
SUBSTITUTE HOUSE BILL 2308

State of Washington

68th Legislature

2024 Regular Session

By House Housing (originally sponsored by Representatives Walen, Hutchins, Robertson, Santos, Barkis, and Shavers)

READ FIRST TIME 01/31/24.

1 AN ACT Relating to housing affordability tax incentives for
2 existing structures; adding a new section to chapter 82.08 RCW;
3 adding a new section to chapter 82.12 RCW; adding a new chapter to
4 Title 84 RCW; creating a new section; and providing expiration dates.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that through tax
7 incentives, the private market can assist Washington in meeting its
8 housing goals, allowing the state to focus its resources on serving
9 households making below 50 percent of the area median income.
10 Furthermore, by providing adequate housing stock for households
11 making 50 to 80 percent of the area median income, those households
12 will not compete with persons in lower income brackets for more
13 affordable units.

14 (2) The legislature also finds that constructing new housing
15 units can take years, and many existing buildings can be repurposed
16 quickly to meet the state's workforce and affordable housing needs.
17 Many existing buildings are located in downtown centers, near work
18 and services where there is limited land available for new
19 construction.

20 (3) The legislature finds that many downtown centers lack
21 available affordable housing, which results in long commutes that

1 increase greenhouse gas emissions. The legislature recognizes that by
2 using existing buildings to create affordable housing units, units
3 can be available more quickly and with a reduced impact on waste
4 streams and the environment compared to newly constructed units.

5 (4) It is the intent of the legislature to incentivize the
6 repurposing of existing buildings for workforce and affordable
7 housing by creating a property tax shift and a sales and use tax
8 remittance.

9 NEW SECTION. **Sec. 2.** The definitions in this section apply
10 throughout this chapter unless the context clearly requires
11 otherwise.

12 (1) "Affordable housing" means:

13 (a) Residential rental housing that is rented by a person or
14 household whose monthly housing costs, including utilities other than
15 telephone, do not exceed 30 percent of the required household monthly
16 area median income to qualify as a low-income household under this
17 chapter.

18 (b) Residential homeownership housing that is owned or occupied
19 by a low-income household whose monthly housing costs do not exceed
20 the percentage of family income that may be spent on monthly housing
21 costs, including utilities other than telephone, established by the
22 department of commerce.

23 (2) "Area median income" means:

24 (a) For an area within a standard metropolitan statistical area,
25 the area median income reported by the United States department of
26 housing and urban development for that standard metropolitan
27 statistical area; or

28 (b) For an area not within a standard metropolitan statistical
29 area, the county median income reported by the department of
30 commerce.

31 (3) "Governing authority" means the legislative authority of a
32 city having jurisdiction over the property for which an exemption may
33 be applied under this chapter.

34 (4) "Low-income household" means single persons, families, or
35 unrelated persons living together whose adjusted income is at or
36 below 80 percent of the median family income, adjusted for household
37 size for the county, city, or metropolitan statistical area where the
38 building is located as reported by the United States department of
39 housing and urban development.

1 (5) "Multiunit residential building" means a building permanently
2 affixed to the ground having four or more dwelling units not designed
3 or used as transient accommodations and not including hotels and
4 motels.

5 (6) "Owner" means the property owner of record.

6 (7) "Residential improvements" means any improvement to real
7 property that is for residential use.

8 NEW SECTION. **Sec. 3.** A city governing authority may by
9 ordinance or resolution establish a state and local property tax
10 exemption program for property owners for the value of real property
11 that consists of a commercial building converted from a commercial
12 building to a multiunit residential building and contains affordable
13 housing units for low-income households, excluding land and
14 nonhousing-related improvements not qualifying under this chapter.

15 NEW SECTION. **Sec. 4.** (1) An existing building conversion
16 exemption program adopted by the governing authority under this
17 chapter must be amended to include qualifying standards for
18 affordable housing consistent with this chapter.

19 (2) In order to qualify for a property tax exemption for
20 conversion of a commercial building to affordable housing under this
21 chapter, housing units must:

22 (a) Be a building whose immediate prior use was predominantly or
23 exclusively for commercial use; and

24 (b) Have a complete project permit application submitted to the
25 city or county prior to January 1, 2029.

26 (3) The governing authority may request input from the Washington
27 housing finance commission and the department of commerce in
28 developing affordability requirements for units dedicated to
29 affordable housing.

30 (4) Except as provided in subsection (5) of this section, rent
31 levels for qualifying affordable housing units, including any
32 mandatory fees for tenant-paid utilities that are required as a
33 condition of tenancy, may not exceed 30 percent of the income limit
34 for the affordable housing unit.

35 (5) The governing authority may establish income or rent levels
36 other than those indicated in this chapter where it determines that
37 such an adjustment is needed to serve the needs of low-income
38 household affordable housing units in the community. The governing

1 authority shall conduct public outreach to interested parties prior
2 to adopting a program with income or rent levels other than those
3 indicated under this chapter.

4 NEW SECTION. **Sec. 5.** (1) For commercial building conversions,
5 the value of real property qualifying under this chapter is exempt
6 from ad valorem property taxation for 30 successive years beginning
7 January 1st of the year immediately following the calendar year that
8 the certificate of tax exemption is filed with the county assessor in
9 accordance with section 8 of this act.

10 (2) The exemption provided under this chapter may not be granted
11 if the owner receives an exemption under chapter 84.14 RCW.

12 (3) The exemption in this chapter excludes land and nonhousing
13 related improvements not qualifying under this chapter.

14 NEW SECTION. **Sec. 6.** To be eligible for the property tax
15 exemptions under this chapter, in addition to any other requirements
16 in this chapter, the property must be in compliance with the
17 following for the entire exemption period:

18 (1) For commercial conversions, a minimum of 20 percent of
19 residential units in a multiunit residential building subject to a
20 tax exemption under this chapter must be rented or sold as affordable
21 housing units to low-income households for a period no less than 30
22 years to address local market conditions. Up to and including the
23 midpoint, the percentage requirement may be rounded down to the
24 nearest whole number of units.

25 (2) For any units within the multiunit residential building that
26 are rented to low-income households at the time of the exemption
27 application, the units must remain as affordable housing and are
28 additive to the percentage of units required to be affordable housing
29 under this section.

30 (3) Affordable housing units must be distributed throughout the
31 building and be comparable in terms of quality, living conditions,
32 size, and mix of unit types to market rate units in the building.

33 NEW SECTION. **Sec. 7.** An owner of property must meet the
34 following requirements to receive an exemption under this chapter:

35 (1) The applicant must apply to the city on forms adopted by the
36 city. The application must contain the following:

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

4 (b) A floor plan of units and other information requested;

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

8 (d) A certification of family size and annual income requirements
9 in a form acceptable to the city for designated affordable housing
10 units.

11 (2) The owner must apply on or before the application expiration
12 date of December 31, 2029.

13 (3) The applicant must verify the information provided in the
14 application by oath or affirmation.

15 NEW SECTION. **Sec. 8.** (1) The governing authority's designated
16 administrative official or agent may approve the application if it
17 finds that the property and owner satisfy the requirements of this
18 chapter and its locally adopted program.

19 (2) Applications should be processed within 30 days of submittal
20 to facilitate project financing.

21 (3) (a) If the application is approved, the designated
22 administrative official or agent must issue the owner a conditional
23 certificate of tax exemption. The certificate must contain a
24 statement specifying that the applicant complies with the
25 requirements of section 7 of this act. The city and applicant must
26 enter into a contract stipulating that a tax exemption will be
27 provided if the applicant complies with the provisions outlined in
28 the conditional certificate of tax exemption.

29 (b) Within two years of the issuance of the conditional
30 certificate of exemption, the applicant shall submit information
31 indicating that it has complied with the terms of the conditional
32 certificate of tax exemption. The applicant can apply to the
33 governing authority for an extension of an additional 12 months to
34 receive a final certificate of tax exemption.

35 (c) Within 30 days of receipt of the statement required under (b)
36 of this subsection (3), the governing authority's designated
37 administrative official or agent must determine whether the
38 affordability of the units is consistent with the conditional
39 certificate of tax exemption. If the authorized representative of the

1 city determines that the affordability is consistent with the
2 contract issued with the conditional certificate of tax exemption,
3 the city must file a final certificate of tax exemption with the
4 county assessor within 10 days of such determination.

5 (4) If the application is denied, the designated administrative
6 official or agent must state in writing the reasons for denial and
7 issue notice to the applicant by regular or certified mail to the
8 applicant's last known address, or by other means reasonably
9 calculated to provide notice, within 10 days of the denial.

10 (5) An applicant may appeal the decision of the designated
11 administrative official or agent within 30 days after receipt. The
12 appeal must be based upon the record made before the administrative
13 official or agent, and the burden is on the applicant to show that
14 the decision is not supported by substantial evidence.

15 NEW SECTION. **Sec. 9.** (1) The owner receiving a tax exemption
16 under this chapter must obtain from each tenant living in a
17 designated affordable housing unit an annual certification of family
18 size and annual income in a form acceptable to the governing
19 authority.

20 (2) The owner must file an annual report with the governing
21 authority's designated administrative official or agent indicating
22 the following:

23 (a) Family size and annual income for each tenant living in a
24 designated affordable housing rental unit, and a statement that the
25 property is in compliance with affordable housing requirements
26 described in section 6 of this act;

27 (b) A statement of occupancy and vacancy;

28 (c) A schedule of rents charged in market rate units; and

29 (d) Any other information required by the city to determine
30 compliance with exemption requirements.

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

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

35 (b) The number and type of units in building properties receiving
36 a tax exemption;

37 (c) The number and type of units meeting affordable housing
38 requirements;

1 (d) The total monthly rent amount for each affordable and market
2 rate unit; and

3 (e) The dollar amount of the tax exemption issued for each
4 conversion and the total dollar amount of tax exemptions granted
5 within the city.

6 NEW SECTION. **Sec. 10.** (1) Real property exempted under this
7 chapter continue to be exempted for the applicable period under
8 section 5 of this act if the improvements continue to satisfy all
9 applicable conditions. If the owner intends to discontinue compliance
10 with the affordable housing requirements as described in section 6 of
11 this act or any other condition to the exemption, the owner must
12 notify tenants and the jurisdiction 60 days before the owner's
13 discontinuance. If the city is notified by the owner, or if the city
14 discovers that a portion of the property no longer meets the
15 qualifications of the tax exemption, the tax exemption is canceled,
16 and the following must occur:

17 (a) Additional real property tax must be imposed on the property.
18 This additional tax is the difference between the property tax paid
19 and the property tax that would have been paid if the property had
20 included the value of the nonqualifying improvements, for each of the
21 prior 10 years during which the exemption was in effect;

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

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

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

1 delinquency until paid, interest must be charged at the same rate
2 applied by law to delinquent ad valorem property taxes.

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

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

25 NEW SECTION. **Sec. 11.** If the owner intends to convert any
26 affordable housing rental units to market rate units before the 30-
27 year exemption period or after the exemption period ends, the owner
28 must provide tenants of affordable housing rental units with
29 notification of intent to provide the tenant with rental relocation
30 assistance. The owner must provide tenant relocation assistance in an
31 amount equal to one month's rent to a low-income household within the
32 final month of the low-income household's lease. To be eligible for
33 tenant relocation assistance under this section, the tenant must
34 occupy an affordable housing unit at the time the exemption expires
35 and must qualify as a low-income household under this section at the
36 time relocation assistance is sought.

37 NEW SECTION. **Sec. 12.** A new section is added to chapter 82.08
38 RCW to read as follows:

1 (1) Subject to the requirements of chapter 84.--- RCW (the new
2 chapter created in section 15 of this act), the tax levied by RCW
3 82.08.020 does not apply to:

4 (a) The sale of or charge made for tangible personal property
5 incorporated as a component of a conversion of a commercial building
6 into affordable housing; and

7 (b) Labor and services rendered for the conversion of a
8 commercial building into affordable housing.

9 (2)(a) The exemption in this section is in the form of a
10 remittance.

11 (b) A qualifying owner claiming an exemption under this section
12 must pay all applicable state and local sales taxes imposed or
13 authorized under RCW 82.08.020 on all purchases qualifying for the
14 remittance.

15 (c) The amount of the remittance is 100 percent of the state
16 sales paid on purchases qualifying under subsection (1) of this
17 section.

18 (d) A qualifying owner claiming an exemption under this section
19 shall rent or sell a minimum of 10 percent of residential units in a
20 multiunit residential building subject to a tax exemption under
21 chapter 84.--- RCW (the new chapter created in section 15 of this
22 act) to low-income households for at least 10 years. Up to and
23 including the midpoint, the percentage requirement may be rounded
24 down to the nearest whole number of units.

25 (3) An owner must specify the amount of exempted tax claimed and
26 the qualifying purchases or uses for which the exemption is claimed.
27 The owner must retain, in adequate detail, records to enable the
28 department to determine whether the qualifying owner is entitled to
29 an exemption under this section, including invoices, proof of tax
30 paid, and construction contracts.

31 (4) The department must determine eligibility under this section
32 based on information provided by the qualifying owner, including the
33 annual certification required under section 9 of this act. Owner
34 eligibility is subject to audit verification by the department.

35 (5) If the owner intends to discontinue compliance with the
36 affordable housing requirements as described under this section or
37 any other condition to the exemption, the owner must notify the
38 department at least 60 days before the owner's discontinuance. If the
39 department discovers that eligibility conditions for the exemption
40 are no longer met, the department shall notify the owner within 60

1 days. The owner shall pay the total remittance granted under this
2 section and an additional 20 percent of the total remittance granted
3 as a penalty.

4 (6) The department may adopt rules necessary to implement this
5 section.

6 (7) The provisions of chapter 82.32 RCW apply to this section.

7 (8) The definitions in section 2 of this act apply to this
8 section.

9 (9) This section expires December 31, 2029.

10 NEW SECTION. **Sec. 13.** A new section is added to chapter 82.12
11 RCW to read as follows:

12 (1) Subject to the requirements of chapter 84.--- RCW (the new
13 chapter created in section 15 of this act), the tax levied by RCW
14 82.12.020 does not apply to:

15 (a) The use of tangible personal property incorporated as a
16 component of a conversion of a commercial building into affordable
17 housing; and

18 (b) Labor and services rendered for the conversion of a
19 commercial building into affordable housing.

20 (2)(a) The exemption in this section is in the form of a
21 remittance.

22 (b) A qualifying owner claiming an exemption under this section
23 must pay all applicable state and local use taxes imposed or
24 authorized under RCW 82.12.020 for all uses qualifying for the
25 remittance.

26 (c) The amount of the remittance is 100 percent of the state
27 sales and use taxes paid on purchases and uses qualifying under
28 subsection (1) of this section.

29 (d) A qualifying owner claiming an exemption under this section
30 shall rent or sell a minimum of 10 percent of residential units in a
31 multiunit residential building subject to a tax exemption under
32 chapter 84.--- RCW (the new chapter created in section 15 of this
33 act) to low-income households for at least 10 years. Up to and
34 including the midpoint, the percentage requirement may be rounded
35 down to the nearest whole number of units.

36 (3) An owner must specify the amount of exempted tax claimed and
37 the qualifying uses for which the exemption is claimed. The owner
38 must retain, in adequate detail, records to enable the department to
39 determine whether the qualifying owner is entitled to an exemption

1 under this section, including invoices, proof of tax paid, and
2 construction contracts.

3 (4) The department must determine eligibility under this section
4 based on information provided by the qualifying owner, including the
5 annual certification required under section 9 of this act. Owner
6 eligibility is subject to audit verification by the department.

7 (5) If the owner intends to discontinue compliance with the
8 affordable housing requirements as described under this section or
9 any other condition to the exemption, the owner must notify the
10 department at least 60 days before the owner's discontinuance. If the
11 department discovers that eligibility conditions for the exemption
12 are no longer met, the department shall notify the owner within 60
13 days. The owner shall pay the total remittance granted under this
14 section and an additional 20 percent of the total remittance granted
15 as a penalty.

16 (6) The department may adopt rules necessary to implement this
17 section.

18 (7) The provisions of chapter 82.32 RCW apply to this section.

19 (8) The definitions in section 2 of this act apply to this
20 section.

21 (9) This section expires December 31, 2029.

22 NEW SECTION. **Sec. 14.** (1) This section is the tax preference
23 performance statement for the tax preferences contained in
24 chapter . . . , Laws of 2024 (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 (2) The legislature categorizes these tax preferences as ones
30 intended to induce certain designated behavior by taxpayers, as
31 indicated in RCW 82.32.808(2)(a).

32 (3) It is the legislature's specific public policy objective to
33 incentivize the repurposing of existing buildings for affordable
34 housing.

35 (4) It is the legislature's intent to provide an exemption from
36 ad valorem property taxation for residential improvements qualifying
37 under chapter 84.--- RCW (the new chapter created in section 15 of
38 this act) and to provide other incentives to property owners to

1 convert commercial buildings into affordable housing units for low-
2 income households.

3 (5) In order to obtain the data necessary to measure the
4 effectiveness of these tax preferences in achieving the public policy
5 objective described in this section, the joint legislative audit and
6 review committee may refer to any data collected by the state.

7 NEW SECTION. **Sec. 15.** Sections 1 through 11 of this act
8 constitute a new chapter in Title 84 RCW.

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