

HOUSE BILL REPORT

HB 2141

As Reported by House Committee On:
Housing

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

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

Sponsors: Representatives Donaghy, Low, Simmons, Ormsby and Barkis.

Brief History:

Committee Activity:

Housing: 1/16/24, 1/18/24 [DP].

Brief Summary of Bill

- Modifies the criteria for a county to designate a residential targeted area for the purposes of offering the multifamily property tax exemption.

HOUSE COMMITTEE ON HOUSING

Majority Report: Do pass. Signed by 12 members: Representatives Peterson, Chair; Alvarado, Vice Chair; Leavitt, Vice Chair; Klicker, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Barkis, Bateman, Entenman, Hutchins, Low, Reed and Taylor.

Minority Report: Do not pass. Signed by 1 member: Representative Chopp.

Staff: Serena Dolly (786-7150).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

All real and personal property in the state is subject to property tax each year based on its value, unless a specific exemption is provided by law. The multifamily property tax exemption (MFTE), also referred to as the multiunit urban housing property tax exemption, exempts real property associated with the construction, conversion, or rehabilitation of qualified, multiple-unit residential structures. Property owners must submit an application for the MFTE to the designated city or county. The city or county may include additional eligibility requirements for the tax exemptions. The multifamily property tax exemptions authorized under the statute include:

- an 8-year exemption;
- a 12-year exemption if the applicant commits to renting or selling at least 20 percent of multifamily housing units as affordable housing to low- and moderate-income households;
- a 20-year exemption for homeownership if at least 25 percent of the units are sold to a qualified nonprofit or local government partner for permanent affordable homeownership; and
- a 20-year exemption for rental housing if at least 20 percent of the units are rented to low-income households for a term of 99 years, and the property is located within one mile of high-capacity transit, in a city that has implemented a mandatory inclusionary zoning requirement and has a population of not more than 65,000.

To qualify for an exemption, the housing project must be located in a residential targeted area (RTA) designated by a qualifying county or city. Cities and counties must meet certain criteria to designate an RTA and offer the MFTE. Counties must have an unincorporated population of at least 175,000. Cities must:

- have a population of at least 15,000;
- be the largest city in a fully planning county if there is no city with a population of at least 15,000; or
- have a population of at least 5,000 and be located in a county subject to buildable lands requirements.

In addition, any city not meeting the criteria above may offer the 12-year exemption and the 20-year exemption for homeownership in areas with minimum density requirements.

For counties offering the MFTE, the RTA must be located in an unincorporated area within the urban growth area and the area also must be:

- in a rural county served by a sewer system and designated by a county prior to January 1, 2013; or
- in a county that includes a campus of an institution of higher education where at least 1,200 students live on campus during the academic year; and
- until July 15, 2024, in a county seeking to promote transit supportive densities and efficient land use in an area located within a designated UGA and within 0.25 miles of a frequent bus service.

A property that qualified for and used an 8- or 12-year exemption and is within 18 months

of expiration may apply to extend the exemption for an additional 12 years if it meets minimum locally adopted requirements for affordability. To qualify, an applicant must be approved by the city or county and commit to rent or sell at least 20 percent of the housing units to low-income households.

At the conclusion of the exemption period the value of the new housing, construction, conversion, or rehabilitation improvements must be considered as new construction for property tax purposes as though the property was not exempt under the MFTE program. No new MFTE applications may be approved on or after January 1, 2032, or any extensions of existing tax exemptions on or after January 1, 2046.

Summary of Bill:

The criteria for a county to designate an RTA for the purposes of offering the MFTE is modified by:

- adding the condition that the RTA must be located in a county with a population greater than 275,000; and
- removing the condition that the county include a campus of an institution of higher education where at least 1,200 students live on campus during the academic year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The MFTE is a great program that creates a lot of housing in the state. It can be the deciding factor for whether a project goes forward, especially with the current cost of construction. The exemption should be made accessible to more counties. This bill simply removes the requirement that only counties with certain universities may offer the MFTE and allows more counties to offer it. The bill only expands MFTE to a handful of counties, and it should be expanded to cover all counties.

(Opposed) None.

(Other) Expanding the MFTE to unincorporated areas generates concerns. Requirements for transit and other services need to be included.

Persons Testifying: (In support) Representative Brandy Donaghy, prime sponsor; Anthony Hemstad, Hemstad Consulting—representing Washington Housing, Limited Liability Company; and Paul Jewell, Washington State Association of Counties.

(Other) Bryce Yadon, Futurewise.

Persons Signed In To Testify But Not Testifying: None.