

# SENATE BILL REPORT

## 2SSB 6330

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As Amended by House, March 7, 2014

**Title:** An act relating to promoting affordable housing in unincorporated areas of rural counties within urban growth areas.

**Brief Description:** Promoting affordable housing in unincorporated areas of rural counties within urban growth areas.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senator Sheldon).

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 1/30/14, 2/04/14 [DPS-WM].

Ways & Means: 2/10/14, 2/11/14 [DP2S].

Passed Senate: 2/14/14, 44-5.

Passed House: 3/07/14, 94-3.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Majority Report:** That Substitute Senate Bill No. 6330 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Angel, Co-Chair; Hobbs, Co-Chair; Benton, Vice Co-Chair; Mullet, Vice Co-Chair; Fain, Hatfield, Nelson and Roach.

**Staff:** Alison Mendiola (786-7483)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 6330 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Dammeier, Fraser, Frockt, Hasegawa, Hatfield, Hewitt, Kohl-Welles, Padden, Parlette, Rivers, Schoesler and Tom.

**Staff:** Juliana Roe (786-7438)

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**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 non-qualifying portions of the building or the value of the land. A 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 must plan under the Growth Management Act.

The multi-unit housing exemption is also available in an urban growth area under RCW 36.70A.110 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. For any multi-unit housing located in an unincorporated area of a county, a property owner seeking this tax incentive must commit to renting or selling at least 20 percent of the multi-family housing units as affordable housing units to low and moderate-income households.

**Summary of Second Substitute Bill:** The multi-unit housing exemption is also available in an urban growth area under RCW 36.70A.110 in an unincorporated area of rural county that has only one incorporated city and a sewer system. A property owner seeking this tax incentive must commit to renting or selling at least 20 percent of the multi-family housing units as affordable housing units to low and moderate-income households.

**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 on Proposed Substitute as Heard in Committee (Financial Institutions, Housing & Insurance):** PRO: The goal of this bill is to promote growth in an area that is rural. The Growth Management Act says to provide services in urban growth areas. There are only five counties that would qualify for this tax exemption under the limited definition of rural county. There are builders who want to build and low-income housing is needed, especially in some areas that are seeing job growth, but there is

not the right housing stock to meet the needs of the residents. This bill would have a big impact on smaller communities, such as Belfair. People would have an opportunity to live where they work and access services. This would promote economic development.

CON: Some cities are concerned that this tax incentive was developed to encourage urban in-fill as it is more expensive to develop in those areas. However, we are fine with the narrow language of the bill.

**Persons Testifying (Financial Institutions, Housing & Insurance):** PRO: Senator Sheldon, prime sponsor; Robert Drexler, WA Realtors; Randy Neatherlin, Mason County Commissioner.

CON: Carl Schroeder, Assn. of WA Cities.

**Staff Summary of Public Testimony on Substitute as Passed by Financial Institutions, Housing & Insurance (Ways & Means):** PRO: This bill will help Mason County. We have a sewer system and are looking for ratepayers. We have various new businesses, but we need people and rental housing for those people. The fiscal note is indeterminate because we do not know who will step forward and take advantage of this exemption. If this exemption is good enough for the cities, it is good enough for the counties.

**Persons Testifying (Ways & Means):** PRO: Senator Sheldon, prime sponsor; Terri Jeffreys, Mason County Commissioner.

**House Amendment(s):** Changes the definition of rural county to a county with a population between 50,000–71,000 and bordering Puget Sound. Restricts the availability of the program to urban growth areas designated by counties prior to January 1, 2013. Requires the residential targeted area to have sewer service. Terminates the program after five years.