

SENATE BILL REPORT

HB 1742

As Reported By Senate Committee On:
Financial Institutions, Housing & Consumer Protection, March 24, 2005

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 Clibborn, Haler, Appleton, Ericks, Simpson, Kristiansen, Linville, Schindler and Quall.

Brief History: Passed House: 3/11/05, 93-0.

Committee Activity: Financial Institutions, Housing & Consumer Protection: 3/23/05, 3/24/05[DPA-WM].

Ways & Means: 3/31/05.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Delvin, Franklin, Keiser, Prentice, Schmidt and Spanel.

Staff: Jennifer Arnold (786-7471)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: New, rehabilitated, or converted multifamily housing projects in targeted residential areas are eligible for a 10-year property tax exemption program. The exemption applies to the value of new construction and the improvements 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 and lack sufficient available, desirable, and convenient residential housing to meet public demand. The city is authorized to establish standards and guidelines for approving tax exemption applications by developers. 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.

Summary of Ways & Means Amended Bill: Any city or town located in a county planning under the GMA is eligible to establish a property tax exemption program for multi-unit housing.

Ways & Means Amended Bill Compared to Financial Institutions, Housing & Consumer Protection Amended Bill: The requirement that parcels be separate for cities to limit the tax exemption to individual dwelling units is restored.

Financial Institutions, Housing & Consumer Protection Amended Bill Compared to Original Bill: The population threshold requirements are removed, allowing any city or town that plans under the GMA to establish this program, rather than limiting eligibility to cities or towns with populations of at least 5,000 persons. The requirement that parcels be separate for cities to limit the tax exemption to individual dwelling units is removed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For (Financial Institutions, Housing & Consumer Protection): This is a tool to give interested cities the opportunity to take advantage of this program's benefits. The bill encourages the rehabilitation and revitalization of downtown areas, which in turn promotes the goals of the GMA.

Testimony Against: (Financial Institutions, Housing & Consumer Protection) None.

Who Testified (Financial Institutions, Housing & Consumer Protection): PRO: Representative Clibborn, prime sponsor; Mike Ryherd, City of Kirkland; Jim Justin, Association of Washington Cities; Bryan Wahl, Realtors.

Testimony For (Ways & Means): This bill expands the number of cities that can use the program to assist in downtown housing. It is an added tool to create housing opportunities. The population limit has gradually been reduced and there is no reason not to give this to all cities planning under the growth management act. This greatly increases the number of cities eligible.

Testimony Against (Ways & Means): None.

Who Testified (Ways & Means): PRO: Representative Clibborn, prime sponsor; Jim Justin, AWC; Mike Ryherd, City of Kirkland; Bryan Wahl, Washington Association of Realtors.