Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Housing Committee

HB 1343

Brief Description: Providing local governments with options to grant rent relief and preserve affordable housing in their communities.

Sponsors: Representatives Kloba, Walen, Berg, Duerr, Taylor, Ramel, Simmons, Bateman, Reed, Gregerson, Doglio, Pollet and Macri.

Brief Summary of Bill

- Allows a city or county to establish an affordable housing incentive program to provide property tax exemptions to multifamily residential properties affordable to very low-income residents.

Hearing Date: 1/31/23

Staff: Serena Dolly (786-7150).

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 for each property and calculates property taxes. The property tax bill for an individual property is determined by multiplying the assessed value 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 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 annual growth of all regular property tax levy revenue is limited to 1 percent plus the value of new construction.

Tax Preferences.

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

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.

Summary of Bill:

A city or county governing authority may establish an affordable housing incentive program (program) to preserve affordable housing for very low-income households at risk of displacement or that cannot afford market rate housing. Under a program, a multifamily or mixed-use residential property meeting specific requirements may be exempted from state and local property taxes for a period of six years, with one renewal for another six-year period.

The program must include qualifying standards for a property to participate in the program, including rent limits and income guidelines. In addition, the property must:
- maintain a minimum of 25 percent of residential units as affordable to very low-income households, although the city or county may require a higher percentage to address local market conditions;
- rent at below market levels;
- be at least 90-percent occupied at the time of application to a program;
- be a building that is at least 25 years old;
- offer affordable units that are of comparable quality, living conditions, and mix of unit types as the market rate units in the building;
- comply with all applicable land use regulations, zoning requirements, building code requirements, and health and quality standards; and
- pass an inspection by the city or county.

The rent for affordable units may not exceed 30 percent of the income limit for very low-income households although the city or county may establish different income or rent thresholds if needed to serve the particular needs of very low-income renters in the community.

The property tax exemption does not apply to any nonqualifying portions of a building or land. A multifamily, mixed-use residential property must provide for a minimum of 50 percent of the space in each building for permanent residential occupancy, and if a multifamily or mixed-use residential property has dedicated less than 100 percent of its total square footage to qualifying units, only a proportional share of the land beneath the building footprint is subject to the exemption.

In establishing a program, a city or county may limit participation to:
- targeted areas that present a particular risk of displacement or that provide unique affordable housing opportunities near community infrastructure such as transportation or public schools; and

- properties of a particular size, unit type, or mix of unit size or type that present special antidisplacement opportunity for very low-income household tenants.

A city or county must implement standards for reviewing and approving applications, including an application process, an inspection policy, income and rent limits, documentation requirements, and application fees.

A property owner must submit an application to participate in the program, including documentation of the property's eligibility. The city or county must inspect the property before approving an application. If an application is denied, the city or county must provide a written statement of the reasons for the denial, and an applicant may appeal the decision within 30 days.

The property owner must enter into a contract with the city or county agreeing to terms and conditions required to satisfy eligibility criteria of the incentive program. A property owner receiving a tax exemption must obtain a certification of family size and income from each tenant living in a designated affordable housing unit, and the owner must file an annual report with the city or county that includes a schedule of rents and a statement of occupancy and vacancy.

If the owner intends to discontinue compliance with the affordable housing requirements, the owner must notify tenants and the jurisdiction within 60 days of the owner's intended discontinuance. If the property no longer meets the qualifications of the program, the tax exemption must be canceled, and the property owner must pay additional property tax equal to what would have been owed if the property had not been included in the program, penalties, and interest.

A city or county with a program must report annually to the Department of Commerce with the number of tax exemptions granted; the number and types of units meeting affordable housing requirements; the total monthly rent for each unit; and the dollar amount of tax exemptions issued for each project and for the program as a whole.
A tax preference performance statement is included, and the Legislature's stated intent is to provide incentives to property owners to preserve affordable housing units for very low-income households.

Appropriation: None.

Fiscal Note: Available.

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