

# HOUSE BILL REPORT

## HB 1708

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### As Reported by House Committee On:

Finance

**Title:** An act relating to the property tax exemption for new or rehabilitated multiple-unit dwellings.

**Brief Description:** Modifying the multiple-unit property tax exemption.

**Sponsors:** Representatives Veloria, Cairnes, Morris, Ruderman, Jarrett, Santos, Esser and Edmonds.

### Brief History:

#### Committee Activity:

Finance: 2/21/01, 3/6/01 [DP].

#### Brief Summary of Bill

- Allows cities to limit the multifamily housing property tax exemption to low-income or moderate-income dwelling units.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 8 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Conway, Pennington, Santos, Van Luven and Veloria.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives Roach, Republican Vice Chair; and Carrell.

**Staff:** Rick Peterson (786-7150).

### Background:

New, rehabilitated, or converted multifamily housing projects in targeted residential areas are eligible for a 10-year property tax exemption program. The program's purpose is to increase multifamily housing in urban centers.

The property tax exemption applies to the new housing construction and the increased

value of the building due to rehabilitation made after the application for the tax exemption. The exemption does not apply to the land or the non-housing related improvements. If the property is removed from multifamily housing use before 10 years then back taxes are recovered based on the difference between the taxes paid and taxes that would have been paid had the property not been put to multifamily use.

The property tax exemption program is limited to cities with a population of at least 50,000 and to the largest city or town within a county planning under the Growth Management Act. A targeted residential area must be located within an urban center, lack sufficient available, desirable, and convenient residential housing to meet public demand, and increase permanent residents in the area or achieve the planning goals of the Growth Management Act. The city is authorized to establish standards and guidelines for approving tax exemption applications by developers.

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**Summary of Bill:**

Cities may limit the multifamily housing property tax exemption to dwelling units that meet the local low-income or moderate-income occupancy requirements if the units are separate tax parcels.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The current tax exemption program has generated over 1,000 units of housing in areas of Seattle where development has not previously occurred. This is an incentive to build multifamily housing. There is some confusion in the current law. Some potential housing developments that involve home ownership are on hold waiting clarification. In the case of home ownership developments, the bill limits the exemption, at the option of the city, to housing units affordable to low and moderate income households. This will provide cities the flexibility to adopt local guidelines that will allow home ownership projects to go forward.

**Testimony Against:** None.

**Testified:** Representative Veloria, prime sponsor; and Cynthia Parker, city of Seattle.