Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Community Development, Housing & Tribal Affairs Committee

SSB 6347

Brief Description: Expanding the property tax exemption for new and rehabilitated multiple-unit dwellings in urban centers.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Wagoner, Fortunato, Honeyford, Palumbo, Mullet and Rivers).

Brief Summary of Substitute Bill

- Expands eligibility for the Multifamily Property Tax Exemption for new and rehabilitated multi-unit residential housing projects located in certain urban areas designated by any city or town until July 1, 2021.

Hearing Date: 2/20/18

Staff: Kirsten Lee (786-7133).

Background:

The Multifamily Property Tax Exemption exempts the construction, conversion, and rehabilitation of multi-unit residential housing projects in urban centers from property taxes. 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.

To qualify for an exemption, the housing project must be located within a residential targeted area (RTA) designated by a qualifying county or city. A qualifying county is a county with an unincorporated population of at least 350, 000. A qualifying city is:
- A city or town with a population of at least 15,000;
- the largest town in a city or town located in a county planning under the Growth Management Act (GMA) if there is no city or town with a population of at least 15,000; or

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- a city or town with a population of at least 5,000 located in a county subject to the provisions of the Buildable Lands Program under the GMA.

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. An RTA designated by a county must meet additional criteria.

The tax exemption on qualifying property lasts for eight 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. For affordable housing that is rented, the cost must not exceed one-third of the household's monthly income, including certain utilities. For affordable housing intended for owner occupancy, the cost must be within the means of low or moderate-income households. 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. These thresholds are adjusted for high-cost areas.

There is a tax preference performance statement for the tax exemption, as required for new tax preferences. The tax preference performance statement states that the Legislature's public policy objective for the tax preference is to stimulate the construction of new multifamily housing in urban growth areas (UGAs) located in unincorporated areas of rural counties, where housing options, including affordable housing options, are severely limited. The Legislature intends to extend the expiration of the tax preference if the Joint Legislative Audit and Review Committee (JLARC) finds that at least 20 percent of the new housing is developed and occupied by households earning:
- at or below 80 percent of the area median income at the time of occupancy; or
- up to 115 percent of the area median income at the time of sale, if the housing is intended exclusively for owner occupancy.

Summary of Bill:

Multifamily Property Tax Exemption.
Until July 1, 2021, any city or town may designate RTAs and provide a Multifamily Property Tax exemption for new or rehabilitated multi-unit residential housing projects in urban centers or urban growth areas.

Tax Preference Performance Statement.
A new tax preference performance statement is included for the changed Multifamily Property Tax preference and states that the Legislature's policy objective for the tax preference is to incentivize developers to construct new multifamily housing to increase the number of affordable housing units for low to moderate-income residents in certain UGAs. The Legislature intends to extend the expiration of the tax preference if the JLARC finds that at least 20 percent of new housing is developed and occupied by households earning:
- at or below 80 percent of the area median income at the time of occupancy; or
- up to 115 percent of the area median income at the time of sale, if the housing is intended exclusively for owner occupancy.

Appropriation: None.

Fiscal Note: Available.

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