

# SENATE BILL REPORT

## SB 5739

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As Reported by Senate Committee On:  
Housing Stability & Affordability, February 18, 2019  
Ways & Means, March 1, 2019

**Title:** An act relating to promoting affordable housing in unincorporated areas of rural counties within urban growth areas.

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

**Sponsors:** Senators Sheldon and Wellman.

**Brief History:**

**Committee Activity:** Housing Stability & Affordability: 2/13/19, 2/18/19 [DP-WM].  
Ways & Means: 3/01/19, 3/01/19 [DPS, w/oRec].

**Brief Summary of First Substitute Bill**

- Provides that applications for a residential targeted area in a rural county may not be approved January 1, 2020 through December 31, 2021, but are permitted beginning January 1, 2022, through January 1, 2027.

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### SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

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

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Darneille, Fortunato, Saldaña and Warnick.

**Staff:** Jeff Olsen (786-7428)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5739 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Honeyford, Assistant Ranking Member,

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*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.*

Capital; Becker, Billig, Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Liias, Palumbo, Rivers, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

**Minority Report:** That it be referred without recommendation.

Signed by Senator Pedersen.

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

**Background:** Eligible cities and counties may exempt from property tax the value of the construction, conversion, and rehabilitation of certain 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 12-years if the owner commits to renting or selling at least 20 percent of the 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 lacking 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 Growth Management Act, 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 an urban growth area, 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 property tax exemption for properties located in rural counties that was established in 2014, expires on January 1, 2020.

**Summary of Bill (First Substitute):** Beginning January 1, 2022, through January 1, 2027, an application may be approved for a residential targeted area in a rural county.

An application may not be approved for a residential targeted area in a rural county on or after January 1, 2020 through December 31, 2021.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):**

- Provides that applications may not be approved for a residential targeted area in a rural county on or after January 1, 2020, through December 31, 2021
- Permits approval of applications for a residential targeted area in a rural county beginning January 1, 2022, through January 1, 2027.

**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 on Original Bill (Housing Stability & Affordability):** None.

**Persons Testifying (Housing Stability & Affordability):** No one.

**Persons Signed In To Testify But Not Testifying (Housing Stability & Affordability):** No one.

**Staff Summary of Public Testimony on Original Bill (Ways & Means):** *The committee recommended a different version of the bill than what was heard.* PRO: Several housing projects have already been implemented under this program. This bill extends the property tax exemption for rural counties by five years in order to continue development of affordable housing.

**Persons Testifying (Ways & Means):** PRO: Senator Tim Sheldon, Prime Sponsor.

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