

# SENATE BILL REPORT

## SB 6347

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As of February 7, 2018

**Title:** An act relating to expanding the property tax exemption for new and rehabilitated multiple-unit dwellings in urban centers.

**Brief Description:** Expanding the property tax exemption for new and rehabilitated multiple-unit dwellings in urban centers.

**Sponsors:** Senators Wagoner, Fortunato, Honeyford, Palumbo, Mullet and Rivers.

**Brief History:**

**Committee Activity:** Economic Development & International Trade: 1/18/18, 1/25/18 [DP-WM].

**Ways & Means:** 1/31/18.

**Brief Summary of Bill**

- Allows all cities and towns to provide property tax exemptions for eligible multi-unit residential housing projects in urban centers until January 1, 2029.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & INTERNATIONAL TRADE

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Chase, Chair; Takko, Vice Chair; Brown, Ranking Member; Wagoner and Wellman.

**Staff:** Alex Fairfortune (786-7416)

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Alia Kennedy (786-7405)

**Background:** Growth Management Act (GMA). The GMA is the comprehensive land-use planning framework for counties and cities in Washington. Jurisdictions that fully plan under the GMA must designate urban growth areas (UGAs), within which urban growth is

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encouraged and outside of which growth may only occur if it is not urban in nature. These planning jurisdictions must include within their UGAs sufficient areas and densities to accommodate projected urban growth for the succeeding 20-year period.

Seven counties that fully plan under the GMA also participate in the Buildable Lands Program. This review and evaluation program determines if participating counties, and the cities within them, have designated adequate amounts of residential, commercial, and industrial lands to meet the growth need incorporated in their comprehensive plans. The seven participating counties include Clark, King, Kitsap, Pierce, Snohomish, Thurston, and Whatcom Counties.

Property Tax Exemption. The Legislature permits certain cities and counties to exempt from property tax the value of the construction, conversion, and rehabilitation of some 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.

The tax exemption on a 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.

Qualifying cities and towns that may designate RTAs include:

- cities or towns with a population of at least 15,000;
- the largest city or town located in a county planning under the GMA, if there is no city or town with a population of at least 15,000; and
- cities or towns with a population of at least 5,000 located in a county that participates in the Buildable Lands Program.

County-designated RTAs must be in an unincorporated area of the county, within a UGA, and either:

- in a county with an unincorporated population over 350,000 that includes a college campus where at least 1200 students live; or
- be designated before January 1, 2013, by a rural county with a population between 50,000 and 71,000 that borders Puget Sound.

The residential targeted area must have sewer service. The property tax exemption for counties to designate RTAs expires on January 1, 2020.

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.

For the purpose 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.

**Summary of Bill:** Until January 1, 2029, all cities and towns may designate RTAs and provide property tax exemptions for eligible multi-unit residential housing projects in urban centers.

The expiration of the tax preference will be extended if a review finds that at least 20 percent of new housing is developed and occupied by households earning:

- at or below 80 percent of the area median income at the time of occupancy; or
- up to 115 percent of the area median income at the time of sale, if the housing is intended exclusively for owner occupancy.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony (Economic Development & International Trade):** PRO: Skagit County is facing a housing crisis with serious demand and zero vacancies but it only has two cities that currently qualify for the multi-unit tax exemption program. Development in downtown Sedro-Woolley has encountered three challenges: maintaining historical buildings requires more investment, life safety upgrades are costly, and building on zero lot lines in existing spaces adds to costs. This multi-family exemption could push those projects from possibility to actual construction. The benefit the program provides is real, not speculative, it helps projects move forward. This tool would level the playing field so Sedro-Woolley can do what other larger communities are doing.

**Persons Testifying (Economic Development & International Trade):** PRO: Senator Keith Wagoner, Prime Sponsor; Eron Berg, City Supervisor, City of Sedro-Woolley.

**Persons Signed In To Testify But Not Testifying (Economic Development & International Trade):** No one.

**Staff Summary of Public Testimony (Ways & Means):** PRO: This bill takes an already good policy and expands it to small towns. Any city or town can benefit from this exemption under the bill. The state needs multi-unit dwellings for its workers. The bill allows for investment that can help save the state's historic downtowns. It creates a positive fiscal

impact at both the state and local level by revitalizing communities and thus increasing property values. The bill helps families by alleviating the housing crisis.

**Persons Testifying (Ways & Means):** PRO: Senator Keith Wagoner, Prime Sponsor; Julia Johnson, Mayoer, City of Sedro-Woolley; Karl de Jong, City Councilman, City of Sedro-Woolley; Eron Berg, City Supervisor, City of Sedro-Woolley.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.