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**HOUSE BILL 1343**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** Representatives Kloba, Walen, and Berg

1 AN ACT Relating to providing local governments with options to  
2 grant rent relief and preserve affordable housing in their  
3 communities; adding a new chapter to Title 84 RCW; and creating a new  
4 section.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that:

7 (1) Families, senior citizens, and workers with limited financial  
8 resources are likely to experience fewer housing choices;

9 (2) Affordable housing is a necessary component of strong,  
10 thriving neighborhoods;

11 (3) Limited income household renters should have the opportunity  
12 to live in homes in neighborhoods close to major infrastructure  
13 investments like transit, quality schools, and vital services like  
14 health care, grocery shopping, and employment;

15 (4) Community members with critical occupations, senior citizens,  
16 and families are struggling to afford rent around the state;

17 (5) Rising rents are causing the displacement of low-income  
18 households, very low-income households, and long-time community  
19 members; and

20 (6) Communities need a wide range of local tools to create  
21 healthy, affordable homes and address affordable housing needs.

1        NEW SECTION.    **Sec. 2.**    The purpose of this chapter is to give  
2 communities a local option to preserve and increase healthy, high  
3 quality, and affordable rental housing opportunities for very low-  
4 income households when the governing authority has found that there  
5 are insufficient affordable housing opportunities available. It is  
6 also the purpose of this chapter to encourage housing opportunities  
7 that are affordable to renters at below market rent levels, as  
8 determined by the governing authority upon considering community  
9 needs, market rental costs, and income levels of renters.

10       NEW SECTION.    **Sec. 3.**    The definitions in this section apply  
11 throughout this chapter unless the context clearly requires  
12 otherwise.

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

16       (2) "Health and quality standards" means guidelines as adopted by  
17 the governing authority that may include height, density, public  
18 benefit features, number and size of proposed development, parking,  
19 income limits for occupancy, limits on rents or sale prices, and  
20 other adopted requirements indicated necessary by the city or county.  
21 The required amenities should be relative to the size of the project  
22 and tax benefit to be obtained. The property must comply with one or  
23 more standards of the applicable state or local building or housing  
24 codes on or after July 23, 1995.

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

27       (4) "Multifamily housing" means a building permanently affixed to  
28 the ground having two or more dwelling units not designed or used as  
29 transient accommodations and not including hotels and motels.

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

31       (6) "Permanent residential occupancy" means multifamily housing  
32 that provides rental occupancy on a nontransient basis. This includes  
33 rental accommodation that is leased for a period of at least one  
34 month. This excludes hotels and motels that predominately offer  
35 rental accommodation on a daily or weekly basis.

36       (7) "Very low-income household" means a single person, family, or  
37 unrelated persons living together whose adjusted income is at or  
38 below 50 percent of the area median income adjusted for family size,

1 for the county in which the project is located, as reported by the  
2 United States department of housing and urban development.

3 NEW SECTION. **Sec. 4.** A city governing authority may by  
4 ordinance or resolution establish an affordable housing incentive  
5 program to preserve affordable housing within the city that meets  
6 health and quality standards for very low-income households at risk  
7 of displacement or that cannot afford market rate housing. A county  
8 governing authority may by ordinance or resolution establish an  
9 affordable housing incentive program for unincorporated areas to  
10 preserve affordable housing that meets health and quality standards  
11 for very low-income households at risk of displacement or that cannot  
12 afford market rate housing.

13 NEW SECTION. **Sec. 5.** (1) An affordable housing incentive  
14 program adopted by the governing authority under this chapter must  
15 include qualifying standards for very low-income household rental  
16 housing. The standards must include rent limits and income guidelines  
17 consistent with local housing needs to assist households that cannot  
18 afford market rate housing.

19 (2) In order to qualify for a property tax exemption under this  
20 chapter, housing units must be:

21 (a) Rented at below market rent levels, as determined by the  
22 applicable area median income as reported by the United States  
23 department of housing and urban development; and

24 (b) For multifamily dwellings permanently affixed to the land,  
25 affordable to very low-income households and part of a building that  
26 is at least 25 years old.

27 (3) Annual household income requalification is not required after  
28 initial qualification, except in the case of a change or substitution  
29 of adults living in the unit.

30 (4) The governing authority may establish income or rent  
31 thresholds other than those indicated in subsection (1) of this  
32 section where it determines that such an adjustment is needed to  
33 serve the particular needs of very low-income renters in multifamily  
34 units in the community.

35 (5) Rent levels for qualifying affordable housing units,  
36 including any mandatory fees for tenant-paid utilities that are  
37 required as a condition of tenancy, may not exceed 30 percent of the  
38 income limit for the very low-income multifamily housing unit.

1        NEW SECTION.    **Sec. 6.**    (1) For multifamily dwellings permanently  
2 affixed to the land, the value of residential housing improvements  
3 and land qualifying under this chapter is exempt from ad valorem  
4 property taxation for six successive years beginning January 1st of  
5 the year immediately following the calendar year that the certificate  
6 of tax exemption is filed with the county assessor in accordance with  
7 section 12 of this act. The exemption for qualifying multifamily  
8 properties may be renewed for one additional six-year period.

9        (2) The exemption provided under this chapter is in addition to  
10 any tax credits, grants, or other incentives provided by law to  
11 increase the rental affordability.

12        (3) The exemption in this chapter does not apply to any  
13 nonqualifying portions of a building or land.

14        (4) The governing authority must provide local taxing districts  
15 in the designated exemption area notice and an opportunity to be  
16 heard prior to establishing an affordable housing incentive program  
17 under this chapter.

18        NEW SECTION.    **Sec. 7.**    To be eligible for the property tax  
19 exemption under this chapter, in addition to any other requirements  
20 in this chapter, the property must be in compliance with the  
21 following for the entire exemption period:

22        (1) A minimum of 25 percent of residential units in a multifamily  
23 property subject to tax exemption must be affordable as described in  
24 section 5 of this act. A governing authority may require that more  
25 than 25 percent of the units in multifamily housing buildings are  
26 affordable to address local market conditions. Up to and including  
27 the midpoint, the percentage requirement may be rounded down to the  
28 nearest whole number of units;

29        (2) Qualified affordable units must be comparable in terms of  
30 quality, living conditions, and mix of unit types to market rate  
31 units in the building;

32        (3) At least 90 percent of the total residential units of a  
33 multifamily structure permanently affixed to the ground must be  
34 occupied by tenants at the time of application;

35        (4) The qualifying property must be part of a multifamily  
36 residential or mixed-use, both residential and nonresidential,  
37 project;

1 (5) The multifamily, mixed-use property must provide for a  
2 minimum of 50 percent of the space in each building for permanent  
3 residential occupancy;

4 (6) If a multifamily or mixed-use property has dedicated less  
5 than 100 percent of its total square footage to qualifying units,  
6 only a proportional share of the land beneath the building footprint  
7 is subject to the exemption under this chapter; and

8 (7) The property owner must enter into a contract with the city  
9 or county agreeing to terms and conditions required to satisfy  
10 eligibility criteria of the affordable housing incentive program.

11 NEW SECTION. **Sec. 8.** (1) To be eligible for the exemption under  
12 this chapter, the property must also comply with all applicable land  
13 use regulations; zoning requirements; building and housing code  
14 requirements, including space and occupancy, structural, mechanical,  
15 fire, safety, and security standards; and health and quality  
16 standards as established in section 4 of this act. At a minimum, the  
17 standard for housing quality must be substantially equivalent to  
18 uniform physical condition standards. The governing authority may  
19 establish additional standards to meet local needs.

20 (2) The property must be inspected for compliance with subsection  
21 (1) of this section prior to awarding the tax exemption under this  
22 chapter and thereafter, as established by the governing authority.  
23 The governing authority must deny an application for tax exemption  
24 for failure to comply with health and quality standards as described  
25 in section 4 of this act.

26 NEW SECTION. **Sec. 9.** (1) The governing authority may limit  
27 participation in the affordable housing incentive program to:

28 (a) Particular targeted areas that present particular risk or  
29 displacement or that provide unique affordable housing opportunities  
30 near community infrastructure such as transportation or public  
31 schools; and

32 (b) Properties of a particular size, unit type, or mix of unit  
33 size or type that present special antidisplacement opportunity for  
34 very low-income household tenants.

35 (2) The governing authority must adopt and implement standards to  
36 be utilized in considering applications and making the determinations  
37 required under this chapter. The standards must include:

38 (a) An application process and procedures;

1 (b) Guidelines and requirements as described in section 8 of this  
2 act;

3 (c) An inspection policy and procedures to ensure the property  
4 complies with housing and health and quality standards;

5 (d) Income and rent limits as required under section 5 of this  
6 act;

7 (e) Documentation submittal requirements necessary to establish  
8 income eligibility of households in affordable housing units; and

9 (f) Fees required of the applicant in order to process the  
10 application and monitor compliance with eligibility criteria. Such  
11 fees must be commensurate with the cost anticipated by the governing  
12 authority to administer this chapter.

13 NEW SECTION. **Sec. 10.** An owner of property making an  
14 application under this chapter must meet the following requirements:

15 (1) The applicant must apply to the city or county on forms  
16 adopted by the governing authority. The application must contain the  
17 following:

18 (a) Information setting forth the grounds supporting the  
19 requested exemption, including information indicated on the  
20 application form and other requirements specified in the governing  
21 authority's adopted exemption program;

22 (b) A description of the project, including the floor plan of  
23 units and other information requested;

24 (c) A statement that the applicant is aware of the potential tax  
25 liability involved when the property ceases to be eligible for the  
26 incentive provided under this chapter; and

27 (d) A certification of family size and annual income requirements  
28 in a form acceptable to the governing authority for designated  
29 affordable housing units;

30 (2) The applicant must verify the information provided in the  
31 application by oath or affirmation; and

32 (3) The applicant must submit a fee, if any, with the application  
33 as required under this chapter.

34 NEW SECTION. **Sec. 11.** Prior to approval of an application  
35 meeting the requirements of section 10 of this act, the applicable  
36 city or county agency must inspect the property to certify compliance  
37 with health and quality standards.

1        NEW SECTION.     **Sec. 12.**     (1) The governing authority or its  
2 designated administrative official or agent may approve the  
3 application if it finds that the property and owner satisfy the  
4 requirements of this chapter.

5        (2) If the application is approved, the governing authority must  
6 issue the owner a certificate of tax exemption. The certificate must  
7 contain a statement specifying that the property satisfies the  
8 requirements of this chapter. The governing authority must submit a  
9 copy of the certificate to the assessor no later than August 1st of  
10 the year before the exemption is to be applied.

11       (3) If the application is denied, the governing authority must  
12 state in writing the reasons for denial and issue notice to the  
13 applicant by regular or certified mail to the applicant's last known  
14 address, or by other means reasonably calculated to provide notice,  
15 within 10 days of the denial.

16       (4) An applicant may appeal the governing authority's decision to  
17 the governing authority or its designated agent within 30 days after  
18 receipt. The appeal must be based upon the record made before the  
19 administrative official or commission, and the burden is on the  
20 applicant to show that the governing authority's decision is not  
21 supported by substantial evidence.

22       NEW SECTION.     **Sec. 13.**     The governing authority may establish an  
23 application fee. This fee may not exceed an amount determined to be  
24 required to cover the cost to be incurred by the governing authority  
25 and the assessor in administering this chapter. The application fee  
26 must be paid at the time the application for limited exemption is  
27 filed. If the application is approved, the governing authority shall  
28 pay the application fee to the county assessor for deposit in the  
29 county current expense fund, after first deducting that portion of  
30 the fee attributable to its own administrative costs in processing  
31 the application. If the application is denied, the governing  
32 authority may retain that portion of the application fee attributable  
33 to its own administrative costs and refund the balance to the  
34 applicant.

35       NEW SECTION.     **Sec. 14.**     (1) The owner receiving a tax exemption  
36 under this chapter must obtain from each tenant living in a  
37 designated affordable housing unit an annual certification of family

1 size and annual income in a form acceptable to the governing  
2 authority.

3 (2) The owner must file an annual report with the governing  
4 authority's designated official indicating the following:

5 (a) Family size and annual income for each tenant living in a  
6 designated affordable housing rental unit, and a statement that the  
7 property is in compliance with affordable housing requirements  
8 described in section 5 of this act;

9 (b) A statement of occupancy and vacancy;

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

11 (d) Any other information required by the city or county to  
12 determine compliance with program requirements.

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

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

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

19 (c) The number and type of units meeting affordable housing  
20 requirements;

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

23 (e) The dollar amount of the tax exemption issued for each  
24 project and the total dollar amount of tax exemptions granted within  
25 the city or county.

26 NEW SECTION. **Sec. 15.** (1) Land and improvements exempted under  
27 this chapter continue to be exempted for the applicable period under  
28 section 6 of this act, if the improvements continue to satisfy all  
29 applicable conditions. If the owner intends to discontinue compliance  
30 with the affordable housing requirements as described in section 6 of  
31 this act or any other condition to the exemption, the owner must  
32 notify tenants and the jurisdiction within 60 days of the owner's  
33 intended discontinuance. If the city or county is notified by the  
34 owner, or if the city or town discovers that a portion of the  
35 property no longer meets the qualifications of the city's or county's  
36 exemption program, the tax exemption must be canceled, and the  
37 following must occur:

38 (a) Additional real property tax must be imposed on the property.  
39 This additional tax is the difference between the property tax paid



1 and the property tax that would have been paid if the property had  
2 included the value of the nonqualifying improvements, for each of the  
3 prior six years during which the exemption was in effect;

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

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

10 (d) The additional tax, interest, and penalty are declared to be  
11 a lien on the real property and attach at the time the property or  
12 portion of the property is removed from the tax exemption program.  
13 The lien has priority to, and must be fully paid and satisfied  
14 before, a recognizance, mortgage, judgment, debt, obligation, or  
15 responsibility to or with which the land may become charged or  
16 liable, except that the lien is of equal rank with liens for amounts  
17 deferred under chapter 84.37 or 84.38 RCW. The lien may be foreclosed  
18 upon expiration of the same period after delinquency and in the same  
19 manner provided by law for foreclosure of liens for delinquent real  
20 property taxes. An additional tax unpaid on its due date is  
21 delinquent. From the date of delinquency until paid, interest must be  
22 charged at the same rate applied by law to delinquent ad valorem  
23 property taxes.

24 (2) Upon a determination that a tax exemption is to be canceled  
25 for a reason stated in this section, the governing authority or  
26 authorized representative of the governing authority must notify the  
27 taxpayer, shown by the tax rolls by certified mail, and the assessor,  
28 of the determination to cancel the tax exemption. The owner may  
29 appeal the determination within 30 days of the date of the notice by  
30 filing a notice of appeal with the clerk of the governing authority,  
31 specifying the factual and legal basis upon which the determination  
32 of cancellation is alleged to be erroneous. The governing authority  
33 or its authorized agent may hear the appeal. At the hearing, all  
34 affected parties may be heard and all competent evidence received.  
35 The burden is on the taxpayer to show that the governing authority's  
36 decision is not supported by substantial evidence. After the hearing,  
37 the decision maker must affirm, modify, or overturn the decision to  
38 cancel the tax exemption based on the evidence received. An aggrieved  
39 party may appeal the decision of the deciding body or officer to the

1 superior court. The governing authority must also notify the assessor  
2 of the final disposition of the appeal.

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

6 NEW SECTION. **Sec. 16.** This section is the tax preference  
7 performance statement for the tax preferences contained in  
8 chapter . . ., Laws of 2023 (this act). This performance statement is  
9 only intended to be used for subsequent evaluation of the tax  
10 preference. It is not intended to create a private right of action by  
11 any party or be used to determine eligibility for preferential tax  
12 treatment.

13 (1) The legislature categorizes this tax preference as one  
14 intended to induce certain designated behavior by taxpayers, as  
15 indicated in RCW 82.32.808(2) (a).

16 (2) It is the legislature's specific public policy objective to  
17 preserve quality and healthy affordable housing where housing  
18 options, including quality and healthy affordable housing options,  
19 are severely limited. It is the legislature's intent to provide an  
20 exemption from ad valorem property taxation for residential  
21 improvements and land qualifying under chapter . . ., Laws of 2023  
22 (this act) and to provide incentives to property owners to preserve  
23 affordable housing units for very low-income households.

24 NEW SECTION. **Sec. 17.** Sections 1 through 15 of this act  
25 constitute a new chapter in Title 84 RCW.

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