
**Community Development, Housing &
Tribal Affairs Committee**

HB 2395

Brief Description: Supporting affordable housing with a local government fee on condominium conversions.

Sponsors: Representatives McBride, Robinson, Kuderer, Clibborn, Senn, Orwall, Stanford, Gregerson, Walkinshaw, Tarleton, Farrell, Peterson, Moscoso, Pollet and Goodman.

Brief Summary of Bill

- Authorizes cities and towns to impose a fee on condominium conversions to support the development of affordable housing.

Hearing Date: 1/18/16

Staff: Sean Flynn (786-7124).

Background:

Local tax prohibition on building construction.

Local governments generally are prohibited from imposing any tax, fee, or charge on the construction or reconstruction of residential, commercial, or industrial buildings. The prohibition also applies to land development or redevelopment activities.

There are some exceptions to this general prohibition. For example, certain counties and cities fully planning under the Growth Management Act are permitted to impose an impact fee as a condition on development approval in order to finance public facilities that will serve the new development. Permit fees also may be imposed in order to cover the costs of processing the application or inspecting and reviewing plans as required under the State Environmental Policy Act. Special assessments may be applied to property that is specifically benefited by the activity funded by the assessment.

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.

The general local tax prohibition on construction and development also does not limit the authority of a county or city planning under the GMA to implement an affordable housing incentive program that allows local jurisdictions to offer certain development and zoning permit bonuses or waivers to promote the development of affordable housing.

Condominium Conversion.

A conversion condominium is a residential rental property in which ownership of any rental unit is conveyed to a separate owner. A city or county may require a condominium conversion developer to pay for relocation assistance of certain low-income tenants. The relocation assistance sum a developer is required to pay may not exceed three months of the tenant's rent. Additional relocation assistance may be required for elderly tenants. The relocation assistance fee is exempt from the general prohibition on local government taxes, fees, or charges on building construction.

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Condominium Conversion Fee to Support Affordable Housing.

Any city or town is authorized to establish and impose a fee on the recording of a declaration of a condominium conversion. The money collected from the fee must be deposited in a fund established by the city or town for affordable housing development.

The condominium conversion fee may be applied by multiplying the square footage floor area for all units in a residence by the following rates:

- For a 2 unit residence: up to \$0.95 per square foot floor area;
- For a 3 unit residence: up to \$1.42 per square foot floor area;
- For a 4 unit residence: up to \$1.90 per square foot floor area;
- For a 5 unit residence: up to \$2.38 per square foot floor area;
- For a 6 unit residence: up to \$2.85 per square foot floor area;
- For a 7 unit residence: up to \$3.33 per square foot floor area;
- For a 8 unit residence: up to \$3.80 per square foot floor area;
- For a 9 unit residence: up to \$4.28 per square foot floor area;
- For residences with 10 or more units: up to \$4.75 per square foot floor area;

The fee must apply to any condominium conversion owned by a city or town that is imposing the fee, unless it has adopted suitable plan to develop affordable housing on the same site or a suitable alternative site. Local housing authorities and local, regional, and statewide nonprofit housing organizations are exempt from the demolition fee.

Appropriation: None.

Fiscal Note: Requested 1/13/16.

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