

FINAL BILL REPORT

ESHB 2164

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Synopsis as Enacted

Brief Description: Requiring approval from certain state institutions of higher education to locate new or rehabilitated multiple-unit housing within the boundaries of a campus facilities master plan for property tax exemption purposes.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Dunshee, Morrell, Moeller and Ormsby).

House Committee on Finance
Senate Committee on Ways & Means

Background:

Multiple Unit Property Tax Exemption. New, rehabilitated, or converted multifamily housing projects in residential targeted areas are eligible for a 10 year property tax exemption program. The program's purpose is to increase multifamily housing in urban centers.

The property tax exemption applies to the new housing construction and the increased value of the building due to rehabilitation made after the application for the tax exemption. The exemption does not apply to the land or the non-housing-related improvements. If the property is removed from multifamily housing use before 10 years, then back taxes are recovered based on the difference between the taxes paid and taxes that would have been paid had the property not been put to multifamily use.

The property tax exemption program is limited to cities with a population of at least 30,000. If there is no city of at least 30,000 within the county, but the county plans under the Growth Management Act, then the largest city otherwise qualifies for the exemption. A residential targeted area must be located within an urban center, lack sufficient available, desirable, and convenient residential housing to meet public demand, and increase permanent residents in the area or achieve the planning goals of the Growth Management Act. The city is authorized to establish standards and guidelines for approving tax exemption applications by developers. The city may limit the exemption to individual units that meet the city guidelines if the units are separate for the purposes of property taxation.

Taxing district levies that are imposed within the constitutional 1 percent rate limit (regular levies) are constrained by a limit on annual increases. Generally, taxing districts may not increase regular levies by more than 1 percent without a public vote. However, the district may increase its regular levy by the value of new construction in the district multiplied by the preceding year's property tax rate. With respect to the multifamily housing exemption, once the property is no longer exempt, the cost of rehabilitation or construction is treated as new construction for tax roll purposes.

Campus Master Plans of Higher Education Institutions. Institutions of higher education develop campus master plans for the purpose of strategically guiding the development of campuses. In 2003 the University of Washington (UW) Board of Regents approved an updated master plan for the Tacoma campus of the UW. In 2006 the master plan for the Bothell campus was updated but is not yet approved.

Like other campus master plans, the UW-Tacoma plan provides a "footprint" of the ultimate boundaries of the campus in downtown Tacoma. However, the UW-Tacoma footprint is unique because, as of 2003, the area included over 50 parcels of private-held property. The footprint area is also part of the City of Tacoma's residential targeted area of the city's multiple unit property tax exemption program.

Summary:

For the purposes of the special 10 year property tax exemption program for new or rehabilitated multiple unit housing, residential targeted areas so designated on and after July 1, 2007, may not include areas within the campus facilities master plans of the branch campuses of the University of Washington in Tacoma or Bothell. A campus facilities master plan is the area deemed necessary for the future growth and development of the facilities of the branch campuses. In addition, an application may not be approved on and after July 1, 2007, if any part of the proposed project site is within the campus facilities master plan of either campus.

Votes on Final Passage:

House	74	22
Senate	42	3

Effective: July 1, 2007