the year immediately following the calendar
15 year of issuance of the certificate; and

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

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

1 (B) For twelve successive years beginning January 1st of the year
2 immediately following the calendar year of issuance of the
3 certificate, if the property otherwise qualifies for the exemption
4 under this chapter ((84.14-RCW)) and meets the conditions in this
5 subsection (1) (a) (ii) (B). For the property to qualify for the twelve-
6 year exemption under this subsection, the applicant must commit to
7 renting or selling at least twenty percent of the multifamily housing
8 units as affordable housing units to low and moderate-income
9 households, and the property must satisfy that commitment and any
10 additional affordability and income eligibility conditions adopted by
11 the local government under this chapter. Nothing in this section
12 prohibits a local government from adopting or implementing more
13 stringent income eligibility, rent, or sale price limits than the
14 minimum conditions required under this section. If a local government
15 adopts additional requirements under this section, an applicant must
16 meet such requirements in addition to any other requirements under
17 this section to be eligible for the exemption under this section. In
18 the case of projects intended exclusively for owner occupancy, the
19 minimum requirement of this subsection (1) (a) (ii) (B) may be satisfied
20 solely through housing affordable to moderate-income households.

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

24 (2) When a local government adopts guidelines pursuant to RCW
25 84.14.030(2) and includes conditions that must be satisfied with
26 respect to individual dwelling units, rather than with respect to the
27 multiple-unit housing as a whole or some minimum portion thereof, the
28 exemption may, at the local government's discretion, be limited to
29 the value of the qualifying improvements allocable to those dwelling
30 units that meet the local guidelines.

31 (3) In the case of rehabilitation of existing buildings, the
32 exemption does not include the value of improvements constructed
33 prior to the submission of the application required under this
34 chapter. The incentive provided by this chapter is in addition to any
35 other incentives, tax credits, grants, or other incentives provided
36 by law.

37 (4) This chapter does not apply to increases in assessed
38 valuation made by the assessor on nonqualifying portions of building
39 and value of land nor to increases made by lawful order of a county
40 board of equalization, the department of revenue, or a county, to a

1 class of property throughout the county or specific area of the
2 county to achieve the uniformity of assessment or appraisal required
3 by law.

4 (5) At the conclusion of the exemption period, the new or
5 rehabilitated housing cost (~~shall~~) must be considered as new
6 construction for the purposes of chapter 84.55 RCW unless it
7 qualifies for an extension as provided under subsection (6) of this
8 section.

9 (6) For properties that qualified for the exemption under
10 subsection (1)(a)(ii)(B) of this section prior to the effective date
11 of this section, the exemption period may be extended for an
12 additional twelve years, provided that the local government adopts
13 qualifying guidelines for such an extension. The local government may
14 adopt and implement more stringent income eligibility, rent, or sale
15 price limits, including limits that apply to a higher percentage of
16 units than the minimum conditions required for the exemption as
17 provided under subsection (1)(a)(ii)(B) of this section in order to
18 qualify for this twelve-year extension. For the property to qualify
19 for the twelve-year extension under this subsection (6), the
20 applicant must at minimum meet the requirements for the property to
21 qualify for the exemption under subsection (1)(a)(ii)(B) of this
22 section.

23 (7) The exemption under subsection (1)(a)(ii)(A) does not apply
24 to a county seeking to promote transit supportive densities and
25 efficient land use as defined in RCW 84.14.040(1)(d)(iii).

26 **Sec. 2.** RCW 84.14.007 and 2014 c 96 s 2 are each amended to read
27 as follows:

28 It is the purpose of this chapter to encourage increased
29 residential opportunities, including affordable housing
30 opportunities, in cities that are required to plan or choose to plan
31 under the growth management act within urban centers where the
32 governing authority of the affected city has found there is
33 insufficient housing opportunities, including affordable housing
34 opportunities. It is further the purpose of this chapter to stimulate
35 the construction of new multifamily housing and the rehabilitation of
36 existing vacant and underutilized buildings for multifamily housing
37 in urban centers having insufficient housing opportunities that will
38 increase and improve residential opportunities, including affordable
39 housing opportunities, within these urban centers. To achieve these

1 purposes, this chapter provides for special valuations in
2 residentially deficient urban centers for eligible improvements
3 associated with multiunit housing, which includes affordable housing.
4 It is an additional purpose of this chapter to allow unincorporated
5 areas of rural counties that are within urban growth areas to
6 stimulate housing opportunities and for certain counties to stimulate
7 housing opportunities and redevelopment of areas in urban growth
8 areas to promote transit supportive densities and more efficient land
9 use, and near college campuses to promote dense, transit-oriented,
10 walkable college communities.

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

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

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

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

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

26 (d) If the residential targeted area is designated by a county,
27 the area must be located in an unincorporated area of the county that
28 is within an urban growth area under RCW 36.70A.110 and the area must
29 be: (i) In a rural county, served by a sewer system and designated by
30 a county prior to January 1, 2013; (~~(ii)~~) (ii) in a county that
31 includes a campus of an institution of higher education, as defined
32 in RCW 28B.92.030, where at least one thousand two hundred students
33 live on campus during the academic year; or (iii) beginning July 1,
34 2021, in a county seeking to promote transit supportive densities and
35 efficient land use in an area that is located within: (A) An urban
36 growth area; (B) a city's potential annexation area of a city with a
37 population of at least two hundred thousand; and (C) one quarter of a
38 mile of a corridor where bus service is scheduled at least every
39 fifteen minutes for no less than ten hours per day and is in service

1 or is planned for service to begin within five years of designation.
2 The date in this subsection (1)(d)(iii) applies to applications
3 submitted under this chapter on or after the date provided in this
4 subsection (1)(d)(iii).

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

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

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

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

32 (a) Application process and procedures;

33 (b) Requirements that address demolition of existing structures
34 and site utilization; and

35 (c) Building requirements that may include elements addressing
36 parking, height, density, environmental impact, and compatibility
37 with the existing surrounding property and such other amenities as
38 will attract and keep permanent residents and that will properly
39 enhance the livability of the residential targeted area in which they
40 are to be located.

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

15 NEW SECTION. **Sec. 4.** The provisions of RCW 82.32.805 and
16 82.32.808 do not apply to this act.

17 NEW SECTION. **Sec. 5.** Section 1 of this act is necessary for the
18 immediate preservation of the public peace, health, or safety, or
19 support of the state government and its existing public institutions,
20 and takes effect immediately.

21 NEW SECTION. **Sec. 6.** Sections 2 and 3 of this act take effect
22 July 1, 2021.

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