SENATE BILL REPORT

2SSB 5387

As Passed Senate, March 10, 1995

Title: An act relating to taxation of new and rehabilitated multiple-unit housing in urban centers.

Brief Description: Providing tax incentives for multiple-unit housing in urban centers.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Wojahn, Winsley, Franklin, Haugen, Rasmussen, McCaslin and West).

Brief History:

Committee Activity: Financial Institutions & Housing: 2/14/95, 2/21/95 [DPS-WM].
Ways & Means: 3/6/95 [DP2S].
Passed Senate, 3/10/95, 44-3.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: That Substitute Senate Bill No. 5387 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Smith and Sutherland.

Staff: Traci Ratzliff (786-7452)

Background: Property taxes are based on the assessed value of real property, including the land itself, and all buildings, structures, or improvements or other fixtures sitting upon such land.

The Growth Management Act established numerous provisions which seek to encourage development in urban areas where adequate public facilities and services exist or can be provided in an efficient manner, thus reducing urban sprawl.

Cities required to plan under the Growth Management Act contend they lack the authority to utilize certain incentives that would encourage the development of urban areas, particularly development that results in additional multifamily housing units in these areas.

Summary of Bill: A property tax exemption program for new, rehabilitated or converted multiple-unit housing in urban areas is established. The exemption is good for ten years from the issuance of a tax exemption certificate. The exemption does not apply to the value of land or nonhousing-related improvements or to increases in assessed valuation made on nonqualifying portions of the building or the value of the land. The exemption program is limited to cities with a population of at least 150,000.

The new, converted or rehabilitated housing must meet certain criteria to be eligible for the tax exemption. These include: it is located in a residential targeted area in a city planning under the Growth Management Act; it meets guidelines established by the local governing authority; at least half of the project space is utilized for permanent housing; at least 20 percent of the units must be set aside for households earning no more than 50 percent of area median income or 40 percent of units must be set aside for households earning no more than 60 percent of area median income; and the owner of the property must abide by the terms and conditions of the planned development, set out in a contract with the city.

The local governing authority must designate a residential targeted area. An area so designated must meet specific criteria which include: it is located within an urban center; it lacks sufficient available, desirable and convenient residential housing to meet public demand; and it achieves one or more of the public purposes outlined in the act.

Local governments are authorized to establish standards and guidelines to be utilized in approving applications for the tax exemption.

The application procedures for the program are outlined.

The owner receiving the tax exemption must file an annual report to the city that includes: a statement regarding the occupancy and vacancy of the housing units during the past year, verification that ownership of the property has not changed, confirmation that all public amenities are still available to the public; a description of changes or improvements made to the property; and certification of income eligibility for low-income tenants inhabiting the housing units during past 12 months.

Penalties for conversion of the property to other uses prior to the expiration of the ten-year exemption period are outlined.

Appropriation: None.

Fiscal Note: Requested on February 8, 1995.

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

Testimony For: Residential development is critical for the economic and social health of urban areas. This bill will provide a much needed incentive for stimulating such development in declining urban areas.

Testimony Against: None.

Testified: PRO: Senator Wojahn, prime sponsor; Bill Baarsma, councilmember, City of Tacoma; William Riley, William Riley Co.; Joe Quilici, Planning and Development Dept. City of Tacoma; Kim Herman, WA State Housing Finance Commission; Casey Cochrane, Tacoma, Pierce County Chamber of Commerce; Michael Davolio, American Planning Assn.; Bob Jacobs, Mayor, City of Olympia.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5387 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Drew, Gaspard, Hargrove, Long, McDonald, Moyer, Roach, Sheldon, Snyder, Spanel and Winsley.

Staff: Terry Wilson (786-7715)

Testimony For: This bill is to rehabilitate old buildings, it will create jobs, and it will generate additional tax revenues. It helps cities to implement the Growth Management Act. There is little impact on the state, and there is no local impact unless they choose to implement this.

Testimony Against: None.

Testified: Senator Wojahn, prime sponsor (pro); Randy Lewis, City of Tacoma (pro).

House Amendment(s): Provisions that require projects receiving the tax exemption provided under this act to include a certain percentage of low-income housing units and public benefit features (sidewalks, courtyards, lighting, etc.) are deleted.