

HOUSE BILL REPORT

HB 1598

As Reported By House Committee On:

Trade & Economic Development

Title: An act relating to taxation of new and rehabilitated multiple-unit housing in urban centers.

Brief Description: Providing tax incentives for multiple-unit housing in urban centers.

Sponsors: Representatives Mitchell, Ebersole, Conway, R. Fisher, Regala and Costa.

Brief History:

Committee Activity:

Trade & Economic Development: 2/15/95, 2/27/95 [DPS].

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Van Luven, Chairman; Radcliff, Vice Chairman; D. Schmidt, Vice Chairman; Sheldon, Ranking Minority Member; Veloria, Assistant Ranking Minority Member; Backlund; Ballasiotes; Hatfield; Hickel; Mason; Sherstad; Skinner and Valle.

Staff: Kenny Pittman (786-7392).

Background: Property taxes are based on the assessed value of real property. The assessed value includes the land, buildings and structures on the land, improvements and other fixtures on the land. State law requires county assessors to value all taxable property at 100 percent of its true and fair market value, according to the highest and best use of the property. All real property is subject to property tax unless specifically exempted by law.

The Growth Management Act contains provisions to reduce urban sprawl by encouraging development in urban areas where adequate public facilities and services exist or can be provided in an efficient manner. The Growth Management Act also encourages cities to provide affordable housing for all economic segments of the state by using a variety of residential densities and through preservation of the existing housing stock.

Summary of Substitute Bill: A property tax exemption program for new, rehabilitated or converted multi-unit housing in urban centers is created. The exemption applies to all property taxes and is based on the difference between the existing value of the property and the increased value of the property due to new construction or improvements to the existing building. The exemption does not apply to the value of land or nonhousing-related improvements or to increases in assessed valuation made on nonqualifying portions of the building. The exemption is for a 10-year period after issuance of a tax exemption certificate.

All cities are authorized to designate a residential targeted area. To qualify for the designation, the area must be located within an urban center and lack a sufficient supply of residential housing to meet public demand. The public notification procedures to designate a residential targeted area are outlined.

The eligibility criteria for the 10-year property tax exemption is established. The property must: be located in a designated residential targeted area; provide four or more dwelling units that are occupied on a nontransient basis; provide at least 50 percent of its floor space for permanent housing; comply with local planning, zoning, and building guidelines; provide a public benefit feature as part of the project; and comply with all terms and conditions set out by the city.

The owner receiving the property tax exemption must file an annual report to the city that includes: a statement regarding the occupancy and vacancy of the housing units during the previous year; verification that ownership of the property has not changed; confirmation that all public amenities are still available to the public; and a description of changes or improvements made to the property.

Property owners are subject to penalties for conversion of the property to other uses prior to the expiration of the 10 year property tax exemption period.

Cities are authorized to establish standards and guidelines to be used in approving applications for the property tax exemption.

Substitute Bill Compared to Original Bill: The substitute bill removes the requirement that limits the 10-year property tax exemption to cities in counties that plan or elect to plan under the state's Growth Management Act.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Cities are working to revitalize their downtowns. The development of housing in the downtown areas is important. The property tax exemption will provide an incentive to encourage the development of housing using a public and private partnership. The development of housing bill will help cities meet the goals of the state's Growth Management Act. This bill is another tool that cities can use to meet their housing needs.

Testimony Against: None.

Testified: (Pro) Mike Crowley, city of Tacoma council member; Bill Evans, Pacific NW Shop; Joe Quilies, city of Tacoma; and Stan Finkelstein, Association of Washington Cities.