

SENATE BILL REPORT

SB 5713

As Reported by Senate Committee On:
Housing & Local Government, January 27, 2022
Ways & Means, February 7, 2022

Title: An act relating to providing a property tax exemption for limited equity cooperative housing.

Brief Description: Providing a property tax exemption for limited equity cooperative housing.

Sponsors: Senators Das, Lias, Nobles, Robinson, Saldaña and Wellman.

Brief History:

Committee Activity: Housing & Local Government: 1/19/22, 1/27/22 [DP-WM, w/oRec].
Ways & Means: 2/05/22, 2/07/22 [DP, w/oRec].

Brief Summary of Bill

- Authorizes a property tax exemption until January 1, 2033, for qualifying limited equity cooperative housing that provides low-income housing.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Fortunato, Ranking Member; Gildon, Assistant Ranking Member; Cleveland, Lovelett, Salomon, Trudeau and Warnick.

Minority Report: That it be referred without recommendation.

Signed by Senators Sefzik and Wilson, J.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

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.

Majority Report: Do pass.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Billig, Carlyle, Conway, Dhingra, Gildon, Hunt, Keiser, Mullet, Pedersen, Van De Wege, Warnick and Wellman.

Minority Report: That it be referred without recommendation.

Signed by Senators Frockt, Vice Chair, Capital; Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Schoesler, Assistant Ranking Member, Capital; Honeyford, Ranking Minority Member, Capital; Braun, Hasegawa, Muzzall, Rivers and Wagoner.

Staff: Alia Kennedy (786-7405)

Background: All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The county assessor determines assessed value for each property and calculates property taxes. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. The aggregate of all regular tax levies upon real and personal property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property.

Limited equity cooperatives are a type of cooperative housing characterized by restrictions on resale value to maintain housing affordability over the long term. While there are different types of cooperative housing, limited equity cooperatives are designed to provide permanent and affordable housing to low- and middle-income residents.

Summary of Bill: The real property owned by a limited equity cooperative that provides owned housing for low-income households is exempt from property taxation if certain conditions are met. First, the benefit of the exemption must inure to the limited equity cooperative and its members. Second, at least 85 percent of the occupied dwelling units must be occupied by members of the limited equity cooperative. Third, at least 95 percent of the property for which the exemption is sought is used for housing units or other noncommercial uses. And lastly, the housing must be insured, financed, or assisted, through a federal or state housing program administered by the Department of Commerce; the federal Department of Housing and Urban Development; a federal housing program administered by a city or county government; an affordable housing levy; or an affordable housing surcharge.

If less than 100 percent of the dwelling units within the limited equity cooperative are occupied by low-income households, the limited equity cooperative is eligible for a partial exemption on the real property based on the percentage of low-income households as of January 1st of each assessment year for which the exemption is claimed. Low-income household includes a single person, family, or unrelated persons living together whose income is at or below 80 percent of the median income adjusted for family size. Median-

income household includes a single person, family, or unrelated persons living together whose income is at or below 100 percent of the median income adjusted for family size.

Following the completion of the development or redevelopment of the property, members are prevented from selling their ownership interests other than to a median-income household. Members are prevented from selling their ownership interests for a sales price that exceeds the sum of the sales price they paid for their ownership interest plus certain allowable improvements and assessments, and a 3 percent annual noncompounded return on qualifying amounts.

The property tax exemption for qualifying limited equity cooperative housing that provides low-income housing expires on January 1, 2033.

Appropriation: None.

Fiscal Note: Available.

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

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

Staff Summary of Public Testimony (Housing & Local Government): PRO: Providing a property tax for a limited equity cooperative is another tool to address the housing crisis and the need for more affordable housing. The property tax exemption would be provided to low-income households and reduce the cost on working families. This approach is popular on the East Coast, and is an approach that could work here in Washington. The forest-to-home model uses cross-laminated lumber to construct a multi-family housing development where all shareholders own the building. While a nonprofit can develop the property now, this property tax incentive is needed to help increase affordability for home ownership once the project is developed. This new tool could be used to bring back home ownership in areas experiencing gentrification. The limited equity cooperative approach could result in homeownership for minorities and begin building intergenerational wealth.

Persons Testifying (Housing & Local Government): PRO: Senator Mona Das, Prime Sponsor; Olgy Diaz, Forterra; Cristina Mateo, WA Build Back Black Alliance (WBBA).

Persons Signed In To Testify But Not Testifying (Housing & Local Government): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: Limited equity cooperatives are an effective tool for creating affordable housing. Limited equity cooperative housing programs are entirely owned by the members and residents of the cooperative. Expenses, such as taxes and maintenance, are pooled and collectively paid by cooperative residents. Limited equity cooperative housing helps create home ownership

opportunities for low and moderate income households. The tax exemption for non-profit organizations is currently utilized by these organizations, but will go away once the project is converted to a limited equity cooperative housing.

Persons Testifying (Ways & Means): PRO: Olgy Diaz, Forterra.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.