

HOUSE BILL REPORT

ESHB 1562

As Amended by the Senate

Title: An act relating to authority of counties, cities, and towns to exceed statutory property tax limitations for the purpose of financing affordable housing for very low-income households.

Brief Description: Authorizing local governments to exceed statutory property tax limitations for the purpose of financing affordable housing for very low-income households.

Sponsors: By House Committee on Local Government (originally sponsored by Representatives Brown, Dellwo, H. Myers, Orr, Mastin and J. Kohl.)

Brief History:

Reported by House Committee on:
Local Government, February 16, 1993, DPS;
Revenue, March 8, 1993, DPS(LG-A REV);
Passed House, March 15, 1993, 57-41;
Amended by Senate.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives H. Myers, Chair; Bray, Vice Chair; Edmondson, Ranking Minority Member; Dunshee; R. Fisher; Rayburn; Romero; Springer; and Zellinsky.

Minority Report: Do not pass. Signed by 2 members: Representatives Horn; and Van Luven.

Staff: Steve Lundin (786-7127).

HOUSE COMMITTEE ON REVENUE

Majority Report: The substitute bill by Committee on Local Government be substituted therefor and the substitute bill as amended by Committee on Revenue do pass. Signed by 13 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Anderson; Brown; Cothorn; Leonard; Morris; Romero; Rust; Silver; Talcott; Thibaudeau; and Wang.

Minority Report: Do not pass. Signed by 3 members: Representatives Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; and Van Luven.

Staff: Rick Peterson (786-7150).

Background: Article VII, Section 2, of the state constitution, limits the cumulative rate of regular property taxes that may be imposed on any property in any year to an amount not exceeding 1 percent of the true and fair value of the property. Excess property tax levies may be imposed above the 1 percent limitation.

The limitation on the cumulative rate of regular property taxes is restricted even further by statute, as follows:

- (1) The state is authorized to impose regular property taxes to fund K-12 education at a rate not exceeding \$3.60 per \$1,000 of assessed valuation at the state equalized value;
- (2) The cumulative rate of regular property taxes imposed by other taxing districts, including counties, cities, road districts, and junior taxing districts, may not exceed \$5.90 per \$1,000 of assessed valuation; and
- (3) The following two regular property tax levies are not subject to these statutory cumulative rate limitations:
 - (1) Voter approved regular property taxes of up to 50 cents per \$1,000 of assessed valuation for emergency medical service purposes may be imposed by a number of different taxing districts; and
 - (2) regular property taxes of up to 6.25 cents per \$1,000 of assessed valuation may be imposed by counties to acquire conservation futures.

Summary of Bill: Voters of a county, city, or town may approve a ballot proposition authorizing the county, city, or town to impose additional regular property tax levies of up to 50 cents per \$1,000 of assessed valuation for each of up to 10 consecutive years. This tax is above statutory cumulative rate limitations but within the constitutional 1 percent limitation. The additional levies are authorized if the ballot proposition is approved by a simple majority vote.

Prior to imposing these voter approved regular property tax levies, the governing body of the county, city, or town must: (1) Declare a housing affordability emergency exists for very low-income households within its boundaries; and (2) adopt a plan to expend the tax receipts that is consistent with either the locally adopted or state adopted

comprehensive housing affordability strategy required under the Cranston-Gonzalez National Housing Affordability Act.

If voters of both a county, and a city within that county, authorize this additional levy, the combined rates for the county and city may not exceed 50 cents per \$1,000 of assessed valuation.

If the combined rates of all regular property taxes exceed the 1 percent limitation, provisions are made to reduce, on a pro-rata basis, the regular levies that are above the statutory cumulative rate limitations, i.e., the EMS levy, the conservation futures levy, and the new affordable housing levy.

EFFECT OF SENATE AMENDMENT(S): Three separate amendments were adopted, but the first two amendments are in technical conflict with each other. The first amendment strikes all of the language of a section and adds new language, while the second amendment inserts a new sentence into the language that was just stricken and was not repeated in the newly added language.

The first amendment alters the vote that is necessary to approve the property tax from a simple majority vote to a two-thirds majority vote with a 40 percent validation requirement. Language was deleted that limited the combined rate of property taxes that a county, and a city located within that county, could impose to 50 per \$1,000 of assessed valuation.

The second amendment is inserted into language that was stricken by the first amendment. The second amendment attempts to restrict the levy for low income housing by reducing or eliminating this new levy if the combined rate of the levies for low income housing, emergency medical services, and conservation futures exceeds 50 per \$1,000 of assessed valuation.

The third amendment deletes a section that provided for a general system of reducing the levies for low income housing, emergency medical services, and conservation futures on a pro rata basis if the combined rate of these levies and other regular property tax levies exceeds the 1 percent limitation.

Fiscal Note: Available.

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

Testimony For: (Local Government) This authorizes voters to finance affordable housing. No levies without voter approval. The public sector, private-nonprofit sector, and private-for-profit sector all must assist in providing affordable housing. This proposal was generated by a group of Spokane area citizens, including bankers, the real estate industry, public housing officials, and elected officials.

(Revenue) This bill was the result of a capital need housing study. The need for affordable housing is critical. Because it is a local option levy, the city of Spokane will have to prove to the people that it would be worth the cost. As opposed to being premised on exclusive use of public funds, this bill contains provisions for innovative financing. Housing advocates and lending community want to work together to solve the housing crisis. Students whose housing situation is more stable, on an average, are more likely to do well in school.

Testimony Against: (Local Government) None.

(Revenue) None.

Witnesses: (Local Government) (Pro): Stan Finkelstein, Association of Washington Cities; Dick Ducharme, Building Industry of Washington; Jim Halstrom, Momentum 92 Spokane; Richard Odegard, Seattle First National Bank; Peter Fortin, city of Spokane; Rob Fukai, Washington Water Power; Shannon Kapek, Goodale & Barbieri; Beverlee Numbers, city of Spokane; Jim Bamberger, Spokane Legal Services; and Mary Jo Harvey, Spokane Housing Authority.

(Revenue) Representative Brown, prime sponsor; Jackie McFayden, Association of Washington Cities; and Michael Piccolo, Jim Bamburger, Bev Numbers, and Rob Fukai, city of Spokane (all in favor).

VOTE ON FINAL PASSAGE:

Yeas 57; Nays 41

Nays: Representatives Ballard, Ballasiotes, Basich, Brough, Brumsickle, Campbell, Carlson, Casada, Chandler, Chappell, Cooke, Dorn, Dyer, Eide, Finkbeiner, Foreman, Forner, Fuhrman, Hansen, Heavey, Horn, Karahalios, Lisk, Long, Miller, Morton, Padden, Pruitt, Reams, Schmidt, Schoesler, Sehlin, Sheahan, Sheldon, Stevens, Talcott, Tate, Thomas, Vance, Van Luven, Wood