

**RCW 84.14.040 Designation of residential targeted area—Criteria—Local designation—Hearing—Standards, guidelines.** (1) The following criteria must be met before an area may be designated as a residential targeted area:

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

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

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

(d) If the residential targeted area is designated by a county, the area must be located in an unincorporated area of the county that is within an urban growth area under RCW 36.70A.110 and the area must be: (i) In a county that includes a campus of an institution of higher education, as defined in RCW 28B.92.030, where at least 1,200 students live on campus during the academic year; or (ii) in a county seeking to promote transit supportive densities and efficient land use in an area that is located within a designated urban growth area and within 0.5 miles of a corridor where bus service is scheduled at least 10 times per day in each direction and is in service or is planned for service to begin within five years of designation in a transit development plan as required under RCW 35.58.2795;

(e) For a residential targeted area designated by a county after July 25, 2021, the county governing authority must conduct an evaluation of the risk of potential displacement of residents currently living in the area if the tax incentives authorized in this chapter were to be used in the area. The county may use an existing analysis if one exists. An area may not be designated as a residential targeted area unless: (i) The evaluation finds that the risk of displacement is minimal; or (ii) the governing authority mitigates the risk of displacement with locally adopted mitigation measures such as, but not limited to, ensuring that those directly or indirectly displaced have a first right of refusal to occupy the newly created dwelling units receiving an exemption under this chapter, including the affordable units if they otherwise meet the qualifications; and

(f) For a residential targeted area designated by a city after July 27, 2025, the city must determine that designation of the area is in compliance with the antidisplacement requirements in RCW 36.70A.070(2).

(2) For the purpose of designating a residential targeted area or areas, the governing authority may adopt a resolution of intention to so designate an area as generally described in the resolution. The resolution must state the time and place of a hearing to be held by the governing authority to consider the designation of the area and may include such other information pertaining to the designation of the area as the governing authority determines to be appropriate to apprise the public of the action intended.

(3) The governing authority must give notice of a hearing held under this chapter by publication of the notice once each week for two consecutive weeks, not less than seven days, nor more than 30 days before the date of the hearing in a paper having a general circulation

in the city or county where the proposed residential targeted area is located. The notice must state the time, date, place, and purpose of the hearing and generally identify the area proposed to be designated as a residential targeted area. The governing authority must send a copy of the notice to all taxing districts in the proposed residential targeted area.

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

(5) After designation of a residential targeted area, the governing authority must adopt and implement standards and guidelines to be utilized in considering applications and making the determinations required under RCW 84.14.060. The standards and guidelines must establish basic requirements for both new construction and rehabilitation, which must include:

- (a) Application process and procedures;
- (b) Income and rent standards for affordable units;
- (c) Requirements that address demolition of existing structures and site utilization; and
- (d) Building requirements that may include elements addressing parking, height, density, environmental impact, and compatibility with the existing surrounding property and such other amenities as will attract and keep permanent residents and that will properly enhance the livability of the residential targeted area in which they are to be located.

(6) (a) The governing authority may adopt and implement, either as conditions to eight-year exemptions or as conditions to an extended exemption period under RCW 84.14.020(1)(a)(ii)(B) or (C), or as conditions to any combination of exemptions authorized under this chapter, more stringent income eligibility, rent, or sale price limits, including limits that apply to a higher percentage of units, than the minimum conditions for an extended exemption period under RCW 84.14.020(1)(a)(ii)(B) or (C).

(b) Additionally, a governing authority may adopt and implement as a contractual prerequisite to any exemption granted pursuant to RCW 84.14.020:

- (i) A requirement that applicants pay at least the prevailing rate of hourly wage established under chapter 39.12 RCW for journey level and apprentice workers on residential and commercial construction;
- (ii) Payroll record requirements consistent with RCW 39.12.120(1);
- (iii) Apprenticeship utilization requirements consistent with RCW 39.04.310; and
- (iv) A contracting inclusion plan developed in consultation with the office of minority and women's business enterprises.

(7) For any multiunit housing located in an unincorporated area of a county, a property owner seeking tax incentives under this chapter must commit to renting or selling at least 20 percent of the multifamily housing units as affordable housing units to either low-income or moderate-income households, or both. In the case of multiunit housing intended exclusively for owner occupancy, the minimum requirement of this subsection (7) may be satisfied solely through housing affordable to moderate-income households.

(8) Nothing in this section prevents a governing authority from adopting and implementing additional requirements to any exemption granted under RCW 84.14.020.

(9) Before changing any adopted standards, guidelines, requirements, or conditions under subsections (5) and (6) of this section, the governing authority must notify all taxing districts in the residential targeted area of the proposed changes. [2025 c 164 s 4; 2021 c 187 s 4; 2014 c 96 s 4; 2012 c 194 s 4; 2007 c 430 s 6; 1995 c 375 s 7.]

**Tax preference performance statement—2014 c 96:** "This section is the tax preference performance statement for the tax preference contained in RCW 84.14.040 and 84.14.060. This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

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

(2) It is the legislature's specific public policy objective to stimulate the construction of new multifamily housing in urban growth areas located in unincorporated areas of rural counties where housing options, including affordable housing options, are severely limited. It is the legislature's intent to provide the value of new housing construction, conversion, and rehabilitation improvements qualifying under chapter 84.14 RCW an exemption from ad valorem property taxation for eight to twelve years, as provided for in RCW 84.14.020, in order to provide incentives to developers to construct new multifamily housing thereby increasing the number of affordable housing units for low to moderate-income residents in certain rural counties.

(3) If a review finds that at least twenty percent of the new housing is developed and occupied by households making at or below eighty percent of the area median income, at the time of occupancy, adjusted for family size for the county where the project is located or where the housing is intended exclusively for owner occupancy, the household may earn up to one hundred fifteen percent of the area median income, at the time of sale, adjusted for family size for the county where the project is located, then the legislature intends to extend the expiration date of the tax preference.

(4) In order to obtain the data necessary to perform the review in subsection (3) of this section, the joint legislative audit and review committee may refer to data provided by counties in which beneficiaries are utilizing the preference, the office of financial management, the department of commerce, the United States department of housing and urban development, and other data sources as needed by the joint legislative audit and review committee." [2014 c 96 s 1.]