

HOUSE BILL 2620 AND SENATE BILL 6411

EXPANDING THE PROPERTY TAX EXEMPTION FOR NEW AND REHABILITATED MULTIPLE-UNIT DWELLINGS IN URBAN GROWTH AREAS

At the request of Governor Jay Inslee, Rep. Amy Walen (D-LD48), Rep. Andrew Barkis (R-LD2), Sen. Mona Das (D-LD47), Sen. Hans Zeiger (R-LD25)

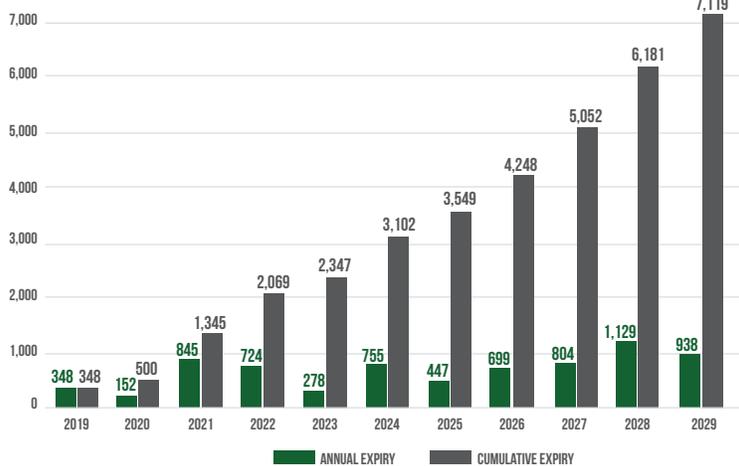
ISSUE BACKGROUND

- According to Up for Growth's *Housing Underproduction in Washington State* report, Washington is 225,600 units short of meeting the housing need from 2000-2015. The shortage was particularly acute for households making less than 80% of area median income.¹
- This housing shortage has adverse environmental impacts, increases housing instability and homelessness, causes gentrification and displacement, increases commute times and vehicle miles traveled, and, most importantly, leaves many households severely cost-burdened.
- In the majority of Washington counties, more than 30% of renters are cost-burdened — paying more than 30% of their income on housing costs. The problem is worse in the western portion of the state, where more than 48% of renters are cost burdened.¹

PROBLEM STATEMENT

- Currently, the Multifamily Property Tax Exemption Program (MFTE) provides tax exemptions for eligible multifamily housing projects as long as 20% of the units are affordable to low- and moderate-income households. This exemption is an important incentive for increasing and preserving affordable housing across the state.
- Because the current MFTE program is available for a maximum of 12 years, the state is facing an expiry cliff. Between 2019 and 2022, more than 2,000 affordable units will revert to market rate rents, making them unaffordable to current occupants. The number of lost units increases to more than 7,000 units over the next 10 years.
- This major loss in affordable units will exacerbate an already strained housing market, forcing even more renters into cost-burdened situations.

AFFORDABLE HOMES EXPIRING OUT OF MFTE BY YEAR AND CUMULATIVELY



CITIES WITH AFFORDABLE HOMES THAT RELY UPON MFTE



- BELLEVUE
- BREMERTON
- BURien
- COVINGTON
- EVERETT
- KENMORE
- KIRKLAND
- MOSES LAKE
- PORT ORCHARD
- RENTON
- SEATTLE
- SHORELINE
- SPOKANE
- TACOMA
- VANCOUVER

LEGISLATIVE SOLUTION

- HB620 and SB6411 seek to encourage housing development and preservation of affordable units in areas that insufficient housing opportunities by expanding the tax exemption period by an additional 12 years.
- HB2620 and SB6411 would grant projects utilizing the current 12-year exemption the opportunity to expand their MFTE for an additional 12 years as long as at least 20% of units remain affordable to low- and moderate-income households.
- The bill also provides the option for projects currently utilizing the eight-year exemption, which does not have an affordability requirement, to receive an additional 12-year exemption as long as the projects provide the affordable units.
- In order to expand the program's power to provide and preserve affordable units, HB2620 and SB6411 extends use to all cities and towns across the state by modifying zoning for Residential Target Areas (RTA), which will increase access to the program and enhance the impact across the state.
- Additionally, counties can zone RTAs as long as they are within designated urban growth boundaries and zoned for at least 25 units per acre in cities with populations greater than 20,000 and 15 units per acre in smaller municipalities. This encourages cities to add density, which is critical for delivering much-needed housing.

BENEFITS

- The MFTE program expansion will incentivize building owners and local governments to expand and maintain income-restricted affordable units across the state. These incentives will help preserve affordability as Washington faces a major underproduction crisis.
- Without the MFTE expansion, families and individuals currently occupying affordable homes within mixed-income communities face displacement and sharp increases to rent. This displacement has negative economic and social impacts on communities across the state.

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¹ Up for Growth (January 2020). *Housing Underproduction in Washington State*. Retrieved from: <https://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf>
² Based on Analysis of Washington State Department of Commerce Data, December 2018.
³ MFTE Program Analysis from City of Seattle, Office of Housing, January 28, 2019.