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**SENATE BILL 5755**

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

**By** Senators Alvarado, Saldaña, and C. Wilson

AN ACT Relating to incentivizing residential development with public benefits on underutilized commercial properties; amending RCW 84.14.010, 84.14.030, 84.14.060, 84.14.070, 84.14.090, 84.14.100, 84.14.110, and 82.59.010; adding a new section to chapter 43.330 RCW; adding a new section to chapter 84.14 RCW; creating a new section; and providing an expiration date.

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

NEW SECTION. **Sec.**  The legislature finds that Washington faces a housing shortage, with the greatest challenges affecting low-income households. The imbalance between housing supply and demand has driven up costs, making it increasingly difficult for households to secure housing near jobs and essential services.

The legislature also finds that expanding development opportunities on underutilized commercial properties can help Washington in meeting its housing goals of over 1,000,000 new housing units by 2044. Higher density, mixed-use development along underutilized commercial arterials—particularly near jobs, transit, and essential services—can help provide much needed housing.

The legislature further finds that updating land use policies, easing parking requirements, and increasing flexibility in permitting, may help to facilitate more housing development. The legislature intends to incentivize the development of underutilized commercial properties for mixed-income and affordable housing through public and private partnerships.

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

(1) The department shall solicit letters of interest from the owners or developers of retail or commercial properties with substantial potential for redevelopment as residential or mixed-use properties providing market rate and affordable housing supply. Letters of interest must be received no later than October 1, 2025. The department's instructions for the letters of interest shall request, at a minimum, the following information about the housing redevelopment project concept:

(a) Information on the location of the property, and its proximity to employment centers, public schools, transit, and local amenities or services;

(b) A description of the existing land uses at the property, and any available information about future operations of existing businesses at the property;

(c) A description of any concepts or plans to convert the property into primarily residential uses, along with any associated commercial or retail uses that would serve residents of the area;

(d) A description of the proposed phasing plan for the development, if necessary. If phased, the applicant may provide a description of how housing development may be expedited through increased predictability in the applicable development regulations, fees, and other construction-related regulations through vesting or other mechanisms;

(e) An assessment of infrastructure improvements needed to convert the primary use of the property from retail or commercial use to residential or mixed-use purpose;

(f) A description of any regulatory fees, taxes, or incentives that could delay or prevent the redevelopment of the property for housing, and any incentives that if applied to the property, would expedite redevelopment for housing purposes including affordable housing;

(g) The status of any environmental review or permitting activity to date, including the status of any development agreements with local governments; and

(h) The degree of funding that has already been committed to the project by nonstate entities.

(2) The department must review the information provided in the letter of interest to determine eligibility by October 31, 2025. Eligible properties:

(a) Must be located:

(i) On sites inside existing urban growth areas designated pursuant to RCW 36.70A.110 where redevelopment of the property or multiple properties would produce a minimum of 250 new housing units in one or more new or existing buildings;

(ii) In a commercial zone; and

(iii) On a street with a right-of-way of at least 50 to 150 feet; and

(b) Must not:

(i) Be within 3,200 feet of an active oil or gas refinery;

(ii) Be on or adjacent to a site considered to be dedicated to industrial use;

(iii) Be on any type of environmentally sensitive area such as wetlands and flood zones;

(iv) Require the demolition of a historic structure; or

(v) Require demolition of housing occupied by tenants.

(3) The department must score applications based on some or all of the criteria in this subsection by November 15, 2025, to assess the depth and breadth of public benefits provided in the project including, but not limited to:

(a) The degree of leveraging of other funds that will occur;

(b) Local government project contributions in the form of infrastructure improvements, and others;

(c) The amount and length of affordability provided in the project. Projects that provide housing for persons and families with the lowest incomes shall be scored higher;

(d) Projects that provide employment and training opportunities for disadvantaged youth under a youthbuild or youthbuild-type program as defined in RCW 50.72.020;

(e) Projects involving collaborative partnerships between local school districts and either public housing authorities or nonprofit housing providers, that help children of low-income families succeed in school. To receive this preference, the local school district must provide an opportunity for community members to offer input on the proposed project at the first scheduled school board meeting following submission of the grant application to the department;

(f) Projects that include a licensed early learning facility;

(g) Projects that incorporate energy efficient and renewable energy improvements;

(h) Projects that include a health care facility; and

(i) Whether or not the project will include:

(i) A requirement that applicants pay at least the prevailing rate of hourly wage established under chapter 39.12 RCW for journey level and apprentice workers on residential and commercial construction;

(ii) Payroll record requirements consistent with RCW 39.12.120(1);

(iii) Apprenticeship utilization requirements consistent with RCW 39.04.310; and

(iv) A contracting inclusion plan developed in consultation with the office of minority and women's business enterprises.

(4) The department must also consider as part of the scoring criteria the project location and access to:

(a) Employment centers in the region or area; and

(b) Available public transportation services.

(5) The department must group applications as high, medium, and low priority projects based on the scoring criteria.

(6) Once the department has determined the prioritization of eligible applications based on the scoring criteria, the department must facilitate development agreements between local governments and high priority projects. High priority projects must:

(a) Be given technical assistance from the department with permit applications. Permit applications under this section must be informed of inconsistencies with all qualifying criteria within 90 days, and projects must be processed and reviewed for all local objective standards within 180 days. If the jurisdiction misses the 90 day deadline, the project is deemed to be compliant with the relevant zoning rules and other land use standards;

(b) Be given priority for funding awarded by the department under the connecting housing to infrastructure program, early learning facilities program, and energy efficiency retrofits grants if that funding is necessary for an applicant to move forward with the project;

(c) Allow a density bonus consistent with local needs for any affordable housing development, provided that:

(i) The affordable housing development is set aside for or occupied exclusively by low-income households;

(ii) The affordable housing development is part of a lease or other binding obligation that requires the development to be used exclusively for affordable housing purposes for at least 50 years; and

(iii) 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.;

(d) Not require minimum parking requirements unless:

(i) The parking is necessary to provide accessible parking spaces in compliance with the Americans with disabilities act; or

(ii) The project is within a one mile radius of a commercial airport in Washington with at least 9,000,000 annual enplanements;

(e) Be considered underutilized commercial property eligible for the sales and use tax deferral program under chapter 82.59 RCW if it meets all necessary requirements under chapter 82.59 RCW; and

(f) Qualify for the multifamily property tax exemption under section 3 of this act if it meets the necessary requirements under chapter 84.14 RCW.

(7) For purposes of this section:

(a) "Affordable housing" has the meaning defined in RCW 36.70A.030.

(b) "Low income" 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.

(c) "Substantial potential" means the project is in the planning, permitting, or financing stage that demonstrates a strong readiness to proceed to construction but may not be fully funded or approved for construction.

(8) This section expires June 30, 2027.

NEW SECTION. **Sec.**  A new section is added to chapter 84.14 RCW to read as follows:

(1) The value of new housing construction, conversion, and rehabilitation improvements qualifying under this chapter is exempt from ad valorem property taxation for 20 successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate, if the property otherwise qualifies for the exemption under this chapter and meets the conditions in this section.

(2) The exemption in this section does not include the value of land or nonhousing-related improvements not qualifying under this chapter. The exemption in this section includes the value of the newly created housing determined by multiplying the overall value by the percentage of square footage of affordable newly created housing in comparison to the total square footage of housing for a qualifying project.

(3) For the property to qualify for the exemption provided in this section, the project must be approved by the department of commerce as a high priority eligible project under section 2 of this act.

(4) To qualify for the exemption provided in this section, the applicant must meet all required affordability and income eligibility conditions adopted by the governing authority under this chapter and commit to providing at least 20 percent of the dwelling units as affordable to low-income households for a term of at least 50 years.

(5) A city or county must adopt regulations necessary for use of the exemption in this section.

(6) A local jurisdiction must require the applicant to record a covenant or deed restriction that ensures the continuing rental or sale of units subject to the affordability requirements consistent with the conditions in this section for a period of no less than 50 years. The covenant or deed restriction must also address criteria and policies to maintain public benefit if the property is converted to a use other than which continues to provide for permanently affordable housing for low-income and moderate-income households consistent with this section.

(7) A local jurisdiction may assign and collect a reasonable administration fee at each point of sale to cover the administrative costs for oversight of the exemption in this section to maintain permanently affordable housing units consistent with this section.

(8) At the conclusion of the exemption period, the value of the new housing construction, conversion, or rehabilitation improvements must be considered as new construction for the purposes of chapters 84.55 and 36.21 RCW as though the property was not exempt under this chapter.

(9) Nothing in this section prevents a governing authority from adopting and implementing additional requirements for a project eligible under section 2 of this act receiving an exemption under this section.

(10) No new exemptions may be provided under this section beginning June 30, 2027.

**Sec.**  RCW 84.14.010 and 2024 c 332 s 17 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Affordable housing" means residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed ((~~thirty~~)) 30 percent of the household's monthly income. For the purposes of housing intended for owner occupancy, "affordable housing" means residential housing that is within the means of low or moderate‑income households.

(2) "Campus facilities master plan" means the area that is defined by the University of Washington as necessary for the future growth and development of its campus facilities for campuses authorized under RCW 28B.45.020.

(3) "City" means either (a) a city or town with a population of at least ((~~fifteen thousand~~)) 15,000, (b) the largest city or town, if there is no city or town with a population of at least ((~~fifteen thousand~~)) 15,000, located in a county planning under the growth management act, (c) a city or town with a population of at least ((~~five thousand~~)) 5,000 located in a county subject to the provisions of RCW 36.70A.215, or (d) any city that otherwise does not meet the qualifications under (a) through (c) of this subsection, until December 31, 2031, that complies with RCW 84.14.020(1)(a)(iii) ((~~or~~)), 84.14.021(1)(b), or section 2 of this act.

(4) "Conversion" means the conversion of a nonresidential building, in whole or in part, to multiple-unit housing under this chapter.

(5) "County" means a county with an unincorporated population of at least 170,000.

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

(7) "Growth management act" means chapter 36.70A RCW.

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

(9) "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is at or below ((~~eighty~~)) 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.

(10) "Moderate‑income household" means a single person, family, or unrelated persons living together whose adjusted income is more than ((~~eighty~~)) 80 percent but is at or below ((~~one hundred fifteen~~)) 115 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.

(11) "Multiple-unit housing" means a building or a group of buildings having four or more dwelling units not designed or used as transient accommodations and not including hotels and motels. Multifamily units may result from new construction or rehabilitated or conversion of vacant, underutilized, or substandard buildings to multifamily housing.

(12) "Owner" means the property owner of record.

(13) "Permanent residential occupancy" means multiunit housing that provides either rental or owner occupancy on a nontransient basis. This includes owner-occupied or rental accommodation that is leased for a period of at least one month. This excludes hotels and motels that predominately offer rental accommodation on a daily or weekly basis.

(14) "Rehabilitation improvements" means modifications to existing structures, that are vacant for ((~~twelve~~)) 12 months or longer, that are made to achieve a condition of substantial compliance with existing building codes or modification to existing occupied structures which increase the number of multifamily housing units.

(15) "Residential targeted area" means an area within an urban center or urban growth area that has been designated by the governing authority as a residential targeted area in accordance with this chapter. With respect to designations after July 1, 2007, "residential targeted area" may not include a campus facilities master plan.

(16) "Rural county" means a county with a population between ((~~fifty thousand~~)) 50,000 and ((~~seventy-one thousand~~)) 71,000 and bordering Puget Sound.

(17) "Substantial compliance" means compliance with local building or housing code requirements that are typically required for rehabilitation as opposed to new construction.

(18) "Urban center" means a compact identifiable district where urban residents may obtain a variety of products and services. An urban center must contain:

(a) Several existing or previous, or both, business establishments that may include but are not limited to shops, offices, banks, restaurants, governmental agencies;

(b) Adequate public facilities including streets, sidewalks, lighting, transit, domestic water, and sanitary sewer systems; and

(c) A mixture of uses and activities that may include housing, recreation, and cultural activities in association with either commercial or office, or both, use.

**Sec.**  RCW 84.14.030 and 2021 c 187 s 9 are each amended to read as follows:

An owner of property making application under this chapter must meet the following requirements:

(1) The new or rehabilitated multiple-unit housing must be located in a residential targeted area or station area as designated by the city or county;

(2) The multiple-unit housing must meet guidelines as adopted by the governing authority that may include height, density, public benefit features, number and size of proposed development, parking, income limits for occupancy, limits on rents or sale prices, and other adopted requirements indicated necessary by the city or county. The required amenities should be relative to the size of the project and tax benefit to be obtained;

(3) The new, converted, or rehabilitated multiple-unit housing must provide for a minimum of ((~~fifty~~)) 50 percent of the space for permanent residential occupancy. In the case of existing occupied multifamily development, the multifamily housing must also provide for a minimum of four additional multifamily units. Existing multifamily vacant housing that has been vacant for ((~~twelve~~)) 12 months or more does not have to provide additional multifamily units;

(4) New construction multifamily housing and rehabilitation improvements must be completed within three years from the date of approval of the application, plus any extension authorized under RCW 84.14.090(5);

(5) Property proposed to be rehabilitated must fail to comply with one or more standards of the applicable state or local building or housing codes on or after July 23, 1995. If the property proposed to be rehabilitated is not vacant, an applicant must provide each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate; and

(6) The applicant must enter into a contract with the city or county approved by the governing authority, or an administrative official or commission authorized by the governing authority, under which the applicant has agreed to the implementation of the development on terms and conditions satisfactory to the governing authority.

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

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

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

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

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

(d) The owner has complied with all standards and guidelines adopted by the city or county under this chapter; and

(e) The site is located in a residential targeted area or station area of an urban center or urban growth area that has been designated by the governing authority in accordance with procedures and guidelines indicated in ((~~RCW 84.14.040~~)) this chapter.

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

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

**Sec.**  RCW 84.14.070 and 2012 c 194 s 7 are each amended to read as follows:

(1) The governing authority or an administrative official or commission authorized by the governing authority must approve or deny an application filed under this chapter within ((~~ninety~~)) 90 days after receipt of the application.

(2) If the application is approved, the city or county must issue the owner of the property a conditional certificate of acceptance of tax exemption. The certificate must contain a statement by a duly authorized administrative official of the governing authority that the property has complied with the required findings indicated in RCW 84.14.060. A copy of the certificate must be sent to the county assessor within 30 days of issuance.

(3) If the application is denied by the authorized administrative official or commission authorized by the governing authority, the deciding administrative official or commission must state in writing the reasons for denial and send the notice to the applicant at the applicant's last known address within ((~~ten~~)) 10 days of the denial.

(4) Upon denial by a duly authorized administrative official or commission, an applicant may appeal the denial to the governing authority within ((~~thirty~~)) 30 days after receipt of the denial. The appeal before the governing authority must be based upon the record made before the administrative official with the burden of proof on the applicant to show that there was no substantial evidence to support the administrative official's decision. The decision of the governing body in denying or approving the application is final.

**Sec.**  RCW 84.14.090 and 2021 c 187 s 10 are each amended to read as follows:

(1) Upon completion of rehabilitation or new construction for which an application for a limited tax exemption under this chapter has been approved and after issuance of the certificate of occupancy, the owner must file with the city or county the following:

(a) A statement of the amount of rehabilitation or construction expenditures made with respect to each housing unit and the composite expenditures made in the rehabilitation or construction of the entire property;

(b) A description of the work that has been completed and a statement that the rehabilitation improvements or new construction on the owner's property qualify the property for limited exemption under this chapter;

(c) If applicable, a statement that the project meets the affordable housing requirements as described in ((~~RCW 84.14.020~~)) this chapter; and

(d) A statement that the work has been completed within three years of the issuance of the conditional certificate of tax exemption.

(2) Within ((~~thirty~~)) 30 days after receipt of the statements required under subsection (1) of this section, the authorized representative of the city or county must determine whether the work completed, and the affordability of the units, is consistent with the application and the contract approved by the city or county and is qualified for a limited tax exemption under this chapter. The city or county must also determine which specific improvements completed meet the requirements and required findings.

(3) If the rehabilitation, conversion, or construction is completed within three years of the date the application for a limited tax exemption is filed under this chapter, or within an authorized extension of this time limit, and the authorized representative of the city or county determines that improvements were constructed consistent with the application and other applicable requirements, including if applicable, affordable housing requirements, and the owner's property is qualified for a limited tax exemption under this chapter, the city or county must file the certificate of tax exemption with the county assessor within ((~~ten~~)) 10 days of the expiration of the ((~~thirty~~)) 30-day period provided under subsection (2) of this section.

(4) The authorized representative of the city or county must notify the applicant that a certificate of tax exemption is not going to be filed if the authorized representative determines that:

(a) The rehabilitation or new construction was not completed within three years of the application date, or within any authorized extension of the time limit;

(b) The improvements were not constructed consistent with the application or other applicable requirements;

(c) If applicable, the affordable housing requirements as described in ((~~RCW 84.14.020~~)) this chapter were not met; or

(d) The owner's property is otherwise not qualified for limited exemption under this chapter.

(5) If the authorized representative of the city or county finds that construction or rehabilitation of multiple-unit housing was not completed within the required time period due to circumstances beyond the control of the owner and that the owner has been acting and could reasonably be expected to act in good faith and with due diligence, the governing authority or the city or county official authorized by the governing authority may extend the deadline for completion of construction or rehabilitation for a period not to exceed ((~~twenty-four~~)) 24 consecutive months. For preliminary or final applications submitted on or before February 15, 2020, with any outstanding application requirements, such as obtaining a temporary certificate of occupancy, the city or county may choose to extend the deadline for completion for an additional five years. The five-year extension begins immediately following the completion of any outstanding applications or previously authorized extensions, whichever is later.

(6) The governing authority may provide by ordinance for an appeal of a decision by the deciding officer or authority that an owner is not entitled to a certificate of tax exemption to the governing authority, a hearing examiner, or other city or county officer authorized by the governing authority to hear the appeal in accordance with such reasonable procedures and time periods as provided by ordinance of the governing authority. The owner may appeal a decision by the deciding officer or authority that is not subject to local appeal or a decision by the local appeal authority that the owner is not entitled to a certificate of tax exemption in superior court under RCW 34.05.510 through 34.05.598, if the appeal is filed within ((~~thirty~~)) 30 days of notification by the city or county to the owner of the decision being challenged.

**Sec.**  RCW 84.14.100 and 2021 c 187 s 5 are each amended to read as follows:

(1) Thirty days after the anniversary of the date of the certificate of tax exemption and each year for the tax exemption period, the owner of the rehabilitated or newly constructed property, or the qualified nonprofit or local government that will assure permanent affordable homeownership for at least 25 percent of the units for properties receiving an exemption under RCW 84.14.021, must file with a designated authorized representative of the city or county an annual report indicating the following:

(a) A statement of occupancy and vacancy of the rehabilitated or newly constructed property during the ((~~twelve~~)) 12 months ending with the anniversary date;

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

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

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

(2) All cities or counties, which issue certificates of tax exemption for multiunit housing that conform to the requirements of this chapter, must report annually by April 1st of each year, beginning in 2007, to the department of commerce. A city or county must be in compliance with the reporting requirements of this section to offer certificates of tax exemption for multiunit housing authorized in this chapter. The report must include the following information:

(a) The number of tax exemption certificates granted;

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

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

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

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

(f) The annual household income and household size for each of the affordable units receiving a tax exemption and a summary of these figures for the city or county; and

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

(3)(a) The department of commerce must adopt and implement a program to effectively audit or review that the owner or operator of each property for which a certificate of tax exemption has been issued, except for those properties receiving an exemption that are owned or operated by a nonprofit or for those properties receiving an exemption from a city or county that operates an independent audit or review program, is offering the number of units at rents as committed to in the approved application for an exemption and that the tenants are being properly screened to be qualified for an income-restricted unit. The audit or review program must be adopted in consultation with local governments and other stakeholders and may be based on auditing a percentage of income-restricted units or properties annually. A private owner or operator of a property for which a certificate of tax exemption has been issued under this chapter, must be audited at least once every five years.

(b) If the review or audit required under (a) of this subsection for a given property finds that the owner or operator is not offering the number of units at rents as committed to in the approved application or is not properly screening tenants for income-restricted units, the department of commerce must notify the city or county and the city or county must impose and collect a sliding scale penalty not to exceed an amount calculated by subtracting the amount of rents that would have been collected had the owner or operator complied with their commitment from the amount of rents collected by the owner or operator for the income-restricted units, with consideration of the severity of the noncompliance. If a subsequent review or audit required under (a) of this subsection for a given property finds continued substantial noncompliance with the program requirements, the exemption certificate must be canceled pursuant to RCW 84.14.110.

(c) The department of commerce may impose and collect a fee, not to exceed the costs of the audit or review, from the owner or operator of any property subject to an audit or review required under (a) of this subsection.

(4) The department of commerce must provide guidance to cities and counties, which issue certificates of tax exemption for multiunit housing that conform to the requirements of this chapter, on best practices in managing and reporting for the exemption programs authorized under this chapter, including guidance for cities and counties to collect and report demographic information for tenants of units receiving a tax exemption under this chapter.

(5) This section expires January 1, 2058.

**Sec.**  RCW 84.14.110 and 2012 c 194 s 10 are each amended to read as follows:

(1) If improvements have been exempted under this chapter, the improvements continue to be exempted for the applicable period under ((~~RCW 84.14.020~~)) this chapter, so long as they are not converted to another use and continue to satisfy all applicable conditions. If the owner intends to convert the multifamily development to another use, or if applicable, if the owner intends to discontinue compliance with the affordable housing requirements as described in ((~~RCW 84.14.020~~)) this chapter or any other condition to exemption, the owner must notify the assessor within ((~~sixty~~)) 60 days of the change in use or intended discontinuance. If, after a certificate of tax exemption has been filed with the county assessor, the authorized representative of the governing authority discovers that a portion of the property is changed or will be changed to a use that is other than residential or that housing or amenities no longer meet the requirements, including, if applicable, affordable housing requirements, as previously approved or agreed upon by contract between the city or county and the owner and that the multifamily housing, or a portion of the housing, no longer qualifies for the exemption, the tax exemption must be canceled and the following must occur:

(a) Additional real property tax must be imposed upon the value of the nonqualifying improvements in the amount that would normally be imposed, plus a penalty must be imposed amounting to ((~~twenty~~)) 20 percent. This additional tax is calculated based upon the difference between the property tax paid and the property tax that would have been paid if it had included the value of the nonqualifying improvements dated back to the date that the improvements were converted to a nonmultifamily use;

(b) The tax must include interest upon the amounts of the additional tax at the same statutory rate charged on delinquent property taxes from the dates on which the additional tax could have been paid without penalty if the improvements had been assessed at a value without regard to this chapter; and

(c) The additional tax owed together with interest and penalty must become a lien on the land and attach at the time the property or portion of the property is removed from multifamily use or the amenities no longer meet applicable requirements, and has priority to and must be fully paid and satisfied before a recognizance, mortgage, judgment, debt, obligation, or responsibility to or with which the land may become charged or liable. The lien may be foreclosed upon expiration of the same period after delinquency and in the same manner provided by law for foreclosure of liens for delinquent real property taxes. An additional tax unpaid on its due date is delinquent. From the date of delinquency until paid, interest must be charged at the same rate applied by law to delinquent ad valorem property taxes.

(2) Upon a determination that a tax exemption is to be canceled for a reason stated in this section, the governing authority or authorized representative must notify the record owner of the property as shown by the tax rolls by mail, return receipt requested, of the determination to cancel the exemption. The owner may appeal the determination to the governing authority or authorized representative, within ((~~thirty~~)) 30 days by filing a notice of appeal with the clerk of the governing authority, which notice must specify the factual and legal basis on which the determination of cancellation is alleged to be erroneous. The governing authority or a hearing examiner or other official authorized by the governing authority may hear the appeal. At the hearing, all affected parties may be heard and all competent evidence received. After the hearing, the deciding body or officer must either affirm, modify, or repeal the decision of cancellation of exemption based on the evidence received. An aggrieved party may appeal the decision of the deciding body or officer to the superior court under RCW 34.05.510 through 34.05.598.

(3) Upon determination by the governing authority or authorized representative to terminate an exemption, the county officials having possession of the assessment and tax rolls must correct the rolls in the manner provided for omitted property under RCW 84.40.080. The county assessor must make such a valuation of the property and improvements as is necessary to permit the correction of the rolls. The value of the new housing construction, conversion, and rehabilitation improvements added to the rolls is considered as new construction for the purposes of chapter 84.55 RCW. The owner may appeal the valuation to the county board of equalization under chapter 84.48 RCW and according to the provisions of RCW 84.40.038. If there has been a failure to comply with this chapter, the property must be listed as an omitted assessment for assessment years beginning January 1st of the calendar year in which the noncompliance first occurred, but the listing as an omitted assessment may not be for a period more than three calendar years preceding the year in which the failure to comply was discovered.

**Sec.**  RCW 82.59.010 and 2024 c 332 s 3 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Affordable housing" means:

(a) Homeownership housing intended for owner occupancy to low-income households whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income;

(b) "Rental housing" for low-income households whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income.

(2) "Applicant" means an owner of commercial property.

(3) "City" means any city or town, including a code city.

(4) "Conditional recipient" means an owner of commercial property granted a conditional certificate of program approval under this chapter, which includes any successor owner of the property.

(5) "Eligible investment project" means an investment project that is located in a city and receiving a conditional certificate of program approval.

(6) "Governing authority" means the local legislative authority of a city having jurisdiction over the property for which a deferral may be granted under this chapter.

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

(8)(a) "Initiation of construction" means the date that a building permit is issued under the building code adopted under RCW 19.27.031 for construction of the qualified building, if the underlying ownership of the building vests exclusively with the person receiving the economic benefit of the deferral.

(b) "Initiation of construction" does not include soil testing, site clearing and grading, site preparation, or any other related activities that are initiated before the issuance of a building permit for the construction of the foundation of the building.

(c) If the investment project is a phased project, "initiation of construction" applies separately to each phase.

(9) "Investment project" means an investment in multifamily housing, including labor, services, and materials incorporated in the planning, installation, and construction of the project. "Investment project" includes investment in related facilities such as playgrounds and sidewalks as well as facilities used for business use for mixed-use development.

(10) "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.

(11) "Multifamily housing" means a building or a group of buildings having four or more dwelling units not designed or used as transient accommodations and not including hotels and motels. Multifamily units may result from rehabilitation or conversion of vacant, underutilized, or substandard buildings to multifamily housing.

(12) "Owner" means the property owner of record.

(13) "Underutilized commercial property" means an entire property, or portion thereof, currently used or intended to be used by a business for retailing or office-related or administrative activities, or a high priority eligible property as determined by the department of commerce under section 2 of this act. If the property is used partly for a qualifying use and partly for other purposes, the applicable tax deferral must be determined by apportionment of the costs of construction under rules adopted by the department. For the purposes of this subsection, "qualifying use" means used or intended to be used by a business for retailing or office-related or administrative activities.

**--- END ---**