
ENGROSSED SENATE BILL 5832

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By Senators Das, Fortunato, Dhingra, Keiser, Kuderer, Lovelett, Nobles, Salomon, Wagoner, and C. Wilson

Read first time 01/12/22. Referred to Committee on Housing & Local Government.

1 AN ACT Relating to expanding the multifamily tax exemption
2 program to include converting existing multifamily units; and
3 amending RCW 84.14.010 and 84.14.020.

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

5 **Sec. 1.** RCW 84.14.010 and 2021 c 187 s 2 are each amended to
6 read as follows:

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

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

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

20 (3) "City" means either (a) a city or town with a population of
21 at least (~~(fifteen thousand)~~) 15,000, (b) the largest city or town,

1 if there is no city or town with a population of at least (~~fifteen~~
2 ~~thousand~~) 15,000, located in a county planning under the growth
3 management act, (c) a city or town with a population of at least
4 (~~five thousand~~) 5,000 located in a county subject to the provisions
5 of RCW 36.70A.215, or (d) any city that otherwise does not meet the
6 qualifications under (a) through (c) of this subsection, until
7 December 31, 2031, that complies with RCW 84.14.020(1)(a)(iii) or
8 84.14.021(1)(b).

9 (4) "Conversion" means the rehabilitation or conversion of
10 vacant, underutilized, or substandard buildings to multifamily
11 housing or replacing market rate housing in existing multiple unit
12 housing facilities with affordable housing units.

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

15 (~~(5)~~) (6) "Governing authority" means the local legislative
16 authority of a city or a county having jurisdiction over the property
17 for which an exemption may be applied for under this chapter.

18 (~~(6)~~) (7) "Growth management act" means chapter 36.70A RCW.

19 (~~(7)~~) (8) "Household" means a single person, family, or
20 unrelated persons living together.

21 (~~(8)~~) (9) "Low-income household" means a single person, family,
22 or unrelated persons living together whose adjusted income is at or
23 below (~~eighty~~) 80 percent of the median family income adjusted for
24 family size, for the county, city, or metropolitan statistical area,
25 where the project is located, as reported by the United States
26 department of housing and urban development.

27 (~~(9)~~) (10) "Moderate-income household" means a single person,
28 family, or unrelated persons living together whose adjusted income is
29 more than (~~eighty~~) 80 percent but is at or below (~~one hundred~~
30 ~~fifteen~~) 115 percent of the median family income adjusted for family
31 size, for the county, city, or metropolitan statistical area, where
32 the project is located, as reported by the United States department
33 of housing and urban development.

34 (~~(10)~~) (11) "Multiple-unit housing" means a building or a group
35 of buildings having four or more dwelling units not designed or used
36 as transient accommodations and not including hotels and motels.
37 Multifamily units may result from new construction (~~or~~),
38 rehabilitated, or conversion of vacant, underutilized, or substandard
39 buildings to multifamily housing, or converting market rate units in
40 existing buildings to affordable housing units.

1 (~~(11)~~) (12) "Owner" means the property owner of record.
2 (~~(12)~~) (13) "Permanent residential occupancy" means multiunit
3 housing that provides either rental or owner occupancy on a
4 nontransient basis. This includes owner-occupied or rental
5 accommodation that is leased for a period of at least one month. This
6 excludes hotels and motels that predominately offer rental
7 accommodation on a daily or weekly basis.
8 (~~(13)~~) (14) "Rehabilitation improvements" means modifications
9 to existing structures, that are vacant for (~~(twelve)~~) 12 months or
10 longer, that are made to achieve a condition of substantial
11 compliance with existing building codes or modification to existing
12 occupied structures which increase the number of multifamily housing
13 units.
14 (~~(14)~~) (15) "Residential targeted area" means an area within an
15 urban center or urban growth area that has been designated by the
16 governing authority as a residential targeted area in accordance with
17 this chapter. With respect to designations after July 1, 2007,
18 "residential targeted area" may not include a campus facilities
19 master plan.
20 (~~(15)~~) (16) "Rural county" means a county with a population
21 between (~~(fifty thousand)~~) 50,000 and (~~(seventy-one thousand)~~) 71,000
22 and bordering Puget Sound.
23 (~~(16)~~) (17) "Substantial compliance" means compliance with
24 local building or housing code requirements that are typically
25 required for rehabilitation as opposed to new construction.
26 (~~(17)~~) (18) "Urban center" means a compact identifiable
27 district where urban residents may obtain a variety of products and
28 services. An urban center must contain:
29 (a) Several existing or previous, or both, business
30 establishments that may include but are not limited to shops,
31 offices, banks, restaurants, governmental agencies;
32 (b) Adequate public facilities including streets, sidewalks,
33 lighting, transit, domestic water, and sanitary sewer systems; and
34 (c) A mixture of uses and activities that may include housing,
35 recreation, and cultural activities in association with either
36 commercial or office, or both, use.

37 **Sec. 2.** RCW 84.14.020 and 2021 c 187 s 3 are each amended to
38 read as follows:

1 (1)(a) The value of new housing construction, conversion, and
2 rehabilitation improvements qualifying under this chapter is exempt
3 from ad valorem property taxation, as follows:

4 (i) For properties for which applications for certificates of tax
5 exemption eligibility are submitted under this chapter before July
6 22, 2007, the value is exempt for ~~((ten))~~ 10 successive years
7 beginning January 1st of the year immediately following the calendar
8 year of issuance of the certificate;

9 (ii) For properties for which applications for certificates of
10 tax exemption eligibility are submitted under this chapter on or
11 after July 22, 2007, the value is exempt:

12 (A) For eight successive years beginning January 1st of the year
13 immediately following the calendar year of issuance of the
14 certificate;

15 (B) (I) For ~~((twelve))~~ 12 successive years beginning January 1st
16 of the year immediately following the calendar year of issuance of
17 the certificate, if the property otherwise qualifies for the
18 exemption under this chapter and meets the conditions in this
19 subsection (1)(a)(ii)(B) (I). ~~((For))~~ Except as provided in this
20 subsection (1)(a)(ii)(B)(II), for the property to qualify for the
21 ~~((twelve-year))~~ 12-year exemption under this subsection, the
22 applicant must commit to renting or selling at least ~~((twenty))~~ 20
23 percent of the multifamily housing units as affordable housing units
24 to low and moderate-income households, and the property must satisfy
25 that commitment and any additional affordability and income
26 eligibility conditions adopted by the local government under this
27 chapter. In the case of projects intended exclusively for owner
28 occupancy, the minimum requirement of this subsection (1)(a)(ii)(B)
29 (I) may be satisfied solely through housing affordable to
30 moderate-income households;

31 (II) Only in a county with a population greater than 300,000, for
32 an existing multiple unit property that is converting existing market
33 rate units to affordable housing to qualify for the 12-year exemption
34 under this subsection, the applicant must commit to renting or
35 selling at least 30 percent of the multifamily housing units as
36 affordable housing units to low and moderate-income households, or
37 the applicant must commit to renting or selling at least 50 percent
38 more multifamily housing units than already required by the local
39 government under this chapter to low and moderate-income households;

40 or

1 (C) For 20 successive years beginning January 1st of the year
2 immediately following the calendar year of issuance of the
3 certificate, if the property otherwise qualifies for the exemption
4 under this chapter and meets the conditions in this subsection
5 (1)(a)(ii)(C). For the property to qualify for the 20-year exemption
6 under this subsection, the project must be located within one mile of
7 high capacity transit of at least 15 minute scheduled frequency, in a
8 city that has implemented, as of July 25, 2021, a mandatory
9 inclusionary zoning requirement for affordable housing that ensures
10 affordability of housing units for a period of at least 99 years and
11 that has a population of no more than 65,000 as measured on July 25,
12 2021. To qualify for the exemption provided in this subsection
13 (1)(a)(ii)(C), the applicant must commit to renting at least 20
14 percent of the dwelling units as affordable to low-income households
15 for a term of at least 99 years, and the property must satisfy that
16 commitment and all required affordability and income eligibility
17 conditions adopted by the local government under this chapter. A city
18 must require the applicant to record a covenant or deed restriction
19 that ensures the continuing rental of units subject to these
20 affordability requirements consistent with the conditions in this
21 subsection (1)(a)(ii)(C) for a period of no less than 99 years. The
22 covenant or deed restriction must also address criteria and policies
23 to maintain public benefit if the property is converted to a use
24 other than which continues to provide for permanently affordable low-
25 income housing consistent with this subsection (1)(a)(ii)(C); and

26 (iii) Until December 31, 2026, for a city as defined in RCW
27 84.14.010(3)(d), for 12 successive years beginning January 1st of the
28 year immediately following the calendar year of issuance of the
29 certificate, if the property otherwise qualifies for the exemption
30 under this chapter and meets the conditions in this subsection
31 (1)(a)(iii). For the property to qualify for the 12-year exemption
32 under this subsection, the applicant must commit to renting or
33 selling at least 20 percent of the multifamily housing units as
34 affordable housing units to low and moderate-income households, the
35 property must satisfy that commitment and any additional
36 affordability and income eligibility conditions adopted by the local
37 government under this chapter, and the area must be zoned to have an
38 average minimum density equivalent to 15 dwelling units or more per
39 gross acre, or for cities with a population over 20,000, the area
40 must be zoned to have an average minimum density equivalent to 25

1 dwelling units or more per gross acre. In the case of projects
2 intended exclusively for owner occupancy, the minimum requirement of
3 this subsection (1)(a)(iii) may be satisfied solely through housing
4 affordable to low-income or moderate-income households.

5 (b) The exemptions provided in (a)(i) through (iii) of this
6 subsection do not include the value of land or nonhousing-related
7 improvements not qualifying under this chapter.

8 (c) For properties receiving an exemption as provided in
9 (a)(ii)(B)(I) of this subsection that are in compliance with existing
10 contracts and where the certificate of tax exemption is set to expire
11 after June 11, 2020, but before December 31, 2021, the exemption is
12 extended until December 31, 2021, provided that the property must
13 satisfy any eligibility criteria or limitations provided in this
14 chapter as a condition to the existing exemption for a given property
15 continue to be met. For all properties eligible to receive an
16 extension pursuant to this subsection (1)(c), the city or county that
17 issued the initial certificate of tax exemption, as required in RCW
18 84.14.090, must notify the county assessor and the applicant of the
19 extension of the certificate of tax exemption.

20 (2) When a local government adopts guidelines pursuant to RCW
21 84.14.030(2) and includes conditions that must be satisfied with
22 respect to individual dwelling units, rather than with respect to the
23 multiple-unit housing as a whole or some minimum portion thereof, the
24 exemption may, at the local government's discretion, be limited to
25 the value of the qualifying improvements allocable to those dwelling
26 units that meet the local guidelines.

27 (3) In the case of rehabilitation of existing buildings, the
28 exemption does not include the value of improvements constructed
29 prior to the submission of the application required under this
30 chapter. The incentive provided by this chapter is in addition to any
31 other incentives, tax credits, grants, or other incentives provided
32 by law.

33 (4) This chapter does not apply to increases in assessed
34 valuation made by the assessor on nonqualifying portions of building
35 and value of land nor to increases made by lawful order of a county
36 board of equalization, the department of revenue, or a county, to a
37 class of property throughout the county or specific area of the
38 county to achieve the uniformity of assessment or appraisal required
39 by law.

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

6 (6) For properties that qualified for, satisfied the conditions
7 of, and utilized the exemption under subsection (1)(a)(ii)(A) or (B)
8 (I) and (II) of this section, following the initial exemption period
9 or the extension period authorized in subsection (1)(c) of this
10 section, the exemption period may be extended for an additional 12
11 years for projects that are within 18 months of expiration contingent
12 on city or county approval. For the property to qualify for an
13 extension under this subsection (6), the applicant must meet at a
14 minimum the locally adopted requirements for the property to qualify
15 for an exemption under subsection (1)(a)(ii)(B)(I) of this section as
16 applicable at the time of the extension application, and the
17 applicant commits to renting or selling at least 20 percent of the
18 multifamily housing units as affordable housing units for low-income
19 households.

20 (7) At the end of both the tenth and eleventh years of an
21 extension, for (~~twelve-year~~) 12-year extensions of the exemption,
22 applicants must provide tenants of rent-restricted units with
23 notification of intent to provide the tenant with rental relocation
24 assistance as provided in subsection (8) of this section.

25 (8)(a) Except as provided in (b) of this subsection, for any 12-
26 year exemption authorized under subsection (1)(a)(ii)(B)(I) or (iii)
27 of this section after July 25, 2021, or for any 12-year exemption
28 extension authorized under subsection (6) of this section, at the
29 expiration of the exemption the applicant must provide tenant
30 relocation assistance in an amount equal to one month's rent to a
31 qualified tenant within the final month of the qualified tenant's
32 lease. To be eligible for tenant relocation assistance under this
33 subsection, the tenant must occupy an income-restricted unit at the
34 time the exemption expires and must qualify as a low-income household
35 under this chapter at the time relocation assistance is sought.

36 (b) If affordability requirements consistent, at a minimum, with
37 those required under subsection (1)(a)(ii)(B)(I) or (iii) of this
38 section remain in place for the unit after the expiration of the
39 exemption, relocation assistance in an amount equal to one month's
40 rent must be provided to a qualified tenant within the final month of

1 a qualified tenant's lease who occupies an income-restricted unit at
2 the time those additional affordability requirements cease to apply
3 to the unit.

4 (9) No new exemptions may be provided under this section
5 beginning on or after January 1, 2032. No extensions may be granted
6 under subsection (6) of this section on or after January 1, 2046.

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