
SUBSTITUTE HOUSE BILL 1596

State of Washington

68th Legislature

2023 Regular Session

By House Local Government (originally sponsored by Representatives Kloba, Bateman, Goodman, Springer, Reed, Ryu, Reeves, Ramel, Doglio, Pollet, and Hackney)

1 AN ACT Relating to providing local governments with options to
2 increase affordable housing in their communities; adding a new
3 chapter to Title 84 RCW; and creating new sections.

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

5 NEW SECTION. **Sec. 1.** The definitions in this section apply
6 throughout this chapter unless the context clearly requires
7 otherwise.

8 (1) "Governing authority" means the local legislative authority
9 of a county with a population of more than 1,500,000, or of a city
10 within such a county, that has jurisdiction over the property for
11 which an exemption may be applied under this chapter.

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

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

3 (4) "Owner" means the property owner of record.

4 (5) "Single-family dwelling" means an individual detached
5 dwelling permanently affixed to the ground.

6 (6) "Very low-income household" means a single person, family, or
7 unrelated persons living together whose adjusted income is at or
8 below 50 percent of the area median income adjusted for family size,
9 for the county in which the project is located, as reported by the
10 United States department of housing and urban development.

11 NEW SECTION. **Sec. 2.** A city governing authority may by
12 ordinance or resolution establish an affordable housing incentive
13 program to preserve affordable housing within the city that meets
14 health and quality standards for very low-income households at risk
15 of displacement or that cannot afford market rate housing. A county
16 governing authority may by ordinance or resolution establish an
17 affordable housing incentive program for unincorporated areas to
18 preserve affordable housing that meets health and quality standards
19 for very low-income households at risk of displacement or that cannot
20 afford market rate housing.

21 NEW SECTION. **Sec. 3.** (1) An affordable housing incentive
22 program adopted by the governing authority under this chapter must
23 include qualifying standards for very low-income household rental
24 housing. The standards must include rent limits and income guidelines
25 consistent with local housing needs to assist households that cannot
26 afford market rate housing.

27 (2) In order to qualify for a property tax exemption under this
28 chapter, an accessory dwelling unit attached, built-in, or detached
29 to a single-family dwelling must be affordable to very low-income
30 households.

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

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

1 NEW SECTION. **Sec. 4.** (1) For single-family dwellings
2 permanently affixed to the land, the value of residential housing
3 improvements and land qualifying under this chapter is exempt from ad
4 valorem property taxation for six successive years beginning January
5 1st of the year immediately following the calendar year that the
6 certificate of tax exemption is filed with the county assessor in
7 accordance with section 10 of this act. The exemption for qualifying
8 single-family properties may be repeatedly renewed for successive
9 six-year periods as long as the property continues to comply with the
10 affordable housing incentive program during each six-year period.

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

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

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

20 NEW SECTION. **Sec. 5.** To be eligible for the property tax
21 exemption under this chapter, in addition to any other requirements
22 in this chapter, the property must be in compliance with the
23 following for the entire exemption period:

24 (1) The qualifying property must be part of an affordable
25 attached, built-in, or detached dwelling unit that is accessory to a
26 single-family dwelling;

27 (2) Only the attached, built-in, or detached accessory dwelling
28 unit and underlying land dedicated solely to the accessory dwelling
29 unit may qualify for the exemption. The owner must continue to reside
30 in either the main house or the accessory dwelling unit for the
31 exemption to apply; and

32 (3) The property owner must enter into a contract with the city
33 or county agreeing to terms and conditions required to satisfy
34 eligibility criteria of the affordable housing incentive program.

35 NEW SECTION. **Sec. 6.** (1) To be eligible for the exemption under
36 this chapter, the property must also comply with all applicable land
37 use regulations; zoning requirements; building and housing code
38 requirements, including space and occupancy, structural, mechanical,

1 fire, safety, and security standards; and health and quality
2 standards as established in section 2 of this act. At a minimum, the
3 standard for housing quality must be substantially equivalent to
4 uniform physical condition standards. The governing authority may
5 establish additional standards to meet local needs.

6 (2) The property must be inspected for compliance with subsection
7 (1) of this section prior to awarding the tax exemption under this
8 chapter and thereafter, as established by the governing authority.
9 The governing authority must deny an application for tax exemption
10 for failure to comply with health and quality standards as described
11 in section 2 of this act.

12 NEW SECTION. **Sec. 7.** (1) The governing authority may limit
13 participation in the affordable housing incentive program to:

14 (a) Particular targeted areas that present particular risk or
15 displacement or that provide unique affordable housing opportunities
16 near community infrastructure such as transportation or public
17 schools; and

18 (b) Detached dwelling units that are accessory to a single-family
19 dwelling.

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

23 (a) An application process and procedures;

24 (b) Guidelines and requirements as described in section 6 of this
25 act;

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

28 (d) Income and rent limits as required under section 3 of this
29 act;

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

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

36 NEW SECTION. **Sec. 8.** An owner of property making an application
37 under this chapter must meet the following requirements:

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

4 (a) Information setting forth the grounds supporting the
5 requested exemption, including information indicated on the
6 application form and other requirements specified in the governing
7 authority's adopted exemption program;

8 (b) A description of the project, including the floor plan and
9 other information requested;

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

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

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

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

20 NEW SECTION. **Sec. 9.** Prior to approval of an application
21 meeting the requirements of section 8 of this act, the applicable
22 city or county agency must inspect the property to certify compliance
23 with health and quality standards.

24 NEW SECTION. **Sec. 10.** (1) The governing authority or its
25 designated administrative official or agent may approve the
26 application if it finds that the property and owner satisfy the
27 requirements of this chapter.

28 (2) If the application is approved, the governing authority must
29 issue the owner a certificate of tax exemption. The certificate must
30 contain a statement specifying that the property satisfies the
31 requirements of this chapter. The governing authority must submit a
32 copy of the certificate to the assessor no later than August 1st of
33 the year before the exemption is to be applied.

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

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

7 NEW SECTION. **Sec. 11.** The governing authority may establish an
8 application fee. This fee may not exceed an amount determined to be
9 required to cover the cost to be incurred by the governing authority
10 and the assessor in administering this chapter. The application fee
11 must be paid at the time the application for limited exemption is
12 filed. If the application is approved, the governing authority shall
13 pay the application fee to the county assessor for deposit in the
14 county current expense fund, after first deducting that portion of
15 the fee attributable to its own administrative costs in processing
16 the application. If the application is denied, the governing
17 authority may retain that portion of the application fee attributable
18 to its own administrative costs and refund the balance to the
19 applicant.

20 NEW SECTION. **Sec. 12.** (1) The owner receiving a tax exemption
21 under this chapter must obtain from each tenant living in a
22 designated affordable housing unit an annual certification of family
23 size and annual income in a form acceptable to the governing
24 authority.

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

27 (a) Family size and annual income for each tenant living in a
28 designated affordable housing rental unit, and a statement that the
29 property is in compliance with affordable housing requirements
30 described in section 3 of this act; and

31 (b) Any other information required by the city or county to
32 determine compliance with program requirements.

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

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

37 (b) The total monthly rent amount for each affordable unit; and

1 (c) The dollar amount of the tax exemption issued for each
2 project and the total dollar amount of tax exemptions granted within
3 the city or county.

4 NEW SECTION. **Sec. 13.** (1) Land and improvements exempted under
5 this chapter continue to be exempted for the applicable period under
6 section 4 of this act, if the improvements continue to satisfy all
7 applicable conditions. If the owner intends to discontinue compliance
8 with the affordable housing requirements as described in section 4 of
9 this act or any other condition to the exemption, the owner must
10 notify tenants and the jurisdiction within 60 days of the owner's
11 intended discontinuance. If the city or county is notified by the
12 owner of intent to discontinue compliance, the tax exemption must be
13 canceled. If the city or county discovers that a portion of the
14 property no longer meets the qualifications of the city's or county's
15 exemption program and the owner did not comply with the terms and
16 conditions required in section 5(3) of this act, the tax exemption
17 must be canceled, and the following must occur:

18 (a) Additional real property tax must be imposed on the property.
19 This additional tax is the difference between the property tax paid
20 and the property tax that would have been paid if the property had
21 included the value of the nonqualifying improvements, for each of the
22 prior six years during which the exemption was in effect;

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

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

29 (d) The additional tax, interest, and penalty are declared to be
30 a lien on the real property and attach at the time the property or
31 portion of the property is removed from the tax exemption program.
32 The lien has priority to, and must be fully paid and satisfied
33 before, a recognizance, mortgage, judgment, debt, obligation, or
34 responsibility to or with which the land may become charged or
35 liable, except that the lien is of equal rank with liens for amounts
36 deferred under chapter 84.37 or 84.38 RCW. The lien may be foreclosed
37 upon expiration of the same period after delinquency and in the same
38 manner provided by law for foreclosure of liens for delinquent real
39 property taxes. An additional tax unpaid on its due date is

1 delinquent. From the date of delinquency until paid, interest must be
2 charged at the same rate applied by law to delinquent ad valorem
3 property taxes.

4 (2) Upon a determination that a tax exemption is to be canceled
5 for a reason stated in this section, the governing authority or
6 authorized representative of the governing authority must notify the
7 taxpayer, shown by the tax rolls by certified mail, and the assessor,
8 of the determination to cancel the tax exemption. The owner may
9 appeal the determination within 30 days of the date of the notice by
10 filing a notice of appeal with the clerk of the governing authority,
11 specifying the factual and legal basis upon which the determination
12 of cancellation is alleged to be erroneous. The governing authority
13 or its authorized agent may hear the appeal. At the hearing, all
14 affected parties may be heard and all competent evidence received.
15 The burden is on the taxpayer to show that the governing authority's
16 decision is not supported by substantial evidence. After the hearing,
17 the decision maker must affirm, modify, or overturn the decision to
18 cancel the tax exemption based on the evidence received. An aggrieved
19 party may appeal the decision of the deciding body or officer to the
20 superior court. The governing authority must also notify the assessor
21 of the final disposition of the appeal.

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

25 NEW SECTION. **Sec. 14.** This section is the tax preference
26 performance statement for the tax preferences contained in
27 chapter . . . , Laws of 2023 (this act). This performance statement is
28 only intended to be used for subsequent evaluation of the tax
29 preference. It is not intended to create a private right of action by
30 any party or be used to determine eligibility for preferential tax
31 treatment.

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

35 (2) It is the legislature's specific public policy objective to
36 preserve quality and healthy affordable housing where housing
37 options, including quality and healthy affordable housing options,
38 are severely limited. It is the legislature's intent to provide an
39 exemption from ad valorem property taxation for residential

1 improvements and land qualifying under chapter . . ., Laws of 2023
2 (this act) and to provide incentives to property owners to preserve
3 affordable housing units for very low-income households.

4 NEW SECTION. **Sec. 15.** RCW 82.32.805 does not apply to this act.

5 NEW SECTION. **Sec. 16.** Sections 1 through 13 of this act
6 constitute a new chapter in Title 84 RCW.

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