

SENATE BILL REPORT

SB 5679

As of February 14, 2025

Title: An act relating to expanding eligibility to utilize the multifamily tax exemption program to all counties required or choosing to plan under RCW 36.70A.040.

Brief Description: Expanding eligibility to utilize the multifamily tax exemption program to all counties required or choosing to plan under RCW 36.70A.040.

Sponsors: Senators Dozier, Braun, Gildon and Wilson, J..

Brief History:

Committee Activity: Housing: 2/14/25.

Brief Summary of Bill

- Expands the counties eligible to participate in the Multifamily Property Tax Exemption (MFTE) Program.
- Changes the requirements for a residential targeted area designated by a county offering the MFTE.

SENATE COMMITTEE ON HOUSING

Staff: Melissa Van Gorkom (786-7491)

Background: Multi-Family Property Tax Exemption. 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 Multi-Family Property Tax Exemption (MFTE) exempts real property associated with the construction, conversion, or rehabilitation of qualified, multiple-unit residential structures. Certain cities, and counties with an unincorporated population of at least 170,000 may offer the MFTE. Property owners must submit an application for the tax exemption to the designated city or county. The city or county may include additional eligibility requirements for the tax exemptions. Tax exemptions available under the statute

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include:

- 8-year exemption;
- 12-year exemption if the applicant commits to renting or selling at least 20 percent of the multiple-family housing units as affordable housing to low and moderate-income households;
- 20-year exemption if the applicant commits to renting at least 20 percent of the dwelling units to low-income households for a term of 99 years, subject to certain population, high capacity transit, and zoning requirements; and
- 20-year exemption if the applicant commits to selling at least 25 percent of the units to a qualified nonprofit organization or local government that will assure permanent affordable homeownership.

A property that qualified for and used an 8- or 12-year exemption that 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.

Residential Targeted Area. To qualify for an exemption, the housing project must be located in a residential targeted area (RTA) designated by a qualifying county or city. For counties offering the MFTE, the RTA must be located in an unincorporated area within the urban growth area (UGA), 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 1200 students live on campus during the academic year.

For any multiunit housing located in an unincorporated area of a county, a property owner must commit to renting or selling at least 20 percent of the units as affordable housing units to low- and moderate-income households.

Growth Management Act. The Growth Management Act (GMA) is the comprehensive land use planning framework for counties and cities in Washington. The GMA establishes land use designation and environmental protection requirements for all Washington counties and cities. The GMA also establishes a significantly wider array of planning duties for 28 counties, and the cities within those counties, that are obligated to satisfy all planning requirements of the GMA. These jurisdictions are sometimes said to be fully planning under the GMA.

Summary of Bill: Any county required or choosing to plan under the GMA may offer the MFTE and designate an RTA. The requirement that a county designated RTA be located in a either a rural county served by a sewer system or a county with an institution of higher education where at least 1200 students live on campus is repealed.

Appropriation: None.

Fiscal Note: Requested on February 7, 2025.

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

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