

HOUSE BILL REPORT

HB 2738

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs
Finance

Title: An act relating to promoting affordable housing in urban growth areas.

Brief Description: Promoting affordable housing in urban growth areas.

Sponsors: Representatives Haigh, Robinson and Ryu.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/4/14, 2/5/14 [DPS];
Finance: 2/10/14, 2/11/14 [DPS(CDHT-A FIN)].

Brief Summary of Substitute Bill

- Allows rural counties to offer a property tax exemption for multi-family housing projects within unincorporated urban growth areas.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Appleton, Chair; Sawyer, Vice Chair; Johnson, Ranking Minority Member; Holy, Assistant Ranking Minority Member; Gregerson, Hope, Robinson, Santos and Young.

Staff: Sean Flynn (786-7124).

Background:

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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Legislature has exempted taxes on the construction, conversion, and rehabilitation of 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. In 2012 the Legislature included counties with an unincorporated population over 350,000 to be eligible to use the RTA tax exemption. The county-designated RTA must be in an unincorporated area of the county that includes a college campus where at least 1,200 students live.

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.

Affordable Housing.

For purposes 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.

Urban Growth Areas.

The Growth Management Act (GMA) provides a comprehensive land use planning framework for certain counties and cities within the state. Each governing body planning 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 where certain kinds of intensive land use and development are encouraged. Urban growth areas include each city within the county and also may include unincorporated areas that are already characterized by urban growth.

Summary of Substitute Bill:

A rural county with a population density of less than 100 persons per square mile or a county with less than 250 square miles of land may use the RTA property tax exemption. The RTA must be unincorporated land within a designated urban growth area.

Substitute Bill Compared to Original Bill:

The residential targeted area designated by a rural county must be in an unincorporated urban growth area, but does not have to be within an urban center.

Appropriation: None.

Fiscal Note: Preliminary 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) This bill is narrowly drafted to address the needs in a particular rural county that has some of the highest unemployment in the state. Encouraging construction for affordable housing is the right thing to do. The tax exemption should be looked at in the future to measure its effect.

There are few planning solutions to solve the problem of urban sprawl for rural as well as urban counties. Rural counties are mandated to encourage growth in their urban growth areas. Unincorporated urban growth areas need workforce housing and retail development that will be encouraged by increased population and sewer facilities. Some rate payers are paying \$100 a month just for sewer service in unincorporated areas. A housing incentive will encourage people to move into urban growth areas and create economies of scale. As a broad policy, this tax exemption should be open to all rural counties, but a version more narrowly focused would be acceptable. The Association of Washington Cities had brought up some concerns about this bill.

(Opposed) None.

Persons Testifying: Representative Haigh, prime sponsor; and Terri Jeffreys, Mason County Commissioner.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill by Committee on Community Development, Housing & Tribal Affairs be substituted therefor and the substitute bill as amended by Committee on

Finance do pass. Signed by 11 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Fitzgibbon, Hansen, Lytton, Pollet, Reykdal, Springer and Wilcox.

Minority Report: Without recommendation. Signed by 2 members: Representatives Condotta and Vick.

Staff: Jeffrey Mitchell (786-7139).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Community Development, Housing & Tribal Affairs:

One amendment changes the definition of rural county to a county with a population between 50,000 and 72,000 and bordering Puget Sound (Mason County). The amendment also requires the residential targeted area to have sewer service. The amendment also terminates the program after five years.

A second amendment restricts the availability of the program to urban growth areas designated by counties prior to January 1, 2013, and served by a sewer system.

Appropriation: None.

Fiscal Note: Available on original bill.

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) There are not enough incentives to encourage urban density growth in our urban-growth areas. Rural counties need workforce housing just as much as cities. This bill helps Mason County and increases a retail development base. We need the economies of scale that increased density provides.

(With concerns) There is support for affordable housing, however, our concerns would be to look at a full range of costs that are considered when a person is buying affordable housing in a populated area. An example is to look at things like sewers, cost to residents living in that area, transportation, access to services, and whether it is affordable for both the local government and the people living in the affordable housing. The bill should either be narrowed to a specific area or require the infrastructure to be in place.

(Opposed) None.

Persons Testifying: (In support) Terry Jeffrey.

(With concerns) Kelsey Beck, Futurewise.

Persons Signed In To Testify But Not Testifying: None.