Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Environment Committee

HB 2607

Brief Description: Promoting redevelopment of certain areas to encourage transit supportive densities and efficient land use.

Sponsors: Representatives Irwin, Wilcox, Fitzgibbon, Stokesbary, Jinkins, Muri and Santos.

Brief Summary of Bill

- Allows residential targeted areas eligible for the multiple family tax exemption to be designated in any county with an unincorporated population of at least 350,000 seeking to promote transit-supportive densities and efficient land use near transit corridors by encouraging redevelopment.

Hearing Date: 1/16/18

Staff: Jacob Lipson (786-7196).

Background:

Urban Growth Areas.
The Growth Management Act (GMA) provides a comprehensive land use planning framework for certain counties and cities within the state. Each county and city planning under the GMA must adopt a comprehensive plan as the coordinated land use policy of the jurisdiction.

A county's comprehensive plan must include the designation of urban growth areas (UGAs) where certain kinds of intensive land use and development are encouraged. The UGAs include each city within the county and also may include unincorporated areas that are already characterized by urban growth.

Property Tax Exemption - Residential Targeted Areas.
All real and personal property is subject to property tax unless specifically exempted by law. The property tax is assessed on the value of the property.

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 Legislature has allowed certain cities and counties to exempt from property tax the value of the construction, conversion, and rehabilitation of some multi-unit residential housing projects in urban centers. The tax exemption applies only to the value of the construction or rehabilitation projects and does not exempt the value of the underlying property or other improvements on the property.

The tax exemption on qualifying property lasts for eight consecutive years. However, the exemption is extended to a 12-year period if the owner commits to renting or selling at least 20 percent of multi-family housing units as affordable housing to low and moderate-income households.

To qualify for an exemption, the housing project must be located within a residential targeted area (RTA) designated by a qualifying county or city. The RTA must be in an urban center that lacks sufficient residential housing, including affordable housing, to meet the needs of the public who would likely live in the urban center if housing were available.

Cities with a population of 15,000 or more may use the RTA tax exemption. Certain smaller cities are also eligible. Counties with an unincorporated population over 350,000 are also eligible to use the RTA tax exemption. The county-designated RTA must be within a UGA and either:

- be in an unincorporated area of the county that includes a college campus where at least 1,200 students live; or
- be designated before January 1, 2013 by a rural county with a population of between 50,000 and 71,000 that borders Puget Sound. The residential targeted area must have sewer service. The property tax exemption for counties to designate RTAs expires on January 1, 2020.

Property owners within a designated RTA must submit an application for the tax exemption to the designating city or county. The city or county may include additional eligibility requirements for the tax exemption, including a higher percentage of units used for affordable housing to qualify for the 12-year exemption. Counties eligible to apply the tax exemption must require owners to commit to selling or renting at least 20 percent of the multi-family housing units for affordable housing in order to qualify for either the eight- or 12-year exemption.

For the purpose of the RTA tax exemption, affordable housing is housing for low-to-moderate income households that does not exceed one-third of the household's monthly income. Low-income households must have an income that is no more than 80 percent of the median income of their county. Moderate-income households must have an income between 80 and 115 percent of the median income of their county.

Summary of Bill:

Residential targeted areas (RTAs) designated by counties in unincorporated areas within urban growth areas may be designated by any county with an unincorporated population of at least 350,000 seeking to promote transit supportive densities and efficient land use near transit corridors by encouraging redevelopment.

The stated purposes of the multiple family tax exemption for RTAs are specified to include redevelopment of areas in urban growth areas to support transit supportive densities and efficient land use.

Appropriation: None.

Fiscal Note: Requested on January 11, 2018.

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