

# SENATE BILL REPORT

## SB 5363

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As Reported by Senate Committee On:  
Housing Stability & Affordability, February 6, 2019

**Title:** An act relating to extending the property tax exemption for new and rehabilitated multiple-unit dwellings in urban centers.

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

**Sponsors:** Senators Palumbo, Wagoner, Hunt, Mullet and Liias.

**Brief History:**

**Committee Activity:** Housing Stability & Affordability: 2/04/19, 2/06/19 [DP-WM].

**Brief Summary of Bill**

- Authorizes the extension of a property tax exemption for eligible multi-unit residential housing projects in urban centers an additional 12 years.

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### SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Darneille, Fortunato, Saldaña and Warnick.

**Staff:** Jeff Olsen (786-7428)

**Background:** Eligible cities and counties may exempt from property tax the value of the construction, conversion, and rehabilitation of certain 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. The tax exemption on a 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 the 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

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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.

Qualifying cities and towns that may designate RTAs include:

- cities or towns with a population of at least 15,000;
- the largest city or town located in a county planning under the Growth Management Act, if there is no city or town with a population of at least 15,000; and
- cities or towns with a population of at least 5,000 located in a county that participates in the Buildable Lands Program.

County-designated RTAs must be in an unincorporated area of the county, within an urban growth area, and either:

- in a county with an unincorporated population over 350,000 that includes a college campus where at least 1200 students live; or
- be designated before January 1, 2013, by a rural county with a population between 50,000 and 71,000 that borders Puget Sound.

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 to qualify for either the eight or 12-year exemption.

For the purpose of the property 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:** The 12-year property tax exemption period may be extended for an additional 12 years, provided the local government adopts qualifying guidelines for the extension. The local government may adopt and implement more stringent income eligibility, rent, or sale price limits, including limits that apply to a higher percentage of units than the minimum conditions required under current law.

The extension of the exemption is excluded from the tax preference performance review and the automatic 10 year expiration.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:** PRO: The bill extends a property tax exemption for existing affordable multi-family housing units that otherwise may converted to market rates. Washington State is 225,000 homes short of meeting housing need. In every county in Washington at least 25 percent of households experience cost burdening. The multi-family tax exemption program is cited as a national model and some 2000 units of affordable homes are set to expire by 2022. The bill preserves affordable housing by allowing cities to extend the program for an additional 12 years. The bill does not allow cities to extend the market rate housing under the eight-year exemption, only the affordable housing. Local jurisdictions have the option of requiring more stringent qualifications for the exemption. The multi-family tax exemption is an effective tool for Seattle, and approximately 4,000 units will no longer be under the exemption by 2030. Extending the timeline will preserve affordable housing.

**Persons Testifying:** PRO: Senator Guy Palumbo, Prime Sponsor; Carl Schroeder, Association of Washington Cities; Mike Kingsella, Up for Growth; Brad Bowsell, Seattle Chamber of Commerce; Matthew Mauer, Government Relations Associate, Vulcan Inc.

**Persons Signed In To Testify But Not Testifying:** No one.