

HOUSE BILL REPORT

HJR 4205

*As Reported By House Committee on:
Housing
Revenue*

Brief Description: Amending the Constitution to allow property devoted to low-income housing to be taxed based on its current use value.

Sponsor(s): Representatives Winsley, Wang, Ballard, Leonard, Mitchell, Nelson, Ebersole, Franklin, Bowman, Jones, R. Johnson, Jacobsen, Betrozoff, Fraser, R. King, Phillips, Brekke, Inslee, Spanel, Rasmussen and Anderson.

Brief History:

Reported by House Committee on:
Housing, January 24, 1991, DP;
Revenue, February 19, 1991, DPS.

**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).

Background: Under the state Constitution, real property must be taxed according to the valuation of its highest and best use. Exceptions to this rule are listed in Article VII, Section 11 of the state Constitution. The exceptions include farm and agricultural land, standing timber and timberlands, and open space lands.

Taxing residential real estate at highest and best use, particularly multifamily residential housing located in commercial areas, encourages owners to redevelop their property to secure the highest possible revenue in order to cover the tax burden. This rule discourages owners of low-income housing located in commercial areas from maintaining their property for that use.

Any changes to the classification of property for taxation purposes will require a constitutional amendment, approved by a vote of the public.

Summary of Bill: A constitutional amendment to Article VII, Section 11 of the Constitution of the state of Washington to allow property with dwelling units that are devoted primarily to low-income housing, containing five or more low-income dwelling units, and that comply with health and safety standards will be submitted to the voters in November 1991. If approved, real property meeting these requirements will be valued at its current use value rather than its true and fair market value for property tax purposes.

Fiscal Note: Requested January 21, 1991.

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

Testimony For: The bill provides another tool to local governments to preserve the supply of affordable housing. However, the requirement that a property contain at least 5 dwelling units should be lowered to 2 units.

Testimony Against: None.

Witnesses: 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).

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: That Substitute House Joint Resolution No. 4205 be substituted therefor, and the substitute joint resolution do pass. 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).

Summary of Recommendation of Committee on Revenue Compared to Recommendation of Committee on Housing: The substitute bill reduces the number of low-income housing units necessary to qualify for special property tax treatment from

five units to three units. The substitute bill suggests the following ballot title: Shall a constitutional amendment permit reducing property taxes to current use for qualified low-income housing containing three or more units?

Fiscal Note: Available.

Effective Date: Same as above.

Testimony For: 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: The property tax should apply to the land value and not the improvement value.

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