

CERTIFICATION OF ENROLLMENT

HOUSE BILL 1450

Chapter 301, Laws of 2007

60th Legislature
2007 Regular Session

LOW-INCOME HOUSEHOLDS--PROPERTY TAXES--EXEMPTION

EFFECTIVE DATE: 07/22/07

Passed by the House April 18, 2007
Yeas 83 Nays 14

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 12, 2007
Yeas 45 Nays 2

BRAD OWEN

President of the Senate

Approved May 2, 2007, 3:39 p.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1450** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

May 3, 2007

**Secretary of State
State of Washington**

HOUSE BILL 1450

AS AMENDED BY THE SENATE

Passed Legislature - 2007 Regular Session

State of Washington 60th Legislature 2007 Regular Session

By Representatives Sells, Strow, Miloscia, Curtis, O'Brien, B. Sullivan, Roberts, Lovick, Appleton, Kenney, Ormsby and Hasegawa

Read first time 01/19/2007. Referred to Committee on Housing.

1 AN ACT Relating to the exemption of housing for very low-income
2 households from taxation; and amending RCW 84.36.560 and 84.40.030.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 84.36.560 and 2001 1st sp.s. c 7 s 1 are each amended
5 to read as follows:

6 (1) The real and personal property owned or used by a nonprofit
7 entity in providing rental housing for very low-income households or
8 used to provide space for the placement of a mobile home for a very
9 low-income household within a mobile home park is exempt from taxation
10 if:

11 (a) The benefit of the exemption inures to the nonprofit entity;

12 (b) At least seventy-five percent of the occupied dwelling units in
13 the rental housing or lots in a mobile home park are occupied by a very
14 low-income household; and

15 (c) The rental housing or lots in a mobile home park were insured,
16 financed, or assisted in whole or in part through one or more of the
17 following sources:

18 (i) A federal or state housing program administered by the
19 department of community, trade, and economic development; ((~~or~~))

1 (ii) A federal housing program administered by a city or county
2 government;

3 (iii) An affordable housing levy authorized under RCW 84.52.105; or

4 (iv) The surcharges authorized by RCW 36.22.178 and 36.22.179 and
5 any of the surcharges authorized in chapter 43.185C RCW.

6 (2) If less than seventy-five percent of the occupied dwelling
7 units within the rental housing or lots in the mobile home park are
8 occupied by very low-income households, the rental housing or mobile
9 home park is eligible for a partial exemption on the real property and
10 a total exemption of the housing's or park's personal property as
11 follows:

12 (a) A partial exemption shall be allowed for each dwelling unit in
13 the rental housing or for each lot in a mobile home park occupied by a
14 very low-income household.

15 (b) The amount of exemption shall be calculated by multiplying the
16 assessed value of the property reasonably necessary to provide the
17 rental housing or to operate the mobile home park by a fraction. The
18 numerator of the fraction is the number of dwelling units or lots
19 occupied by very low-income households as of December 31st of the first
20 assessment year in which the rental housing or mobile home park becomes
21 operational or on January 1st of each subsequent assessment year for
22 which the exemption is claimed. The denominator of the fraction is the
23 total number of dwelling units or lots occupied as of December 31st of
24 the first assessment year the rental housing or mobile home park
25 becomes operational and January 1st of each subsequent assessment year
26 for which exemption is claimed.

27 (3) If a currently exempt rental housing unit in a facility with
28 ten units or fewer or mobile home lot in a mobile home park with ten
29 lots or fewer was occupied by a very low-income household at the time
30 the exemption was granted and the income of the household subsequently
31 rises above fifty percent of the median income but remains at or below
32 eighty percent of the median income, the exemption will continue as
33 long as the housing continues to meet the certification requirements of
34 a very low-income housing program (~~administered by the department of~~
35 ~~community, trade, and economic development or the affordable housing~~
36 ~~levy under RCW 84.52.105)) listed in subsection (1) of this section.
37 For purposes of this section, median income, as most recently
38 determined by the federal department of housing and urban development~~

1 for the county in which the rental housing or mobile home park is
2 located, shall be adjusted for family size. However, if a dwelling
3 unit or a lot becomes vacant and is subsequently rerented, the income
4 of the new household must be at or below fifty percent of the median
5 income adjusted for family size as most recently determined by the
6 federal department of housing and urban development for the county in
7 which the rental housing or mobile home park is located to remain
8 exempt from property tax.

9 (4) If at the time of initial application the property is
10 unoccupied, or subsequent to the initial application the property is
11 unoccupied because of renovations, and the property is not currently
12 being used for the exempt purpose authorized by this section but will
13 be used for the exempt purpose within two assessment years, the
14 property shall be eligible for a property tax exemption for the
15 assessment year in which the claim for exemption is submitted under the
16 following conditions:

17 (a) A commitment for financing to acquire, construct, renovate, or
18 otherwise convert the property to provide housing for very low-income
19 households has been obtained, in whole or in part, by the nonprofit
20 entity claiming the exemption from((+

21 ~~(i) A federal or state housing program administered by the~~
22 ~~department of community, trade, and economic development; or~~

23 ~~(ii) An affordable housing levy authorized under RCW 84.52.105))~~
24 one or more of the sources listed in subsection (1)(c) of this section;

25 (b) The nonprofit entity has manifested its intent in writing to
26 construct, remodel, or otherwise convert the property to housing for
27 very low-income households; and

28 (c) Only the portion of property that will be used to provide
29 housing or lots for very low-income households shall be exempt under
30 this section.

31 (5) To be exempt under this section, the property must be used
32 exclusively for the purposes for which the exemption is granted, except
33 as provided in RCW 84.36.805.

34 (6) The nonprofit entity qualifying for a property tax exemption
35 under this section may agree to make payments to the city, county, or
36 other political subdivision for improvements, services, and facilities
37 furnished by the city, county, or political subdivision for the benefit

1 of the rental housing. However, these payments shall not exceed the
2 amount last levied as the annual tax of the city, county, or political
3 subdivision upon the property prior to exemption.

4 (7) As used in this section:

5 (a) "Group home" means a single-family dwelling financed, in whole
6 or in part, by ~~((the department of community, trade, and economic
7 development or by an affordable housing levy under RCW 84.52.105))~~ one
8 or more of the sources listed in subsection (1)(c) of this section.

9 The residents of a group home shall not be considered to jointly
10 constitute a household, but each resident shall be considered to be a
11 separate household occupying a separate dwelling unit. The individual
12 incomes of the residents shall not be aggregated for purposes of this
13 exemption;

14 (b) "Mobile home lot" or "mobile home park" means the same as these
15 terms are defined in RCW 59.20.030;

16 (c) "Occupied dwelling unit" means a living unit that is occupied
17 by an individual or household as of December 31st of the first
18 assessment year the rental housing becomes operational or is occupied
19 by an individual or household on January 1st of each subsequent
20 assessment year in which the claim for exemption is submitted. If the
21 housing facility is comprised of three or fewer dwelling units and
22 there are any unoccupied units on January 1st, the department shall
23 base the amount of the exemption upon the number of occupied dwelling
24 units as of December 31st of the first assessment year the rental
25 housing becomes operational and on May 1st of each subsequent
26 assessment year in which the claim for exemption is submitted;

27 (d) "Rental housing" means a residential housing facility or group
28 home that is occupied but not owned by very low-income households;

29 (e) "Very low-income household" means a single person, family, or
30 unrelated persons living together whose income is at or below fifty
31 percent of the median income adjusted for family size as most recently
32 determined by the federal department of housing and urban development
33 for the county in which the rental housing is located and in effect as
34 of January 1st of the year the application for exemption is submitted;
35 and

36 (f) "Nonprofit entity" means a:

37 (i) Nonprofit as defined in RCW 84.36.800 that is exempt from
38 income tax under section 501(c) of the federal internal revenue code;

1 (ii) Limited partnership where a nonprofit as defined in RCW
2 84.36.800 that is exempt from income tax under section 501(c) of the
3 federal internal revenue code, a public corporation established under
4 RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority created
5 under RCW 35.82.030 or 35.82.300, or a housing authority meeting the
6 definition in RCW 35.82.210(2)(a) is a general partner; or

7 (iii) Limited liability company where a nonprofit as defined in RCW
8 84.36.800 that is exempt from income tax under section 501(c) of the
9 federal internal revenue code, a public corporation established under
10 RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority established
11 under RCW 35.82.030 or 35.82.300, or a housing authority meeting the
12 definition in RCW 35.82.210(2)(a) is a managing member.

13 **Sec. 2.** RCW 84.40.030 and 2001 c 187 s 17 are each amended to read
14 as follows:

15 All property shall be valued at one hundred percent of its true and
16 fair value in money and assessed on the same basis unless specifically
17 provided otherwise by law.

18 Taxable leasehold estates shall be valued at such price as they
19 would bring at a fair, voluntary sale for cash without any deductions
20 for any indebtedness owed including rentals to be paid.

21 The true and fair value of real property for taxation purposes
22 (including property upon which there is a coal or other mine, or stone
23 or other quarry) shall be based upon the following criteria:

24 (1) Any sales of the property being appraised or similar properties
25 with respect to sales made within the past five years. The appraisal
26 shall be consistent with the comprehensive land use plan, development
27 regulations under chapter 36.70A RCW, zoning, and any other
28 governmental policies or practices in effect at the time of appraisal
29 that affect the use of property, as well as physical and environmental
30 influences. An assessment may not be determined by a method that
31 assumes a land usage or highest and best use not permitted, for that
32 property being appraised, under existing zoning or land use planning
33 ordinances or statutes or other government restrictions. The appraisal
34 shall also take into account: (a) In the use of sales by real estate
35 contract as similar sales, the extent, if any, to which the stated
36 selling price has been increased by reason of the down payment,
37 interest rate, or other financing terms; and (b) the extent to which

1 the sale of a similar property actually represents the general
2 effective market demand for property of such type, in the geographical
3 area in which such property is located. Sales involving deed releases
4 or similar seller-developer financing arrangements shall not be used as
5 sales of similar property.

6 (2) In addition to sales as defined in subsection (1) of this
7 section, consideration may be given to cost, cost less depreciation,
8 reconstruction cost less depreciation, or capitalization of income that
9 would be derived from prudent use of the property, as limited by law or
10 ordinance. Consideration should be given to any agreement, between an
11 owner of rental housing and any government agency, that restricts
12 rental income, appreciation, and liquidity; and to the impact of
13 government restrictions on operating expenses and on ownership rights
14 in general of such housing. In the case of property of a complex
15 nature, or being used under terms of a franchise from a public agency,
16 or operating as a public utility, or property not having a record of
17 sale within five years and not having a significant number of sales of
18 similar property in the general area, the provisions of this subsection
19 shall be the dominant factors in valuation. When provisions of this
20 subsection are relied upon for establishing values the property owner
21 shall be advised upon request of the factors used in arriving at such
22 value.

23 (3) In valuing any tract or parcel of real property, the true and
24 fair value of the land, exclusive of structures thereon shall be
25 determined; also the true and fair value of structures thereon, but the
26 valuation shall not exceed the true and fair value of the total
27 property as it exists. In valuing agricultural land, growing crops
28 shall be excluded.

Passed by the House April 18, 2007.

Passed by the Senate April 12, 2007.

Approved by the Governor May 2, 2007.

Filed in Office of Secretary of State May 3, 2007.