

HOUSE BILL REPORT

HB 1450

As Passed Legislature

Title: An act relating to the exemption of housing for very low-income households from taxation.

Brief Description: Modifying provisions that exempt housing for very low-income households from taxation.

Sponsors: By Representatives Sells, Strow, Miloscia, Curtis, O'Brien, B. Sullivan, Roberts, Lovick, Appleton, Kenney, Ormsby and Hasegawa.

Brief History:

Committee Activity:

Housing: 2/5/07, 2/14/07 [DP];

Finance: 3/5/07 [DP].

Floor Activity:

Passed House: 3/14/07, 89-7.

Senate Amended.

Passed Senate: 4/12/07, 45-2.

House Concurred.

Passed House: 4/18/07, 83-14.

Passed Legislature.

Brief Summary of Bill

- Adds two funding sources to the list of funding sources which, if utilized by a very low-income rental housing development, will qualify the development for a property tax exemption.
- Outlines factors that should be taken into account when assessing the value of rental properties subject to government restrictions.

HOUSE COMMITTEE ON HOUSING

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.

Majority Report: Do pass. Signed by 7 members: Representatives Miloscia, Chair; Springer, Vice Chair; Dunn, Ranking Minority Member; Kelley, McCune, Ormsby and Schindler.

Staff: Robyn Dupuis (786-7166).

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, McIntire and Santos.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member and Roach.

Staff: Mark Matteson (786-7145).

Background:

Low-Income Rental Housing Tax Exemption

Property owned or used by a nonprofit entity to provide rental housing for very low-income households or used to provide space for the placement of a mobile home for a very-low income household within a mobile home park is exempt from property taxes if at least 75 percent of the units on the property are occupied by very low-income households and if the housing is financed or otherwise assisted by:

- a federal or state housing program administered by the Department of Community, Trade and Economic Development (DCTED); or
- a county, city, or town affordable housing levy.

Property Tax Valuation

All real and personal property in this state is subject to property tax each year based on its value, unless a specific exemption is provided by law. The State Constitution requires that property taxes be applied uniformly, and state law requires that the taxes be based on the "true and fair" value of the property for most classes of property. The "true and fair" value of property means the market value and is the amount of money a buyer of property willing but not obligated to buy would pay a seller of property willing but not obligated to sell, taking into consideration all uses to which the property is adapted and might in reason be applied. The requirement applies to both real and personal property.

An exception to the requirement to value property uniformly was provided for farm and agricultural, timber, and open space lands through constitutional amendment in 1968. Property tax applies to these types of real property based on the value of the property according to its "current" use. Current use valuation is based on the present use of the land.

Summary of Bill:

Low-Income Rental Housing Tax Exemption

Rental properties for very low-income households owned or used by nonprofit entities are exempt from property taxes if they have received financial assistance from:

- a federal program administered by a city or county government; or
- document recording fee surcharges imposed for the purpose of affordable housing development or to reduce homelessness.

Property Tax Valuation

A property tax assessment may not consider a highest and best use for a property that is not permitted for that property under existing zoning or land use planning ordinances or statutes or other government restrictions.

For property assessments, consideration should be given to any agreement with a government agency that restricts rental income, appreciation, and liquidity, and to the impact of government restrictions on operating expenses and on ownership rights.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony: (Housing)

(In support) This bill provides one more tool to local governments and non-profit housing developers in order that they may develop and operate affordable housing in a cost efficient manner. The expansion of the tax exemption beyond developments receiving funding from the DCTED will improve the financial feasibility of projects supported by local governments. Property taxes are expensive, therefore, this exemption will provide an on-going benefit to affordable housing rental developments. Often a tax exemption is all an entity needs to create a financially viable project and, therefore, such an exemption may even eliminate the need for a project to apply to the DCTED's Housing Trust Fund, freeing up those funds for other needy projects. Most of these kinds of developments are already receiving tax exemptions; this bill would simply codify current practice in most local jurisdictions.

(Opposed) Any time you exempt property from the tax rolls, that cost is shifted to other tax payers. Adding these additional developments to the tax exemption program could become an administrative nightmare for counties and cities.

Staff Summary of Public Testimony: (Finance)

(In support) The development of affordable housing is expensive, and property tax exemptions are part of the calculation. Multiple financing sources are often required, and this bill recognizes that. This bill will allow projects to move forward by using local sources, and avoid having to rely on the Housing Trust Fund.

This bill will have the law recognize current administrative practices.

(Opposed) None.

Persons Testifying: (Housing) (In support) Representative Sells, prime sponsor; Bud Alkire, Everett Housing Authority; June Robinson, Housing Consortium of Everett and Snohomish Counties; and Nick Federici, Washington Low-Income Housing Alliance.

(Opposed) Robert Carlton, Washington Association of County Officials.

Persons Testifying: (Finance) June Robinson, Housing Consortium of Everett and Snohomish; and Nick Federici, Washington Low-Income Housing Alliance.

Persons Signed In To Testify But Not Testifying: (Housing) None.

Persons Signed In To Testify But Not Testifying: (Finance) None.