
SENATE BILL 5755

State of Washington

69th Legislature

2025 Regular Session

By Senators Alvarado, Saldaña, and C. Wilson

Read first time 02/14/25. Referred to Committee on Housing.

1 AN ACT Relating to incentivizing residential development with
2 public benefits on underutilized commercial properties; amending RCW
3 84.14.010, 84.14.030, 84.14.060, 84.14.070, 84.14.090, 84.14.100,
4 84.14.110, and 82.59.010; adding a new section to chapter 43.330 RCW;
5 adding a new section to chapter 84.14 RCW; creating a new section;
6 and providing an expiration date.

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

8 NEW SECTION. **Sec. 1.** The legislature finds that Washington
9 faces a housing shortage, with the greatest challenges affecting low-
10 income households. The imbalance between housing supply and demand
11 has driven up costs, making it increasingly difficult for households
12 to secure housing near jobs and essential services.

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

19 The legislature further finds that updating land use policies,
20 easing parking requirements, and increasing flexibility in
21 permitting, may help to facilitate more housing development. The

1 legislature intends to incentivize the development of underutilized
2 commercial properties for mixed-income and affordable housing through
3 public and private partnerships.

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.330
5 RCW to read as follows:

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

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

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

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

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

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

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

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

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

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

6 (a) Must be located:

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

11 (ii) In a commercial zone; and

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

13 and

14 (b) Must not:

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

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

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

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

21 (v) Require demolition of housing occupied by tenants.

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

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

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

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

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

35 (e) Projects involving collaborative partnerships between local
36 school districts and either public housing authorities or nonprofit
37 housing providers, that help children of low-income families succeed
38 in school. To receive this preference, the local school district must
39 provide an opportunity for community members to offer input on the

1 proposed project at the first scheduled school board meeting
2 following submission of the grant application to the department;

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

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

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

7 (i) Whether or not the project will include:

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

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

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

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

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

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

21 (b) Available public transportation services.

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

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

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

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

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

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

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

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

15 (d) Not require minimum parking requirements unless:

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

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

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

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

26 (7) For purposes of this section:

27 (a) "Affordable housing" has the meaning defined in RCW
28 36.70A.030.

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

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

39 (8) This section expires June 30, 2027.

1 NEW SECTION. **Sec. 3.** A new section is added to chapter 84.14

2 RCW to read as follows:

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

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

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

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

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

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

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

1 (8) At the conclusion of the exemption period, the value of the
2 new housing construction, conversion, or rehabilitation improvements
3 must be considered as new construction for the purposes of chapters
4 84.55 and 36.21 RCW as though the property was not exempt under this
5 chapter.

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

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

12 **Sec. 4.** RCW 84.14.010 and 2024 c 332 s 17 are each amended to
13 read as follows:

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

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

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

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

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

- 1 (5) "County" means a county with an unincorporated population of
2 at least 170,000.
- 3 (6) "Governing authority" means the local legislative authority
4 of a city or a county having jurisdiction over the property for which
5 an exemption may be applied for under this chapter.
- 6 (7) "Growth management act" means chapter 36.70A RCW.
- 7 (8) "Household" means a single person, family, or unrelated
8 persons living together.
- 9 (9) "Low-income household" means a single person, family, or
10 unrelated persons living together whose adjusted income is at or
11 below (~~eighty~~) 80 percent of the median family income adjusted for
12 family size, for the county, city, or metropolitan statistical area,
13 where the project is located, as reported by the United States
14 department of housing and urban development.
- 15 (10) "Moderate-income household" means a single person, family,
16 or unrelated persons living together whose adjusted income is more
17 than (~~eighty~~) 80 percent but is at or below (~~one hundred fifteen~~)
18 115 percent of the median family income adjusted for family size, for
19 the county, city, or metropolitan statistical area, where the project
20 is located, as reported by the United States department of housing
21 and urban development.
- 22 (11) "Multiple-unit housing" means a building or a group of
23 buildings having four or more dwelling units not designed or used as
24 transient accommodations and not including hotels and motels.
25 Multifamily units may result from new construction or rehabilitated
26 or conversion of vacant, underutilized, or substandard buildings to
27 multifamily housing.
- 28 (12) "Owner" means the property owner of record.
- 29 (13) "Permanent residential occupancy" means multiunit housing
30 that provides either rental or owner occupancy on a nontransient
31 basis. This includes owner-occupied or rental accommodation that is
32 leased for a period of at least one month. This excludes hotels and
33 motels that predominately offer rental accommodation on a daily or
34 weekly basis.
- 35 (14) "Rehabilitation improvements" means modifications to
36 existing structures, that are vacant for (~~twelve~~) 12 months or
37 longer, that are made to achieve a condition of substantial
38 compliance with existing building codes or modification to existing
39 occupied structures which increase the number of multifamily housing
40 units.

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

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

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

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

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

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

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

24 **Sec. 5.** RCW 84.14.030 and 2021 c 187 s 9 are each amended to
25 read as follows:

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

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

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

38 (3) The new, converted, or rehabilitated multiple-unit housing
39 must provide for a minimum of (~~(fifty)~~) 50 percent of the space for

1 permanent residential occupancy. In the case of existing occupied
2 multifamily development, the multifamily housing must also provide
3 for a minimum of four additional multifamily units. Existing
4 multifamily vacant housing that has been vacant for (~~twelve~~) 12
5 months or more does not have to provide additional multifamily units;

6 (4) New construction multifamily housing and rehabilitation
7 improvements must be completed within three years from the date of
8 approval of the application, plus any extension authorized under RCW
9 84.14.090(5);

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

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

22 **Sec. 6.** RCW 84.14.060 and 2014 c 96 s 5 are each amended to read
23 as follows:

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

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

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

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

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

37 (e) The site is located in a residential targeted area or station
38 area of an urban center or urban growth area that has been designated

1 by the governing authority in accordance with procedures and
2 guidelines indicated in ((RCW 84.14.040)) this chapter.

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

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

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

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

14 (2) If the application is approved, the city or county must issue
15 the owner of the property a conditional certificate of acceptance of
16 tax exemption. The certificate must contain a statement by a duly
17 authorized administrative official of the governing authority that
18 the property has complied with the required findings indicated in RCW
19 84.14.060. A copy of the certificate must be sent to the county
20 assessor within 30 days of issuance.

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

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

34 **Sec. 8.** RCW 84.14.090 and 2021 c 187 s 10 are each amended to
35 read as follows:

36 (1) Upon completion of rehabilitation or new construction for
37 which an application for a limited tax exemption under this chapter

1 has been approved and after issuance of the certificate of occupancy,
2 the owner must file with the city or county the following:

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

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

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

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

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

25 (3) If the rehabilitation, conversion, or construction is
26 completed within three years of the date the application for a
27 limited tax exemption is filed under this chapter, or within an
28 authorized extension of this time limit, and the authorized
29 representative of the city or county determines that improvements
30 were constructed consistent with the application and other applicable
31 requirements, including if applicable, affordable housing
32 requirements, and the owner's property is qualified for a limited tax
33 exemption under this chapter, the city or county must file the
34 certificate of tax exemption with the county assessor within ((ten))
35 10 days of the expiration of the ((thirty)) 30-day period provided
36 under subsection (2) of this section.

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

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

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

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

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

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

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

38 **Sec. 9.** RCW 84.14.100 and 2021 c 187 s 5 are each amended to
39 read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 (4) The department of commerce must provide guidance to cities
38 and counties, which issue certificates of tax exemption for multiunit
39 housing that conform to the requirements of this chapter, on best
40 practices in managing and reporting for the exemption programs

1 authorized under this chapter, including guidance for cities and
2 counties to collect and report demographic information for tenants of
3 units receiving a tax exemption under this chapter.

4 (5) This section expires January 1, 2058.

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

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

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

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

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

14 (2) Upon a determination that a tax exemption is to be canceled
15 for a reason stated in this section, the governing authority or
16 authorized representative must notify the record owner of the
17 property as shown by the tax rolls by mail, return receipt requested,
18 of the determination to cancel the exemption. The owner may appeal
19 the determination to the governing authority or authorized
20 representative, within (~~thirty~~) 30 days by filing a notice of
21 appeal with the clerk of the governing authority, which notice must
22 specify the factual and legal basis on which the determination of
23 cancellation is alleged to be erroneous. The governing authority or a
24 hearing examiner or other official authorized by the governing
25 authority may hear the appeal. At the hearing, all affected parties
26 may be heard and all competent evidence received. After the hearing,
27 the deciding body or officer must either affirm, modify, or repeal
28 the decision of cancellation of exemption based on the evidence
29 received. An aggrieved party may appeal the decision of the deciding
30 body or officer to the superior court under RCW 34.05.510 through
31 34.05.598.

32 (3) Upon determination by the governing authority or authorized
33 representative to terminate an exemption, the county officials having
34 possession of the assessment and tax rolls must correct the rolls in
35 the manner provided for omitted property under RCW 84.40.080. The
36 county assessor must make such a valuation of the property and
37 improvements as is necessary to permit the correction of the rolls.
38 The value of the new housing construction, conversion, and
39 rehabilitation improvements added to the rolls is considered as new
40 construction for the purposes of chapter 84.55 RCW. The owner may

1 appeal the valuation to the county board of equalization under
2 chapter 84.48 RCW and according to the provisions of RCW 84.40.038.
3 If there has been a failure to comply with this chapter, the property
4 must be listed as an omitted assessment for assessment years
5 beginning January 1st of the calendar year in which the noncompliance
6 first occurred, but the listing as an omitted assessment may not be
7 for a period more than three calendar years preceding the year in
8 which the failure to comply was discovered.

9 **Sec. 11.** RCW 82.59.010 and 2024 c 332 s 3 are each amended to
10 read as follows:

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

13 (1) "Affordable housing" means:

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

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

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

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

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

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

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

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

34 (8)(a) "Initiation of construction" means the date that a
35 building permit is issued under the building code adopted under RCW
36 19.27.031 for construction of the qualified building, if the
37 underlying ownership of the building vests exclusively with the
38 person receiving the economic benefit of the deferral.

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

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

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

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

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

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

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

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