

# HOUSE BILL REPORT

## HB 2480

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**As Reported by House Committee On:**  
Community Development, Housing & Tribal Affairs

**Title:** An act relating to providing local governments with options to preserve affordable housing in single-family neighborhoods.

**Brief Description:** Providing local governments with options to preserve affordable housing in single-family neighborhoods.

**Sponsors:** Representatives McBride, Gregerson, Hayes, Eslick, Stanford, Doglio and Tharinger.

**Brief History:**

**Committee Activity:**

Community Development, Housing & Tribal Affairs: 1/23/18, 1/25/18 [DPS].

**Brief Summary of Substitute Bill**

- Allows a county or city to establish a program to exempt property taxes for up to 12 years on portions of single family properties that include an affordable accessory dwelling unit.

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**HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Ryu, Chair; Macri, Vice Chair; Barkis, Ranking Minority Member; Reeves.

**Minority Report:** Do not pass. Signed by 2 members: Representatives McCabe, Assistant Ranking Minority Member; Jenkin.

**Staff:** Sean Flynn (786-7124).

**Background:**

*State Property Tax.* All real and personal property in the state is subject to a state property tax, unless specifically exempted under law. Local jurisdictions also have property taxing

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authority. Property taxes are based on the assessed fair market value of the property. All property taxes must be applied uniformly within each taxing district.

The state Constitution limits regular property tax levies to a maximum of 1 percent of a property's assessed value. This applies to the total taxes levied by the state, counties, and other local districts. The Legislature has established individual and aggregate limits for the various tax districts. The state levy takes precedence over all other levies.

*Local Planning and Accessory Dwelling Units.* Cities and counties engaging in comprehensive planning may enact ordinances regulating the use of land and zoning certain development and activities. Such regulations generally include the location, construction and size of buildings for residence, industry, trade, and other purposes.

In 1993 the Legislature directed cities and counties to create regulations for the development and placement of accessory apartments, otherwise known as accessory dwelling units (ADU), in single-family residence areas. Local jurisdictions have enacted ordinances permitting the construction of ADUs, which generally consist of a separate living unit attached to an existing single-family house, or located on the same property.

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### **Summary of Substitute Bill:**

*Local Property Tax Exemption.* A city or county may create a property tax exemption program (exemption program) that applies to the portion of single-family residential property designated as an affordable ADU. An affordable ADU must be attached or detached from a single-family residence, rented at below-market levels, and affordable to low-income households with income at or below 80 percent of the median family income. The property tax exemption (exemption) may last up to six years and can be renewed for an additional six years. The exemption does not apply to the tax on any other parts of the property.

*Establishment.* The governing authority of a city may adopt the exemption, which applies to all property taxes except the county portion, unless the county opts in. The governing authority of a county may adopt the exemption to apply to the county property tax.

To be eligible for the exemption, the property must comply with all applicable land use, zoning, and building regulations, as well as federal health and quality standards set for publicly funded housing. The exemption program may establish additional eligibility requirements, including a limit on the total number of affordable housing units subject to the exemption, a designated area targeted for the exemption, standards for the size and type of qualifying units, and other requirements to reduce the displacement of low-income housing tenants.

*Application and Approval Process.* The exemption program must include an application and review process with standards and guidelines for eligible properties. The application for the exemption program must require the property owner to provide a description and floor plan of the project, the certification of the family size and annual income of the designated affordable housing units, and an acknowledgement of the liabilities if the property ceases to

become eligible during the exemption period. The property owner also must agree to enter into a contract with the city or county to comply with the terms and conditions set by the exemption program. The application may include a fee to cover administrative costs.

The city or county may approve an application after it inspects the property for compliance with health and quality standards, determines that the property meets affordable housing requirements, and all applicable standards and guidelines. Upon approval, the city or county must issue the owner a certificate of tax exemption (certificate). Certificates must be filed before October 1 in the year before the exemption is applied. An applicant may appeal an application denial to the governing authority of the city or county.

*Reporting.* The property owner must file an annual report in order to maintain the exemption. The report must include: a statement of occupancy; schedule of rent charged; the family size and annual income of each tenant living in an affordable housing rental unit; and any changes or improvements. The city or county must file an annual report with the Department of Commerce, including: the number of exemptions granted; the number and types of units meeting the affordable housing requirements; the monthly rent for each unit; and the total value of the exemption, as well as the value, for each property.

*Cancellation.* An exemption must be cancelled if the owner fails to meet the exemption program requirements, or intends to discontinue compliance. A property owner must be notified of any decision to cancel a tax exemption certificate and the owner has the right to appeal the decision to the governing body of the city or county. If the exemption is cancelled, the value of the exempt tax must be assessed, including interest as well as a 20 percent penalty, which becomes a lien on the property.

The exemption program authorization expires January 1, 2029.

### **Substitute Bill Compared to Original Bill:**

The substitute bill clarifies definition and the requirements for an affordable accessory dwelling unit and reorganizes other provisions consistent with the intent of the act.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

### **Staff Summary of Public Testimony:**

(In support) This bill encourages ADU development that increases the efficient use of valuable residential property by finding housing availability within existing residential areas. The ADUs provide affordable housing stock and create more options for rentals below the market-rate, since owners usually rent to family and friends. Accessory dwelling units

construction also can increase property values. Such development provides more housing options.

There are a wide variety of communities around the state, and a variety of approaches to addressing housing needs within each community. This bill provides permissive authority for local governments to tailor the program to fit the needs of their community. However, the program also includes parameters to target the scope to the ADUs that are being used to supply affordable housing. Furthermore, the ADUs must comply with local regulations and ordinances.

(Opposed) None.

**Persons Testifying:** Representative McBride, prime sponsor.

**Persons Signed In To Testify But Not Testifying:** None.