

HOUSE BILL REPORT

HB 2164

As Reported by House Committee On:
Finance

Title: An act relating to property tax exemptions for multiple-unit housing in urban centers within the boundaries of the campus facilities master plan of any state institution of higher education.

Brief Description: Requiring approval from 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: Representatives Dunshee, Morrell, Moeller and Ormsby.

Brief History:

Committee Activity:

Finance: 2/21/07, 3/5/07 [DPS].

Brief Summary of Substitute Bill

- Excludes, beginning July 1, 2007, campus facilities master plans from areas that may be designated as residential targeted areas for the property tax exemption program for new or rehabilitated multiple-unit housing.
- Prohibits approval of applications for the exemption program beginning July 1, 2007, if any part of the proposed project site in the application is located in a campus facilities master plan.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Hunter, Chair; Conway, Ericks, McIntire and Santos.

Minority Report: Do not pass. Signed by 4 members: Representatives Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member and Roach.

Staff: Mark Matteson (786-7145).

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.

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 property tax amounts that are imposed within the constitutional 1 percent rate limit are constrained by a limit on annual increases. Generally, these taxing districts may not increase the property tax amount by more than 1 percent without a public vote. However, the district may also increase the property tax amount 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. The master plan contemplates Phase 3 of the Tacoma campus development, which will provide additional classroom and faculty office space to support expanded and new degree programs and allow the campus to complete the transition to four-year institution status.

The UW-Tacoma campus master plan provides a "footprint" of the ultimate boundaries of the campus in downtown Tacoma. When built out, the boundaries are Pacific Avenue on the east, South 17th Street on the north, Tacoma Avenue on the west, and South 21st Street on the south, encompassing a total of 46 acres.

Summary of Substitute Bill:

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 campus facilities master plans. A campus facilities master plan is the area that a state institution of higher education deems necessary for the future growth and development of its facilities. In addition, a city may not approve an application on and after July 1, 2007, if any part of the proposed project site is within a campus facilities master plan.

Substitute Bill Compared to Original Bill:

Excludes areas within campus facilities master plans from residential targeted areas designated after the effective date, for the purposes of providing the special property tax exemption. Removes the provisions that require prior approval from a university or college that governs the plan in order to get the exemption. Disallows approval of applications where the project site is within a plan. Removes the retroactivity clause.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony:

(In support) The University of Washington-Tacoma (UW-T) branch campus was established in 1990, with a 46 acre footprint. The campus master plan was first issued in 1993 and most recently updated in 2003. The state has invested over \$160 million already. When the state first established the footprint, over 70 percent of the property was privately held. The land for most state higher education campuses was acquired by the state before the campuses were developed and there is very little privately held land. Over time, as the UW-T has received adequate funding, it has purchased parcels within the UW-T campus. We have not had to use our powers of condemnation or eminent domain.

The UW-T campus is widely credited for helping to revitalize downtown Tacoma. The tax abatement program also has contributed. However, if condominiums are built within the campus footprint, it would be very expensive to condemn or acquire. Without the tax abatement available, people would be discouraged from developing property within the footprint.

The business community supports this and believes that the mutual exclusion between the campus and the tax abatement program is in the long-term strategic interest of the community.

(Opposed) None.

Persons Testifying: Mike Wark, University of Washington Tacoma; and Tom Luce, Greater Tacoma Economic Council.

Persons Signed In To Testify But Not Testifying: None.