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**SUBSTITUTE SENATE BILL 5404**

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**State of Washington**

**60th Legislature**

**2007 Regular Session**

**By** Senate Committee on Consumer Protection & Housing (originally sponsored by Senators Jacobsen, Haugen, McCaslin, Kline, Weinstein and Kohl-Welles)

READ FIRST TIME 02/05/07.

1       AN ACT Relating to tax incentives for certain multiple-unit  
2 dwellings in urban centers that provide affordable housing; amending  
3 RCW 84.14.005, 84.14.007, 84.14.010, 84.14.030, 84.14.040, 84.14.050,  
4 84.14.060, 84.14.090, 84.14.100, and 84.14.110; adding new sections to  
5 chapter 84.14 RCW; and creating a new section.

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

7       **Sec. 1.** RCW 84.14.005 and 1995 c 375 s 1 are each amended to read  
8 as follows:

9       The legislature finds:

10       (1) That in many of Washington's urban centers there is  
11 insufficient availability of desirable and convenient residential  
12 units, including affordable workforce housing units, to meet the needs  
13 of a growing number of the public who would live in these urban centers  
14 if these desirable, convenient, attractive, affordable, and livable  
15 places to live were available;

16       (2) That the development of additional and desirable residential  
17 units, including affordable workforce housing units, in these urban  
18 centers that will attract and maintain a significant increase in the  
19 number of permanent residents in these areas will help to alleviate the

1 detrimental conditions and social liability that tend to exist in the  
2 absence of a viable mixed income residential population and will help  
3 to achieve the planning goals mandated by the growth management act  
4 under RCW 36.70A.020; and

5 (3) That planning solutions to solve the problems of urban sprawl  
6 often lack incentive and implementation techniques needed to encourage  
7 residential redevelopment in those urban centers lacking a sufficient  
8 variety of residential opportunities, and it is in the public interest  
9 and will benefit, provide, and promote the public health, safety, and  
10 welfare to stimulate new or enhanced residential opportunities,  
11 including affordable workforce housing opportunities, within urban  
12 centers through a tax incentive as provided by this chapter.

13 **Sec. 2.** RCW 84.14.007 and 1995 c 375 s 2 are each amended to read  
14 as follows:

15 It is the purpose of this chapter to encourage increased  
16 residential opportunities, including affordable workforce housing  
17 opportunities, in cities that are required to plan or choose to plan  
18 under the growth management act within urban centers where the  
19 (~~legislative body~~) governing authority of the affected city has found  
20 there is insufficient housing opportunities, including affordable  
21 workforce housing opportunities. It is further the purpose of this  
22 chapter to stimulate the construction of new multifamily housing and  
23 the rehabilitation of existing vacant and underutilized buildings for  
24 multifamily housing in urban centers having insufficient housing  
25 opportunities that will increase and improve residential opportunities,  
26 including affordable workforce housing opportunities, within these  
27 urban centers. To achieve these purposes, this chapter provides for  
28 special valuations in residentially deficient urban centers for  
29 eligible improvements associated with multiunit housing (~~in~~  
30 ~~residentially deficient urban centers~~), which includes affordable  
31 workforce housing.

32 **Sec. 3.** RCW 84.14.010 and 2002 c 146 s 1 are each amended to read  
33 as follows:

34 Unless the context clearly requires otherwise, the definitions in  
35 this section apply throughout this chapter.

1 (1) "City" means either (a) a city or town with a population of at  
2 least (~~(thirty)~~) fifteen thousand or (b) the largest city or town, if  
3 there is no city or town with a population of at least (~~(thirty)~~)  
4 fifteen thousand, located in a county planning under the growth  
5 management act.

6 (2) "Affordable housing" means residential housing that is rented  
7 or owned by a person or household whose monthly housing costs,  
8 including utilities other than telephone, do not exceed thirty percent  
9 of the household's monthly income.

10 (3) "High cost area" means a county where the fourth quarter median  
11 house price for the previous year as reported by the Washington center  
12 for real estate research at Washington State University is equal to or  
13 greater than one hundred thirty percent of the statewide median house  
14 price published at the same time.

15 (4) "Workforce housing" means, except as provided for high cost  
16 areas, housing for employed low and moderate-income persons, whose  
17 adjusted household income is greater than sixty percent but less than  
18 one hundred twenty percent of the median family income, adjusted for  
19 family size, for the county where the project is located, which  
20 promotes the ability of the employed person to live near their place of  
21 employment and reduces their commute time and expenses. For high cost  
22 areas, the definition of "workforce housing" is expanded to mean  
23 housing for employed low and moderate-income persons, whose adjusted  
24 household income is greater than sixty percent but less than one  
25 hundred fifty percent of the median family income.

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

28 (6) "Low-income household" means a single person, family, or  
29 unrelated persons living together whose adjusted income is less than  
30 eighty percent of the median family income, adjusted for family size,  
31 for the county where the project is located.

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

35 (~~(+3)~~) (8) "Growth management act" means chapter 36.70A RCW.

36 (~~(+4)~~) (9) "Multiple-unit housing" means a building having four or  
37 more dwelling units not designed or used as transient accommodations

1 and not including hotels and motels. Multifamily units may result from  
2 new construction or rehabilitated or conversion of vacant,  
3 underutilized, or substandard buildings to multifamily housing.

4 ~~((+5))~~ (10) "Owner" means the property owner of record.

5 ~~((+6))~~ (11) "Permanent residential occupancy" means multiunit  
6 housing that provides either rental or owner occupancy on a  
7 nontransient basis. This includes owner-occupied or rental  
8 accommodation that is leased for a period of at least one month. This  
9 excludes hotels and motels that predominately offer rental  
10 accommodation on a daily or weekly basis.

11 ~~((+7))~~ (12) "Rehabilitation improvements" means modifications to  
12 existing structures, that are vacant for twelve months or longer, that  
13 are made to achieve a condition of substantial compliance with existing  
14 building codes or modification to existing occupied structures which  
15 increase the number of multifamily housing units.

16 ~~((+8))~~ (13) "Residential targeted area" means an area within an  
17 urban center that has been designated by the governing authority as a  
18 residential targeted area in accordance with this chapter.

19 ~~((+9))~~ (14) "Substantial compliance" means compliance with local  
20 building or housing code requirements that are typically required for  
21 rehabilitation as opposed to new construction.

22 ~~((+10))~~ (15) "Urban center" means a compact identifiable district  
23 where urban residents may obtain a variety of products and services.  
24 An urban center must contain:

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

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

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

33 **Sec. 4.** RCW 84.14.030 and 2005 c 80 s 1 are each amended to read  
34 as follows:

35 (1) An owner of property making application under this chapter must  
36 meet the following requirements:

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

3           ~~((2))~~ (b) A minimum of twenty percent, or a minimum of one unit,  
4 whichever is the greater whole number, of any rental housing units  
5 included within the multiple-unit housing must be rented to low-income  
6 households, except in the case of a high cost area, in which rental  
7 housing units must be rented to households whose adjusted income is  
8 less than one hundred percent of the median family income for the  
9 county where the housing is located;

10          (c) A minimum of twenty percent, or a minimum of one unit, which  
11 ever is the greater whole number, of any owner occupancy housing units  
12 included within the multiple-unit housing must be sold to households  
13 earning less than one hundred twenty percent of the area median income  
14 for the county where the housing is located, except in the case of a  
15 high cost area, in which owner occupancy units must be sold to  
16 households, whose adjusted income is less than one hundred fifty  
17 percent of the median family income for the county where the housing is  
18 located. The owner of property making application under this chapter  
19 must agree to relay to any homeowner to whom an affordable housing  
20 owner occupancy unit is sold information regarding the requirements and  
21 penalties in section 10 of this act;

22          (d) The multiple-unit housing must meet the guidelines as adopted  
23 by the governing authority that may include height, density, public  
24 benefit features, number and size of proposed development, parking,  
25 very low-income, low-income, or moderate-income occupancy requirements  
26 in addition to the affordable workforce housing requirements in (b) and  
27 (c) of this subsection, and other adopted requirements indicated  
28 necessary by the city. The required amenities should be relative to  
29 the size of the project and tax benefit to be obtained;

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

37          ~~((4))~~ (f) New construction multifamily housing and rehabilitation

1 improvements must be completed within three years from the date of  
2 approval of the application;

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

9 ~~((+6))~~ (h) The applicant must enter into a contract with the city  
10 approved by the governing ~~((body))~~ authority, or an administrative  
11 official or commission authorized by the governing authority, under  
12 which the applicant has agreed to the implementation of the development  
13 on terms and conditions satisfactory to the governing authority.

14 (2) The city may enter into an agreement with the owner of a  
15 property seeking a tax exemption under this chapter in which the owner  
16 agrees to provide an equivalent number of income-qualified affordable  
17 rental or owner occupancy substitute units in a location other than  
18 within the specific project seeking the tax exemption under this  
19 chapter, provided that the owner of the property seeking to qualify for  
20 the tax exemption provide to the city an irrevocable bank letter of  
21 credit or other sufficient security approved by the city and a related  
22 voluntary agreement, which requires that should substitute units not be  
23 developed that meet the criteria in this section within the time period  
24 negotiated between the city and the owner of the property, which is not  
25 to exceed five years, the city shall receive a cash contribution by the  
26 owner in the amount negotiated at the time of the original agreement  
27 that is determined to be adequate for the city to create the previously  
28 agreed upon substitute units, plus an amount equal to interest on the  
29 contribution at a rate to be negotiated between the owner of the  
30 property and the city at the time of the original agreement. The  
31 substitute units to be created must:

32 (a) Be compatible in quality, type of construction, and general  
33 amenities, excluding amenities considered to be luxury amenities, as  
34 the units within the project receiving the exemption;

35 (b) Provide the same financial benefits to the income-qualified  
36 households as the benefits due or received by the households in the  
37 project receiving the exemption;

1 (c) Be located in the same residential targeted area designated by  
2 the city or another such designated residential target area established  
3 by the city under this chapter; and

4 (d) Be available for occupancy within the time period negotiated  
5 between the owner of the property seeking exemption under this chapter  
6 and the city, which may not exceed five years.

7 (3) If an owner of a project seeking exemption under this chapter  
8 does not agree to comply with the affordable housing requirements in  
9 subsection (1)(b) and (c) of this section and does not agree to provide  
10 the appropriate substitute units through means described in subsection  
11 (2) of this section, the city must either deny the application for tax  
12 exemption, or the city, or a designated subcontractor such as a housing  
13 authority, must commit to provide the substitute units required for the  
14 project to receive the exemption. Such substitute units provided by  
15 the city or its designated subcontractor may not be located in a  
16 previously approved affordable housing project financed with funds from  
17 the department of community, trade, and economic development housing  
18 trust fund or the Washington state housing finance commission and must  
19 be paid for or financed with revenues of the city that are designated  
20 for such purpose.

21 **Sec. 5.** RCW 84.14.040 and 1995 c 375 s 7 are each amended to read  
22 as follows:

23 (1) The following criteria must be met before an area may be  
24 designated as a residential targeted area:

25 (a) The area must be within an urban center, as determined by the  
26 governing authority;

27 (b) The area must lack, as determined by the governing authority,  
28 sufficient available, desirable, and convenient residential housing,  
29 including affordable workforce housing, to meet the needs of the public  
30 who would be likely to live in the urban center, if the affordable,  
31 desirable, attractive, and livable places to live were available; and

32 (c) The providing of additional housing opportunity, including  
33 affordable workforce housing, in the area, as determined by the  
34 governing authority, will assist in achieving one or more of the stated  
35 purposes of this chapter.

36 (2) For the purpose of designating a residential targeted area or  
37 areas, the governing authority may adopt a resolution of intention to

1 so designate an area as generally described in the resolution. The  
2 resolution must state the time and place of a hearing to be held by the  
3 governing authority to consider the designation of the area and may  
4 include such other information pertaining to the designation of the  
5 area as the governing authority determines to be appropriate to apprise  
6 the public of the action intended.

7 (3) The governing authority shall give notice of a hearing held  
8 under this chapter by publication of the notice once each week for two  
9 consecutive weeks, not less than seven days, nor more than thirty days  
10 before the date of the hearing in a paper having a general circulation  
11 in the city where the proposed residential targeted area is located.  
12 The notice must state the time, date, place, and purpose of the hearing  
13 and generally identify the area proposed to be designated as a  
14 residential targeted area.

15 (4) Following the hearing, or a continuance of the hearing, the  
16 governing authority may designate all or a portion of the area  
17 described in the resolution of intent as a residential targeted area if  
18 it finds, in its sole discretion, that the criteria in subsections (1)  
19 through (3) of this section have been met.

20 (5) After designation of a residential targeted area, the governing  
21 authority shall adopt standards and guidelines to be utilized in  
22 considering applications and making the determinations required under  
23 RCW 84.14.060. The standards and guidelines must establish basic  
24 requirements for both new construction and rehabilitation including  
25 housing affordability standards and application process and procedures.  
26 These guidelines may include the following:

27 (a) Requirements that address demolition of existing structures and  
28 site utilization; ~~((and))~~

29 (b) Building requirements that may include elements addressing  
30 parking, height, density, environmental impact, and compatibility with  
31 the existing surrounding property and such other amenities as will  
32 attract and keep permanent residents and that will properly enhance the  
33 livability of the residential targeted area in which they are to be  
34 located; and

35 (c) Housing affordability requirements in addition to the  
36 affordable workforce housing requirements under RCW 84.14.030(1) (b)  
37 and (c).



1       **Sec. 6.** RCW 84.14.050 and 1999 c 132 s 2 are each amended to read  
2 as follows:

3       An owner of property seeking tax incentives under this chapter must  
4 complete the following procedures:

5       (1) In the case of rehabilitation or where demolition or new  
6 construction is required, the owner shall secure from the governing  
7 authority or duly authorized (~~agent~~) representative, before  
8 commencement of rehabilitation improvements or new construction,  
9 verification of property noncompliance with applicable building and  
10 housing codes;

11       (2) In the case of new and rehabilitated multifamily housing, the  
12 owner shall apply to the city on forms adopted by the governing  
13 authority. The application must contain the following:

14       (a) Information setting forth the grounds supporting the requested  
15 exemption including information indicated on the application form or in  
16 the guidelines;

17       (b) A description of the project and site plan, including the floor  
18 plan of units, the number and percentage of affordable workforce  
19 housing rental and affordable workforce housing owner occupancy units,  
20 and other information requested;

21       (c) A statement signed by the applicant that:

22       (i) Any affordable workforce housing rental units shall be rented  
23 only to low-income households, except in the case of a high cost area,  
24 in which rental housing units shall be rented to households whose  
25 adjusted income is less than one hundred percent of the median family  
26 income for the county where the housing is located for a period of no  
27 less than the ten-year exemption period; and

28       (ii) Any affordable housing units intended for owner occupancy  
29 shall be sold by the applicant to a household earning less than one  
30 hundred twenty percent of the area median income for the county where  
31 the housing is located, except in the case of a high cost area, in  
32 which owner occupancy units shall be sold to a household whose adjusted  
33 income is less than one hundred fifty percent of the median family  
34 income for the county where the housing is located, which shall receive  
35 information regarding the requirements and penalties included in  
36 section 10 of this act; and

37       (d) A statement that the applicant is aware of the potential tax

1 liability involved when the property ceases to be eligible for the  
2 incentive provided under this chapter;

3 (3) The applicant must verify the application by oath or  
4 affirmation; and

5 (4) The application must be accompanied by the application fee, if  
6 any, required under RCW 84.14.080. The governing authority may permit  
7 the applicant to revise an application before final action by the  
8 governing authority.

9 **Sec. 7.** RCW 84.14.060 and 1995 c 375 s 9 are each amended to read  
10 as follows:

11 The duly authorized administrative official or committee of the  
12 city may approve the application if it finds that:

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

16 (2) The proposed multiunit housing project meets the workforce  
17 housing affordability requirements as provided in RCW 84.14.030(1) (b)  
18 and (c).

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

22 ~~((3))~~ (4) The owner has complied with all standards and  
23 guidelines adopted by the city under this chapter; and

24 ~~((4))~~ (5) The site is located in a residential targeted area of  
25 an urban center that has been designated by the governing authority in  
26 accordance with procedures and guidelines indicated in RCW 84.14.040.

27 **Sec. 8.** RCW 84.14.090 and 1995 c 375 s 12 are each amended to read  
28 as follows:

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

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

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

5 (c) A statement that the percentage or number of affordable  
6 workforce housing units on the owner's property qualifies the property  
7 for limited exemption under this chapter; and

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

10 (2) Within thirty days after receipt of the statements required  
11 under subsection (1) of this section, the authorized representative of  
12 the city shall determine whether the work completed, and the  
13 affordability of the units, is consistent with the application and the  
14 contract approved by the ~~((governing authority))~~ city and is qualified  
15 for a limited tax exemption under this chapter. The city shall also  
16 determine which specific improvements completed meet the requirements  
17 and required findings.

18 (3) If the rehabilitation, conversion, or construction is completed  
19 within three years of the date the application for a limited tax  
20 exemption is filed under this chapter, or within an authorized  
21 extension of this time limit, and the authorized representative of the  
22 city determines that improvements were constructed consistent with the  
23 application and other applicable requirements, including affordable  
24 workforce housing requirements, and the owner's property is qualified  
25 for a limited tax exemption under this chapter, the city shall file the  
26 certificate of tax exemption with the county assessor within ten days  
27 of the expiration of the thirty-day period provided under subsection  
28 (2) of this section.

29 (4) The authorized representative of the city shall notify the  
30 applicant that a certificate of tax exemption is not going to be filed  
31 if the authorized representative determines that:

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

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

37 (c) The affordable workforce housing requirements under RCW  
38 84.14.030(1) (b) and (c) were not met; or

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

3        (5) If the authorized representative of the city finds that  
4 construction or rehabilitation of multiple-unit housing was not  
5 completed within the required time period due to circumstances beyond  
6 the control of the owner and that the owner has been acting and could  
7 reasonably be expected to act in good faith and with due diligence, the  
8 governing authority or the city official authorized by the governing  
9 authority may extend the deadline for completion of construction or  
10 rehabilitation for a period not to exceed twenty-four consecutive  
11 months.

12        (6) The governing authority may provide by ordinance for an appeal  
13 of a decision by the deciding officer or authority that an owner is not  
14 entitled to a certificate of tax exemption to the governing authority,  
15 a hearing examiner, or other city officer authorized by the governing  
16 authority to hear the appeal in accordance with such reasonable  
17 procedures and time periods as provided by ordinance of the governing  
18 authority. The owner may appeal a decision by the deciding officer or  
19 authority that is not subject to local appeal or a decision by the  
20 local appeal authority that the owner is not entitled to a certificate  
21 of tax exemption in superior court under RCW 34.05.510 through  
22 34.05.598, if the appeal is filed within thirty days of notification by  
23 the city to the owner of the decision being challenged.

24        **Sec. 9.** RCW 84.14.100 and 1995 c 375 s 13 are each amended to read  
25 as follows:

26        Thirty days after the anniversary of the date of the certificate of  
27 tax exemption and each year for a period of ten years, the owner of the  
28 rehabilitated or newly constructed property shall file with a  
29 designated (~~agent~~) authorized representative of the city an annual  
30 report indicating the following:

31        (1) A statement of occupancy and vacancy of the rehabilitated or  
32 newly constructed property during the twelve months ending with the  
33 anniversary date. For units designated for affordable workforce  
34 housing, such a statement must include the income levels of the renting  
35 or purchasing households. For affordable workforce housing owner  
36 occupancy units that have been sold, the statement must also include

1 the income level of the purchasing household, as well as contact  
2 information for the purchasing household;

3 (2) A certification by the owner that the property has not changed  
4 use; that the affordable workforce rental housing units have continued  
5 to maintain conformity with the affordable workforce housing  
6 requirements under RCW 84.14.030(1)(b); and that any affordable  
7 workforce housing owner occupancy units sold by the owner were sold in  
8 conformity with the affordable workforce housing requirements under RCW  
9 84.14.030(1)(c) since the date of the certificate approved by the city;  
10 and

11 (3) A description of changes or improvements constructed after  
12 issuance of the certificate of tax exemption.

13 NEW SECTION. Sec. 10. A new section is added to chapter 84.14 RCW  
14 to read as follows:

15 (1) If an income-qualified household which purchases an affordable  
16 workforce housing owner occupancy unit which has been issued a  
17 certificate of tax exemption under this chapter decides to resell the  
18 unit within the ten-year tax exemption period, that household must sell  
19 the unit to another household earning less than one hundred twenty  
20 percent of the area median income for the county where the housing is  
21 located, except in the case of a high cost area, in which owner  
22 occupancy units shall be sold to a household whose adjusted income is  
23 less than one hundred fifty percent of the median family income for the  
24 county where the housing is located.

25 (2) If an income-qualified homeowner household resells an  
26 affordable housing owner occupancy unit within the ten-year tax  
27 exemption period to a household other than a household earning less  
28 than one hundred twenty percent of the area median income for the  
29 county where the housing is located, or if the unit is located within  
30 a high cost area, earning less than one hundred fifty percent of the  
31 median family income for the county where the housing is located, the  
32 tax exemption for that unit must be canceled and a lien on the land  
33 shall be enforced on the unit. The lien shall:

34 (a) Be calculated based upon the difference between the property  
35 tax paid and the property tax that would have been paid, dating back to  
36 the date the selling household officially purchased the unit, if it had  
37 included the value of the nonqualifying improvements; and

1 (b) Have priority to and must be fully paid and satisfied before a  
2 recognizance, mortgage, judgment, debt, obligation, or responsibility  
3 to or with which the land may become charged or liable. The lien may  
4 be foreclosed upon expiration of the same period after delinquency and  
5 in the same manner provided by law for foreclosure of liens for  
6 delinquent real property taxes. An additional tax unpaid on its due  
7 date is delinquent. From the date of delinquency until paid, interest  
8 must be charged at the same rate applied by law to delinquent ad  
9 valorem property taxes.

10 **Sec. 11.** RCW 84.14.110 and 2002 c 146 s 3 are each amended to read  
11 as follows:

12 (1) If improvements have been exempted under this chapter, the  
13 improvements continue to be exempted and not be converted to another  
14 use for at least ten years from date of issuance of the certificate of  
15 tax exemption. If the owner intends to convert the multifamily  
16 development to another use, or if the owner intends to discontinue  
17 compliance with affordable workforce housing requirements under RCW  
18 84.14.030, the owner shall notify the assessor within sixty days of the  
19 change in use. If, after a certificate of tax exemption has been filed  
20 with the county assessor, ~~the city ((or))~~ assessor ~~((or))~~, agent, or  
21 other authorized representative of the governing authority discovers  
22 that a portion of the property is changed or will be changed to a use  
23 that is other than residential or that housing or amenities no longer  
24 meet the requirements, including affordable workforce housing  
25 requirements, as previously approved or agreed upon by contract between  
26 the ~~((governing authority))~~ city and the owner and that the multifamily  
27 housing, or a portion of the housing, no longer qualifies for the  
28 exemption, ~~((the tax exemption must be canceled and))~~ the following  
29 must occur:

30 (a) In the case in which an income-qualified homeowner household  
31 resells an affordable workforce housing owner occupancy unit that was  
32 previously in compliance with the affordable workforce housing  
33 requirements in RCW 84.14.030 to a household other than a household  
34 earning less than one hundred twenty percent of the area median income  
35 for the county where the housing is located, or if the unit is located  
36 within a high cost area, earning less than one hundred fifty percent of

1 the median family income for the county where the housing is located  
2 within the ten-year tax exemption period, the penalty as described in  
3 section 10(2) of this act applies;

4 (b) In all other cases in which the multifamily housing, or a  
5 portion of the housing, no longer qualifies for the exemption, the tax  
6 exemption must be canceled for the entire property and additional real  
7 property tax must be imposed upon the value of the nonqualifying  
8 improvements in the amount that would normally be imposed, plus a  
9 penalty must be imposed amounting to twenty percent. This additional  
10 tax is calculated based upon the difference between the property tax  
11 paid and the property tax that would have been paid if it had included  
12 the value of the nonqualifying improvements dated back to the date that  
13 the improvements were converted to a nonmultifamily use;

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

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

32 (2) Upon a determination that a tax exemption is to be canceled for  
33 a reason stated in this section, the governing authority or authorized  
34 representative shall notify the record owner of the property as shown  
35 by the tax rolls by mail, return receipt requested, of the  
36 determination to cancel the exemption. The owner may appeal the  
37 determination to the governing authority or authorized representative,  
38 within thirty days by filing a notice of appeal with the clerk of the

1 governing authority, which notice must specify the factual and legal  
2 basis on which the determination of cancellation is alleged to be  
3 erroneous. The governing authority or a hearing examiner or other  
4 official authorized by the governing authority may hear the appeal. At  
5 the hearing, all affected parties may be heard and all competent  
6 evidence received. After the hearing, the deciding body or officer  
7 shall either affirm, modify, or repeal the decision of cancellation of  
8 exemption based on the evidence received. An aggrieved party may  
9 appeal the decision of the deciding body or officer to the superior  
10 court under RCW 34.05.510 through 34.05.598.

11 (3) Upon determination by the governing authority or authorized  
12 representative to terminate an exemption, the county officials having  
13 possession of the assessment and tax rolls shall correct the rolls in  
14 the manner provided for omitted property under RCW 84.40.080. The  
15 county assessor shall make such a valuation of the property and  
16 improvements as is necessary to permit the correction of the rolls.  
17 The value of the new housing construction, conversion, and  
18 rehabilitation improvements added to the rolls shall be considered as  
19 new construction for the purposes of chapter 84.55 RCW. The owner may  
20 appeal the valuation to the county board of equalization under chapter  
21 84.48 RCW and according to the provisions of RCW 84.40.038. If there  
22 has been a failure to comply with this chapter, the property must be  
23 listed as an omitted assessment for assessment years beginning January  
24 1 of the calendar year in which the noncompliance first occurred, but  
25 the listing as an omitted assessment may not be for a period more than  
26 three calendar years preceding the year in which the failure to comply  
27 was discovered.

28 NEW SECTION. **Sec. 12.** A new section is added to chapter 84.14 RCW  
29 to read as follows:

30 (1) All cities, which issue certificates of tax exemption for  
31 multiunit housing that conform to the requirements of this chapter  
32 shall report annually to the department of community, trade, and  
33 economic development. The report must include the following  
34 information:

- 35 (a) The number of tax exemption certificates granted;  
36 (b) The total number and type of units produced or to be produced;



1 (c) The number and type of affordable workforce housing units  
2 produced or to be produced; and

3 (d) The value of the tax exemption.

4 (2) The department of community, trade, and economic development  
5 shall also establish performance measures upon which the participating  
6 cities shall annually report.

7 NEW SECTION. **Sec. 13.** This act is applicable only to applications  
8 for an exemption from ad valorem taxation under this chapter, which are  
9 received by a governing authority after the effective date of this act.

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