
SENATE BILL 5604

State of Washington

69th Legislature

2025 Regular Session

By Senators Lias and Gildon

1 AN ACT Relating to promoting transit-oriented development;
2 amending RCW 84.14.010, 84.14.030, 84.14.060, 84.14.070, 84.14.090,
3 84.14.100, 84.14.110, 82.02.060, 82.02.090, 82.45.060, 82.59.007,
4 82.59.010, 82.59.020, 82.59.030, 82.59.040, 82.59.070, 82.59.130, and
5 82.59.140; adding new sections to chapter 84.14 RCW; creating a new
6 section; and providing an effective date.

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

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 84.14
9 RCW to read as follows:

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

17 (2) The exemption in this section does not include the value of
18 nonhousing-related improvements not qualifying under this chapter.
19 The exemption in this section includes the value of the newly created
20 housing and that portion of the land value determined by multiplying
21 the overall land value by the percentage of square footage of

1 affordable newly created housing in comparison to the total square
2 footage of housing for a qualifying project.

3 (3) For the property to qualify for the exemption provided in
4 this section, the project must be located within a station area.

5 (4) To qualify for the exemption provided in this section, the
6 applicant must meet all required affordability and income eligibility
7 conditions adopted by the governing authority under this chapter and
8 commit to:

9 (a) Providing at least 20 percent of the dwelling units as
10 affordable to low-income households for a term of at least 50 years;
11 or

12 (b) Providing at least 20 percent of the dwelling units
13 affordable to low-income or moderate-income households for at least
14 50 years, if at least 10 percent of the dwelling units are family-
15 sized units with two or more bedrooms.

16 (5) A city or county with a major transit station must adopt
17 regulations necessary for use of the exemption in this section that
18 applies to the full station area.

19 (6) A city with a major transit stop may adopt regulations
20 necessary for the use of the exemption in this section. Any adopted
21 program for a major transit stop must apply to the full station area.

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

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

35 (9) A local jurisdiction may adopt and revise additional
36 affordability and income eligibility conditions pursuant to RCW
37 84.14.100(4).

38 (10) At the conclusion of the exemption period, the value of the
39 new housing construction, conversion, or rehabilitation improvements
40 must be considered as new construction for the purposes of chapters

1 84.55 and 36.21 RCW as though the property was not exempt under this
2 chapter.

3 (11) For the purpose of this section, "low-income household"
4 means a single person, family, or unrelated persons living together
5 whose adjusted income is at or above 50 percent, but not exceeding 80
6 percent, of the median family income adjusted for family size, for
7 the county where the affordable housing is located, as reported by
8 the United States department of housing and urban development.

9 (12) No new exemptions may be provided under this section
10 beginning on or after January 1, 2032.

11 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.14
12 RCW to read as follows:

13 (1) A governing authority may designate a station area. The
14 following criteria must be met before an area may be designated as a
15 station area:

16 (a) The area must be fully within an urban growth area and fully
17 or partially within a one-half mile radius of a major transit stop,
18 except that the station area excludes any parcels without possible or
19 practicable pedestrian access to the applicable major transit stop
20 except by travel outside of the station area, such as the intervening
21 presence of a river or interstate highway that prevents direct
22 pedestrian access between the parcel in question and the applicable
23 major transit stop; and

24 (b) If the station area is designated by a county, the area must
25 be located in an unincorporated area of the county that is within an
26 urban growth area under RCW 36.70A.110.

27 (2) After designation of a station area, the governing authority
28 must adopt and implement standards and guidelines to be used in
29 considering applications and making the determinations required under
30 RCW 84.14.060. The standards and guidelines must establish basic
31 requirements for new construction, conversion, and rehabilitation,
32 which must include:

33 (a) Application process and procedures;

34 (b) Income standards for affordable units that are informed by
35 the inventory and analysis of existing and projected housing needs
36 required under RCW 36.70A.070(2)(a) included in the housing element
37 of their most recent comprehensive plan; and

38 (c) Rent standards for affordable units.

1 **Sec. 3.** RCW 84.14.010 and 2024 c 332 s 17 are each amended to
2 read as follows:

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

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

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

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

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

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

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

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

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

37 (9) "Low-income household" means a single person, family, or
38 unrelated persons living together whose adjusted income is at or
39 below (~~(eighty)~~) 80 percent of the median family income adjusted for
40 family size, for the county, city, or metropolitan statistical area,

1 where the project is located, as reported by the United States
2 department of housing and urban development.

3 (10) "Moderate-income household" means a single person, family,
4 or unrelated persons living together whose adjusted income is more
5 than ((~~eighty~~)) 80 percent but is at or below ((~~one hundred fifteen~~))
6 115 percent of the median family income adjusted for family size, for
7 the county, city, or metropolitan statistical area, where the project
8 is located, as reported by the United States department of housing
9 and urban development.

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

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

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

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

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

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

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

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

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

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

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

12 (19) "Major transit station" means a site within an urban growth
13 area that is, or has been, funded for development as:

14 (a) A stop on a high capacity transportation system funded or
15 expanded under chapter 81.104 RCW;

16 (b) A commuter rail stop; or

17 (c) A stop on rail fixed guideway systems under chapter 81.104
18 RCW, including transitways.

19 (20) "Major transit stop" means a site within an urban growth
20 area that is, or has been, funded for development as:

21 (a) A major transit station;

22 (b) A stop on a bus rapid transit route or a route that runs on
23 high occupancy vehicle lanes as defined in RCW 81.100.020;

24 (c) A stop for a bus or other transit mode providing a minimum of
25 seven days per week of actual fixed route service at intervals as
26 defined pursuant to planning documents of the applicable local
27 transit agency; or

28 (d) A ferry terminal operated by Washington state or any county.

29 (21) "Station area" is defined as any property fully or partially
30 within half a mile of a major transit station or major transit stop
31 that has been designated by the governing authority as a station area
32 in accordance with this chapter.

33 **Sec. 4.** RCW 84.14.030 and 2021 c 187 s 9 are each amended to
34 read as follows:

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

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

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

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

15 (4) New construction multifamily housing and rehabilitation
16 improvements must be completed within three years from the date of
17 approval of the application, plus any extension authorized under RCW
18 84.14.090(5);

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

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

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

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

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

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

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

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

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

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

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

18 **Sec. 6.** RCW 84.14.070 and 2012 c 194 s 7 are each amended to
19 read as follows:

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

24 (2) If the application is approved, the city or county must issue
25 the owner of the property a conditional certificate of acceptance of
26 tax exemption. The certificate must contain a statement by a duly
27 authorized administrative official of the governing authority that
28 the property has complied with the required findings indicated in RCW
29 84.14.060. A copy of the certificate must be sent to the county
30 assessor within 30 days of issuance.

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

36 (4) Upon denial by a duly authorized administrative official or
37 commission, an applicant may appeal the denial to the governing
38 authority within ((~~thirty~~)) 30 days after receipt of the denial. The
39 appeal before the governing authority must be based upon the record

1 made before the administrative official with the burden of proof on
2 the applicant to show that there was no substantial evidence to
3 support the administrative official's decision. The decision of the
4 governing body in denying or approving the application is final.

5 **Sec. 7.** RCW 84.14.090 and 2021 c 187 s 10 are each amended to
6 read as follows:

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

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

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

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

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

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

33 (3) If the rehabilitation, conversion, or construction is
34 completed within three years of the date the application for a
35 limited tax exemption is filed under this chapter, or within an
36 authorized extension of this time limit, and the authorized
37 representative of the city or county determines that improvements
38 were constructed consistent with the application and other applicable
39 requirements, including if applicable, affordable housing

1 requirements, and the owner's property is qualified for a limited tax
2 exemption under this chapter, the city or county must file the
3 certificate of tax exemption with the county assessor within (~~ten~~)
4 10 days of the expiration of the (~~thirty~~) 30-day period provided
5 under subsection (2) of this section.

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

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

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

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

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

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

33 (6) The governing authority may provide by ordinance for an
34 appeal of a decision by the deciding officer or authority that an
35 owner is not entitled to a certificate of tax exemption to the
36 governing authority, a hearing examiner, or other city or county
37 officer authorized by the governing authority to hear the appeal in
38 accordance with such reasonable procedures and time periods as
39 provided by ordinance of the governing authority. The owner may
40 appeal a decision by the deciding officer or authority that is not

1 subject to local appeal or a decision by the local appeal authority
2 that the owner is not entitled to a certificate of tax exemption in
3 superior court under RCW 34.05.510 through 34.05.598, if the appeal
4 is filed within (~~thirty~~) 30 days of notification by the city or
5 county to the owner of the decision being challenged.

6 **Sec. 8.** RCW 84.14.100 and 2021 c 187 s 5 are each amended to
7 read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 (4)(a) Beginning in calendar year 2027, the department of
6 commerce must review on a biennial basis the number of applications
7 filed in a local jurisdiction for the tax exemption program in
8 section 1 of this act. If a local jurisdiction reports two
9 consecutive years without any participation in the tax exemption
10 program, then the local jurisdiction must increase income eligibility
11 requirements adopted by the local jurisdiction for the tax exemption
12 program in section 1 of this act by 10 percent each calendar year
13 until:

14 (i) The local jurisdiction issues a conditional certificate for
15 the tax exemption under section 1 of this act; or

16 (ii) The additional income eligibility requirements adopted by
17 the local jurisdiction reaches the maximum household income allowed
18 under section 1(4) of this act.

19 (b) A local jurisdiction may reduce its income eligibility
20 requirements in accordance with this chapter in the calendar year
21 immediately following the calendar year in which the local
22 jurisdiction meets the conditions under (a)(i) of this subsection.

23 (c) Any adjustment to locally adopted household income
24 eligibility requirements, as provided in this section, must begin on
25 January 1st and remain in place for the entire calendar year.

26 (d) A claimant must commit to meeting the household income
27 eligibility requirements as determined by the local jurisdiction for
28 the calendar year in which the claimant submitted an application for
29 the tax exemption under section 1 of this act. Any subsequent
30 adjustments to the income eligibility requirements may not
31 retroactively impact any claimant previously issued a conditional
32 certificate for exemption.

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

40 ~~((5))~~ (6) This section expires January 1, 2058.

1 **Sec. 9.** RCW 84.14.110 and 2012 c 194 s 10 are each amended to
2 read as follows:

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

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

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

35 (c) The additional tax owed together with interest and penalty
36 must become a lien on the land and attach at the time the property or
37 portion of the property is removed from multifamily use or the
38 amenities no longer meet applicable requirements, and has priority to
39 and must be fully paid and satisfied before a recognizance, mortgage,
40 judgment, debt, obligation, or responsibility to or with which the

1 land may become charged or liable. The lien may be foreclosed upon
2 expiration of the same period after delinquency and in the same
3 manner provided by law for foreclosure of liens for delinquent real
4 property taxes. An additional tax unpaid on its due date is
5 delinquent. From the date of delinquency until paid, interest must be
6 charged at the same rate applied by law to delinquent ad valorem
7 property taxes.

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

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

1 for a period more than three calendar years preceding the year in
2 which the failure to comply was discovered.

3 **Sec. 10.** RCW 82.02.060 and 2023 c 337 s 10 are each amended to
4 read as follows:

5 The local ordinance by which impact fees are imposed:

6 (1) Shall include a schedule of impact fees which shall be
7 adopted for each type of development activity that is subject to
8 impact fees, specifying the amount of the impact fee to be imposed
9 for each type of system improvement. The schedule shall be based upon
10 a formula or other method of calculating such impact fees. The
11 schedule shall reflect the proportionate impact of new housing units,
12 including multifamily and condominium units, based on the square
13 footage, number of bedrooms, or trips generated, in the housing unit
14 in order to produce a proportionally lower impact fee for smaller
15 housing units. In determining proportionate share, the formula or
16 other method of calculating impact fees shall incorporate, among
17 other things, the following:

18 (a) The cost of public facilities necessitated by new
19 development;

20 (b) An adjustment to the cost of the public facilities for past
21 or future payments made or reasonably anticipated to be made by new
22 development to pay for particular system improvements in the form of
23 user fees, debt service payments, taxes, or other payments earmarked
24 for or proratable to the particular system improvement;

25 (c) The availability of other means of funding public facility
26 improvements;

27 (d) The cost of existing public facilities improvements; and

28 (e) The methods by which public facilities improvements were
29 financed;

30 (2) May provide an exemption for low-income housing, and other
31 development activities with broad public purposes, including
32 development of an early learning facility, from these impact fees,
33 provided that the impact fees for such development activity shall be
34 paid from public funds other than impact fee accounts;

35 (3) (a) May not impose an impact fee on development activities of
36 an early learning facility greater than that imposed on commercial
37 retail or commercial office development activities that generate a
38 similar number, volume, type, and duration of vehicle trips;

1 (b) When a facility or development has more than one use, the
2 limitations in this subsection (3) or the exemption applicable to an
3 early learning facility in subsections (2) and (4) of this section
4 only apply to that portion that is developed as an early learning
5 facility. The impact fee assessed on an early learning facility in
6 such a development or facility may not exceed the least of the impact
7 fees assessed on comparable businesses in the facility or
8 development;

9 (4) May provide an exemption from impact fees for low-income
10 housing or for early learning facilities. Local governments that
11 grant exemptions for low-income housing or for early learning
12 facilities under this subsection (4) may either: Grant a partial
13 exemption of not more than (~~eighty~~) 80 percent of impact fees, in
14 which case there is no explicit requirement to pay the exempted
15 portion of the fee from public funds other than impact fee accounts;
16 or provide a full waiver, in which case the remaining percentage of
17 the exempted fee must be paid from public funds other than impact fee
18 accounts, except as provided in (b) of this subsection. These
19 exemptions are subject to the following requirements:

20 (a) An exemption for low-income housing granted under subsection
21 (2) of this section or this subsection (4) must be conditioned upon
22 requiring the developer to record a covenant that, except as provided
23 otherwise by this subsection, prohibits using the property for any
24 purpose other than for low-income housing. At a minimum, the covenant
25 must address price restrictions and household income limits for the
26 low-income housing, and that if the property is converted to a use
27 other than for low-income housing, the property owner must pay the
28 applicable impact fees in effect at the time of conversion;

29 (b) An exemption for early learning facilities granted under
30 subsection (2) of this section or this subsection (4) may be a full
31 waiver without an explicit requirement to pay the exempted portion of
32 the fee from public funds other than impact fee accounts if the local
33 government requires the developer to record a covenant that requires
34 that at least 25 percent of the children and families using the early
35 learning facility qualify for state subsidized child care, including
36 early childhood education and assistance under chapter 43.216 RCW,
37 and that provides that if the property is converted to a use other
38 than for an early learning facility, the property owner must pay the
39 applicable impact fees in effect at the time of conversion, and that
40 also provides that if at no point during a calendar year does the

1 early learning facility achieve the required percentage of children
2 and families qualified for state subsidized child care using the
3 early learning facility, the property owner must pay 20 percent of
4 the impact fee that would have been imposed on the development had
5 there not been an exemption within 90 days of the local government
6 notifying the property owner of the breach, and any balance remaining
7 thereafter shall be a lien on the property; and

8 (c) Covenants required by (a) and (b) of this subsection must be
9 recorded with the applicable county auditor or recording officer. A
10 local government granting an exemption under subsection (2) of this
11 section or this subsection (4) for low-income housing or an early
12 learning facility may not collect revenue lost through granting an
13 exemption by increasing impact fees unrelated to the exemption. A
14 school district who receives school impact fees must approve any
15 exemption under subsection (2) of this section or this subsection
16 (4);

17 (5) Shall provide a credit for the value of any dedication of
18 land for, improvement to, or new construction of any system
19 improvements provided by the developer, to facilities that are
20 identified in the capital facilities plan and that are required by
21 the county, city, or town as a condition of approving the development
22 activity;

23 (6) Shall allow the county, city, or town imposing the impact
24 fees to adjust the standard impact fee at the time the fee is imposed
25 to consider unusual circumstances in specific cases to ensure that
26 impact fees are imposed fairly;

27 (7) Shall include a provision for calculating the amount of the
28 fee to be imposed on a particular development that permits
29 consideration of studies and data submitted by the developer to
30 adjust the amount of the fee;

31 (8) Shall establish one or more reasonable service areas within
32 which it shall calculate and impose impact fees for various land use
33 categories per unit of development;

34 (9) May provide for the imposition of an impact fee for system
35 improvement costs previously incurred by a county, city, or town to
36 the extent that new growth and development will be served by the
37 previously constructed improvements provided such fee shall not be
38 imposed to make up for any system improvement deficiencies; ((and))

39 (10) Shall provide a 50 percent reduction of the impact fees
40 specified in the schedule of impact fees for system improvements

1 under RCW 82.02.090(7)(a) if the project is within a transit-oriented
2 development area and claiming a multiple-unit housing property tax
3 exemption under section 1 of this act; and

4 (11) Must adopt or amend by ordinance, and incorporate into their
5 development regulations, zoning regulations, and other official
6 controls the requirements of this section to take effect six months
7 after the jurisdiction's next periodic comprehensive plan update
8 required under RCW 36.70A.130.

9 For purposes of this section, "low-income housing" means housing
10 with a monthly housing expense, that is no greater than (~~thirty~~) 30
11 percent of (~~eighty~~) 80 percent of the median family income adjusted
12 for family size, for the county where the project is located, as
13 reported by the United States department of housing and urban
14 development.

15 For the purposes of this section, "early learning facility" has
16 the same meaning as in RCW 43.31.565.

17 **Sec. 11.** RCW 82.02.090 and 2023 c 121 s 2 are each amended to
18 read as follows:

19 The definitions in this section apply throughout this section and
20 RCW 82.02.050 through 82.02.080 unless the context clearly requires
21 otherwise.

22 (1) "Development activity" means any construction or expansion of
23 a building, structure, or use, any change in use of a building or
24 structure, or any changes in the use of land, that creates additional
25 demand and need for public facilities. "Development activity" does
26 not include:

27 (a) Buildings or structures constructed by a regional transit
28 authority; or

29 (b) Buildings or structures constructed as shelters that provide
30 emergency housing for people experiencing homelessness, or emergency
31 shelters for victims of domestic violence, as defined in RCW
32 70.123.020.

33 (2) "Development approval" means any written authorization from a
34 county, city, or town which authorizes the commencement of
35 development activity.

36 (3) "Impact fee" means a payment of money imposed upon
37 development as a condition of development approval to pay for public
38 facilities needed to serve new growth and development, and that is
39 reasonably related to the new development that creates additional

1 demand and need for public facilities, that is a proportionate share
2 of the cost of the public facilities, and that is used for facilities
3 that reasonably benefit the new development. "Impact fee" does not
4 include a reasonable permit or application fee.

5 (4) "Owner" means the owner of record of real property, although
6 when real property is being purchased under a real estate contract,
7 the purchaser is considered the owner of the real property if the
8 contract is recorded.

9 (5) "Project improvements" mean site improvements and facilities
10 that are planned and designed to provide service for a particular
11 development project and that are necessary for the use and
12 convenience of the occupants or users of the project, and are not
13 system improvements. An improvement or facility included in a capital
14 facilities plan approved by the governing body of the county, city,
15 or town is not considered a project improvement.

16 (6) "Proportionate share" means that portion of the cost of
17 public facility improvements that are reasonably related to the
18 service demands and needs of new development.

19 (7) "Public facilities" means the following capital facilities
20 owned or operated by government entities: (a) Public streets, roads,
21 and bicycle and pedestrian facilities that were designed with
22 multimodal commuting as an intended use; (b) publicly owned parks,
23 open space, and recreation facilities; (c) school facilities; and (d)
24 fire protection facilities.

25 (8) "Service area" means a geographic area defined by a county,
26 city, town, or intergovernmental agreement in which a defined set of
27 public facilities provide service to development within the area.
28 Service areas must be designated on the basis of sound planning or
29 engineering principles.

30 (9) "System improvements" mean public facilities that are
31 included in the capital facilities plan and are designed to provide
32 service to service areas within the community at large, in contrast
33 to project improvements.

34 (10) "Transit-oriented development" means dense, walkable, and
35 mixed-use spaces fully or partially within one-half mile of a major
36 transit stop as defined in RCW 84.14.010.

37 **Sec. 12.** RCW 82.45.060 and 2019 c 424 s 1 are each amended to
38 read as follows:

1 (1) There is imposed an excise tax upon each sale of real
2 property.

3 (a) Through December 31, 2019, the rate of the tax imposed under
4 this section is 1.28 percent of the selling price.

5 (b) Beginning January 1, 2020, except as provided in (c) and (d)
6 of this subsection, the rate of the tax imposed under this section is
7 as follows:

8 (i) 1.1 percent of the portion of the selling price that is less
9 than or equal to (~~five hundred thousand dollars~~) \$500,000;

10 (ii) 1.28 percent of the portion of the selling price that is
11 greater than (~~five hundred thousand dollars~~) \$500,000 and equal to
12 or less than (~~one million five hundred thousand dollars~~)
13 \$1,500,000;

14 (iii) 2.75 percent of the portion of the selling price that is
15 greater than (~~one million five hundred thousand dollars~~) \$1,500,000
16 and equal to or less than (~~three million dollars~~) \$3,000,000;

17 (iv) Three percent of the portion of the selling price that is
18 greater than (~~three million dollars~~) \$3,000,000.

19 (c) The sale of real property that is classified as timberland or
20 agricultural land is subject to the tax imposed under this section at
21 a rate of 1.28 percent of the selling price.

22 (d) The sale of real property receiving the multiple-unit housing
23 property tax exemption under section 1 of this act is subject to tax
24 imposed on the selling price at the rate under (b)(i) of this
25 subsection.

26 (2) Beginning July 1, 2022, and every fourth year thereafter:

27 (a) The department must adjust the selling price threshold in
28 subsection (1)(b)(i) of this section to reflect the lesser of the
29 growth of the consumer price index for shelter or five percent. If
30 the growth is equal to or less than zero percent, the current selling
31 price threshold continues to apply.

32 (b) The department must adjust the selling price thresholds in
33 subsection (1)(b)(ii) through (iv) of this section by the dollar
34 amount of any increase in the selling price threshold in subsection
35 (1)(b)(i) of this section.

36 (c) The department must publish updated selling price thresholds
37 by September 1, 2022, and September 1st of every fourth year
38 thereafter. Updated selling price thresholds will apply beginning
39 January 1, 2023, and January 1st every fourth year thereafter.
40 Adjusted selling price thresholds must be rounded to the nearest

1 ((~~one thousand dollars~~)) \$1,000. No changes may be made to adjusted
2 selling price thresholds once such adjustments take effect.

3 (d) The most recent selling price threshold becomes the base for
4 subsequent adjustments.

5 (e) The department must report adjustments to the selling price
6 thresholds to the fiscal committees of the legislature, beginning
7 December 1, 2022, and December 1st every fourth year thereafter.

8 (3) (a) The department must publish guidance to assist sellers in
9 properly classifying real property on the real estate excise tax
10 affidavit for purposes of determining the proper amount of tax due
11 under this section. Real property with multiple uses must be
12 classified according to the property's predominant use. The
13 department's guidance must include factors for use in determining the
14 predominant use of real property.

15 (b) County treasurers are not responsible for verifying that the
16 seller has properly classified real property reported on a real
17 estate excise tax affidavit. The department is solely responsible for
18 such verification as part of its audit responsibilities under RCW
19 82.45.150.

20 (4) (a) Beginning July 1, 2013, and ending December 31, 2019, an
21 amount equal to two percent of the proceeds of this tax must be
22 deposited in the public works assistance account created in RCW
23 43.155.050, an amount equal to ((~~four and one-tenth~~)) 4.1 percent
24 must be deposited in the education legacy trust account created in
25 RCW 83.100.230, an amount equal to ((~~one and six-tenths~~)) 1.6 percent
26 must be deposited in the city-county assistance account created in
27 RCW 43.08.290, and the remainder must be deposited in the general
28 fund.

29 (b) Beginning January 1, 2020, amounts collected from the tax
30 imposed under this section must be deposited as provided in RCW
31 82.45.230.

32 (5) The definitions in this subsection apply throughout this
33 section unless the context clearly requires otherwise.

34 (a) "Agricultural land" means farm and agricultural land and farm
35 and agricultural conservation land, as those terms are defined in RCW
36 84.34.020, including any structures on such land.

37 (b) "Consumer price index for shelter" means the most current
38 seasonally adjusted index for the shelter expenditure category of the
39 consumer price index for all urban consumers (CPI-U) as published by

1 July 31st by the bureau of labor statistics of the United States
2 department of labor.

3 (c) "Growth of the consumer price index for shelter" means the
4 percentage increase in the consumer price index for shelter as
5 measured from data published by the bureau of labor statistics of the
6 United States department of labor by July 31st for the most recent
7 three-year period for the selling price threshold adjustment in 2022,
8 and the most recent four-year period for subsequent selling price
9 threshold adjustments.

10 (d) "Timberland" means land classified under chapter 84.34 RCW or
11 designated under chapter 84.33 RCW, including any structures and
12 standing timber on such land, and standing timber sold apart from the
13 land upon which it sits.

14 **Sec. 13.** RCW 82.59.007 and 2024 c 332 s 2 are each amended to
15 read as follows:

16 (1) It is the purpose of this chapter to encourage the
17 redevelopment of underutilized commercial property in targeted urban
18 areas, thereby increasing affordable housing, employment
19 opportunities, and helping accomplish the other planning goals of
20 Washington cities. The legislative authorities of cities to which
21 this chapter applies may authorize a sales and use tax deferral for
22 an investment project within the city if the legislative authority of
23 the city finds that there are significant areas of underutilized
24 commercial property and a lack of affordable housing in areas
25 proximate to the land.

26 (2) It is further the purpose of this chapter to stimulate the
27 construction of new multifamily housing in transit-oriented
28 development areas having insufficient housing thereby increasing
29 housing opportunities, including affordable housing opportunities,
30 and helping accomplish the planning goals of Washington cities. The
31 legislative authorities of cities to which this chapter applies may
32 authorize a sales and use tax deferral for an investment project
33 within the city if the legislative authority of the city finds that
34 there are significant housing needs in the transit-oriented
35 development area proximate to the land.

36 (3) If a conditional recipient maintains the property for
37 qualifying purposes for at least 10 years, deferred sales and use
38 taxes need not be repaid.

1 **Sec. 14.** RCW 82.59.010 and 2024 c 332 s 3 are each amended to
2 read as follows:

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

5 (1) "Affordable housing" means:

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

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

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

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

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

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

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

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

26 (8)(a) "Initiation of construction" means the date that a
27 building permit is issued under the building code adopted under RCW
28 19.27.031 for construction of the qualified building, if the
29 underlying ownership of the building vests exclusively with the
30 person receiving the economic benefit of the deferral.

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

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

37 (9) "Investment project" means an investment in multifamily
38 housing, including labor, services, and materials incorporated in the
39 planning, installation, and construction of the project. "Investment
40 project" includes investment in related facilities such as

1 playgrounds and sidewalks as well as facilities used for business use
2 for mixed-use development.

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

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

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

16 (13) "Transit-oriented development" means dense, walkable, and
17 mixed-use spaces fully or partially within one-half mile of a major
18 transit stop as defined in RCW 84.14.010.

19 (14) "Underutilized commercial property" means an entire
20 property, or portion thereof, currently used or intended to be used
21 by a business for retailing or office-related or administrative
22 activities. If the property is used partly for a qualifying use and
23 partly for other purposes, the applicable tax deferral must be
24 determined by apportionment of the costs of construction under rules
25 adopted by the department. For the purposes of this subsection,
26 "qualifying use" means used or intended to be used by a business for
27 retailing or office-related or administrative activities.

28 **Sec. 15.** RCW 82.59.020 and 2024 c 332 s 4 are each amended to
29 read as follows:

30 (1) For the purpose of creating a sales and use tax deferral
31 program for conversion of a commercial building or construction of
32 new multifamily housing in a transit-oriented development area to
33 provide affordable housing under this chapter, the governing
34 authority must adopt a resolution of intention to create a sales and
35 use tax deferral program as generally described in the resolution.
36 The resolution must state the time and place of a hearing to be held
37 by the governing authority to consider the creation of the tax
38 deferral program and may include such other information pertaining to
39 the creation of the deferral program as the governing authority

1 determines to be appropriate to apprise the public of the action
2 intended. However, the resolution must provide information pertaining
3 to:

- 4 (a) The application process;
- 5 (b) The approval process;
- 6 (c) The appeals process for applications denied approval; and
- 7 (d) Additional requirements, conditions, and obligations that
8 must be followed postapproval of an application.

9 (2) The governing authority must give notice of a hearing held
10 under this chapter by publication of the notice once each week for
11 two consecutive weeks, not less than seven days, nor more than 30
12 days before the date of the hearing in a paper having a general
13 circulation in the city. The notice must state the time, date, place,
14 and purpose of the hearing.

15 (3) Following the hearing or a continuance of the hearing, the
16 governing authority may authorize the creation of the program.

17 **Sec. 16.** RCW 82.59.030 and 2024 c 332 s 5 are each amended to
18 read as follows:

19 ((An)) A property owner (~~((of underutilized commercial property))~~)
20 seeking a sales and use tax deferral for conversion of ((a)) an
21 underutilized commercial building or construction of new multifamily
22 housing in a transit-oriented development area to provide affordable
23 housing under this chapter on an investment project must complete the
24 following procedures:

25 (1) The owner must apply to the city on forms adopted by the
26 governing authority. The application must contain the following:

27 (a) Information setting forth the grounds supporting the
28 requested deferral including information indicated on the application
29 form or in the guidelines;

30 (b) A description of the investment project and site plan, and
31 other information requested;

32 (c) A statement of the expected number of affordable housing
33 units to be created;

34 (d) A statement that the applicant is aware of the potential tax
35 liability involved if the investment project ceases to be used for
36 eligible uses under this chapter;

37 (e) A statement that the applicant is aware that the investment
38 project must be completed within three years from the date of
39 approval of the application;

1 (f) A statement that the applicant is aware that the governing
2 authority or the city official authorized by the governing authority
3 may extend the deadline for completion of construction or
4 rehabilitation for a period not to exceed 24 consecutive months; and

5 (g) A statement that the applicant would not have built in this
6 location but for the availability of the tax deferral under this
7 chapter;

8 (2) The applicant must verify the application by oath or
9 affirmation; and

10 (3) The application must be accompanied by the application fee,
11 if any, required under this chapter. The duly authorized
12 administrative official or committee of the city may permit the
13 applicant to revise an application before final action by the duly
14 authorized administrative official or committee of the city.

15 **Sec. 17.** RCW 82.59.040 and 2024 c 332 s 6 are each amended to
16 read as follows:

17 The duly authorized administrative official or committee of the
18 city may approve the application and grant a conditional certificate
19 of program approval if it finds that:

20 (1)(a) The investment project is set aside primarily for
21 multifamily housing units and the applicant commits to renting or
22 selling at least 10 percent of the units as affordable housing to
23 low-income households. In a mixed-use project, only the ground floor
24 of a building may be used for commercial purposes with the remainder
25 dedicated to multifamily housing units; and

26 (b) The applicant commits to any additional affordability and
27 income eligibility conditions adopted by the local government under
28 this chapter not otherwise inconsistent with this chapter;

29 (2) The investment project is, or will be, at the time of
30 completion, in conformance with all local plans and regulations that
31 apply at the time the application is approved;

32 (3) ~~((The))~~ For conversion of an underutilized commercial
33 building, the investment project will occur on land that constitutes,
34 at the time of application, underutilized commercial property;

35 (4) The area where the investment project will occur is located
36 within an area zoned for residential or mixed uses;

37 (5) The terms and conditions of the implementation of the
38 development meets the requirements of this chapter and any

1 requirements of the city that are not otherwise inconsistent with
2 this chapter;

3 (6) The land where the investment project will occur was not
4 acquired through a condemnation proceeding under Title 8 RCW; and

5 (7) All other requirements of this chapter have been satisfied as
6 well as any other requirements of the city that are not otherwise
7 inconsistent with this chapter.

8 **Sec. 18.** RCW 82.59.070 and 2024 c 332 s 9 are each amended to
9 read as follows:

10 (1) Within 30 days of the issuance of a certificate of occupancy
11 for an eligible investment project, the conditional recipient must
12 file with the city the following:

13 (a) A description of the work that has been completed and a
14 statement that the eligible investment project qualifies the property
15 for a sales and use tax deferral under this chapter;

16 (b) A statement of the new affordable housing to be offered as a
17 result of the conversion of underutilized commercial property to
18 multifamily housing or construction of new multifamily housing in a
19 transit-oriented development area; and

20 (c) A statement that the work has been completed within three
21 years of the issuance of the conditional certificate of program
22 approval.

23 (2) Within 30 days after receipt of the statements required under
24 subsection (1) of this section, the city must determine and notify
25 the conditional recipient as to whether the work completed and the
26 affordable housing to be offered are consistent with the application
27 and the contract approved by the city, and the investment project
28 continues to qualify for a tax deferral under this chapter. The
29 conditional recipient must notify the department within 30 days from
30 receiving the city's determination to report the project is
31 operationally complete so the department can certify the project and
32 determine the qualifying deferred taxes. The department must
33 determine the amount of sales and use taxes qualifying for the
34 deferral. If the department determines that purchases were not
35 eligible for deferral it must assess interest, but not penalties, on
36 the nonqualifying amounts.

37 (3) The city must notify the conditional recipient within 30 days
38 that a tax deferral under this chapter is denied if the city
39 determines that:

1 (a) The work was not completed within three years of the
2 application date;

3 (b) The work was not constructed consistent with the application
4 or other applicable requirements;

5 (c) The affordable housing units to be offered are not consistent
6 with the application and criteria of this chapter; or

7 (d) The owner's property is otherwise not qualified for a sales
8 and use tax deferral under this chapter.

9 (4) If the city finds that the work was not completed within the
10 required time period due to circumstances beyond the control of the
11 conditional recipient and that the conditional recipient has been
12 acting and could reasonably be expected to act in good faith and with
13 due diligence, the governing authority may extend the deadline for
14 completion of the work for a period not to exceed 24 consecutive
15 months, and must notify the department of the extension.

16 (5) The city's governing authority may enact an ordinance to
17 provide a process for a conditional recipient to appeal a decision by
18 the city that the conditional recipient is not entitled to a deferral
19 of sales and use taxes. The conditional recipient may appeal a
20 decision by the city to deny a deferral of sales and use taxes in
21 superior court under RCW 34.05.510 through 34.05.598, if the appeal
22 is filed within 30 days of notification by the city to the
23 conditional recipient.

24 (6) A city denying a conditional recipient of a sales and use tax
25 deferral under subsection (3) of this section must notify the
26 department and taxes deferred under this chapter are immediately due
27 and payable, subject to any appeal by the conditional recipient. The
28 department must assess interest at the rate provided for delinquent
29 taxes, but not penalties, retroactively to the date of deferral. A
30 debt for deferred taxes will not be extinguished by insolvency or
31 other failure of the recipient.

32 **Sec. 19.** RCW 82.59.130 and 2024 c 332 s 15 are each amended to
33 read as follows:

34 (1) This section is the tax preference performance statement for
35 the tax preferences contained in chapter 332, Laws of 2024 and
36 chapter . . . , Laws of 2025 (this act). This performance statement is
37 only intended to be used for subsequent evaluation of the tax
38 preferences. It is not intended to create a private right of action

1 by any party or to be used to determine eligibility for preferential
2 tax treatment.

3 (2) The legislature categorizes (~~this~~) these tax preferences as
4 ones intended to induce certain designated behavior by taxpayers, as
5 indicated in RCW 82.32.808(2) (a).

6 (3) It is the legislature's specific public policy objective to
7 expand affordable housing options for low-income households,
8 specifically in urban areas where there is underutilized commercial
9 property and in transit-oriented development areas having
10 insufficient housing supply.

11 (4) (a) To measure the effectiveness of the tax preferences in
12 chapter 332, Laws of 2024 and chapter . . . , Laws of 2025 (this act),
13 the joint legislative audit and review committee must evaluate the
14 number of increased housing units on underutilized commercial
15 property and in transit-oriented development areas having
16 insufficient housing supply. If a review finds that the number of
17 affordable housing units has not increased, then the legislature
18 intends to repeal (~~this~~) these tax preferences.

19 (b) The review must be provided to the fiscal committees of the
20 legislature by December 31, 2032.

21 (5) In order to obtain the data necessary to perform the review
22 in subsection (4) of this section, the joint legislative audit and
23 review committee may refer to any available data source, including
24 data collected by the department under RCW 82.59.080.

25 **Sec. 20.** RCW 82.59.140 and 2024 c 332 s 16 are each amended to
26 read as follows:

27 (1) An owner of underutilized commercial property claiming a
28 sales and use tax deferral under this chapter may also apply for the
29 multiple-unit housing property tax exemption program under chapter
30 84.14 RCW. For applicants receiving the property tax exemption under
31 chapter 84.14 RCW, the amount of affordable housing units required
32 for eligibility under this chapter is in addition to the
33 affordability conditions in chapter 84.14 RCW.

34 (2) A property owner claiming a sales and use tax deferral under
35 this chapter for new construction of multifamily housing in a
36 transit-oriented development area may also apply for the multiple-
37 unit housing property tax exemption program under section 1 of this
38 act. For applicants receiving the property tax exemption under
39 section 1 of this act, the amount of affordable housing units

1 required for eligibility under this chapter is in addition to the
2 affordability conditions in section 1 of this act.

3 NEW SECTION. **Sec. 21.** Sections 1 through 9 of this act apply to
4 property taxes levied for collection in 2026 and thereafter.

5 NEW SECTION. **Sec. 22.** Sections 12 through 20 of this act take
6 effect October 1, 2025.

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