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**SUBSTITUTE HOUSE BILL 1859**

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**State of Washington 69th Legislature 2025 Regular Session**

**By** House Housing (originally sponsored by Representatives Salahuddin, Peterson, Doglio, Parshley, Dufault, Leavitt, Reed, Gregerson, Nance, Street, Obras, Ormsby, Hill, Timmons, and Duerr)

AN ACT Relating to expanding opportunities for affordable housing developments on properties owned by religious organizations; amending RCW 35.63.280, 35A.63.300, and 36.70A.545; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating a new section; providing an effective date; and providing expiration dates.

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

**Sec.**  RCW 35.63.280 and 2019 c 218 s 1 are each amended to read as follows:

(1) A city planning under this chapter must allow an increased density bonus consistent with local needs for any affordable housing development of any single-family or multifamily residence located on real property owned or controlled by a religious organization provided that:

(a) ((~~The~~)) At least 50 percent of the affordable housing development is set aside for or occupied exclusively by low-income households;

(b) The affordable housing development is part of a lease or other binding obligation that requires ((~~the development~~)) at least 50 percent of the housing units to be used exclusively for affordable housing purposes for at least fifty years, even if the religious organization no longer owns the property; and

(c) The affordable housing development does not discriminate against any person who qualifies as a member of a low-income household based on race, creed, color, national origin, sex, veteran or military status, sexual orientation, or mental or physical disability; or otherwise act in violation of the federal fair housing amendments act of 1988 (42 U.S.C. Sec. 3601 et seq.).

(2) A city ((~~may~~)) must develop policies to implement this section if it receives a request from a religious organization for an increased density bonus for an affordable housing development. A city may establish policies to require an affordable housing development to set aside more than 50 percent of all residential dwelling units for low-income households to qualify for the increased density bonus.

(3) The religious organization or an entity leasing the property for the purpose of developing the affordable housing development must pay all fees, mitigation costs, and other charges required through the development of the affordable housing development.

(4) If applicable, the religious organization developing the affordable housing development should work with the local transit agency to ensure appropriate transit services are provided to the affordable housing development.

(5) This section applies to any religious organization rehabilitating an existing affordable housing development.

(6) For purposes of this section:

(a) "Affordable housing development" means a proposed or existing structure in which ((~~one hundred~~)) 50 percent of all single-family or multifamily residential dwelling units within the development are set aside for or are occupied by low-income households ((~~at a sales price or rent amount that may not exceed thirty percent of the income limit for the low-income housing unit~~)) whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income;

(b) "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is ((~~less than eighty~~)) at or below 80 percent of the median family income, adjusted for household size, for the county where the affordable housing development is located, as reported by the United States department of housing and urban development; and

(c) "Religious organization" has the same meaning as in RCW 35.21.915.

**Sec.**  RCW 35A.63.300 and 2019 c 218 s 2 are each amended to read as follows:

(1) A city planning under this chapter must allow an increased density bonus consistent with local needs for any affordable housing development of any single-family or multifamily residence located on real property owned or controlled by a religious organization provided that:

(a) ((~~The~~)) At least 50 percent of the affordable housing development is set aside for or occupied exclusively by low-income households;

(b) The affordable housing development is part of a lease or other binding obligation that requires ((~~the development~~)) at least 50 percent of the housing units to be used exclusively for affordable housing purposes for at least fifty years, even if the religious organization no longer owns the property; and

(c) The affordable housing development does not discriminate against any person who qualifies as a member of a low-income household based on race, creed, color, national origin, sex, veteran or military status, sexual orientation, or mental or physical disability; or otherwise act in violation of the federal fair housing amendments act of 1988 (42 U.S.C. Sec. 3601 et seq.).

(2) A city ((~~may~~)) must develop policies to implement this section if it receives a request from a religious organization for an increased density bonus for an affordable housing development. A city may establish policies to require an affordable housing development to set aside more than 50 percent of all residential dwelling units for low-income households to qualify for the increased density bonus.

(3) The religious organization or an entity leasing the property for the purpose of developing the affordable housing development must pay all fees, mitigation costs, and other charges required through the development of the affordable housing development.

(4) If applicable, the religious organization developing the affordable housing development should work with the local transit agency to ensure appropriate transit services are provided to the affordable housing development.

(5) This section applies to any religious organization rehabilitating an existing affordable housing development.

(6) For purposes of this section:

(a) "Affordable housing development" means a proposed or existing structure in which ((~~one hundred~~)) 50 percent of all single-family or multifamily residential dwelling units within the development are set aside for or are occupied by low-income households ((~~at a sales price or rent amount that may not exceed thirty percent of the income limit for the low-income housing unit~~)) whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income;

(b) "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is ((~~less than eighty~~)) at or below 80 percent of the median family income, adjusted for household size, for the county where the affordable housing development is located, as reported by the United States department of housing and urban development; and

(c) "Religious organization" has the same meaning as in RCW 35A.21.360.

**Sec.**  RCW 36.70A.545 and 2019 c 218 s 3 are each amended to read as follows:

(1) Any city or county fully planning under this chapter must allow an increased density bonus consistent with local needs for any affordable housing development of any single-family or multifamily residence located on real property owned or controlled by a religious organization provided that:

(a) ((~~The~~)) At least 50 percent of the affordable housing development is set aside for or occupied exclusively by low-income households;

(b) The affordable housing development is part of a lease or other binding obligation that requires ((~~the development~~)) at least 50 percent of the housing units to be used exclusively for affordable housing purposes for at least fifty years, even if the religious organization no longer owns the property; and

(c) The affordable housing development does not discriminate against any person who qualifies as a member of a low-income household based on race, creed, color, national origin, sex, veteran or military status, sexual orientation, or mental or physical disability; or otherwise act in violation of the federal fair housing amendments act of 1988 (42 U.S.C. Sec. 3601 et seq.).

(2) A city or county ((~~may~~)) must develop policies to implement this section if it receives a request from a religious organization for an increased density bonus for an affordable housing development. A city or county may establish policies to require an affordable housing development to set aside more than 50 percent of all residential dwelling units for low-income households to qualify for the increased density bonus.

(3) An affordable housing development created by a religious institution within a city or county fully planning under RCW 36.70A.040 must be located within an urban growth area as defined in RCW 36.70A.110.

(4) The religious organization or an entity leasing the property for the purpose of developing the affordable housing development must pay all fees, mitigation costs, and other charges required through the development of the affordable housing development.

(5) If applicable, the religious organization developing the affordable housing development should work with the local transit agency to ensure appropriate transit services are provided to the affordable housing development.

(6) This section applies to any religious organization rehabilitating an existing affordable housing development.

(7) For purposes of this section:

(a) "Affordable housing development" means a proposed or existing structure in which ((~~one hundred~~)) 50 percent of all single-family or multifamily residential dwelling units within the development are set aside for or are occupied by low-income households ((~~at a sales price or rent amount that may not exceed thirty percent of the income limit for the low-income housing unit~~)) whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income;

(b) "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is ((~~less than eighty~~)) at or below 80 percent of the median family income, adjusted for household size, for the county where the affordable housing development is located, as reported by the United States department of housing and urban development; and

(c) "Religious organization" has the same meaning as in RCW 36.01.290.

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

(1) The tax levied by RCW 82.08.020 does not apply to:

(a) Charges made for labor and services rendered by any person in respect to the constructing, repairing, decorating, or improving of existing buildings or other structures, in an affordable housing project in which at least 50 percent of housing units in the development are used as affordable housing; or

(b) Sales of tangible personal property that becomes an ingredient or component of such buildings or other structures during the course of the constructing, repairing, decorating, or improving of such buildings or other structures.

(2) The exemption under subsection (1) of this section is provided for all housing units in the development, and related facilities such as sidewalks, common areas, parking lots, and playgrounds. The exemption does not apply to the constructing, repairing, decorating, or improving of nonhousing-related buildings, structures, or facilities such as retail space, office space, churches, or other commercial space unrelated to affordable housing.

(3) The exemption in subsection (1) of this section is available only if the buyer provides the seller with an exemption certificate in a form and manner prescribed by the department. Applications for exemption certificates under this section may be accepted by the department on or after October 1, 2025, but no later than October 1, 2034. The department must rule on applications within 60 days, except that the department may extend the time of processing such application upon notice to the taxpayer that ruling on the application cannot be completed within such time.

(4) Any land owned or leased and used for an affordable housing project exempt under subsection (1) of this section must include restrictive covenants to ensure the land continues to be used for affordable housing for a minimum of 50 years.

(5) To qualify for the exemption under subsection (1) of this section, the affordable housing project must be:

(a) Owned by a nonprofit recognized religious organization;

(b) Built on land owned by a nonprofit recognized religious organization; or

(c) Built or owned in partnership with a nonprofit recognized religious organization, wherein the nonprofit recognized religious organization is at least a 50 percent partner and the other partner is a nonprofit organization whose purpose includes the developing or redeveloping of real property for affordable housing.

(6) For the purposes of this section and section 5 of this act, the following definitions apply unless the context clearly requires otherwise.

(a) "Affordable housing" means residential housing that is rented by a low-income household whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income.

(b) "Affordable housing project" means a multiunit housing project consisting of a building or a group of buildings having four or more dwelling units not designed or used as transient accommodations and not used for hotels and motels.

(c) "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is at or below 80 percent of the median family income adjusted for family size for the county, city, or metropolitan statistical area where the project is located, as reported by the United States department of housing and urban development.

(d) "Nonprofit organization" means a nonprofit exempt from federal income taxation under 26 U.S.C. Sec. 501(c)(3) of the federal internal revenue code of 1986, as amended.

(e) "Nonprofit recognized religious organization" means a nonprofit organization with a federally protected practice of a recognized religious assembly, school, or institution that owns or controls real property.

(7) This section expires January 1, 2036.

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

(1) The provisions of this chapter do not apply with respect to the use of tangible personal property that becomes an ingredient or component of buildings or other structures developed as an affordable housing project in which at least 50 percent of housing units in the development are used as affordable housing during the course of constructing, repairing, decorating, or improving such buildings or other structures by any person.

(2) The definitions in section 4 of this act apply to this section.

(3) This section expires January 1, 2036.

NEW SECTION. **Sec.**  Sections 4 and 5 of this act take effect October 1, 2025.

NEW SECTION. **Sec.**  7. RCW 82.32.805 and 82.32.808 do not apply to sections 4 and 5 of this act.

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