SENATE BILL REPORT
SB 5366

As of January 29, 2019

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

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

Sponsors: Senators Wagoner, Mullet, Rivers, Palumbo, Rolfes, Brown, Honeyford, Wilson, L. and Zeiger.

Brief History:
Committee Activity: Housing Stability & Affordability: 1/23/19.

Brief Summary of Bill

- Allows all cities and towns to provide property tax exemptions for eligible multi-unit residential housing projects in urban centers until July 1, 2022.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Staff: Jeff Olsen (786-7428)

Background: Growth Management Act. The Growth Management Act (GMA) is the comprehensive land-use planning framework for counties and cities in Washington. Jurisdictions that fully plan under the GMA must designate urban growth areas (UGAs), within which urban growth is encouraged and outside of which growth may only occur if it is not urban in nature. Seven counties that fully plan under the GMA also participate in the Buildable Lands Program. This review and evaluation program determines if participating counties, and the cities within them, have designated adequate amounts of residential, commercial, and industrial lands to meet the growth need incorporated in their comprehensive plans. The seven participating counties include Clark, King, Kitsap, Pierce, Snohomish, Thurston, and Whatcom.

Property Tax Exemption. 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

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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 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 GMA, 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 a UGA, 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: Until July 1, 2022, all cities and towns may designate RTAs and provide property tax exemptions for eligible multi-unit residential housing projects in urban centers.

The expiration of the tax preference will be extended if a review 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.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: There is a housing crisis in Washington State and more housing inventory is needed. A lack of housing is a limiting factor for economic development. This bill would allow every city in the state to take advantage of the property tax exemption and allow smaller cities to participate. Local governments need additional tools to address a lack of affordable housing and homelessness. Chelan currently has a project that would utilize this tax exemption and build a multi-family project to address an urgent lack of affordable housing.

Persons Testifying: PRO: Senator Keith Wagoner, Prime Sponsor; Mike Cooney, Mayor, City of Chelan; Carl Schroeder, Association of Washington Cities.

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