
HOUSE BILL 1596

State of Washington

68th Legislature

2023 Regular Session

By Representatives Kloba, Bateman, Goodman, Springer, Reed, Ryu, Reeves, Ramel, Doglio, Pollet, and Hackney

Read first time 01/25/23. Referred to Committee on Local Government.

1 AN ACT Relating to providing local governments with options to
2 increase affordable housing in their communities; adding a new
3 chapter to Title 84 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** The definitions in this section apply
6 throughout this chapter unless the context clearly requires
7 otherwise.

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

11 (2) "Health and quality standards" means guidelines as adopted by
12 the governing authority that may include height, density, public
13 benefit features, number and size of proposed development, parking,
14 income limits for occupancy, limits on rents or sale prices, and
15 other adopted requirements indicated necessary by the city or county.
16 The required amenities should be relative to the size of the project
17 and tax benefit to be obtained. The property must comply with one or
18 more standards of the applicable state or local building or housing
19 codes on or after July 23, 1995.

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

1 (4) "Owner" means the property owner of record.

2 (5) "Single-family dwelling" means an individual detached
3 dwelling permanently affixed to the ground.

4 (6) "Very low-income household" means a single person, family, or
5 unrelated persons living together whose adjusted income is at or
6 below 50 percent of the area median income adjusted for family size,
7 for the county in which the project is located, as reported by the
8 United States department of housing and urban development.

9 NEW SECTION. **Sec. 2.** A city governing authority may by
10 ordinance or resolution establish an affordable housing incentive
11 program to preserve affordable housing within the city that meets
12 health and quality standards for very low-income households at risk
13 of displacement or that cannot afford market rate housing. A county
14 governing authority may by ordinance or resolution establish an
15 affordable housing incentive program for unincorporated areas to
16 preserve affordable housing that meets health and quality standards
17 for very low-income households at risk of displacement or that cannot
18 afford market rate housing.

19 NEW SECTION. **Sec. 3.** (1) An affordable housing incentive
20 program adopted by the governing authority under this chapter must
21 include qualifying standards for very low-income household rental
22 housing. The standards must include rent limits and income guidelines
23 consistent with local housing needs to assist households that cannot
24 afford market rate housing.

25 (2) In order to qualify for a property tax exemption under this
26 chapter, an accessory dwelling unit attached, built-in, or detached
27 to a single-family dwelling must be affordable to very low-income
28 households.

29 (3) Annual household income requalification is not required after
30 initial qualification, except in the case of a change or substitution
31 of adults living in the unit.

32 (4) Rent levels for qualifying affordable housing units,
33 including any mandatory fees for tenant-paid utilities that are
34 required as a condition of tenancy, may not exceed 30 percent of the
35 income limit for the very low-income housing unit.

36 NEW SECTION. **Sec. 4.** (1) For single-family dwellings
37 permanently affixed to the land, the value of residential housing

1 improvements and land qualifying under this chapter is exempt from ad
2 valorem property taxation for six successive years beginning January
3 1st of the year immediately following the calendar year that the
4 certificate of tax exemption is filed with the county assessor in
5 accordance with section 10 of this act. The exemption for qualifying
6 single-family properties may be repeatedly renewed for successive
7 six-year periods as long as the property continues to comply with the
8 affordable housing incentive program during each six-year period.

9 (2) The exemption provided under this chapter is in addition to
10 any tax credits, grants, or other incentives provided by law to
11 increase the rental affordability.

12 (3) The exemption in this chapter does not apply to any
13 nonqualifying portions of a building or land.

14 (4) The governing authority must provide local taxing districts
15 in the designated exemption area notice and an opportunity to be
16 heard prior to establishing an affordable housing incentive program
17 under this chapter.

18 NEW SECTION. **Sec. 5.** To be eligible for the property tax
19 exemption under this chapter, in addition to any other requirements
20 in this chapter, the property must be in compliance with the
21 following for the entire exemption period:

22 (1) The qualifying property must be part of an affordable
23 attached, built-in, or detached dwelling unit that is accessory to a
24 single-family dwelling;

25 (2) Only the attached, built-in, or detached accessory dwelling
26 unit and underlying land dedicated solely to the accessory dwelling
27 unit may qualify for the exemption. The owner must continue to reside
28 in either the main house or the accessory dwelling unit for the
29 exemption to apply; and

30 (3) The property owner must enter into a contract with the city
31 or county agreeing to terms and conditions required to satisfy
32 eligibility criteria of the affordable housing incentive program.

33 NEW SECTION. **Sec. 6.** (1) To be eligible for the exemption under
34 this chapter, the property must also comply with all applicable land
35 use regulations; zoning requirements; building and housing code
36 requirements, including space and occupancy, structural, mechanical,
37 fire, safety, and security standards; and health and quality
38 standards as established in section 2 of this act. At a minimum, the

1 standard for housing quality must be substantially equivalent to
2 uniform physical condition standards. The governing authority may
3 establish additional standards to meet local needs.

4 (2) The property must be inspected for compliance with subsection
5 (1) of this section prior to awarding the tax exemption under this
6 chapter and thereafter, as established by the governing authority.
7 The governing authority must deny an application for tax exemption
8 for failure to comply with health and quality standards as described
9 in section 2 of this act.

10 NEW SECTION. **Sec. 7.** (1) The governing authority may limit
11 participation in the affordable housing incentive program to:

12 (a) Particular targeted areas that present particular risk or
13 displacement or that provide unique affordable housing opportunities
14 near community infrastructure such as transportation or public
15 schools; and

16 (b) Detached dwelling units that are accessory to a single-family
17 dwelling.

18 (2) The governing authority must adopt and implement standards to
19 be utilized in considering applications and making the determinations
20 required under this chapter. The standards must include:

21 (a) An application process and procedures;

22 (b) Guidelines and requirements as described in section 6 of this
23 act;

24 (c) An inspection policy and procedures to ensure the property
25 complies with housing and health and quality standards;

26 (d) Income and rent limits as required under section 3 of this
27 act;

28 (e) Documentation submittal requirements necessary to establish
29 income eligibility of households in affordable housing units; and

30 (f) Fees required of the applicant in order to process the
31 application and monitor compliance with eligibility criteria. Such
32 fees must be commensurate with the cost anticipated by the governing
33 authority to administer this chapter.

34 NEW SECTION. **Sec. 8.** An owner of property making an application
35 under this chapter must meet the following requirements:

36 (1) The applicant must apply to the city or county on forms
37 adopted by the governing authority. The application must contain the
38 following:

1 (a) Information setting forth the grounds supporting the
2 requested exemption, including information indicated on the
3 application form and other requirements specified in the governing
4 authority's adopted exemption program;

5 (b) A description of the project, including the floor plan and
6 other information requested;

7 (c) A statement that the applicant is aware of the potential tax
8 liability involved when the property ceases to be eligible for the
9 incentive provided under this chapter; and

10 (d) A certification of family size and annual income requirements
11 in a form acceptable to the governing authority for designated
12 affordable housing units;

13 (2) The applicant must verify the information provided in the
14 application by oath or affirmation; and

15 (3) The applicant must submit a fee, if any, with the application
16 as required under this chapter.

17 NEW SECTION. **Sec. 9.** Prior to approval of an application
18 meeting the requirements of section 8 of this act, the applicable
19 city or county agency must inspect the property to certify compliance
20 with health and quality standards.

21 NEW SECTION. **Sec. 10.** (1) The governing authority or its
22 designated administrative official or agent may approve the
23 application if it finds that the property and owner satisfy the
24 requirements of this chapter.

25 (2) If the application is approved, the governing authority must
26 issue the owner a certificate of tax exemption. The certificate must
27 contain a statement specifying that the property satisfies the
28 requirements of this chapter. The governing authority must submit a
29 copy of the certificate to the assessor no later than August 1st of
30 the year before the exemption is to be applied.

31 (3) If the application is denied, the governing authority must
32 state in writing the reasons for denial and issue notice to the
33 applicant by regular or certified mail to the applicant's last known
34 address, or by other means reasonably calculated to provide notice,
35 within 10 days of the denial.

36 (4) An applicant may appeal the governing authority's decision to
37 the governing authority or its designated agent within 30 days after
38 receipt. The appeal must be based upon the record made before the

1 administrative official or commission, and the burden is on the
2 applicant to show that the governing authority's decision is not
3 supported by substantial evidence.

4 NEW SECTION. **Sec. 11.** The governing authority may establish an
5 application fee. This fee may not exceed an amount determined to be
6 required to cover the cost to be incurred by the governing authority
7 and the assessor in administering this chapter. The application fee
8 must be paid at the time the application for limited exemption is
9 filed. If the application is approved, the governing authority shall
10 pay the application fee to the county assessor for deposit in the
11 county current expense fund, after first deducting that portion of
12 the fee attributable to its own administrative costs in processing
13 the application. If the application is denied, the governing
14 authority may retain that portion of the application fee attributable
15 to its own administrative costs and refund the balance to the
16 applicant.

17 NEW SECTION. **Sec. 12.** (1) The owner receiving a tax exemption
18 under this chapter must obtain from each tenant living in a
19 designated affordable housing unit an annual certification of family
20 size and annual income in a form acceptable to the governing
21 authority.

22 (2) The owner must file an annual report with the governing
23 authority's designated official indicating the following:

24 (a) Family size and annual income for each tenant living in a
25 designated affordable housing rental unit, and a statement that the
26 property is in compliance with affordable housing requirements
27 described in section 3 of this act; and

28 (b) Any other information required by the city or county to
29 determine compliance with program requirements.

30 (3) A governing authority that issues certificates of tax
31 exemption under this chapter must report annually to the department
32 of commerce the following information:

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

34 (b) The total monthly rent amount for each affordable unit; and

35 (c) The dollar amount of the tax exemption issued for each
36 project and the total dollar amount of tax exemptions granted within
37 the city or county.

1 NEW SECTION. **Sec. 13.** (1) Land and improvements exempted under
2 this chapter continue to be exempted for the applicable period under
3 section 4 of this act, if the improvements continue to satisfy all
4 applicable conditions. If the owner intends to discontinue compliance
5 with the affordable housing requirements as described in section 4 of
6 this act or any other condition to the exemption, the owner must
7 notify tenants and the jurisdiction within 60 days of the owner's
8 intended discontinuance. If the city or county is notified by the
9 owner of intent to discontinue compliance, the tax exemption must be
10 canceled. If the city or county discovers that a portion of the
11 property no longer meets the qualifications of the city's or county's
12 exemption program and the owner did not comply with the terms and
13 conditions required in section 5(3) of this act, the tax exemption
14 must be canceled, and the following must occur:

15 (a) Additional real property tax must be imposed on the property.
16 This additional tax is the difference between the property tax paid
17 and the property tax that would have been paid if the property had
18 included the value of the nonqualifying improvements, for each of the
19 prior six years during which the exemption was in effect;

20 (b) Additional interest is owed upon the amounts of the
21 additional property tax at the same statutory rate charged on
22 delinquent property taxes, calculated from the dates on which the
23 additional tax would have been payable without the tax exemption;

24 (c) A penalty is owed in the amount equal to 20 percent of the
25 additional property tax imposed under this section; and

26 (d) The additional tax, interest, and penalty are declared to be
27 a lien on the real property and attach at the time the property or
28 portion of the property is removed from the tax exemption program.
29 The lien has priority to, and must be fully paid and satisfied
30 before, a recognizance, mortgage, judgment, debt, obligation, or
31 responsibility to or with which the land may become charged or
32 liable, except that the lien is of equal rank with liens for amounts
33 deferred under chapter 84.37 or 84.38 RCW. The lien may be foreclosed
34 upon expiration of the same period after delinquency and in the same
35 manner provided by law for foreclosure of liens for delinquent real
36 property taxes. An additional tax unpaid on its due date is
37 delinquent. From the date of delinquency until paid, interest must be
38 charged at the same rate applied by law to delinquent ad valorem
39 property taxes.

1 (2) Upon a determination that a tax exemption is to be canceled
2 for a reason stated in this section, the governing authority or
3 authorized representative of the governing authority must notify the
4 taxpayer, shown by the tax rolls by certified mail, and the assessor,
5 of the determination to cancel the tax exemption. The owner may
6 appeal the determination within 30 days of the date of the notice by
7 filing a notice of appeal with the clerk of the governing authority,
8 specifying the factual and legal basis upon which the determination
9 of cancellation is alleged to be erroneous. The governing authority
10 or its authorized agent may hear the appeal. At the hearing, all
11 affected parties may be heard and all competent evidence received.
12 The burden is on the taxpayer to show that the governing authority's
13 decision is not supported by substantial evidence. After the hearing,
14 the decision maker must affirm, modify, or overturn the decision to
15 cancel the tax exemption based on the evidence received. An aggrieved
16 party may appeal the decision of the deciding body or officer to the
17 superior court. The governing authority must also notify the assessor
18 of the final disposition of the appeal.

19 (3) The assessor must annually value the exempt and nonexempt
20 portions of the property and improvements as necessary to permit the
21 correction of the rolls in accordance with this section.

22 NEW SECTION. **Sec. 14.** This section is the tax preference
23 performance statement for the tax preferences contained in
24 chapter . . ., Laws of 2023 (this act). This performance statement is
25 only intended to be used for subsequent evaluation of the tax
26 preference. It is not intended to create a private right of action by
27 any party or be used to determine eligibility for preferential tax
28 treatment.

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

32 (2) It is the legislature's specific public policy objective to
33 preserve quality and healthy affordable housing where housing
34 options, including quality and healthy affordable housing options,
35 are severely limited. It is the legislature's intent to provide an
36 exemption from ad valorem property taxation for residential
37 improvements and land qualifying under chapter . . ., Laws of 2023
38 (this act) and to provide incentives to property owners to preserve
39 affordable housing units for very low-income households.

1 NEW SECTION. **Sec. 15.** Sections 1 through 13 of this act
2 constitute a new chapter in Title 84 RCW.

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