

SENATE BILL REPORT

SSB 6277

As Amended by House, March 8, 2012

Title: An act relating to creating authority for counties to exempt from property taxation new and rehabilitated multiple-unit dwellings in certain unincorporated urban centers.

Brief Description: Creating authority for counties to exempt from property taxation new and rehabilitated multiple-unit dwellings in certain unincorporated urban centers.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Conway, Becker, Kastama, Schoesler, Kilmer, Kohl-Welles and Regala).

Brief History:

Committee Activity: Ways & Means: 2/21/12, 2/27/12 [DPS, DNP].

Passed Senate: 3/05/12, 45-3.

Passed House: 3/08/12, 68-30.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6277 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Brown, Conway, Fraser, Harper, Hatfield, Hewitt, Kastama, Keiser, Kohl-Welles, Padden, Pridemore, Regala and Tom.

Minority Report: Do not pass.

Signed by Senators Honeyford and Schoesler.

Staff: Dianne Criswell (786-7433)

Background: All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law.

The Legislature provided a property tax exemption for property associated with the construction, conversion, or rehabilitation of qualified, multi-unit, residential structures located in a targeted residential area contained in an urban growth center. The exemption does not apply to the value of land or nonhousing-related improvements or to increases in assessed valuation made on nonqualifying portions of the building or the value of the land. A

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property for which an application for a certificate of tax exemption is submitted after the effective date of the act may be eligible for an eight-year tax exemption. If the property owner commits to renting or selling at least 20 percent of units as affordable housing units to low and moderate income households, the property may be eligible for a 12-year exemption. In the case of properties intended exclusively for owner-occupancy, the state affordable housing requirement may be satisfied by providing 20 percent of units as affordable to moderate-income households. Cities may impose additional affordable housing requirements, limits, and conditions. Cities with a population of 5000 or more are eligible to establish the target areas; smaller cities may participate if they are the largest city or town located in a county that is required to plan under the Growth Management Act.

Summary of Substitute Bill: The multi-unit housing exemption is also available in an urban center where the unincorporated population of a county is at least 350,000 and there are at least 1200 students living on campus at an institute of higher education during the academic year, for example, the area surrounding Pacific Lutheran University (PLU).

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: The potential revitalization of Garfield Street would improve Parkland and the area around PLU by providing housing for residents of the area, as well as students. A mixed use retail-residential development would help us reach the long-term goal to develop walkable communities in the county. Redevelopment with private investments can increase the tax base, increase liveability, and decrease crime. This is a shovel-ready project. In this economic climate, such projects are difficult to pencil out. This puts another tool in the toolbox. Cities already have this tool. So this bill provides fairness for the unincorporated areas that are similar to urban centers. Annexation of this area is not likely any time soon. Counties have the same requirements, but not the same tools. This will help revitalization projects and prevent sprawl. This proposal benefits the community and the construction industry. There have been a lot of projects that have been postponed. We need some help to get the project moving forward. This is a co-development project with PLU. Ten years ago, PLU decided to become an active player in developing the area surrounding the campus. This effort resulted in the Parkland Commons retail center. The next step is a mixed use development, within walking distance of transit, schools, the university, and a vibrant shopping center. This development would help meet the goals of the Growth Management Act (GMA).

CON: This exemption was created in 1995 to help cities meet the density requirements of the GMA. This is a requirement for cities, but not unincorporated areas in the county. If Parkland wants to achieve density, it could petition for annexation or to be an urban center (under GMA definitions, not the definitions of this bill). Seattle is the only city utilizing the current exemption that requires affordability. No developers have gotten the 12-year exemption. If there were two policy goals from the existing exemption, urban renewal and

affordable housing, this bill will provide the former and not the latter. Applying this exemption outside urban growth boundaries would be a slippery slope. We have concerns with negative impacts from these developments, such as costing out current low-income residents from gentrifying areas. The existing exemption has not ameliorated poor access to low-income housing.

Persons Testifying: PRO: Senator Conway, prime sponsor; Dick Muri, Rick Talbert, Pierce County Council; John Korsmo, Korsmo Construction; Loran Anderson, PLU.

CON: Briahna Taylor, City of Tacoma; Kim Herman, WA State Housing Finance Commission; Nick Federici, WA Low Income Housing Alliance.

House Amendment(s): Provides additional legislative intent language. Makes a technical change clarifying the application of the new requirement to have a campus within the designated area. Adds minimum affordable housing requirements for the multi-unit property tax program in the unincorporated area of counties that at least 20 percent of the multi-family housing units must be rented or sold as affordable housing units to low- and moderate-income households.