

HOUSE BILL REPORT

HB 1345

As Reported By House Committee On:
Economic Development, Housing & Trade
Finance

Title: An act relating to exemption of property taxes for assisted housing.

Brief Description: Exempting certain low-income rental housing from property taxes.

Sponsors: Representatives O'Brien, Radcliff, Ballasiotes, Tokuda, Van Luven, Pennington, McIntire, Sheahan, Kagi, Sullivan, Cody, Veloria, Constantine, Edwards, Cooper, Rockefeller, D. Sommers, Campbell, McDonald, Edmonds, Ruderman and Dunn.

Brief History:

Committee Activity:

Economic Development, Housing & Trade: 2/16/99, 2/26/99 [DPS];
Finance: 3/4/99, 3/8/99 [DPS(EDHT)].

Brief Summary of Substitute Bill

- Provide a real and personal property tax exemption for rental housing that is provided to very low-income households and owned or used by a nonprofit organization, corporation, or association.
- Provides a partial exemption for rental property that is based on the percentage of dwelling units occupied by very low-income households.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Van Luven, Republican Co-Chair; Veloria, Democratic Co-Chair; Dunn, Republican Vice Chair; Eickmeyer, Democratic Vice Chair; Ballasiotes; Gombosky; Miloscia; Morris; Radcliff; Skinner; D. Sommers and Wolfe.

Staff: Kenny Pittman (786-7392).

Background:

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 tax bill is determined by multiplying the assessed value of real property, including the land itself, and all buildings, structures, or improvements or other fixtures sitting upon such land, by the tax rate for each taxing district in which the property is located.

There are several exemptions from property tax.

Summary of Substitute Bill:

A property tax exemption for real and personal property is provided for rental housing for very low-income households that is either: (i) owned or used by a nonprofit; or (ii) where the nonprofit is the general partner with a for-profit corporation. The property tax exemption applies to rental property that meets the following conditions:

The benefit of the exemption goes to the nonprofit; for rental housing for very low-income households that is either: (i) owned or used by a nonprofit; or (ii) where the nonprofit is the general partner with a for-profit corporation. The property tax exemption applies to rental property that meets the following conditions:

- . 1. The benefit of the exemption goes to the nonprofit;
- . 2. At least 75 percent of the occupied dwelling units are occupied by households with incomes at or below 50 percent of the median income, adjusted for household size, for the county where the property is located; and
- . 3. The rental housing was insured, financed, or assisted in all or in part through a federal or state program administered through the Department of Community, Trade, and Economic Development; or a local affordable housing levy.

If fewer than 75 percent of the units are occupied by very low-income households, than a partial exemption from the property tax is available. The partial exemption is equal to the ratio of rental units occupied by very low-income households to the total number of occupied rental units.

The nonprofit may agree to make payments in-lieu of taxes to a local government for improvements, services, and facilities that are furnished and benefit the rental

housing. The payments may not exceed the amount paid as an annual tax by the nonprofit to the local government.

Substitute Bill Compared to Original Bill: The substitute bill removes properties that are financed through the Washington Housing Finance Commission, federally assisted housing, and other properties than meet the very low-income occupancy requirements as eligible for the property tax exemption. The monthly rent for individual dwelling unit requirement is removed.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (Original Bill) The property taxes on many low-income housing projects are rising faster than the ability of tenant rents to cover the costs. This property tax exemption would lower the project costs and help keep rents affordable to the low-income tenants. The property tax exemption is another tool that can be used to help preserve affordable housing in Washington.

Testimony Against: None.

Testified: (Original Bill) Representative O'Brien, prime sponsor; Kathy Roseth and Marvin Dunbar, Lutheran Alliance to Create Housing; Mark Blatter, St. Andrews Housing Group; Kay Lasco, South King County Multi-Service Center; Dale Wilson, NE Rural Resources; Jon Sevy, Housing Hope; Ken Sterner, North Columbia Community Action Center; Jon Martin, Blue Mountain Action Center; Paul Percell, Beacon Redevelopment Group; Greg Pierce, Washington Savings League; and Lucy Stears, League of Women Voters-Washington.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill by Committee on Economic Development, Housing & Trade be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Dunshee, Democratic Co-Chair; Thomas, Republican Co-Chair; Reardon, Democratic Vice Chair; Cairnes; Conway; Cox; Dickerson; Pennington; Santos; Van Luven and Veloria.

Minority Report: Do not pass. Signed by 1 member: Representative Carrell, Republican Vice Chair.

Staff: Linda Brooks (786-7153).

Summary of Recommendation of Committee on Finance Compared to Recommendation of Committee on Economic Development, Housing & Trade:
No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (Substitute bill) There is a lack of affordable housing. This property tax exemption would assist nonprofit organizations in providing low-income housing. Some governmental financing programs for low-income housing require that the housing serve low-income persons for a period of 50 years. Therefore, rents must remain affordable to low-income persons for 50 years, but property taxes continue to increase. Our tenants are not looking for handouts; they are looking for a hand up in obtaining affordable housing.

Testimony Against: (Substitute bill) None.

Testified: Representative O'Brien, prime sponsor; Representative Van Luven; Representative Veloria; John McRoberts, Mi Casa; Kathy Roseth, Lutheran Alliance to Create Housing; Judy Allen, Community Action Center; Eric Brown, Bank of America; Dini Duelos, SKC Multi-Service Center; Ed Peterson, Housing Hope; Mark Blatten and Susan Stringer, St. Andrew's Housing Group; Joe McCarthy, KTMB; and Kit Hawkins, Metropolitan Development Council of Tacoma Community Action.