

HOUSE BILL REPORT

HB 2607

As Reported by House Committee On:
Environment

Title: An act relating to promoting redevelopment of certain areas to encourage transit supportive densities and efficient land use.

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 History:

Committee Activity:

Environment: 1/16/18, 2/1/18 [DPS].

Brief Summary of Substitute Bill

- Makes areas near specified transit corridors eligible for designation by certain counties as residential targeted areas, within which properties may receive the multiple family tax exemption.

HOUSE COMMITTEE ON ENVIRONMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Fitzgibbon, Chair; Peterson, Vice Chair; Fey, Kagi and McBride.

Minority Report: Do not pass. Signed by 4 members: Representatives Taylor, Ranking Minority Member; Maycumber, Assistant Ranking Minority Member; Buys and Dye.

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

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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.

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. A 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 rural 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 Substitute Bill:

Counties with an unincorporated population of at least 350,000 seeking to promote transit supportive densities and efficient land use may designate residential targeted areas within urban growth areas designated under the GMA. The designated RTAs must be both:

- located within 1.5 miles of the boundary of a city with a population of at least 200,000; and
- located within 0.75 miles of a corridor in which bus service is scheduled every 15 minutes for 10 hours per day, or where such service will begin within five years.

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.

Substitute Bill Compared to Original Bill:

The substitute bill narrows the eligible areas near transit corridors that counties with an unincorporated population of at least 350,000 may designate. The areas eligible for designation by such counties are limited to areas within a UGA that are both:

- within 1.5 miles of the boundary of a city with a population of 200,000; and
 - within 0.75 of a mile of a corridor with current or planned bus service every 15 minutes for 10 hours per day.
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Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Pierce County is unique in that it has a high population in unincorporated areas that are urban in character. Pierce County acts as an urban service provider in many respects. Pierce County is hoping to spur redevelopment along Pacific Avenue, where there is lots of vacant property.

(Opposed) None.

(Other) Providing incentives for density along transit corridors is a worthy goal; however, Pierce Transit has routes all over the county, and those routes are fungible. The bill should instead focus on high-capacity transit routes that are more targeted towards urban areas like Pacific Avenue. By helping provide extra density in these unincorporated areas, the multiple-family tax exemption program will make those areas a more attractive annexation prospect for nearby cities.

Persons Testifying: (In support) Representative Irwin, prime sponsor; and Michael Shaw, Pierce County.

(Other) Randall Lewis, City of Tacoma.

Persons Signed In To Testify But Not Testifying: None.