

SENATE BILL REPORT

SB 5289

As Reported by Senate Committee On:
Housing Stability & Affordability, February 6, 2019

Title: An act relating to nonprofit homeownership development.

Brief Description: Concerning nonprofit homeownership development.

Sponsors: Senators Palumbo, Zeiger, Das, Lias and Salomon.

Brief History:

Committee Activity: Housing Stability & Affordability: 2/04/19, 2/06/19 [DPS-WM].

Brief Summary of First Substitute Bill

- Expands the low-income housing development property tax exemption to include qualified cooperative associates.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Majority Report: That Substitute Senate Bill No. 5289 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Darneille, Fortunato, Saldaña and Warnick.

Staff: Jeff Olsen (786-7428)

Background: Certain property owned by a nonprofit for the purposes of developing residences for low-income households is exempt from state and local property taxes for a limited term. As long as the property remains held for the purpose of low-income housing development, the exemption lasts for seven consecutive tax years or until the nonprofit transfers title to the property. Should the nonprofit anticipate it will be unable to sell the property within the seven-year term, the nonprofit may file for a three-year extension by filing a notice of extension with the Department of Revenue and paying a filing fee.

The property is disqualified from the exemption if the nonprofit fails to transfer title to a low-income household within the applicable exemption period, or the property is converted to a use other than low-income housing development.

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.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (First Substitute): The property tax exemption for real property owned by a nonprofit entity for the purpose of developing real property to be sold to low-income households is expanded to include real property owned and developed by a qualified cooperative association. Real property intended to be sold to a separate nonprofit or a limited equity cooperative housing corporation also qualifies for the state and local property tax exemption.

The exemption does not expire when the nonprofit owner transfers the property to another nonprofit or qualified cooperative association. The definition of residence is expanded to include shares in a limited equity cooperative housing corporation.

A qualified cooperative association must be a cooperative association that owns the real property for which an exemption is sought and following the completion of the development or redevelopment of the exempted real property at least 60 percent of the residences are owned by low-income households, and 80 percent or more of the square footage of any improvements to the real property are exclusively used or available for use by the owners of the residences.

The property exemption applies to taxes levied for collection beginning in 2020.

The act is excluded from the tax preference performance statement and automatic 10 year expiration.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on First Substitute: PRO: Washington is experiencing a housing crisis. There is not enough housing supply and we need to create more housing. This bill is not a new exemption, it simply allows limited equity partnerships and cooperatives as an option for developing affordable housing that leads to home ownership. This bill clarifies that affordable housing cooperatives qualify under the existing temporary property tax exemption, providing another option for developing affordable housing. A limited equity cooperative model can create affordable housing units and lower the cost of homeownership compared to a single family home.

Persons Testifying: PRO: Senator Guy Palumbo, Prime Sponsor; Martin Flynn, Forterra.

Persons Signed In To Testify But Not Testifying: No one.