

HOUSE BILL REPORT

HB 2868

As Reported by House Committee On:
Finance

Title: An act relating to allowing for extensions of the special valuation of historic property for certain properties.

Brief Description: Allowing for extensions of the special valuation of historic property for certain properties.

Sponsors: Representatives Blake and Walsh.

Brief History:

Committee Activity:

Finance: 2/7/20, 2/10/20 [DPS].

Brief Summary of Substitute Bill

- Allows for two seven-year extensions of the special property valuation for historic properties in certain cities.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Chapman, Frame, Macri, Orwall, Springer, Stokesbary, Vick and Wylie.

Staff: Nick Tucker (786-7383).

Background:

Property Tax.

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 (AV) for each property and calculates property taxes. The property tax bill for an individual property is determined by multiplying the AV 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

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property. In addition, the aggregate regular levies of junior taxing districts and senior taxing districts, other than the state, may not exceed \$5.90 per \$1,000 of the AV.

Tax Preferences.

All new tax preference legislation is required to include a tax preference performance statement. The performance statement must clearly specify the public policy objectives of the tax preference and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference. In addition, an automatic 10-year expiration date is applied to new tax preferences if an alternate expiration date is not provided in the new tax preference legislation.

Special Valuation of Historic Property Rehabilitation.

Certain rehabilitated historic properties are eligible to receive a special valuation for purposes of property taxation. The special valuation, which lasts for 10-years, subtracts from the AV of the property any eligible costs associated with the rehabilitation. For purposes of the preference, eligible costs must be at least equal to 25 percent of the AV of the historic property. Additional eligibility requirements apply to the preference.

Summary of Substitute Bill:

Rehabilitated historic properties receiving special valuation for purposes of property taxation are eligible for two seven-year extensions of the special valuation if the property is located in a city that is listed as a distressed area by the Employment Security Department (ESD) and has a population of less than 20,000.

The bill contains administrative provisions relating to the application for extension.

No new applications may be approved beginning January 1, 2031. No new extensions may be granted beginning January 1, 2057.

Substitute Bill Compared to Original Bill:

The substitute bill:

- limits the definition of distressed area to include only the distressed areas reported by the ESD;
- provides that no new applications may be approved beginning January 1, 2031 and no extensions may be granted beginning January 1, 2057; and
- add a tax preference performance statement.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 10, 2020.

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 is important for small and rural communities to provide the resources to reinvest in their historic downtown cores. It is very costly and time consuming to rehabilitate historic properties because they must be retrofitted to meet modern building codes. It is difficult to get a good return on investment because the market rents in these areas are not very high.

Many of the properties receiving this preference are nearing the expiration of the exemption, but they have not seen robust growth in their rental income. Allowing for extensions will give historic property owners a chance to recoup their investments over a longer period of time.

The bill will be very helpful to rural communities that are looking to renovate and revitalize their historic districts, but the program can also be used for residential properties.

(Opposed) None.

Persons Testifying: Randy Ross, Grays Harbor County; Wil Russell, Aberdeen Revitalization Movement; Paul Metke; and Tara Mareth.

Persons Signed In To Testify But Not Testifying: None.