

# SENATE BILL REPORT

## SB 5532

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As Reported By Senate Committee On:  
Commerce, Trade, Housing & Financial Institutions, March 2, 1999

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

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

**Sponsors:** Senators McAuliffe, Costa, B. Sheldon, Winsley, Thibaudeau, Finkbeiner, Brown, Long, Haugen, Fairley, Gardner and Kohl-Welles.

**Brief History:**

**Committee Activity:** Commerce, Trade, Housing & Financial Institutions: 2/16/99, 3/2/99 [DPS].

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### SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

**Majority Report:** That Substitute Senate Bill No. 5532 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Benton, Gardner, Hale, Rasmussen, West and Winsley.

**Staff:** Dave Cheal (786-7576)

**Background:** Property tax is a major operating expense for both nonprofit and for-profit providers of affordable housing. It is particularly burdensome in urban areas that are experiencing rapid real estate appreciation.

Heavy tax burdens limit the ability of nonprofit providers to carry capital debt, which limits the size of projects or increases the size of capital grants they seek. These grants often come from public sources such as the Housing Trust Fund.

Thousands of units of for-profit housing now receiving subsidy under Section 8 of the Housing and Community Development Act of 1974 are reaching the end of their contract life and will then be eligible for conversion to market rate housing. Being relieved of property tax liability could be a significant incentive to private owners to continue to serve low income tenants.

**Summary of Substitute Bill:** Property owned by nonprofit entities used to provide housing for very low-income households is exempt from taxation if certain conditions are met: (a) 100 percent of the units are occupied by very low-income households; (b) the rental housing was assisted by the Housing Trust Fund, or an affordable housing levy.

If less than 100 percent of the units are occupied by very low-income households, the exemption may be prorated according to the percentage of units so occupied.

"Very low-income households" are defined as a single person, family, or unrelated persons living together whose income is at or below 50 percent of the median income adjusted for family size for the county where the housing is located.

Nonprofit owners may contract with local governments to make payments in lieu of taxes for the provision of local government services.

**Substitute Bill Compared to Original Bill:** The substitute bill limits the tax exemption to nonprofits that have received assistance from the housing trust fund, or from a local housing levy. Technical and grammatical corrections are made.

**Appropriation:** None.

**Fiscal Note:** Requested on January 28, 1999.

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

**Testimony For:** Property taxes are the biggest single operating expense for many nonprofit low-income housing projects. In areas where real estate prices are rapidly rising, with an accompanying rapid rise in property taxes, low-income housing providers are in danger of having to sell property. This bill is an important low-income housing preservation strategy. The bill provides for nonprofits paying for municipal services they receive.

**Testimony Against:** None.

**Testified:** PRO: Senator McAuliffe, prime sponsor; Kathy Roseth, Marv Dunbar, Lutheran Alliance to Create Housing; Jon Sevy, Housing Hope; Ken Stenner, North Columbia Community Action; Jon Martin, Blue Mountain Action Council; Jon Gould, Bill Farmer, John O'Neil, Children's Alliance; Dale Wilson, NE Wash., Rural Resources; Philippa Nye, Archdiocesan Housing Authority; Paul Purcell, WA State Catholic Conference; Cherie Tessier, ARC of Washington;