Orig.

Testimony to the Economic Development and Budget Committee re RPT bills from the TIG

October 17, 2019

By Michael Williams

The proposed reforms are good ones, important ones. The first bill, creating tiers, looks great. I am glad you went to 3 tiers for Commercial/Industrial", as Director Teruya suggested at the last meeting These tiers will allow very important tools to make property taxes fairer, and also to allow extra revenue for critical needs only from the wealthiest property owners. I wish you could use 4 or 5 tiers instead of just 3, but I understand that this year 3 is the maximum the vendor's software will allow.

I have five points for your consideration on the second, longer bill:

1. I think the "Apartment" class is confusing, and unnecessary. For example, look at the new language in 3.48.305.B.1: if all dwelling units that are not hotels, timeshares, etc., shall be classified as Owner-occupied, or Non-owner-occupied, then why have a separate Apartment class at all, unless only multi-unit, 100% long term rental buildings need a separate class? Even then, such a building (with only one owner) can just fall into the Non-owner-occupied class, and you can just eliminate the Apartment class.
   If a multi-unit building is in the apartment zone, it will either be condominiumized or not. If it is, then each unit is separately taxed, and they will each be in one of three tax classifications: legal Short-Term Rental, Owner-occupied, or Non-owner-occupied.
   On the other hand, if the units are not taxed separately, and only the entire building is taxed to one owner, then the property should be classed as Non-owner-occupied.
   The current "Apartments" that are legal STRs are either in the hotel zone or were the Minatoya of short-term rentals. The Planning Department tells me they will soon be issuing STR permit numbers for all those units. What this means is yet another reason just to eliminate the Apartment class. All dwelling units that are now Apartments will be either STRs, o-o, or non o-o.

2. I think there is a problem with some of the proposed language about market rate long-term rentals (not with affordable long-term rentals). Look at 3.48.368.B.3–it makes no sense to require market rate rentals to follow the low-income rental guidelines. I don't think the drafters intended that that all long-term rentals have to follow the "affordable Rent Guidelines" ---it is only the Affordable long-term rentals that should have that criterion.
   But we definitely want to be able to give an exemption to market-rate long term rentals, too.

3. Another problem with the language about both kinds of long-term rentals is in new 3.48.368.B.4 and consider the situation where there are two or more dwellings on a parcel. This new section addresses the situation where a parcel owner may have two or more rental units, but the language here applies only to affordable rentals. There may be instances where a parcel has two or more rental units, but one or more are market rate rentals. You need to add language here to allow multiple exemptions to the multi-unit owner, including those that might have BOTH an affordable rental unit, AND a market rental unit.

4. The amnesty program for un-permitted dwellings applies only to affordable rentals, not market rate, and that is fine. Although 3.48.363.I applies to affordable rentals only, J applies to both. It