SENATE BILL REPORT
SHB 2466

As Reported By Senate Committee On:
Ways & Means, March 4, 2002

Title: An act relating to the multiple-unit dwellings property tax exemption.

Brief Description: Revising the multiple-unit dwellings property tax exemption.

Sponsors: House Committee on Finance (originally sponsored by Representatives Morell, Kirby, Edwards, Darneille, Van Luven, Anderson, Simpson, Talcott, Hunt, Esser, Ahern, Carrell, Jarrett, Bush, Boldt, Casada and Woods).

Brief History:
Committee Activity: Ways & Means: 3/1/02, 3/4/02 [DP, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.
Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Kohl-Welles, Parlette, Rasmussen, B. Sheldon, Snyder, Spanel, Thibaudeau and Winsley.

Minority Report: Do not pass.
Signed by Senator Honeyford.

Staff: Chelsea Buchanan (786-7446)

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

The current 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 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, such as requiring that a portion of the development be dedicated to low-income housing.

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 nonhousing related improvements. If the property is removed from multi-family 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 multi-family use.

Summary of Bill: The minimum population cap is reduced from 50,000 to 30,000 for the multi-family housing property tax exemption program.

When the property is no longer exempt, the cost of the rehabilitation or construction is counted as new construction when calculating the maximum district property tax amount.

Cities may limit the tax exemption to individual dwelling units that meet the city guidelines for the program when these parcels are separate for purpose of property taxation.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The current exemption program has helped create $27 million worth of infill development in the city of Tacoma. The current bill corrects an oversight in the original law by allowing the improvements on the property to count as new construction at the end of ten years. This makes the exemption more in line with the historic properties exemption. The bill also contains a provision to better enable cities to target the exemption to low-income housing units.

Testimony Against: None.

Testified: PRO: Randy Lewis, City of Tacoma; Nick Federici, Washington Low-Income Housing Congress.