

SENATE BILL REPORT

EHB 1225

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 2, 1992

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

SPONSORS: 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

HOUSE COMMITTEE ON HOUSING

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators McDonald, Chairman; Bailey, Bauer, Bluechel, Gaspard, M. Kreidler, Murray, Niemi, Owen, Rinehart, Talmadge, West, Williams, and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 27, 1992; March 2, 1992

BACKGROUND:

Property is valued for property tax purposes at its highest and best use which is its fair market value. The state Constitution authorizes current use valuation for farm and agricultural land, standing timber and timberlands, and open space lands.

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

SUMMARY:

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 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.

The current use valuation designation would apply to any property with a building, or any 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 rentable floor area of the building or mobile home park spaces must be dedicated to low-income housing; (b) at least three dwelling units or mobile home park spaces 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 or the mobile home park 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.

The current use valuation could be applied only to those portions of the property that are 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, repayment of up to seven years of tax savings is required, 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.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: contingent on constitutional amendment

SUMMARY OF PROPOSED SENATE AMENDMENT:

The bill is updated to reflect changes made to the statutes in 1991 and to provide for submission to the voters in 1992 rather than 1991.

TESTIMONY FOR:

Since the Constitution requires property taxation based on a highest and best use valuation, there is no incentive to use property as low-income housing in areas zoned commercial. This is a good tool to provide more housing.

TESTIMONY AGAINST: None

TESTIFIED: Rep. Winsley; Mike Ryherd, Housing Congress, Housing Authorities