

HOUSE BILL REPORT

HB 1725

As Reported By House Committee On:
Government Reform & Land Use

Title: An act relating to residential housing in urban centers.

Brief Description: Encouraging residential housing in urban centers.

Sponsors: Representatives Ogden, Radcliff, Zellinsky, Grant, Costa, Blalock, Cooper, Murray, Dunshee, Morris, Wood and Mason.

Brief History:

Committee Activity:

Government Reform & Land Use: 2/26/97, 3/3/97 [DPS].

HOUSE COMMITTEE ON GOVERNMENT REFORM & LAND USE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Reams, Chairman; Cairnes, Vice Chairman; Sherstad, Vice Chairman; Romero, Ranking Minority Member; Lantz, Assistant Ranking Minority Member; Bush; Fisher; Gardner; Mielke; Mulliken and Thompson.

Staff: Kimberly Klaiber (786-7156).

Background: Under the tax code, owners of multiple-unit housing may be eligible for an *ad valorem* property tax exemption for 10 successive years if the new or rehabilitated multiple-unit housing is located in a residential-targeted area designated by the city. The tax exemption applies to the value of new housing construction, conversion, and rehabilitation improvements.

In order to meet the requirements for eligibility, the multiple-unit housing must meet certain guidelines adopted by the city governing authority. These guidelines may include requirements with respect to height, density, public benefit features, and other matters the city deems necessary. In order to qualify for the tax exemption, the new, converted, or rehabilitated, multiple-unit housing must provide for a minimum of 50 percent of the space for permanent, residential occupancy. In the case of existing, occupied, multifamily development, the multifamily housing must also provide for a minimum of four additional multifamily units. Additional requirements include

deadlines for completion of the rehabilitation improvements, vacancy requirements, and contract specifications.

An area must meet certain criteria in order to qualify for designation as a residential-targeted area. The area must be within an urban center and be defined as a compact identifiable district where urban residents may obtain a variety of products and services. The area must contain existing or previously existing business establishments, adequate public facilities and a mixture of housing, recreation, and cultural activities. The area must lack sufficient available, desirable, and convenient, residential housing to meet the needs of the public who would be likely to live in the urban center.

If a governing authority wishes to designate an area as a residential-targeted area, the governing authority may adopt a resolution of intention and must hold a public hearing to inform the public. The governing authority must adopt standards and guidelines to use when considering applications for a tax exemption for improvements in residential-targeted areas. The standards and guidelines must establish basic requirements for both new construction and rehabilitation including application process and procedures.

Numerous other application procedures and approval requirements, administrative provisions, and fee requirements are included in this section of the tax code.

Summary of Substitute Bill: One definition is modified and two definitions are added to the section of the tax code that provides an exemption from *ad valorem* property taxation for owners of new and rehabilitated multiple-unit dwellings in urban centers.

A *city* means a city or town with a population of at least 100,000 in a county that plans under the Growth Management Act **or** the largest city in a county if there is no city in the county.

An applicant for an exemption from *ad valorem* property taxation must meet an additional requirement with respect to multiple-unit housing. In addition to meeting guidelines such as height, density, public benefit features, number and size of proposed development, and parking, the multiple-unit housing must also meet any *low-income or moderate income occupancy requirements* adopted by the governing authority.

Substitute Bill Compared to Original Bill: The population threshold for cities that are eligible for this tax incentive program is lowered from 150,000 to 100,000. Definitions of *central city* and *metropolitan area* proposed in the original bill are removed. Applicants for the tax exemption may meet either low-income or moderate-income occupancy requirements rather than only low-income requirements.

Appropriation: None.

Fiscal Note: Requested on February 11, 1997.

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

Testimony For: This program has been successful for Tacoma, and other cities would like to see similar revitalization of urban centers. Vancouver is an example of a city that would like to take advantage of the opportunity, but the population restriction of 150,000 or more is preclusive. Bellevue is in a similar situation.

Testimony Against: None.

Testified: Representative Val Ogden, prime sponsor (pro); Paul Nelson, Key Property Services, Inc. (pro); Elie Kassab, Prestige Development, L.L.C. (pro); Mike Ryherd, American Planning Association and 1000 Friends of Washington (pro); Karen Reed, city of Bellevue (pro with amendments); Matt Terry, city of Bellevue (pro with amendments); and Steve Wells, Department of Community, Trade and Economic Development (pro).