FINAL BILL REPORT
2SSB 6330

C 96 L 14
Synopsis as Enacted

Brief Description: Promoting affordable housing in unincorporated areas of rural counties within urban growth areas.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Sheldon).

Senate Committee on Financial Institutions, Housing & Insurance
Senate Committee on Ways & Means
House Committee on Finance

Background: All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law.

The Legislature provided a property tax exemption for property associated with the construction, conversion, or rehabilitation of qualified, multi-unit, residential structures located in a targeted residential area contained in an urban growth center. The exemption does not apply to the value of land or nonhousing-related improvements, or to increases in assessed valuation made on non-qualifying portions of the building or the value of the land. A property for which an application for a certificate of tax exemption is submitted after the effective date of the act may be eligible for an 8-year tax exemption. If the property owner commits to renting or selling at least 20 percent of units as affordable housing units to low and moderate-income households, the property may be eligible for a 12-year exemption.

In the case of properties intended exclusively for owner occupancy, the state affordable housing requirement may be satisfied by providing 20 percent of units as affordable to moderate-income households. Cities may impose additional affordable housing requirements, limits, and conditions. Cities with a population of 5000 or more are eligible to establish the target areas; smaller cities may participate if they are the largest city or town located in a county that must plan under the Growth Management Act.

The multi-unit housing exemption is also available in an urban growth area under RCW 36.70A.110 where the unincorporated population of a county is at least 350,000 and there are at least 1200 students living on campus at an institute of higher education during the academic year; for example, the area surrounding Pacific Lutheran University. For any multi-unit housing located in an unincorporated area of a county, a property owner seeking this tax incentive must commit to renting or selling at least 20 percent of the multifamily housing units as affordable housing units to low and moderate-income households.

Summary: The multifamily housing property tax exemption is made available to eligible properties located within a residential targeted area in an unincorporated area of an urban growth area that was designated before January 1, 2013, within a rural county. The rural county must have a population between 50,000 and 71,000 and border Puget Sound. The residential targeted area must have sewer service. The property tax exemption for properties located in rural counties expires on January 1, 2020.

The act's tax preference performance statement specifies that the public policy objective is to stimulate the construction of new multifamily housing in urban growth areas located in unincorporated areas of rural counties where housing options, including affordable housing options, are severely limited. The tax preference performance statement requires the Joint Legislative Audit and Review Committee to use data provided by counties in which beneficiaries are utilizing the preference, the Office of Financial Management, the Department of Commerce, and the United States Department of Housing and Urban Development to analyze the demography of the occupants inhabiting the multifamily housing benefiting from the tax preference.

Votes on Final Passage:

Senate	44	5	
House	94	3	(House amended)
Senate	49	0	(Senate concurred)

Effective: June 12, 2014