
Finance Committee

HB 1035

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

Sponsors: Representatives Kloba, Ryu, Ortiz-Self, Duerr, Wylie, Tharinger, Ramel, Gregerson, Valdez, Hackney, Callan, Santos, Pollet and Harris-Talley.

Brief Summary of Bill

- Authorizes cities and counties to create an affordable housing incentive program (AHIP).
- Authorizes an AHIP to provide a six-year property tax exemption to certain qualifying properties, with one six-year renewal.
- Requires the local governing authority to include qualifying standards when creating an AHIP, including rent limits and income guidelines.
- Establishes various program requirements and administrative provisions.

Hearing Date: 1/18/22

Staff: Kyle Raymond (786-7190).

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

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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 assessed valuation.

Summary of Bill:

Affordable Housing Incentive Program.

A city or county governing authority may establish an affordable housing incentive program (AHIP) to preserve affordable housing within the city or unincorporated area that meets health and quality standards for low-income and very low-income households at risk of displacement or that cannot afford market rate housing.

A governing authority may limit an AHIP to particular targeted areas that are at risk for displacement or provide unique affordable housing opportunities near community infrastructure. Prior to establishing an AHIP, a governing authority must provide local taxing districts within the designated exemption area notice and an opportunity to be heard.

An AHIP may grant property tax exemptions to single-family dwellings, multifamily dwellings, and manufactured or mobile home lots for a period of six years, with one six-year renewal. The exemption is provided in addition to any other credits, grants, or incentives, and does not apply to any non-qualifying portions of a building or land.

For single-family and multifamily dwellings, the property tax exemption applies to the value of improvements and land. For manufactured or mobile home lots, the property tax exemption applies only the mobile home lot dedicated to the qualified tenant.

Property Tax Exemption Requirements.

For purposes of the AHIP property tax exemption, a governing authority must adopt qualifying standards for low-income household and very low-income household rental housing. These standards must include rent limits and income guidelines consistent with local housing needs to assist households that cannot afford market rate housing.

Rent levels for qualifying affordable housing units, inclusive of any mandatory fees for tenant-paid utilities, may not exceed 30 percent of the income limit. Affordable units must be comparable in terms of quality, living conditions, and unit size, to market rate units.

For a property to be eligible for the exemption, housing units or mobile home lots must be rented below market rent levels. A property must comply with all applicable land use, zoning, and building and housing code requirements, and health and quality standards.

For multifamily properties, a minimum of 25 percent of housing units must be affordable to very low-income households, the building must be at least 25 years old, and must have 90 percent occupancy at the time of application. A multifamily property that is mixed-use must provide at least 50 percent of space for permanent residential occupancy.

For single-family dwellings, or attached or detached accessory dwelling units, the property must be owner-occupied and affordable to low-income households.

A governing authority may establish income or rent thresholds other than those established in statute, where it determines that such an adjustment is needed to serve the needs of very low-income renters in the community.

"Low-income household" means a household whose income is at or below 80 percent of county median income, adjusted for household size. "Very low-income household" means a household whose income is at or below 50 percent of county median income, adjusted for household size.

Application Procedure.

Property owners seeking an AHIP property tax exemption must apply to the governing authority, pursuant to locally adopted procedures and documentation submittal requirements, and must pay any locally adopted fees. Any application to the program must include all relevant information setting forth the grounds supporting the requested exemption, a description of the project, an acknowledgment of potential future tax liability, and a certification of family size and annual income requirements.

Applicants must enter into a contract with the governing authority agreeing to the terms and conditions of the program.

A governing authority must review applications, determine eligibility, and may approve or deny any application based on this review. Prior to any approval, the applicable city or county agency must inspect a property to certify compliance with health and quality standards.

If an application is approved, a governing authority must issue a certificate of tax exemption to the property owner and must also submit a copy of the certificate to the county assessor by October 1 of the year prior to the year in which the property tax exemption begins.

If an application is denied, a governing authority must notify the applicant within 10 days and provide an explanation of the reasons for denial. An applicant who has been denied may appeal the decision to the governing authority, or its designated agent, within 30 days after receiving the notice of denial. The burden is on the applicant to show that the governing authority's decision is not supported by substantial evidence.

Noncompliance.

If a property owner receiving a property tax exemption under the program seeks to discontinue compliance with the requirements of the program, the owner must notify tenants and the governing authority within 60 days of the intended discontinuance.

If a governing authority discovers that a property no longer meets the requirements of the program, or has been notified of a discontinuance of compliance, the tax exemption must be

canceled. An additional tax must be imposed on the property equal to the amount that was exempted but for which program requirements were not met. The amount due is subject to interest, calculated from the date when the tax would have otherwise been due, and a penalty equal to 20 percent of the additional tax imposed. The additional tax, interest, and penalty become a lien on the real property.

If a governing authority determines that an exemption is to be canceled, notice must be provided to the property owner by certified mail. A property owner may appeal, to the governing authority, the cancellation and specify the legal and factual basis upon which the cancellation is alleged to be erroneous. The governing authority may hear the appeal, and the burden is on the property owner to show that the cancellation is not supported by substantial evidence. The cancellation must be affirmed, modified, or overturned. An aggrieved party may appeal the decision of the appeal to the superior court.

The county assessor must continue to annually value the exempt and nonexempt portions of a property to allow for the correction of the tax roll, should an exemption be canceled.

Reporting Requirements.

A property owner receiving an AHIP property tax exemption must annually report to the governing authority information related to the property and its tenants, including: family size and annual income for each tenant living in a designated affordable unit; a statement of occupancy and vacancy; a schedule of rents charged in market rate units; and any other information required by the governing authority.

The governing authority of an AHIP must annually report to the Department of Commerce certain information, including: the number of exemptions granted; the number and type of units in properties receiving an exemption; the number and type of units meeting affordable housing requirements; the total monthly rent for each affordable and market rate unit; and the dollar amount of each exemption granted.

Tax Preference Performance Statement.

The tax preference provided by an AHIP is categorized as one intended to induce certain designated behavior by taxpayers.

The tax preference performance statement specifies that it is the Legislature's public policy objective to preserve quality and healthy affordable housing where housing options, including quality and healthy affordable housing options, are severely limited.

Appropriation: None.

Fiscal Note: Available.

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