HOUSE BILL REPORT

EHB 1225

As Passed House
March 11, 1991

Title: An act relating to the classification and valuation of multiple-unit buildings devoted primarily to low-income housing and of mobile home parks at current use value.

Brief Description: Providing a procedure for the classification and valuation of property devoted primarily to low-income housing.

Sponsor(s): Representatives Winsley, Wang, Ballard, Leonard, Nelson, Ebersole, Mitchell, Franklin, Heavey, D. Sommers, Paris, Broback, May, Bowman, Brough, Edmondson, Dellwo, Wood, Jones, Wynne, Scott, Jacobsen, Fraser, Moyer, Phillips, Brekke and Rasmussen.

Brief History:
Reported by House Committee on:
Housing, January 24, 1991, DP;
Revenue, February 19, 1991, DPA;
Passed House, March 11, 1991, 94-0.

HOUSE COMMITTEE ON HOUSING

Majority Report: *Do pass.* Signed by 8 members: Representatives Nelson, Chair; Franklin, Vice Chair; Mitchell, Ranking Republican Member; Winsley, Assistant Ranking Republican Member; Ballard; Leonard; Ogden; and Wineberry.

Staff: Kenny Pittman (786-7392).

HOUSE COMMITTEE ON REVENUE

Majority Report: *Do pass as amended.* Signed by 14 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Brumsickle; Day; Leonard; Morton; Phillips; Rust; Silver; and Van Luven.

Staff: Rick Peterson (786-7150).

Background: A proposed constitutional amendment, HJR-4205, would allow property with dwelling units that are devoted primarily to low-income housing and containing at least five low-income dwelling units to be valued at current use value rather than true and fair market value for property tax purposes.

Summary of Bill: Counties are authorized to base valuation of property with buildings that are devoted primarily to low-income housing and contain at least three low-income dwelling units, or mobile home parks that contain at least three low-income mobile home spaces, at its current use value rather than true and fair market value for property tax purposes. The current use valuation process must be approved by resolution or ordinance of the county.

A low-income person is defined as a family or household whose annual income does not exceed 50 percent of the median income, adjusted for household size, in the area in which the qualifying property is located.

<u>Property with Buildings</u>

For property tax purposes, the current use valuation designation for low-income dwelling units would apply to any property with a building, including areas used for parking and landscaping required by local building and zoning ordinances, that meet all of the following criteria: (a) at least 50 percent of the rentable floor area of the building must be dedicated to low-income housing; (b) at least three dwelling units are occupied by persons of low-income; (c) the rents charged to low-income persons are below market rates established by the federal government or a local housing authority, or at or below 15 percent of the area median income; and (d) the building and dwelling units rented to low-income persons comply with local health and safety standards.

A dwelling unit is defined as a structure that is used as a home, residence, or sleeping area by one or more persons maintaining a common household, including but not limited to units of multiplexes and apartment buildings.

<u>Property with Mobile Home Park</u>

For property tax purposes, the current use valuation designation for mobile home parks would apply to any property used for a mobile home park, including areas used for parking and landscaping required by local building and zoning ordinances, that meet all of the following criteria: (a) at least 50 percent of the mobile home park spaces must be dedicated to low-income housing; (b) at least three mobile home spaces in the mobile home park must be dedicated to housing for persons of low-income; (c) the rents charged to low-income persons are below market rates for mobile home park spaces; and (d) the mobile home park must comply with local health and safety standards.

A mobile home park means any real property which is rented or held out for rent to others for the placement of two or more mobile homes for the primary purpose of producing income. This definition does not include a mobile home rented for seasonal recreational purposes only and is not intended for year-round occupancy.

General Provisions

The current use valuation could be applied only to those portions of the property that is dedicated to housing for persons of low-income or mobile home park spaces dedicated to persons of low-income.

The current use valuation designation does not apply to: (a) substandard buildings; (b) institutional housing, except housing under contract to a governmental organization or private health care organization; (c) employee housing, including contract workers, employees, or relatives of the owner; and (d) any property beyond five acres, except for mobile home parks.

In computing current use value, the county assessor is to disregard: (a) potential uses that might return a higher income; (b) rents that might be charged were the owner to maximize returns; and (c) the value of the property if either the land or improvements were unencumbered by their current commitment to low-income housing. The assessed value is to be the lesser of the property’s value based on current use or its value if it were assessed without regard to this classification.

Property classified as "devoted to low-income housing" must remain in that use for at least 10 years. After eight years, the owner of the property may choose to change its use. Two years’ notice of a change in classification must be given to the assessor of the county in which the property is located. Upon removal from classification, the bill provides for the repayment of seven years of foregone taxes, plus a 20 percent penalty, and interest. This provision is consistent with existing current use law for agricultural lands, timber lands, and other property under the Open Space Act.

The Department of revenue shall adopt rules to implement this chapter.

The Department of Community Development shall prepare and publish data on county median income figures.

Fiscal Note: Available.

Effective Date: This bill takes effect after the approval by the voters in the November 1991 general election.

Testimony For: (Housing) The bill provides another tool to local governments to preserve the supply of affordable housing. However, the requirement that a property contain at least five dwelling units should be lowered to two units.

Testimony For: (Revenue) The bill will provide incentives for the private sector to retain the remaining low-income housing stock. This will help revitalize downtown areas. Incentives to retain low-income housing are consistent with growth management strategies.

Testimony Against: (Housing) None.

Testimony Against: (Revenue) The property tax should apply to the land value and not the improvement value.

Witnesses: (Housing) Mike Ryherd, Low-Income Housing Congress (in favor of bill); Fred Saeger, Washington Association of County Officials (in favor of bill); Rick Slunaker, Yakima Valley Rental Association (in favor of bill with changes); and Arnold Fox, Washington Apartment Association (in favor of bill with changes).

Witnesses: In favor: Representative Shirley Winsley; Randy Lewis, Pierce County Chamber of Commerce; Stan Finkelstein, Association of Washington Cities; Bruce Walton, Washington Association of Realtors. Opposed: Meta Heller.