

# HOUSE BILL REPORT

## HB 1695

---

---

**As Reported by House Committee On:**  
Local Government

**Title:** An act relating to tax incentives for certain multiple-unit dwellings in urban centers.

**Brief Description:** Providing tax incentives for certain multiple-unit dwellings in urban centers.

**Sponsors:** Representatives Quall, Morris and Edwards.

**Brief History:**

**Committee Activity:**

Local Government: 2/18/03, 3/3/03 [DPS].

**Brief Summary of Substitute Bill**

- Reduces the minimum city population cap from 30,000 to 15,000 for the multifamily housing property tax exemption.

---

### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Romero, Chair; Upthegrove, Vice Chair; Schindler, Ranking Minority Member; Jarrett, Assistant Ranking Minority Member; Ahern, Berkey, Clibborn, Ericksen, Mielke and Moeller.

**Staff:** Amy Wood (786-7127).

**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 30,000 and to the largest city or town within a county planning under the Growth Management Act (GMA). 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 GMA. The city is authorized to establish standards and guidelines for approving tax exemption applications by developers.

---

**Summary of Substitute Bill:**

The minimum population cap is reduced from 30,000 to 15,000 for the multifamily housing property tax exemption program.

**Substitute Bill Compared to Original Bill:**

A clarifying error is corrected; the references to the change in the population threshold levels are made consistent.

---

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** The City of Anacortes is seeking to have the same opportunities as a city with a population of 30,000. By having the same property tax waiver, cities with populations of 15,000 will have the same increased incentive for economic development which will, in turn, encourage revitalization of city centers and restore deteriorated buildings.

Originally, the tax exemption program was intended to apply to all cities, however, the bill only allowed cities with populations of 50,000 or more to utilize the program. Each year, we come back and seek more reduction. The program has helped to invigorate and revitalize downtown areas. It is an excellent tool that allows developers to defer state and local taxes. Under this bill approximately 20 more cities will be able to take advantage of the program and revitalize urban centers.

**Testimony Against:** None.

**Testified:** Representative Quall, prime sponsor; Randy Lewis, City of Tacoma; Dave Williams, Association of Washington Cities; and Mike Ryherd, City of Anacortes.